

Understanding & applying Digital Transformation

The context and the way forward

Agenda

- The scenario
  - What is happening?
  - Why is it happening?
- What is Digital transformation?
  - How organisations can start a digital transformation?
  - The role of people & management
- The competing values framework
  - How to measure culture?
- How to digitally transform? A roadmap
- How to measure digital Transformation?





The Scenario

What is happening?

Digital transformation spending is growing

The IDC report 2018 estimates Worldwide spending on digital transformation technologies, encompassing hardware, software and services, is expected to reach nearly $1.3 trillion in 2018



The (wrong) assumption: Digital business is about digital technologies

57% of organisations say that implementing **key digital technologies** is critical to enabling their digital business, a Forrester study says



The drivers: CX, Innovation and Time to Market

Forrester reveals that the top **three digital transformation drivers** are improved customers experience, increased speed of innovation, and improved-time-to market

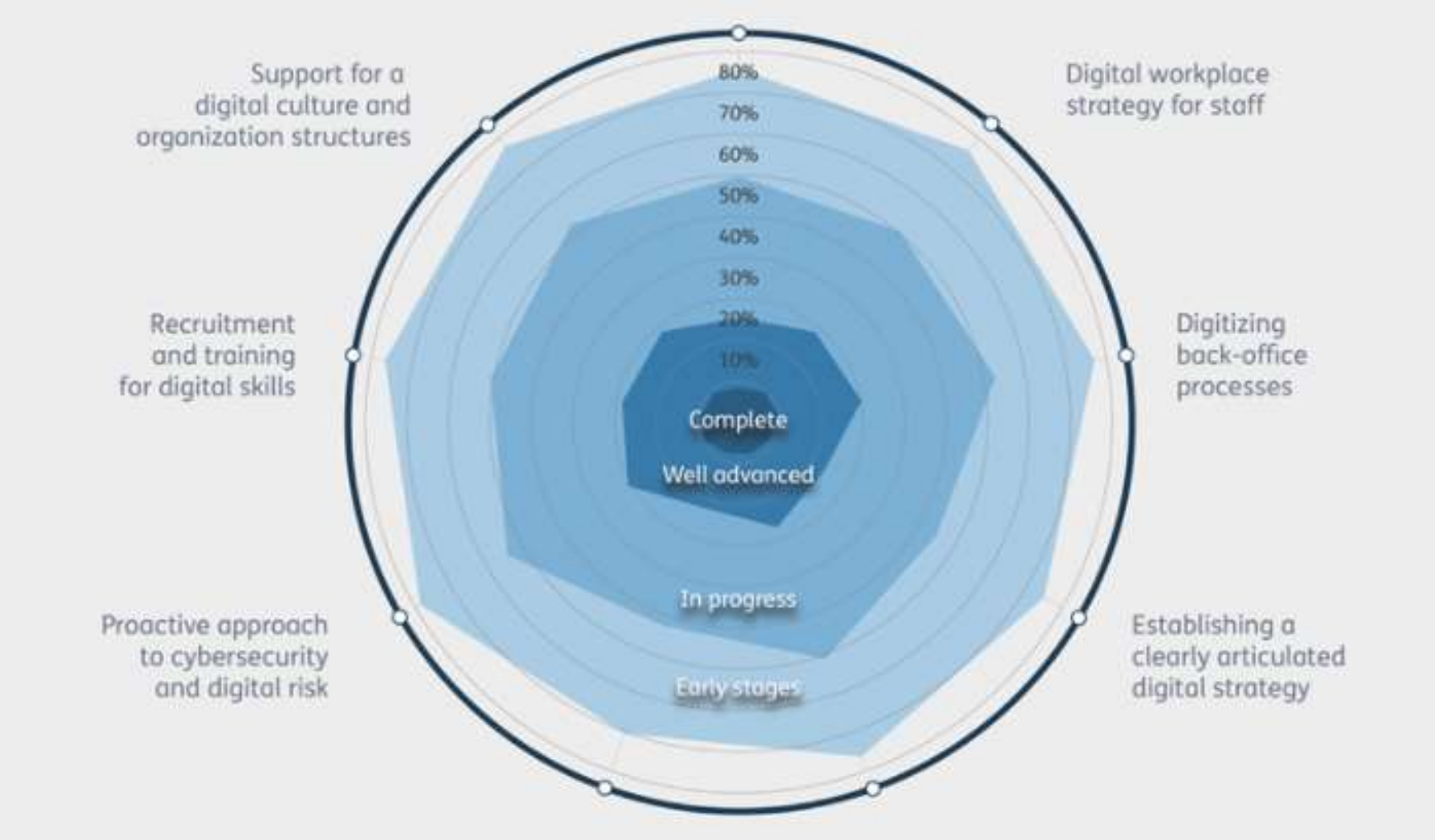


84% Of organisations fail at Digital Transformation

Forbes and IBM report that 1 in 8 organisations had Digital Transformation right and more than 50% of companies failed completely



Digital transformation is happening. But slowly.



Out of 9 dimensions that define digital transformation maturity, only 8% of the organisations consider their journey to be complete. Most companies are still transitioning, with 23% at an earl stage.

[Ovum intelligence 2017]

The 10 top obstacles

1. Inability to experiment quickly (53%)

2. Legacy systems (52%)

3. Inability to work across silos (51%)

4. Inadequate collaboration between IT and lines of business (49%)

5. Risk-averse culture (47%)

6. Change management capabilities (46%)

7. Lack of a corporate vision for digital (39%)



Fear of the unknown technologies hinders transformation

52% of executives cite "a lack of familiarity with technology" as a barrier to digital transformation.



Digital transformation is (still a Missed) opportunity

A study by Accenture highlights that 87% of companies say that digital transformation is an opportunity, only 5% say they have mastered digital to a point of differentiation



The result is that organisations are lost and are losing

CapGemini’s reports that since 2000, 52% of companies in the Fortune 500 have either gone bankrupt, been acquired or ceased to exist.





What is REALLY Happening?

Understanding the real context

confusion

The growth of technology investments is an indicator of the current confusion.

Organisation are unable to clearly identify

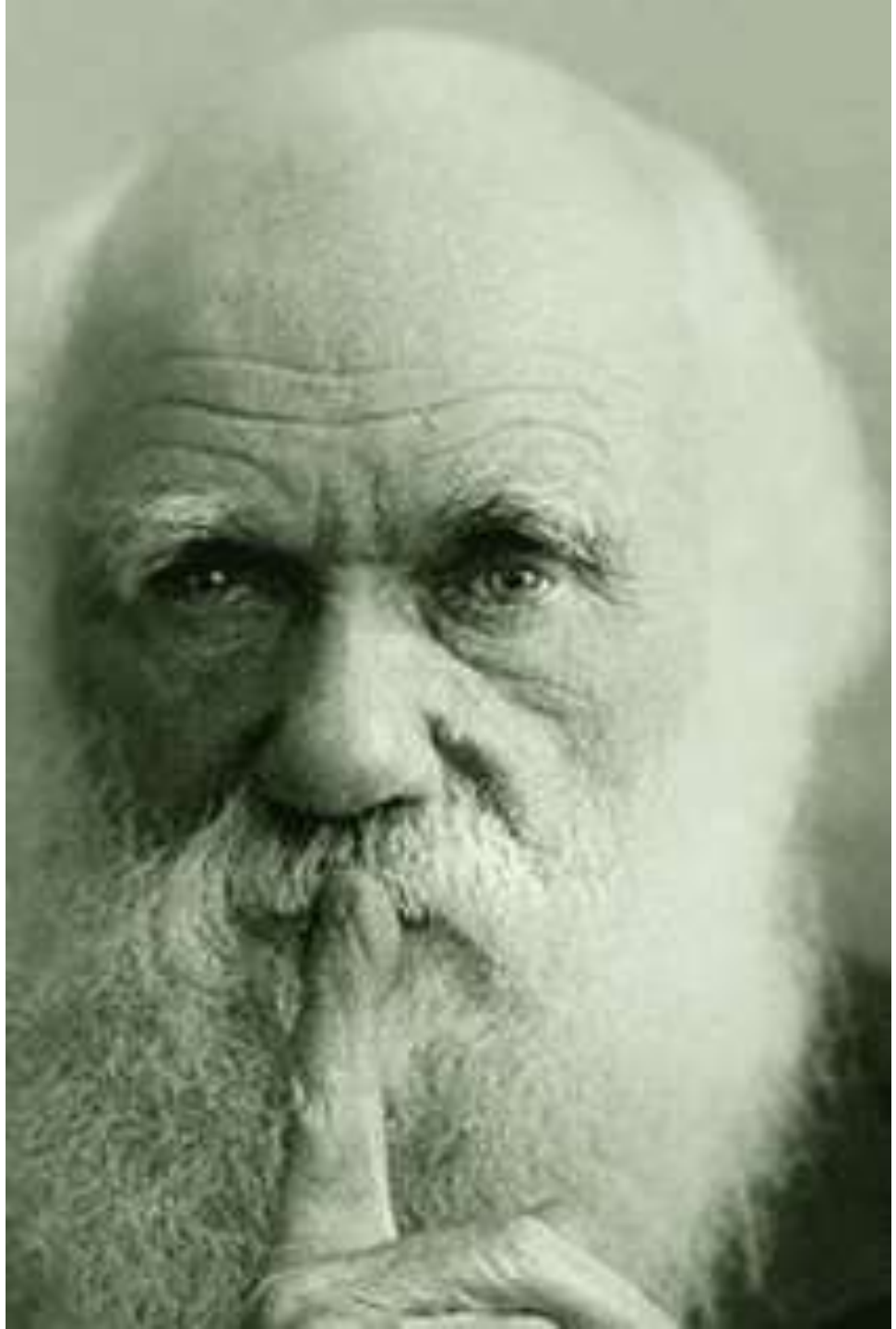
- the root causes that are shaking organisations
- The essence of Digital transformation



The truth

It is not the strongest of the species that survives, nor the most intelligent that survives.

It is the one that is the most *adaptable* to change.



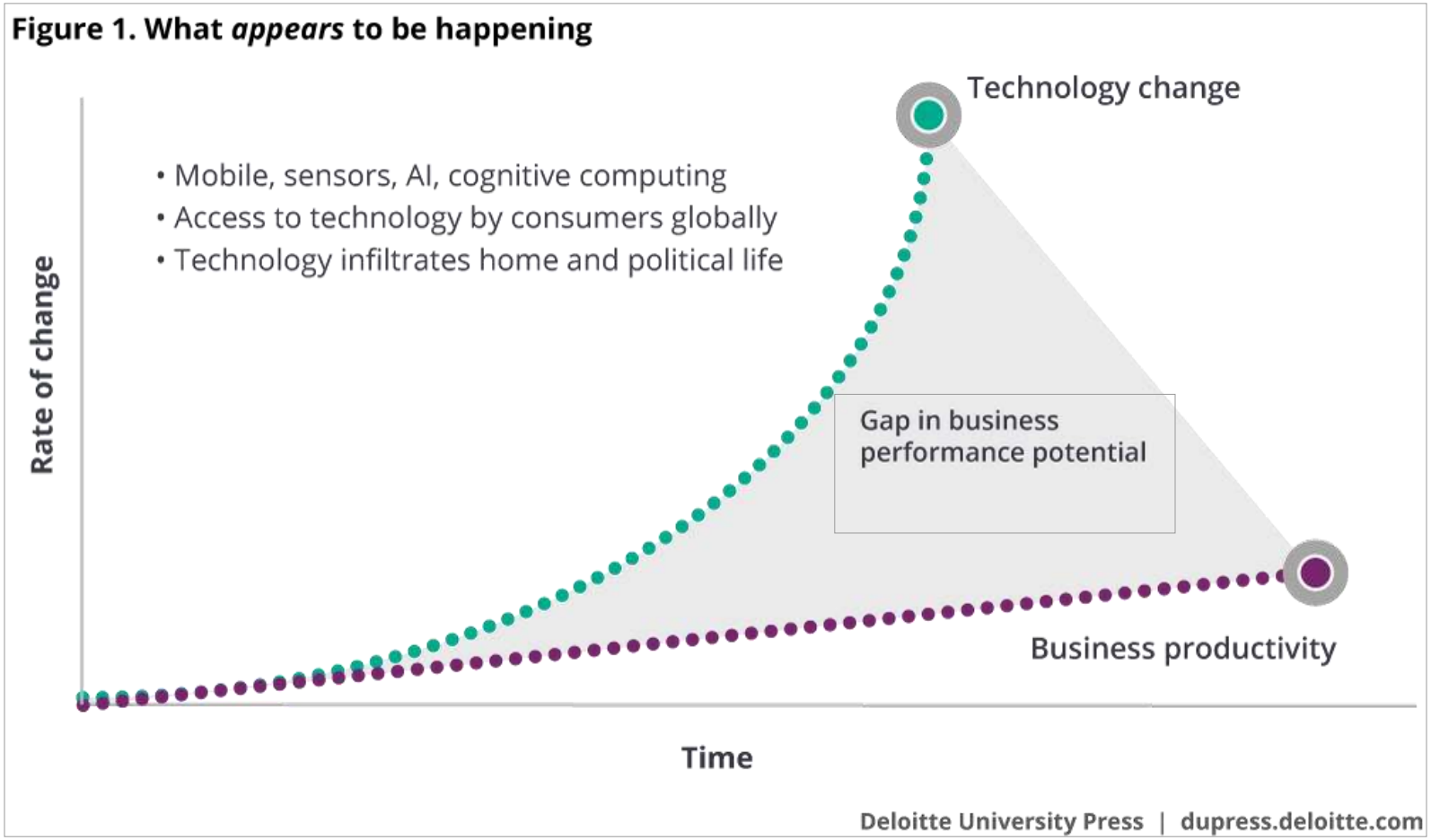
Digital darwinism

This is an era where technology and society are evolving faster than businesses can naturally adapt. This sets the stage for a new era of leadership, a new generation of business models, charging behind a mantra of “adapt or die.”

B. Solis

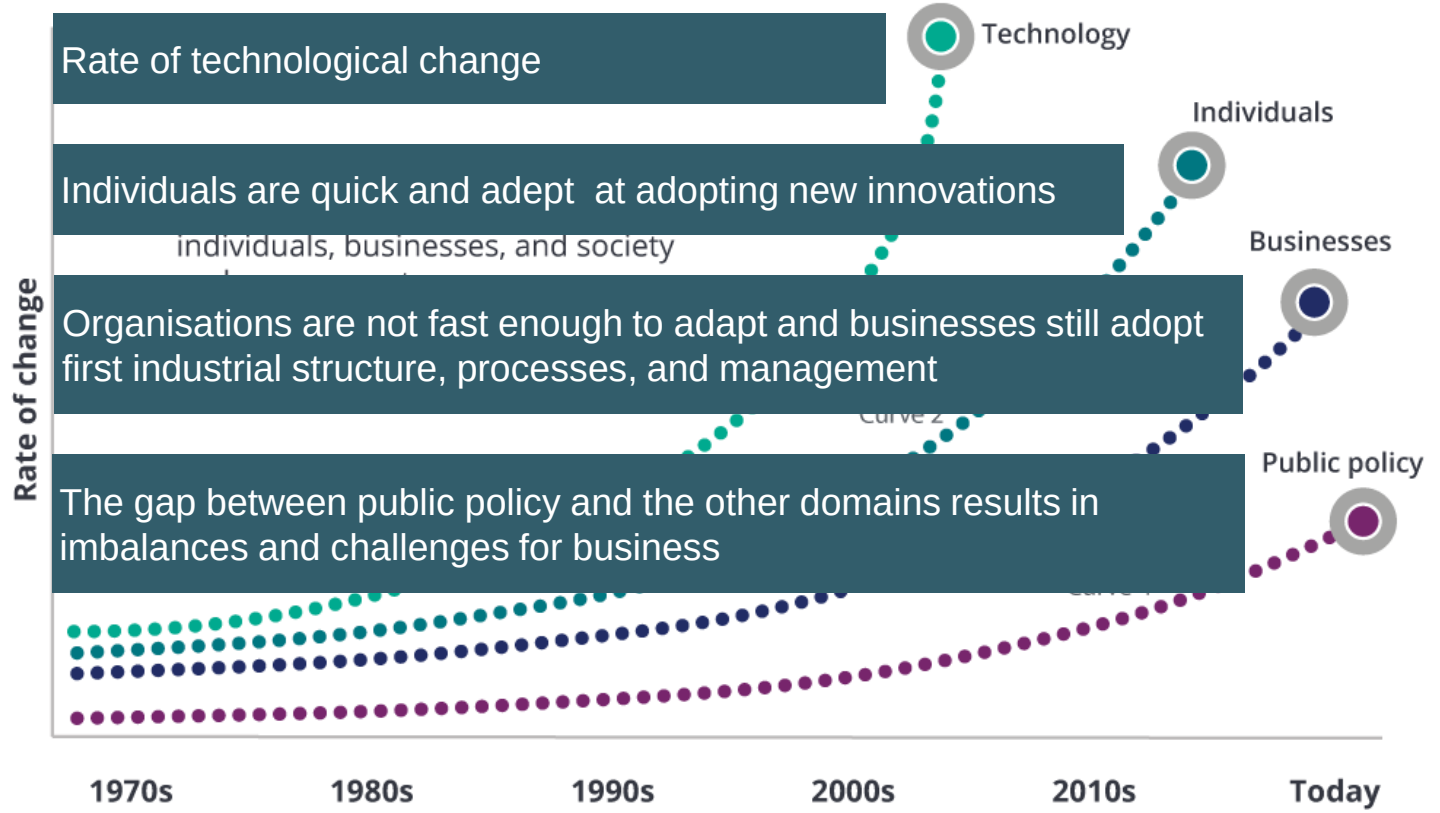


What is happening…



What is really happening

Figure 2. What is *really* happening



Deloitte University Press | dupress.deloitte.com

Consumers are the driver

The rapid technological changes that are widely available and used by consumers are fundamentally altering traditional business economics.

As a result, traditional value chains are fragmenting as technology changes are shifting industry structures and processes into ever-smaller slices.

The result is a profound change in the economics, competitive environment and valuation of traditional businesses.



It’s not about technology, It’s about people!

the problem comes down to human capital strategies: how businesses organize, manage, develop, and align people at work to deliver successful customer and employee experiences.





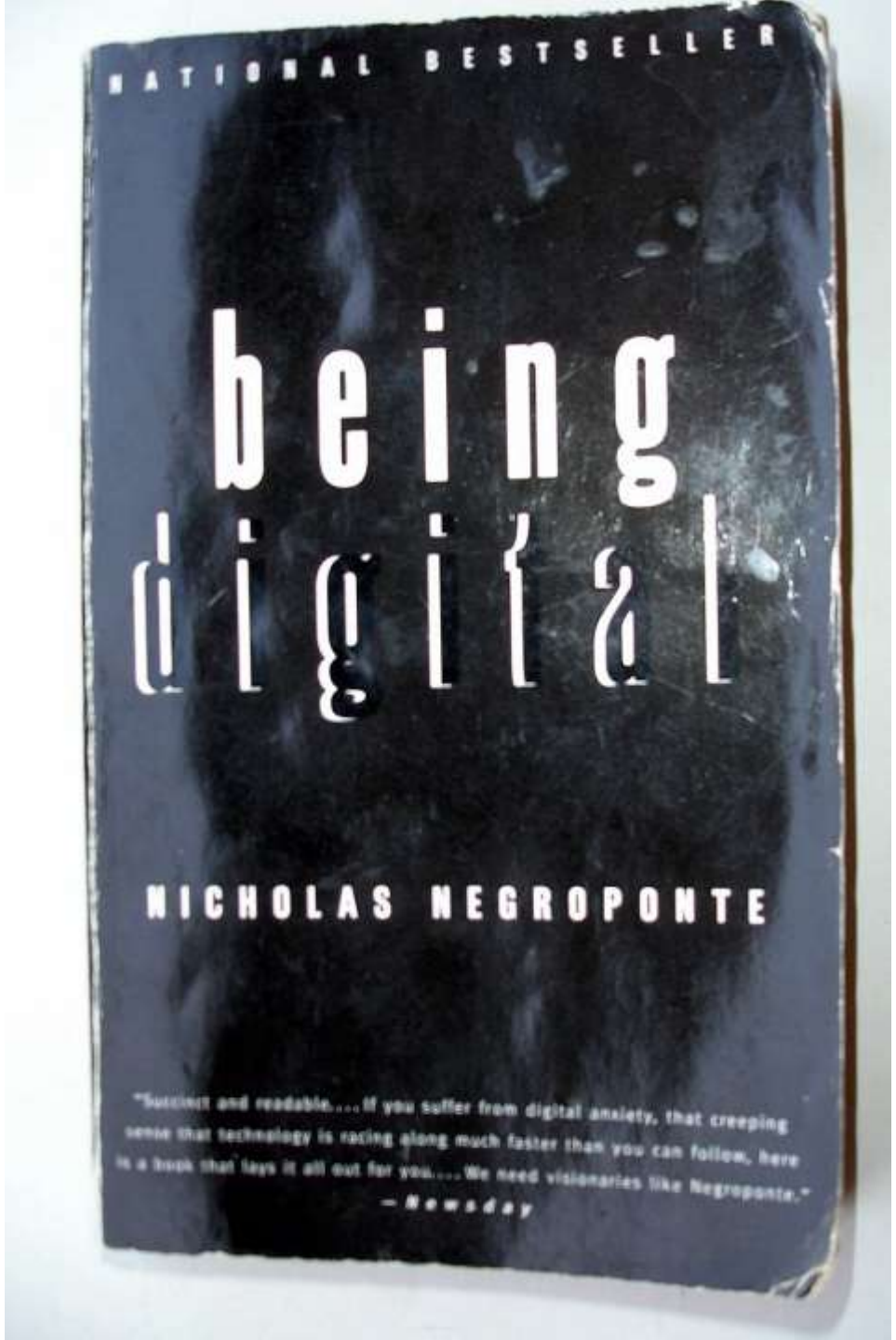
Why is it happening today?

The rational and the background

We are Digital

The change from atoms to bits is irrevocable and unstoppable.
Why now?
Because the change is also exponential — small differences of yesterday can have suddenly shocking consequences tomorrow.

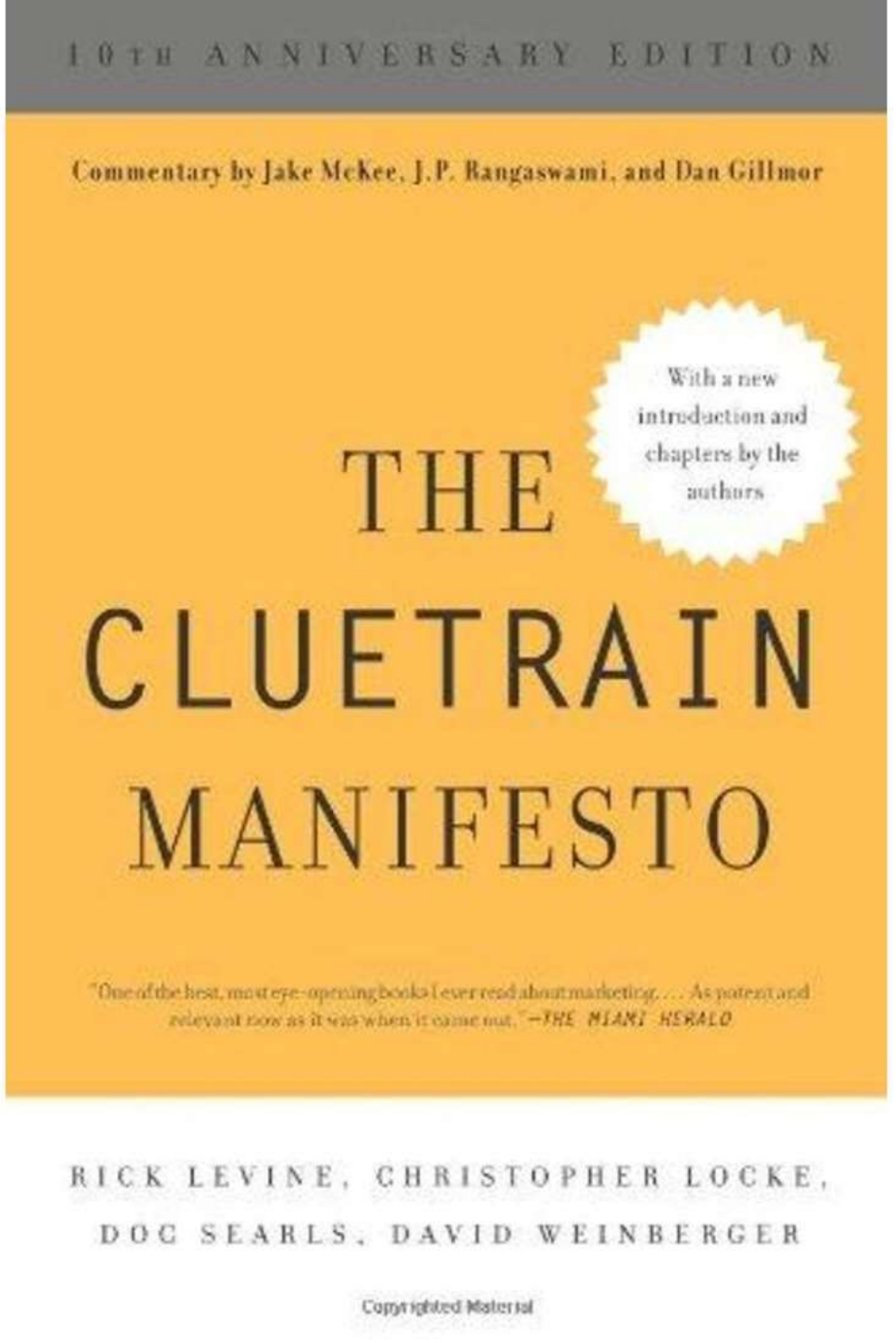
N. Negroponte 1995



Markets become conversations

“Networked markets are beginning to self-organize faster than the companies that have traditionally served them. Thanks to the web, markets are becoming better informed, smarter, and more demanding of qualities missing from most business organizations.”

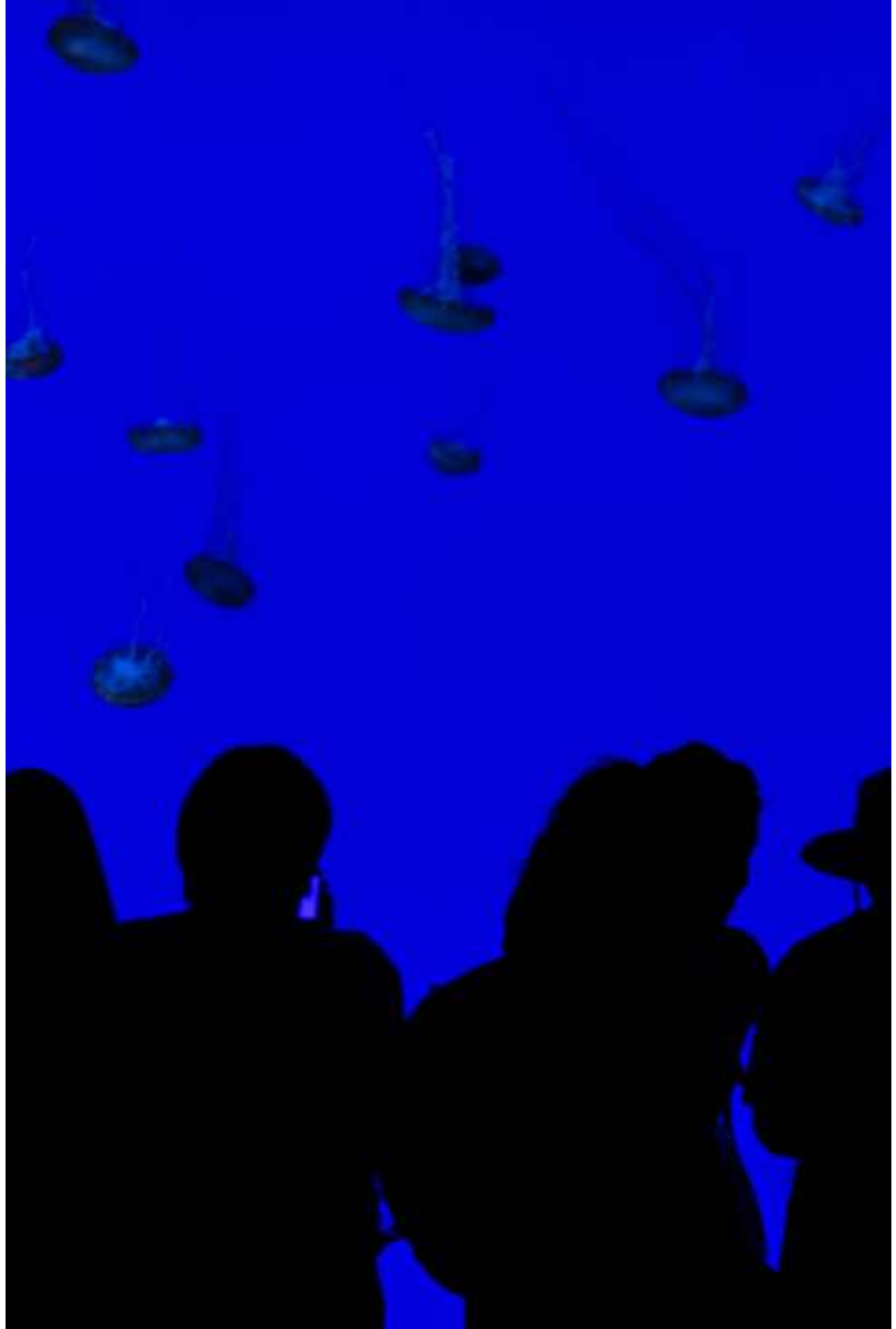
AD 2000



Organisations as aquariums

The relationship between organisations and the outside word has changed:

- Direct conversations
- Transparency
- Humanisation



Digital is changing the ways of being

… just as elevators have changed the shape of buildings and cars have changed the shape of cities, bits will change the shape of organizations, be they companies, nations, or social structures.

N. Negroponte 1995



Relationships have been transformed. This requires adaptation

Technology has changed the relationships between customers and organisations deeply affecting organisational models and management systems





What is Digital Transformation?

Definitions and approaches

DIGITAL IS AN ADJECTIVE TELLING HOW WE CAN CHANGE



Digital

1650s, "pertaining to fingers," from Latin *digitalis*, from *digitus*. Meaning "using numerical digits" is from 1938, especially of computers after c. 1945.



Transformation

From *trans* "across, bayond" + *formare* "to form”.

c. 1400, from Old French *transformation* and directly from Church Latin *transformationem* (nominative *transformatio*) "change of shape," noun of action from past participle stem of *transformare*

THE THREE ERA OF DIGITAL TRANSFORMATION

Digitization

the *conversion* of analog information into digital form or digits (ones and zeros)

Digitalization

the use of digital technologies to change a business model and provide new *revenue* and value-producing opportunities

Digital transformation

applying digital technologies to impact ALL aspects of business

What digital transformation isn’t about

- ‘going digital’
- forcing everything to be digitalized, dematerialized, transposed into bit and bytes
- all to do with the development of new apps and tools



Yet the connection between technology and transformation is still unclear

[Digital Transformation is] The use of cloud, mobile, analytics and other emerging technologies to stimulate business growth.

CIO.com



Change is the key

- Digital Transformation is less about digital and more about transformation.
- It is about the overall improvement of ways of working and efficiency of an organisation.



Digital Transformation is less about digital and more about transformation

The strengths of digital technologies such as analytics, cloud, social media, is NOT in the technology.

Digital technologies are not the goal, but a *tool* to transform organisations' ways of working and businesses.



What digital transformation is actually about

- transforming society through new ways of thinking
- These new ways of thinking are enhanced by
  - technological advancement
  - digital literacy
- It’s a holistic and systems-thinking driven approach
- It’s about digital capabilities allowing us to access and see the world, people, and relationships under a brand new light



Digital transformation is…

the *realignment* of, or new investment in, **technology**, **business models**, and **processes** to drive new *value* for *customers* and *employees* and more effectively compete in an ever-changing digital economy.

B. Solis



Digital transformation as a process

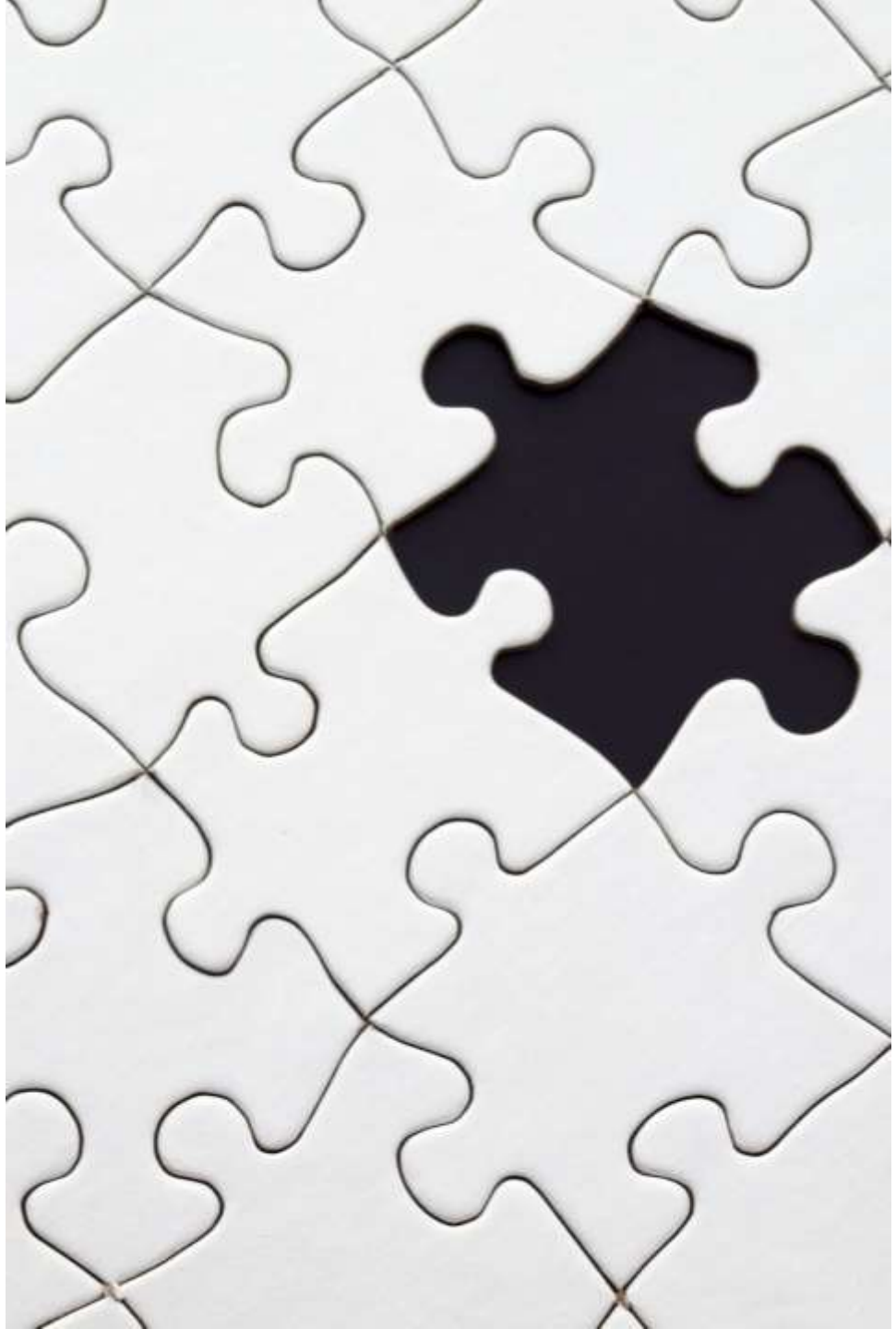
Digital transformation is a *process* enhanced by the technological changes we have been subject to that is deeply transforming our lives and experiences as individuals and humankind.



Digital transformation’s dimensions

A successful Digital Transformation initiative needs to look holistically to:

- Customer experience
- Organisation’s culture
- Business model
- The organisation
- Processes
- Leadership and capabilities
- Technology & infrastructure





How organisation can start a digital transformation?

Planning and designing digital transformation

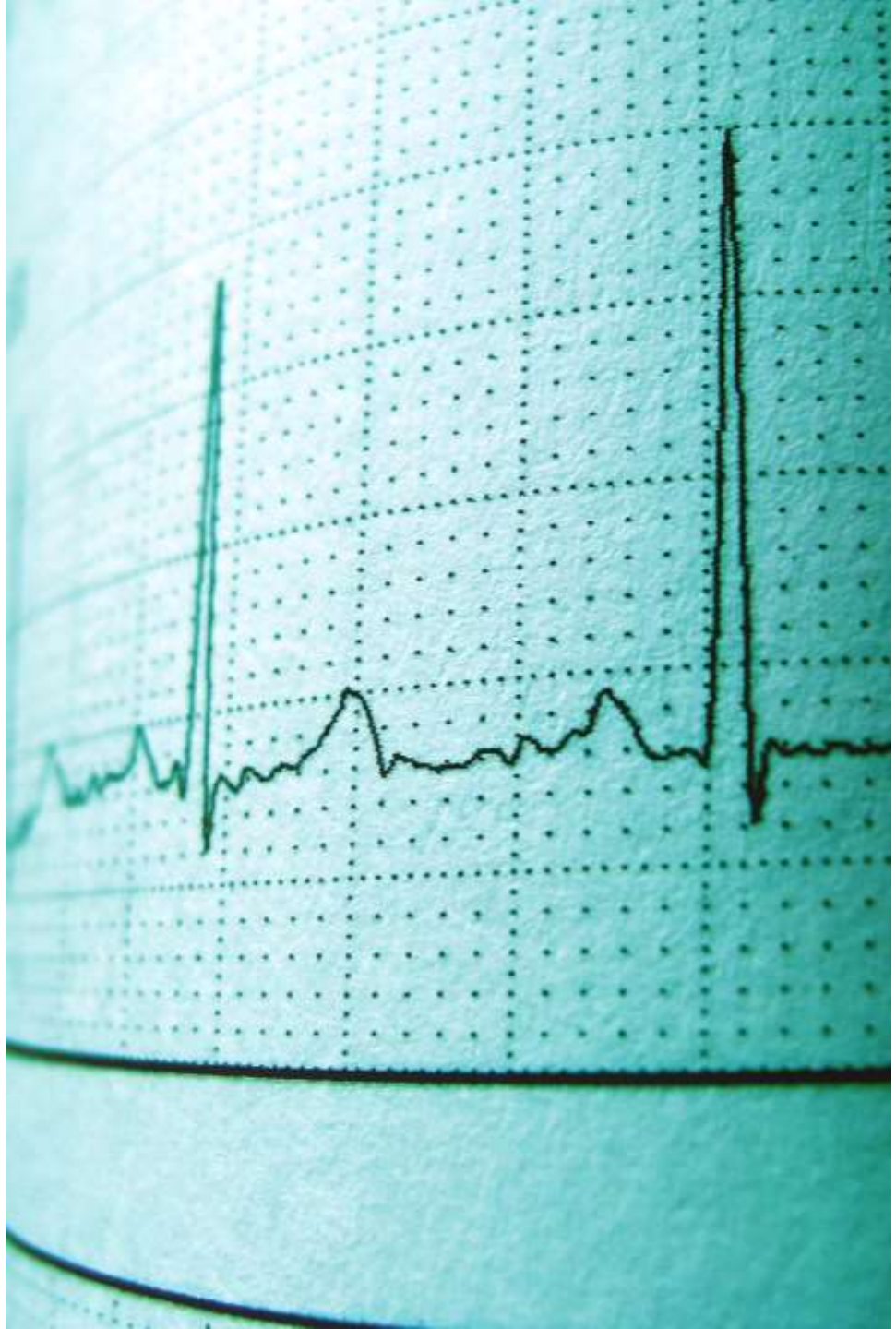
Digital transformation is a collective effort

Digital transformation requires a deep understanding of the whole organisation, both inside-out and outside-in.
It’s not the job of a person or team, but a collective effort of the whole organisation.



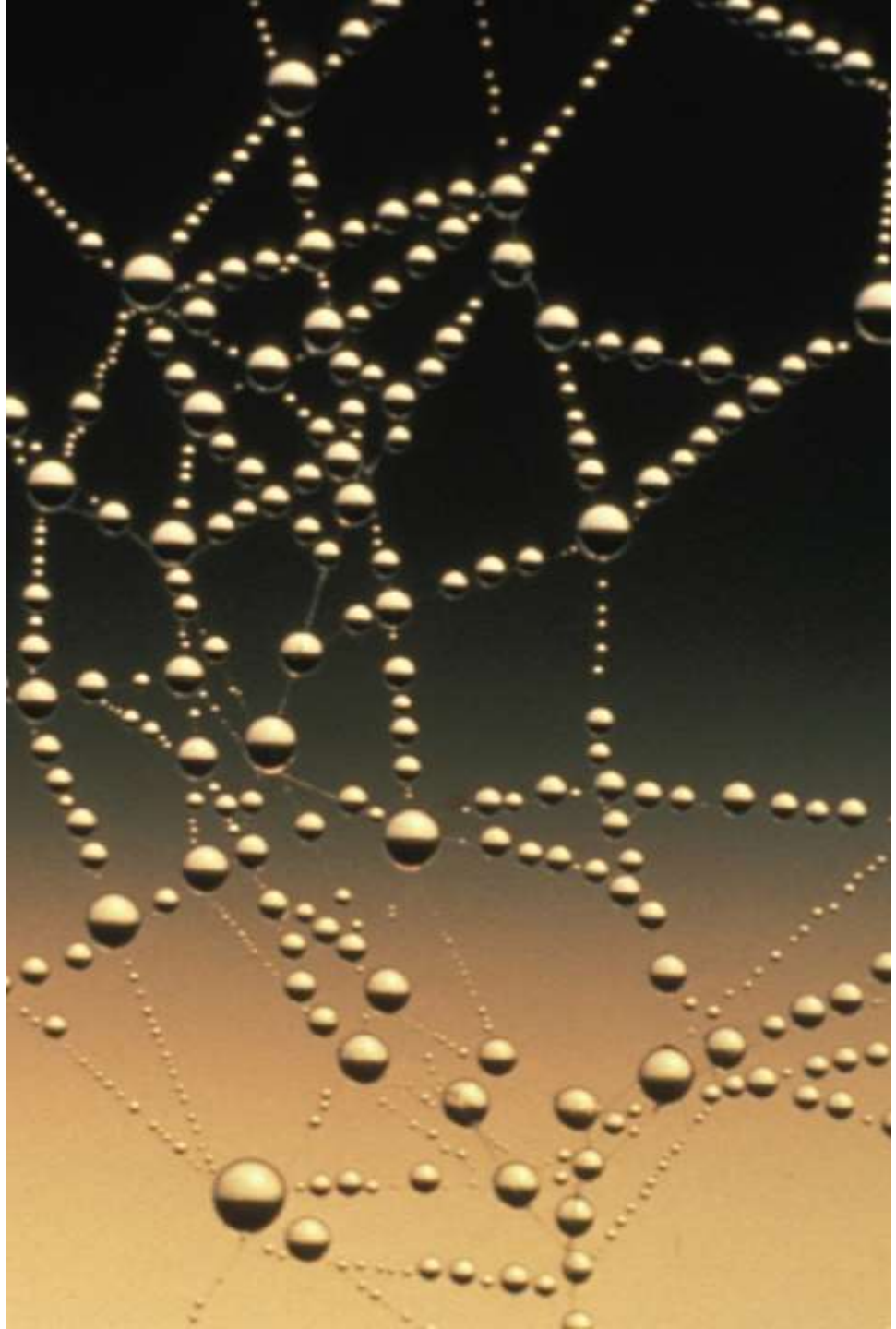
The key is … analysis!

- how the organization operates at every level
- understanding what are the obsolete practices
- acknowledging which processes are hindering
  - the organizations
  - (and more importantly) people's potential



System thinking

System thinking is a method of **critical thinking** that requires to analyse the *relationships* between the system's parts in order to understand a situation for better decision-making.



Organisations as system

A **system** is a set of parts that interact and affect each other, thereby creating a larger whole of a complex thing



System thinking & Management

The whole system is the organisation in relation to its environment.

It’s used in management to examining the linkages and interactions between the components that comprise the entirety of that defined system.



System thinking & the business

The organisation is seen as an integrated, complex composition of many interconnected systems (human and non-human) that need to work together for the whole to function successfully.

Whole systems are composed of systems, the basic unit, which comprise several entities

- Policies
- Processes
- Practices
- People



Change

Organisations know they have to change how they operate.

But change management is hard.

Digital transformation requires a change management approach.





Where would you start the change and your digital transformation?

And now?



People

Any change starts with people

What’s organisation’s purpose?

In the past, organisations’ purpose was to produce goods and be efficient

Today organisations create memorable and meaningful experiences

Management has entered a new era of *empathy*



management in the industrial age

- Organisation as machines
- Standardised processes
- Consistency of production
- Predictability
- Stability is the norm, change an exception
- Exploitation of existing advantages
- Focus on *execution* of mass production



Dangerous discrepancies

- Obsolete industrial practices do not work.

- They were put in place to
  - Deal with manufactures
  - Produce goods
  - Manage manual workers
  - Increase workforce productivity
  - Reduce costs



Old models don’t work

In today’s transformed society obsolete industrial manufactory organisational models show their weaknesses.

Those models emerged to support factories to efficiently produce goods,

but today we produce services and experiences.



Bell and the raise of the Post Industrial society

The concept of the post-industrial society deals primarily with changes in the social structure, the way in which the economy is being transformed and the occupational system reworked, and with the new relations between theory and empiricism, particularly science and technology.

Bell 1974



Signs of a post-industrial society

In early 70s, Bell described the key signs of the post-industrial society:

- a shift from manufacturing to **services**
- the centrality of the new **science-based** industries
- the rise of new technical elites and the advent of a new principle of stratification
- rise of **professional and technical employment** and the relative decline of skilled and semi-skilled workers
- **Human capital** is regarded as an essential feature in understanding the strength of a society
- rising importance and prevalence of **education**
- The infrastructure of industrial society was transportation. The infrastructure of the post-industrial society is **communication**
- knowledge theory of value: Knowledge is the source of invention and innovation. It creates value-added and increasing returns to scale and is often capital-saving



The Post-industrial era Is all about people

The inadequacy of old models is reflected in structural tensions between departments, employees, and customers.

Today the most valuable assets for service and experience creation are people, ideas, and collaboration.



Joe pine and the experience economy

An experience occurs when a company intentionally uses services as the stage, and goods as props, to engage individual customers in a way that creates a memorable event.

Commodities are fungible, goods tangible, services intangible, and experiences memorable.

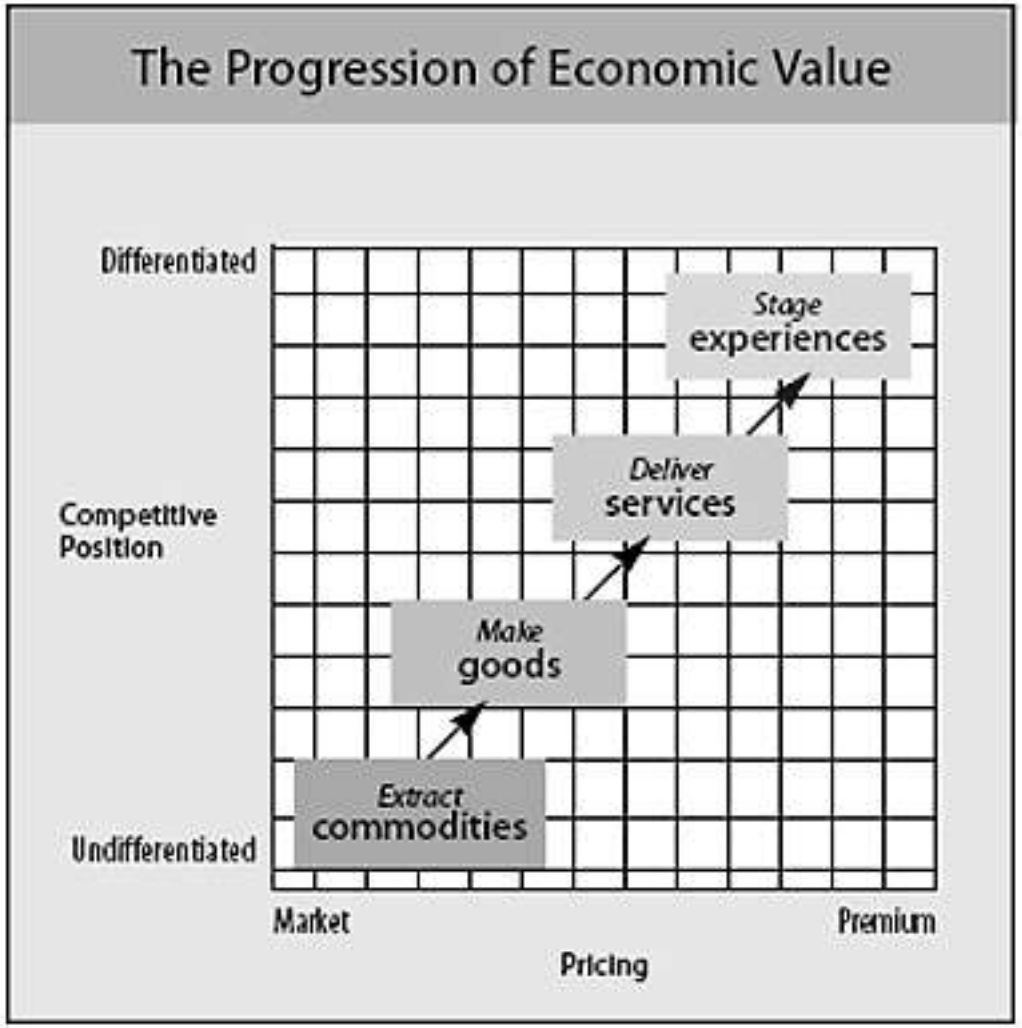
Buyers of experiences value what the company reveals over a duration of time.

Pine, 1998



The experience economy

- Commodity business charges for undifferentiated products.
- A goods business charges for distinctive, tangible things.
- A service business charges for the activities you perform.
- An experience business charges for the feeling customers get by engaging it.
- A transformation business charges for the benefit customers receive



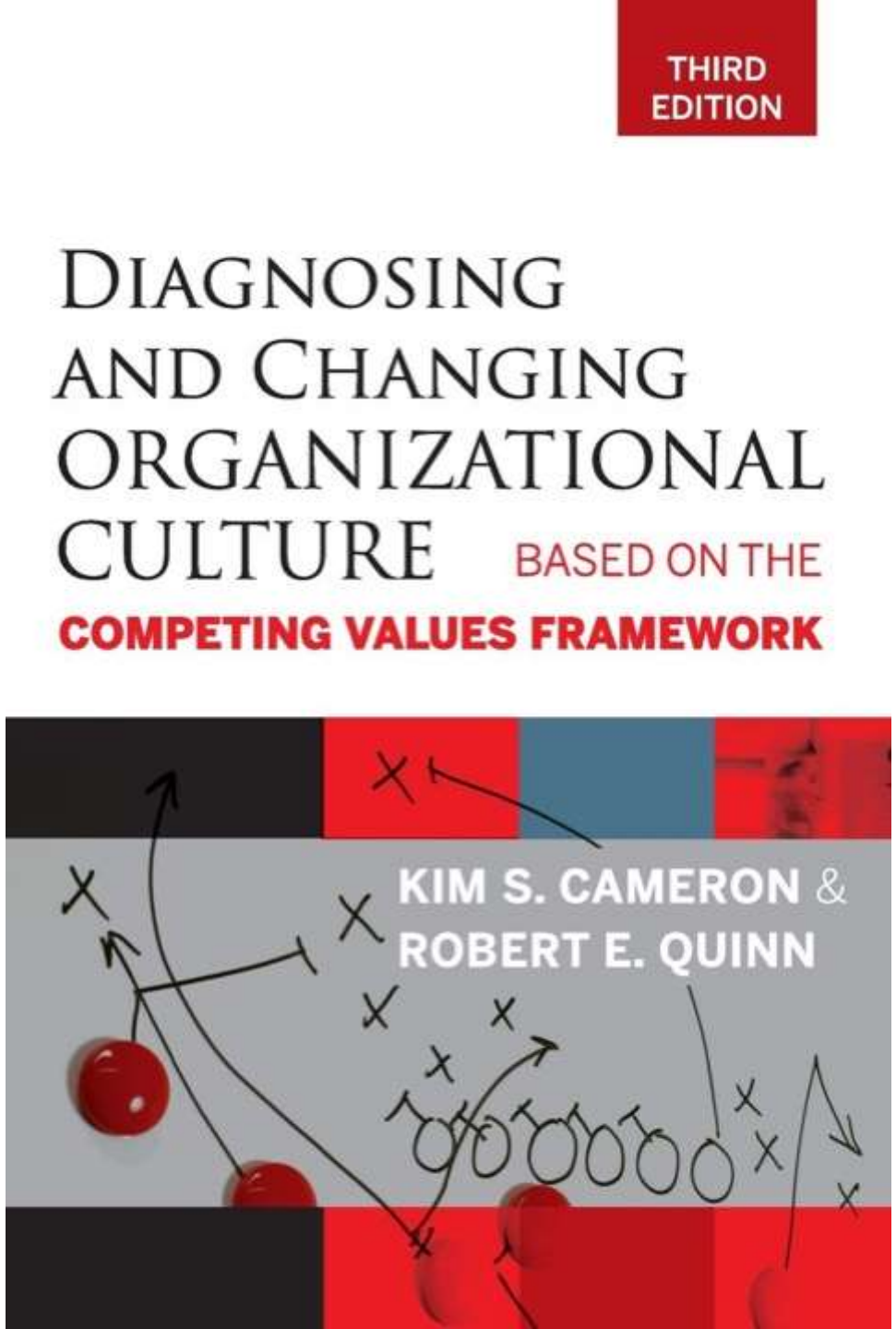


How can we affect people’s behaviour and drive change?

Change is about people

The Competing Value Framework

- The Competing Values Framework was distilled by Quinn and Rorbaugh (1983) by Cameron and Quinn
- Initial focus was understanding how organisation can improve their efficacy
- The framework is used for cultural assessment



The 2 dimensions: in/out

The horizontal dimension maps the degree to which the organisation focuses inwards or outwards.

To the left, attention is primarily inwards, within the organisation, whilst to the right, it is outwards, towards customers, suppliers and the external environment.



INWARD VS OUTWARD

Internal focus
and integration

External focus
and differentiation



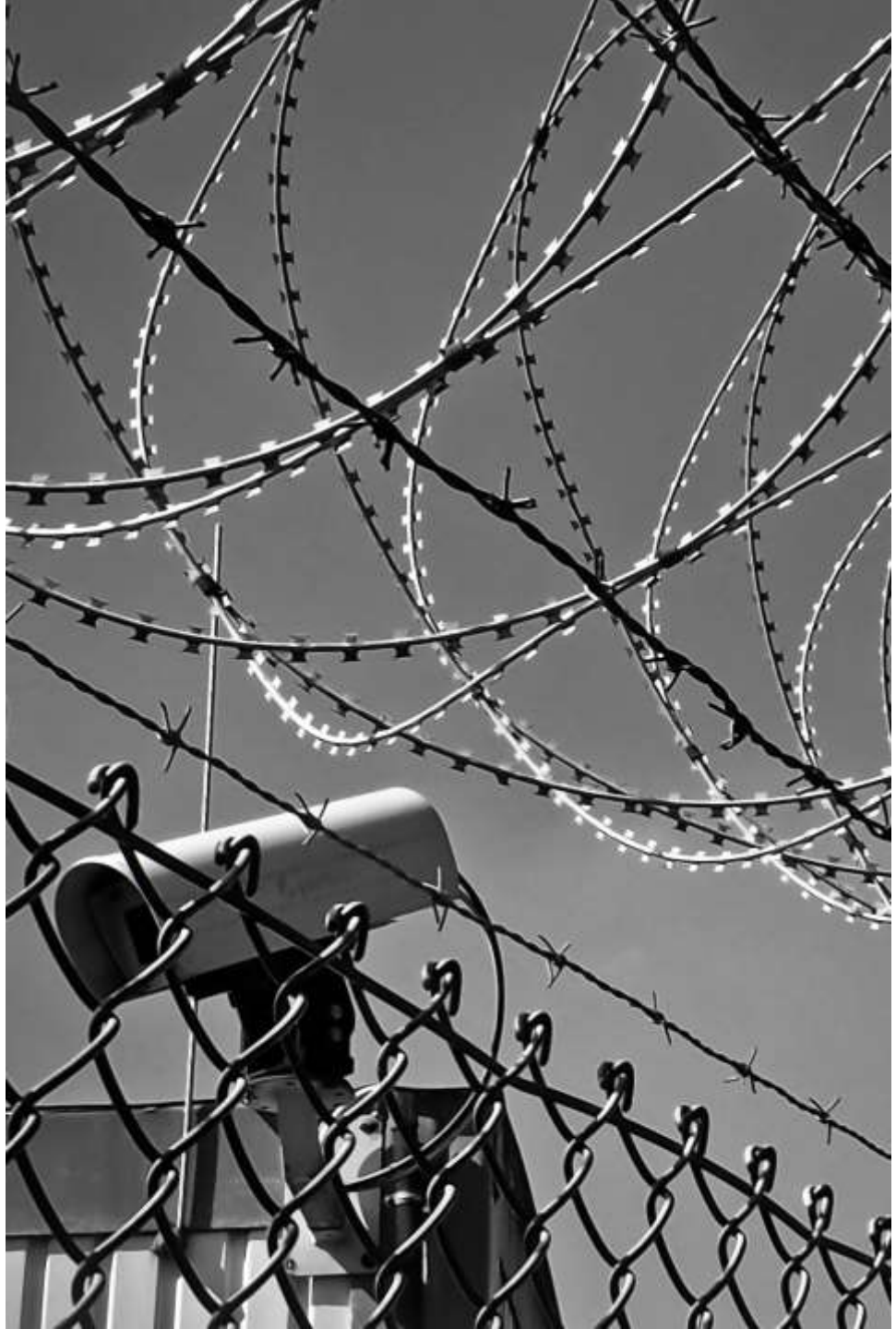
An internal focus is valid in environments where competition or customer focus is not the most important thing

In competitive climates or where external stakeholders hold sway, then this challenge must be met directly.

The 2 dimensions: FLEXIBILITY / CONTROL

The vertical axis determine who makes decisions.

At the lower end, control is with management, whilst at the upper end, it is devolved to employees who have been empowered to decide for themselves.



FLEXIBILITY VS CONTROL

Flexibility



Control is devolved to employees who have been empowered.

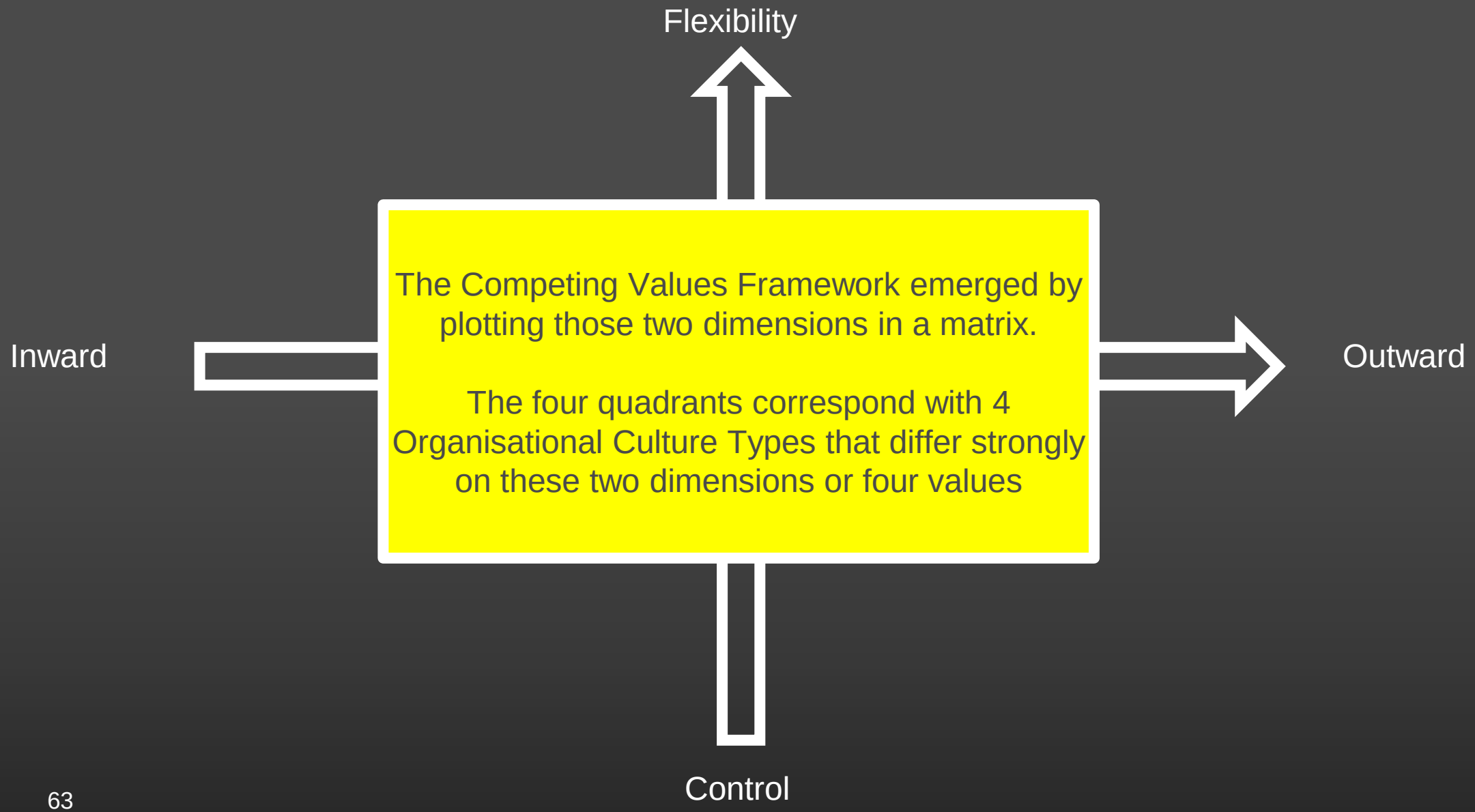
When environmental forces create a need for change, then flexibility becomes more important.

Stability is a valid form when the business is stable and reliability and efficiency is paramount

Control

Control is with management

THE FRAMEWORK



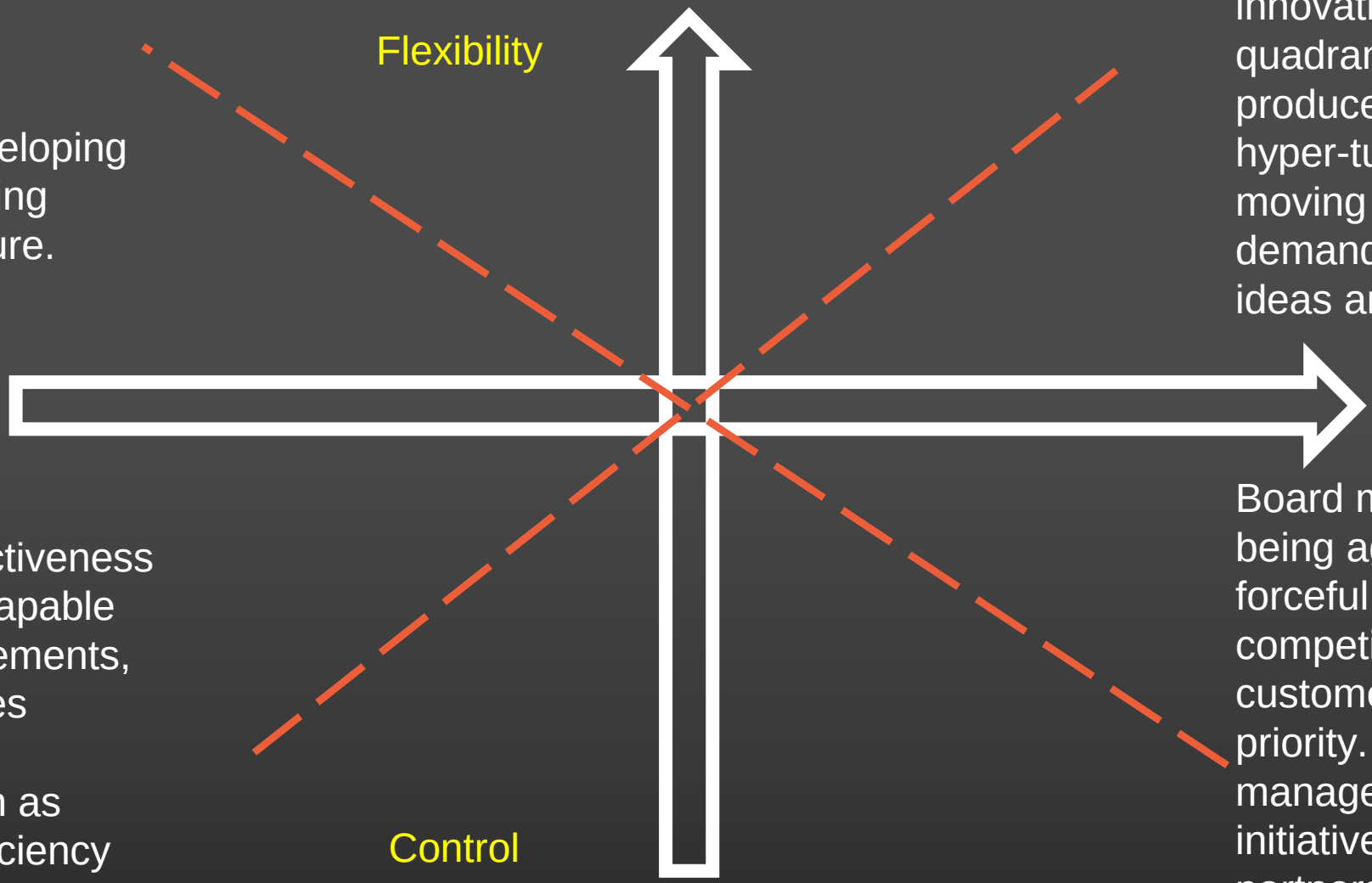
The Competing Values Framework emerged by plotting those two dimensions in a matrix.

The four quadrants correspond with 4 Organisational Culture Types that differ strongly on these two dimensions or four values

THE FRAMEWORK

Value-enhancing activities in the Collaborate quadrant deal with building human competencies, developing people and solidifying organizational culture.

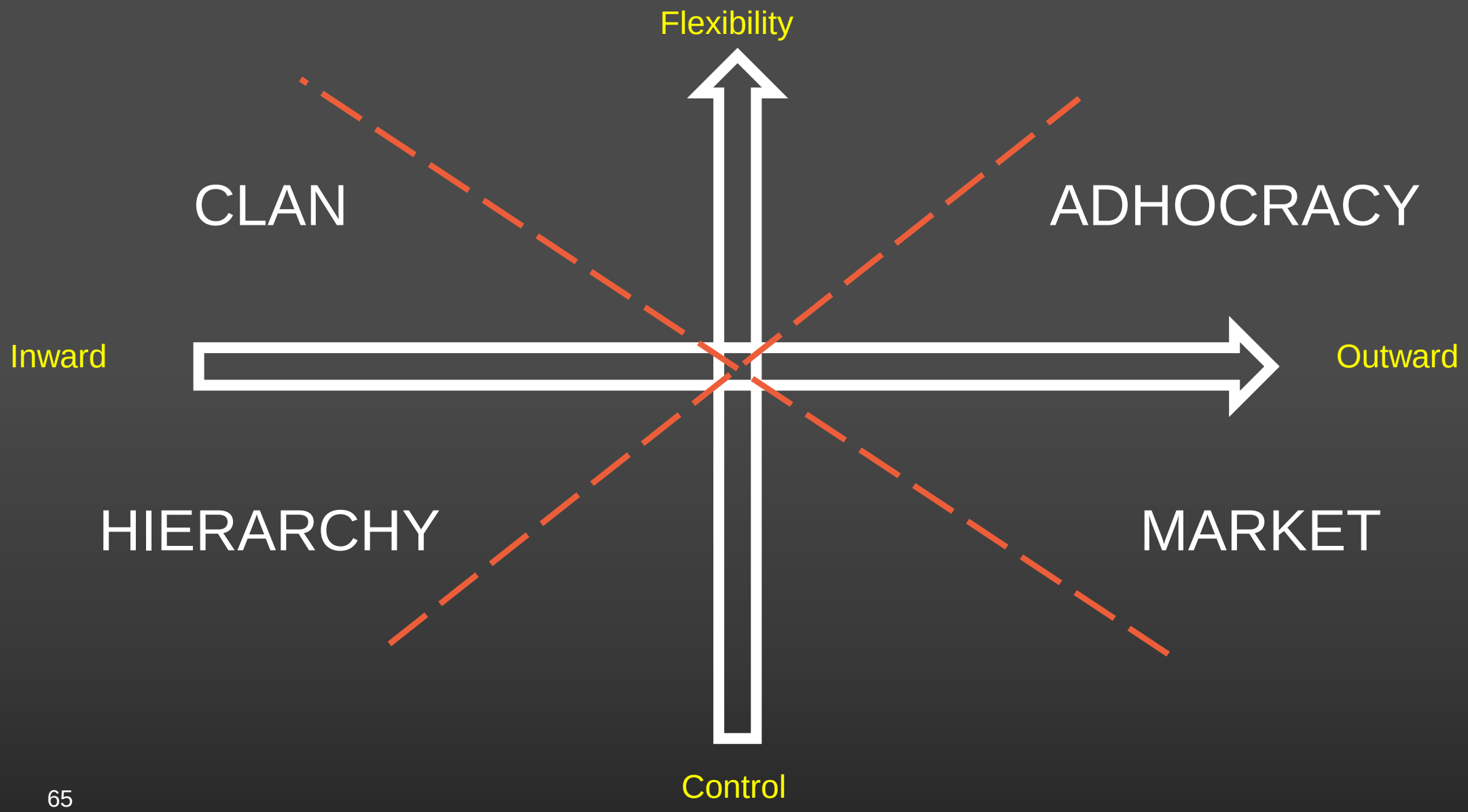
This quadrant deals with innovation. Create quadrant strategies produce the most value in hyper-turbulent fast moving environments that demand cutting-edge ideas and innovations



Organizational effectiveness is associated with capable processes, measurements, and control. Activities include quality enhancements such as process control, efficiency improvement.

Board members value being aggressive and forceful in the pursuit of competitiveness, customers are of highest priority. The organizations manage portfolio of initiatives, financial partnerships or acquisitions.

THE FRAMEWORK

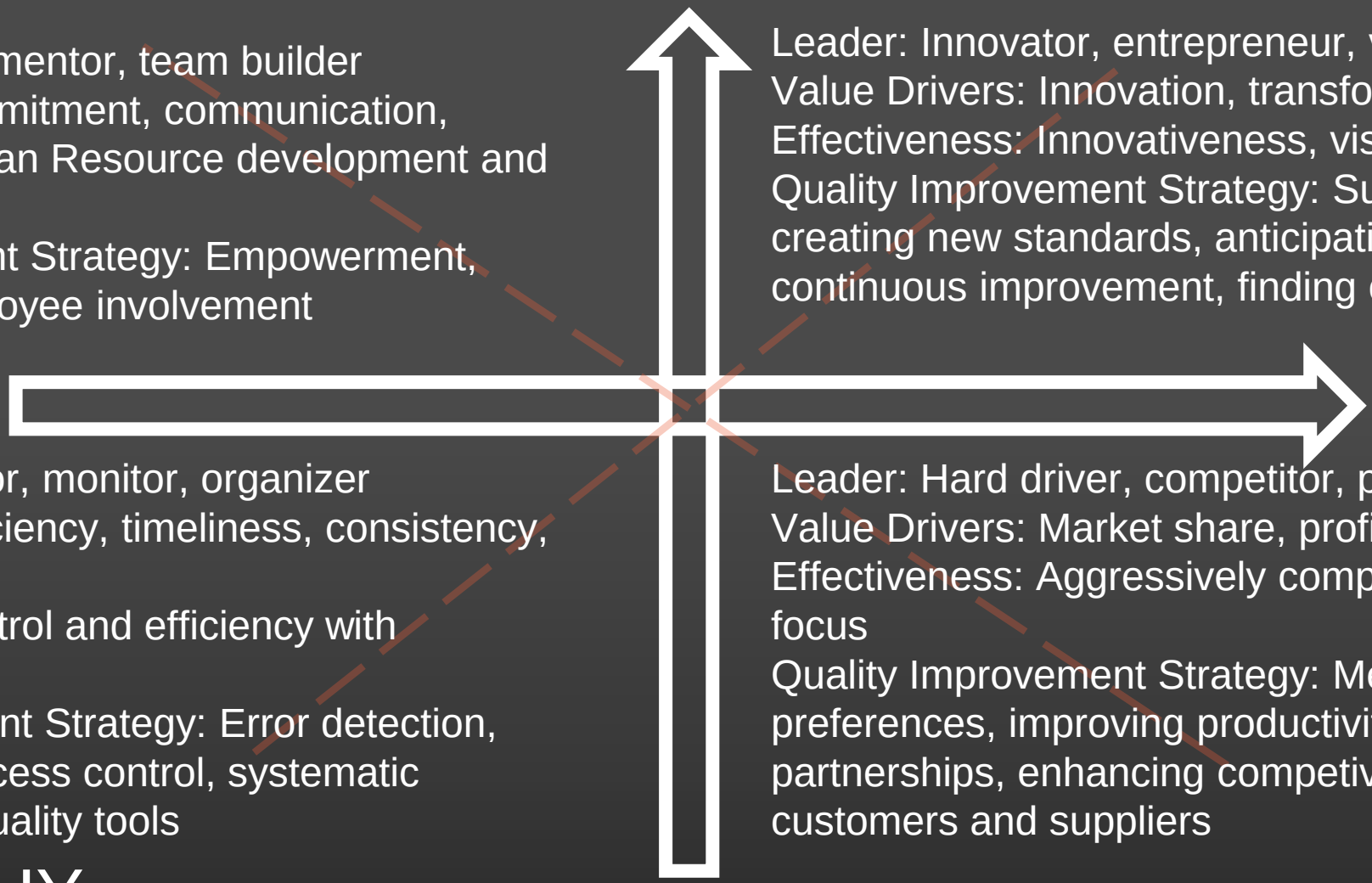


CLAN

Leader : facilitator, mentor, team builder
Value Drivers: Commitment, communication,
Effectiveness: Human Resource development and participation
Quality Improvement Strategy: Empowerment, team building, employee involvement

ADHOCRACY

Leader: Innovator, entrepreneur, visionary
Value Drivers: Innovation, transformation, agility
Effectiveness: Innovativeness, vision
Quality Improvement Strategy: Surprise and delight, creating new standards, anticipating needs, continuous improvement, finding creative solutions



HIERARCHY

Leader: Coordinator, monitor, organizer
Value Drivers: Efficiency, timeliness, consistency, and uniformity
Effectiveness: Control and efficiency with processes
Quality Improvement Strategy: Error detection, measurement, process control, systematic problem solving, quality tools

MARKET

Leader: Hard driver, competitor, producer
Value Drivers: Market share, profitability
Effectiveness: Aggressively competing and customer focus
Quality Improvement Strategy: Measuring client preferences, improving productivity, creating external partnerships, enhancing competiveness, involving customers and suppliers



So what?

Applying the framework to assess your organisation

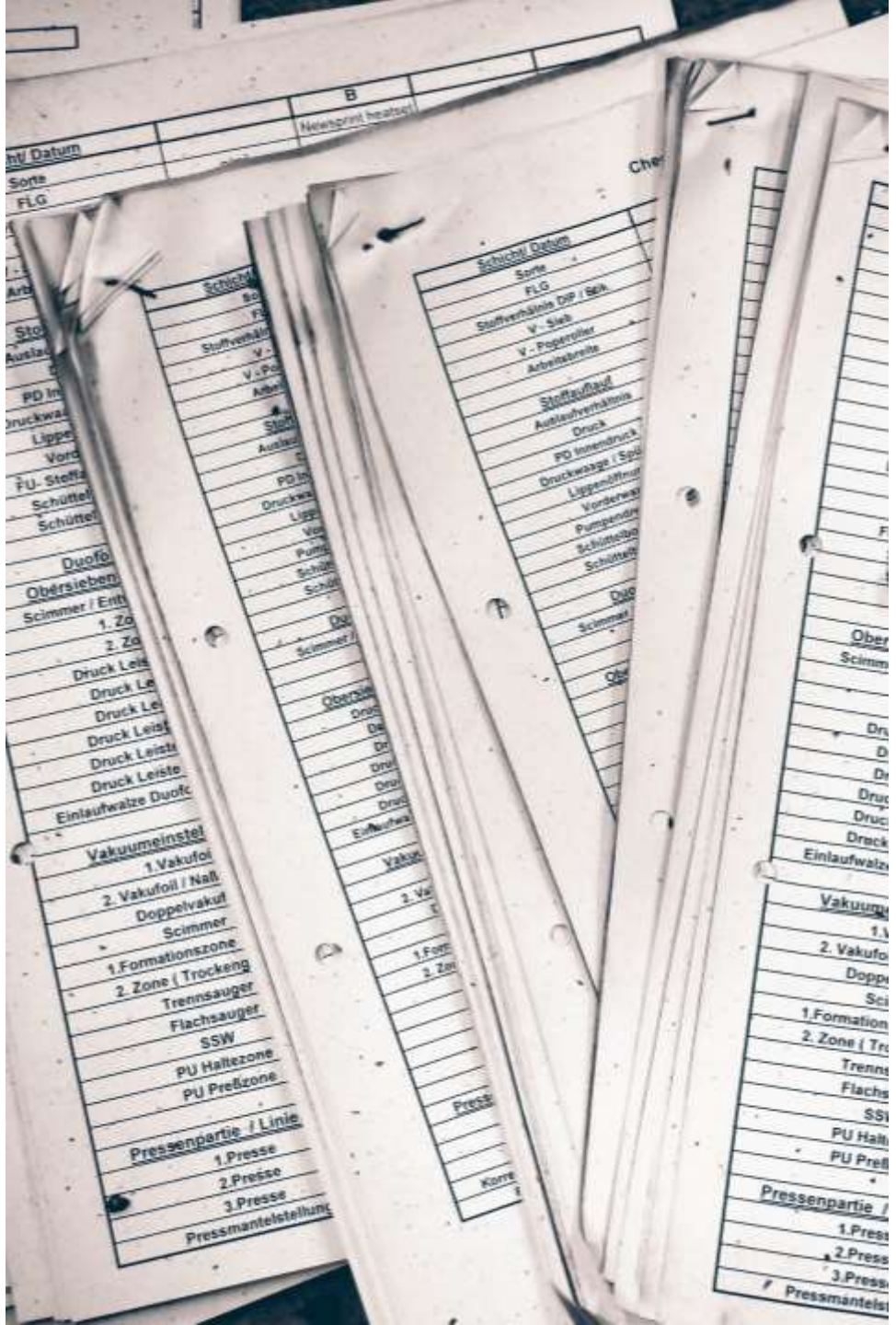
OCAI

There’s a simple survey based assessment called OCAI: Organisational Culture Assessment Instrument



How does it work?

- The survey is shared with the everyone in the organisation
- It’s made by 6 questions with 4 options each
- Participants divide 100 points over a number of descriptions that correspond to the 4 culture types based on their experience
- Participants are asked to answer the questionnaire a second time, this time dividing the 100 points according to what the respondent would prefer for the future

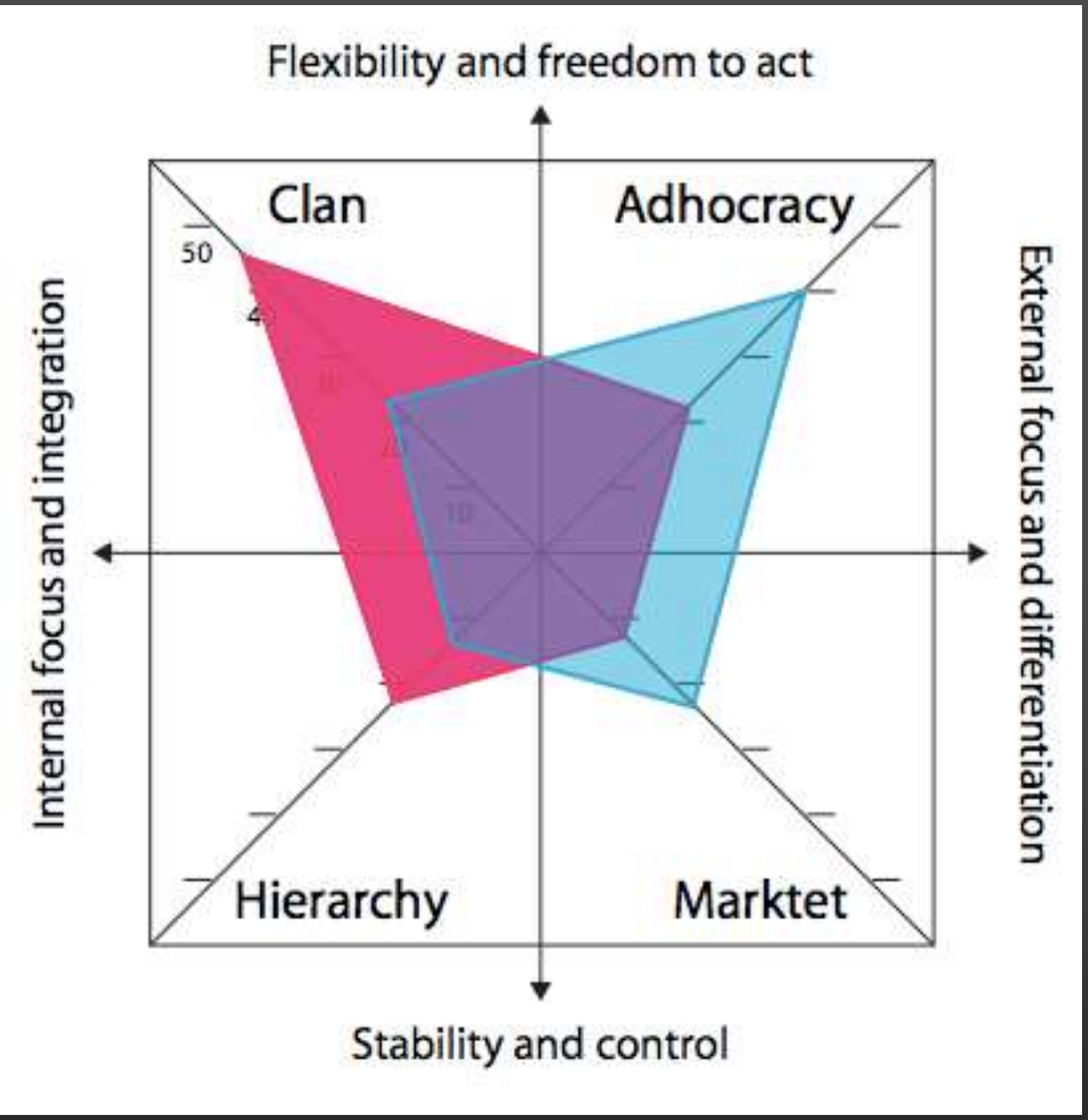


What does ocai measure?

The six culture aspects that are assessed in the survey, are:

- Dominant characteristics
- Organisational leadership
- Management of employees
- Organisation glue
- Strategic emphases
- Criteria of success





A culture profile shows the following:

- The dominant culture
- Discrepancy between present (the fuchsia area) and preferred culture (the blue area)
- The strength of the dominant culture (the number of points awarded)
- The congruency of the six aspects (Cultural incongruence often leads to a desire to change, because different values and goals can take a lot of time and discussion)



Transforming digitally

The key elements od the transformation

In a system thinking approach

Understanding the system’s nature, dynamics, and aspiration helps defining priorities and understanding the ***values*** that matter and have the biggest impact on the organisation.



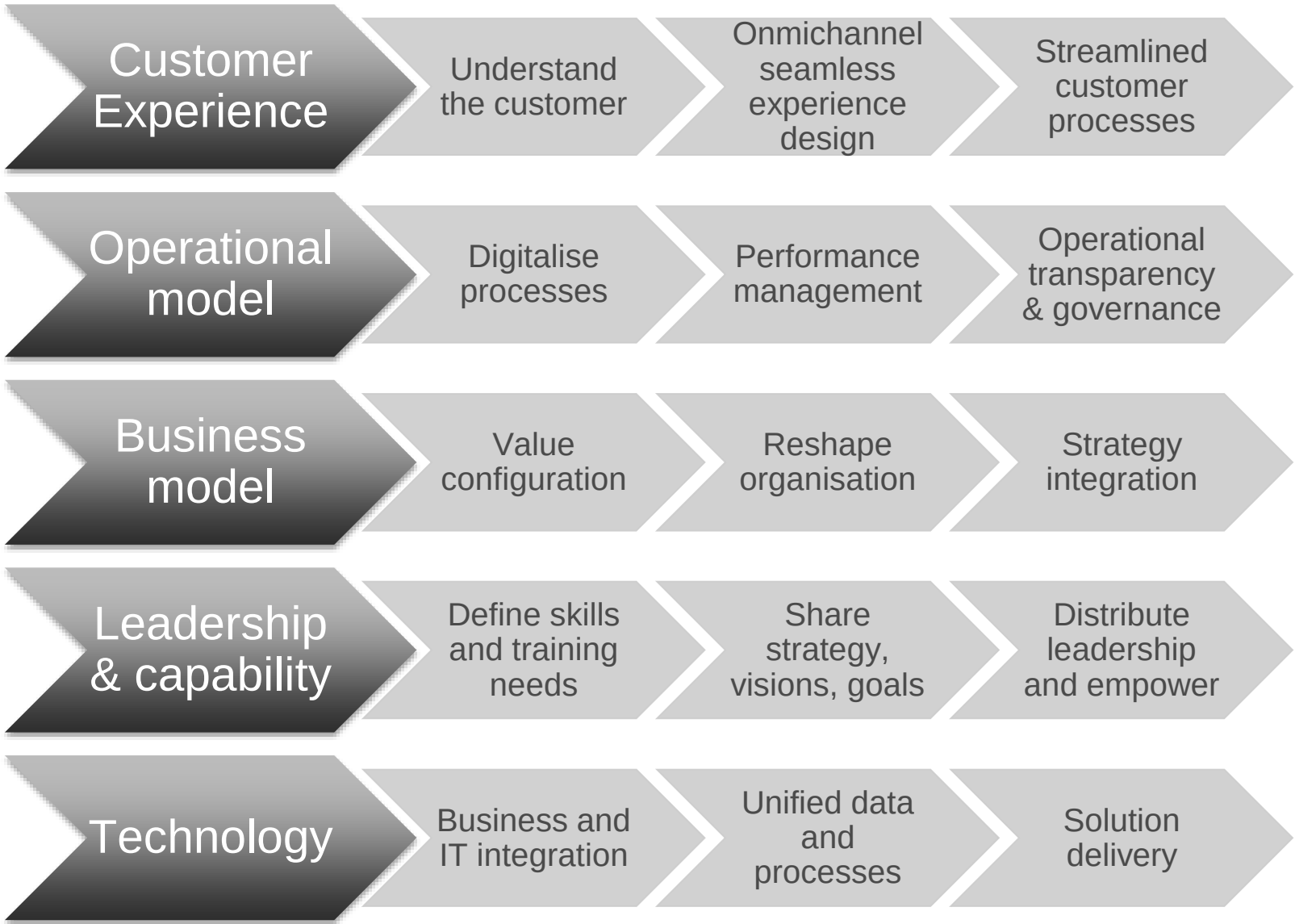
From culture to transformation

Understanding the culture and how people experience the organisation allows us to analyse the next dimensions:

- Customer experience (the driver)
- Business model
- The organisation
- Processes
- Leadership and capabilities
- Technology & infrastructure



The roadmap to Digital transformation



The ultimate goal of Digital transformation

To increase value creation for the business through digitally enhanced processes that increase internal efficiency and overall customer and employee satisfaction.



THE KEYS TO SUCCESS

It’s a whole organisation’s activity

It requires collaboration & involvement from everyone

It’s not the work of an individual

Ensure Clarity around the goals

Experiment, be agile, be ready to fail



How can you measure Digital Transformation?

Use the right KPIs

Digital transformation as a capability

Digital transformation is a capability that touches people, process, data, systems, technology and your customer.

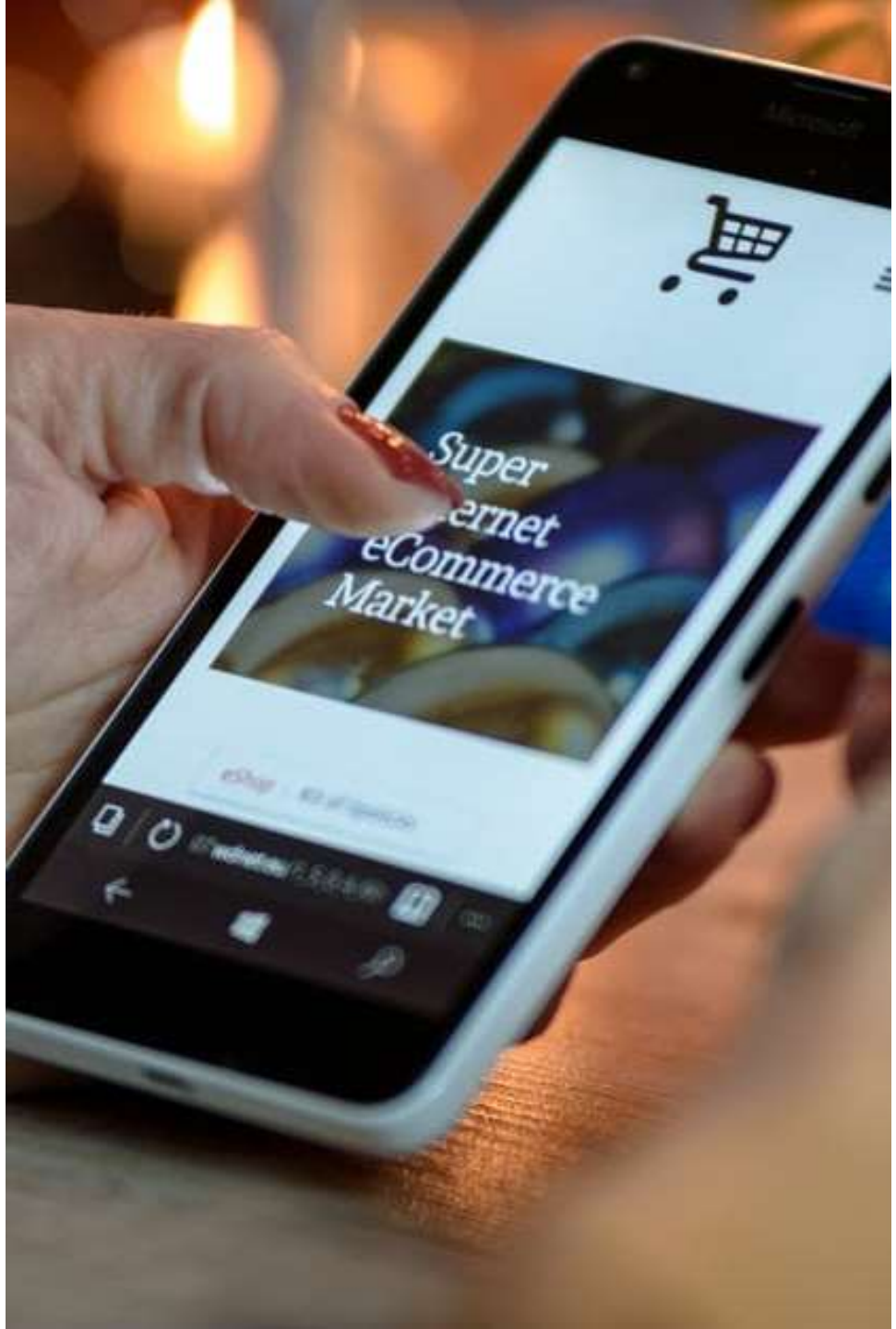
It’s about renovating what you have in order to make it right for the future. And, fundamentally, digital transformation is intrinsic to customer experience delivery.



Customer experience

Digital transformation changes the ***relationship*** with the customers

For this reason customer focused metrics are key to prove that brands are shaping new relationships



Customer Satisfaction Index (CSAT)

- It measures how satisfied is a customer
- It’s a short term and touch point focused metric



Customer Effort Score (CES)

- CES measures how much effort the customer put into a specific interaction with the brand
- The assumption is that low effort interactions drive loyalty
- It’s a short term and touchpoint focused metric



New Promoter Score (NPS)

- Measures loyalty and longer term relationships
- It focuses on the existing *ongoing* relationship between the brand and the customer
- It’s strongly correlated with measures of company growth



In 1977, 32% of U.S. shoppers experienced issue in shopping.
In 2017, the 2017 Customer Rage Survey says that figure had risen to 56%

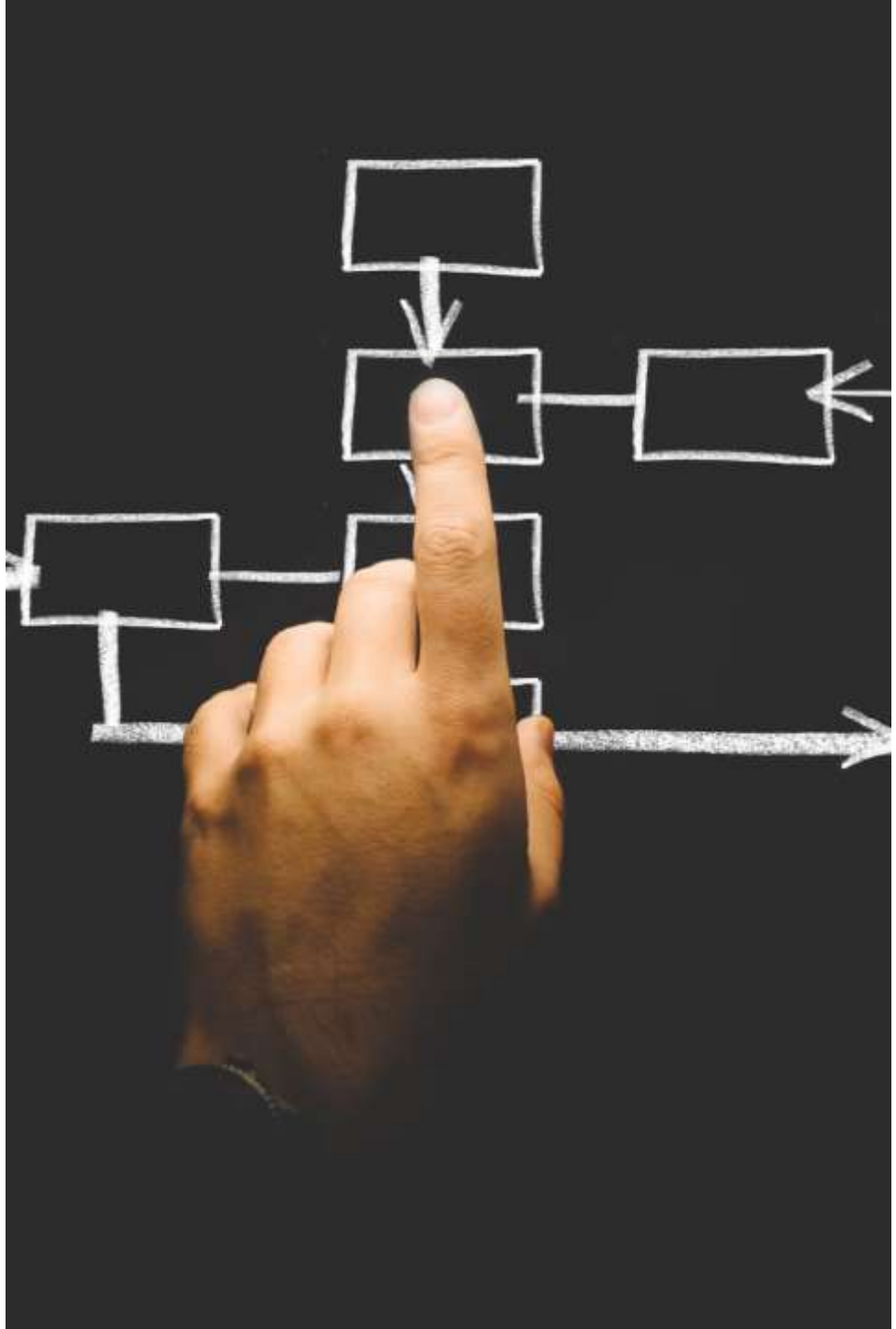
The relationship between customers and organisations is changing.

And is changing fast.



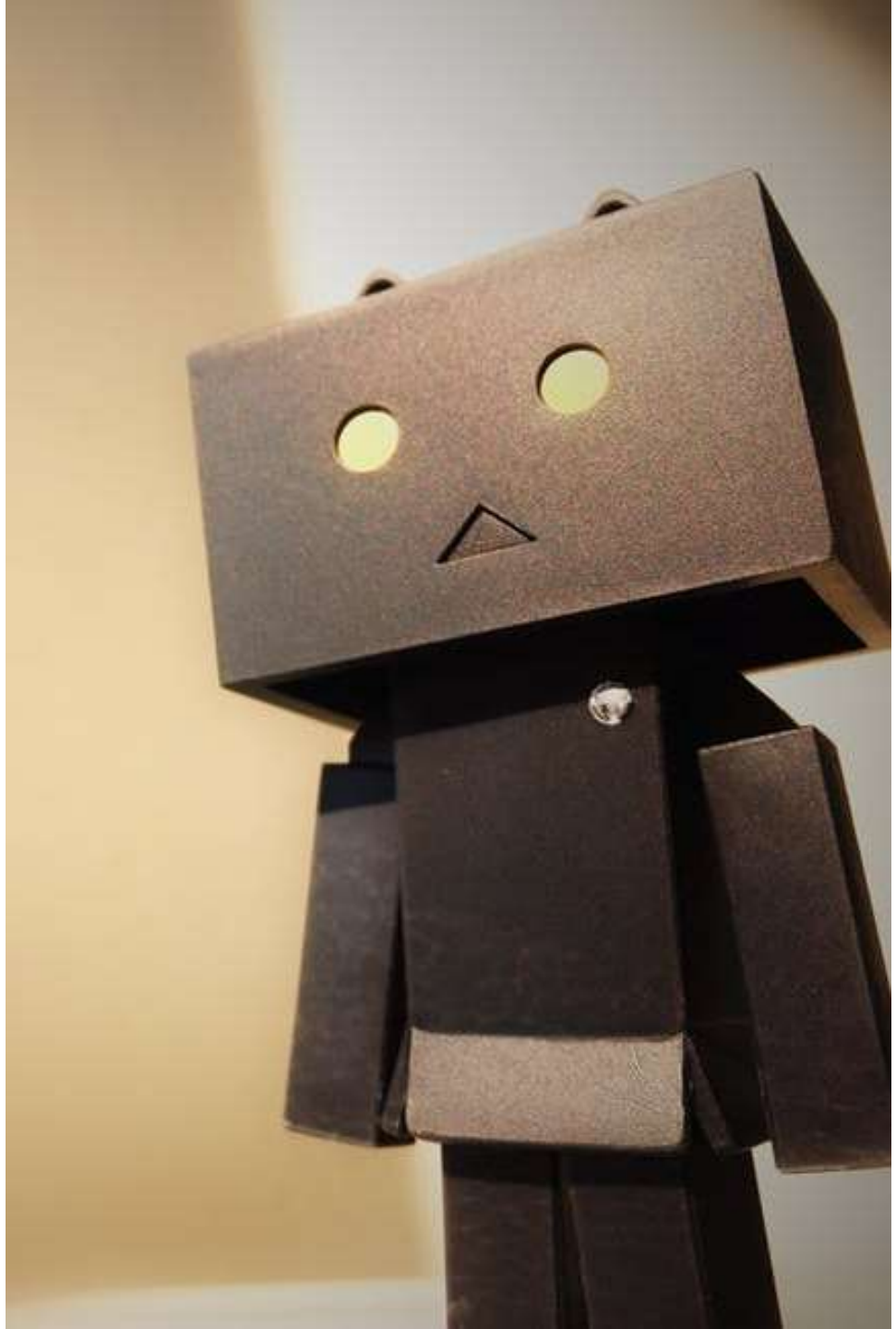
Operational models

How the organisations operates internally is key to ensure results and value creation for the organisation, its employees, and the customers.



The operational model affects the CX

How an organisation deals with the customer defines the relationship the brand creates and it reflects the organisation’s ability to adapt to the changing environment



The Customer issue resolution capability

- Customer issue resolution capability is the percent YoY change in the speed in resolving customer issues
- It measures all touchpoint and all channels
- It assess how new operational models are impacting the customer experience



First Contact Resolution Rate (FCR)

- FCR is the rate of customer's issues solved in a single interaction, with no need for costumers to follow up
- It is *not* about the resolution time (quantity of time) but it is focused on the quality of the interaction
- It reduces efforts and affects both CES, CSAT, and NPS
- It should be measured on all channels



Leadership & capability

People within the organisation are the key asset that drive digital transformation

Measuring the employee experience is essential to ensure a successful Digital Transformation



Employee turnover rate (ETR)

- ETR is the percentage of employees in an organisation that leave during a given period of time

- If the trend is of a growing turnover rate, chances are there are some aspects that needs to be reviewed within the company operational model or culture



Employee Satisfaction Index (ESI)

- ESI assesses the level of employees satisfaction
- This index is key as there is a causal link between motivated employees and business performances:
  - Motivated employees who are more likely to deliver satisfaction to customers
  - They are more likely to drive successful business performance



Technology is simply a mean to an end, it’s an enabler

We can measure tools’ efficiency, but their efficacy is always determined by processes, culture, and employees





Few more take aways

To make Digital Transformation happen

Digital transformation is a way of being and doing

Because digital transformation is all about ***change*** and ***people***

It’s a strategy and a vision



It’s not about money
It’s about culture

It’s about changing and leaving the industrial operational model behind and embrace a *systems thinking* based approach



Questions?



Questions?

pat.Bertini@gmail.com or
@Legoviews



Reading list

Good stuff for inspiration

READING LIST 1

- **IBM's Paul Murphy: 'Digital transformation is not a solo journey**', 2018, https://www.siliconrepublic.com/enterprise/digital-transformation-ibm
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