Digital and Data Transformation: 10 keys to success

Research group Forrester has been tracking the amount of *digital and data transformation* activity and investment taking place. They are finding it's now the No. 1 CEO agenda item. They cite the following as a typical example:

Craig Menear, CEO of The Home Depot, recently shared a plan to spend $100 million on digital technology so customers could order on their phones and pick up in the store. Six months later, he raised that to $1billion to cover additional investment in new automated distribution centers, an overhauled fulfillment process, real-time inventory management to facilitate immediate customer services and better online ordering.

Home Depot is becoming a case study example of how a company can transform itself from a traditional bricks n' mortar retailer to a successful omni-channel organisation. Its share price is up 300% over the past 5 yrs.

As Craig Menear sums up: "we must continue to invest to transform this business…we recognise the front door of our store is no longer in-store, it's in the customer's home, in their pocket, on the job site…if we don't transform ourselves then someone's going to eat our lunch".

The Forrester conclusion is that: "Businesses must double down on now on their investment in technology-led transformation. Companies are finding they need to spend $4 on operational excellence for every $1 investment in digital customer experience. Now it's all

about transforming the *total* corporation every day to make it fit for purpose for the next decade."

And as Adobe CEO Shantanu Narayen has crisply put it: *"if we don't reinvent then someone will reinvent us out of business"*

With this great pressure to transform, what are the lessons learned among the more successful corporations, how have they driven that change, how have they galvanised the workforce to embrace new ways of working, new processes and new priorities, how get the return on that transformation investment?

This research described here has looked at many companies across a number of industries, in retail, financial services, telco and others. Companies have been examined for how and why they have failed, as much as looking at winners who have succeeded. Key organisation transformation journeys at the likes of Adobe, Barclays, Aviva, RELX, Syngenta, Sprint, Citi Group, ING Bank, UPS, Novartis, AstraZeneca and a number of others have all been examined. The research is now highlighting the following 10 keys that can drive success. They are:

The 10 keys driving successful digital business transformation:

1. An overriding vision and strategy
2. CEO personal full-time involvement
3. Streamlined objectives
4. Inject the voice of the customer
5. Emphasise /dramatise the urgency
6. Agile ways of working
7. Break down silos
8. Town hall comms
9. Investor management
10. Link everyone's pay and benefits

Let's consider each briefly in turn:

1. An overriding vision and strategy

Here's one startling example, from a recent speech by Chinese Premier Li Keqiang: *"We will become the global leader in data and AI...supremacy in artificial intelligence (AI) is very important"*. China has announced plans to draw level with the US by 2020 and to dominate global AI by 2030.

As Ed Luce of the FT has commented: "China is already ahead of its Silicon Valley counterparts in areas like online payments, e-Commerce, visual recognition, voice software, it is fast catching-up on driverless cars. Today the US is the world's technology leader. With China's new stated vision and investment tomorrow may look very different".

It's this type of vision-setting which can be so powerful, to set that target and set of goals for the total organisation. In the business landscape, there are a number of powerful case studies of this kind of far-reaching strategy.

For example, at Home Depot: to be the No. 1 omni-channel retailer in the US, or at Adobe: to transform from a traditional desktop software company to an always-on online services subscription business, or at Elsevier: to move from publishing education books to an information services software provider, or at TUI, the world's largest holiday tour operator: to transform from an intermediary selling hotel and flights on behalf of others to now becoming the tour destination owner in its own right, or at UPS: to have the most advanced parcel tracking real time data capability of any company in the world, whether that be FedEx or Amazon and where they have committed an ongoing annual capital investment of $1bn to sustain that, or at SAP: to become the world's largest cloud-based software solutions vendor…all these companies have found that the setting of a vision that is *"challenging, inspiring and stretching but just about achievable"* has been a critical catalyst to action.

2. CEO personal full-time leadership

The Adobe CEO Shantanu Narayen is a good exemplar of this. Having set their strategy and goals, Narayen put the transformation programme out there as the No. 1 company priority. He did a tremendous amount of communication around that but the thing that people at Adobe most remember and comment on is the following. Wherever he went, no matter which facility or country or business unit, he would ask the same question to people he passed in the corridor, or who found themselves in the elevator with him or at the water-cooler: what are you working on today, is it directly involved in the transformation, if it isn't then stop it, now, and redirect your time and energies.

Underpinning this priority was a core set of KPi and metrics very linked to the transformation goals and each person in the organisation had their own personal KPi related to that.

Another example comes from the Steve Hughes, CEO of the Principality Building Society (the largest in Wales, sixth largest in the UK). "As CEO, I'm focussed on defining the mission and culture of our organisation and for me walking the talk is key". Steve is an example of an extraordinary commitment to engage the whole company in the strategy and ambition and to inspire each employee, going round all 71 branches, speaking to hundreds of members /customers, sharing plans and ideas and then *consistently* doing that to get everyone aligned around their future plans.

3. Streamlined objectives

When Adam Crozier as CEO took charge of ITV (the UK news, content and entertainments business), he found the company facing a digital storm with collapsing traditional broadcasting advertising revenues, a loss of confidence among the staff and critically too a loss of faith among the investment community. It was described as "one of the most challenging of corporate turnarounds".

Four years later, the company's market cap had quintupled to nearly £9bn and it became one of the stars of the FTSE 100. Job done, Adam has since moved on (now Chair at Asos.com and at Whitbread), but a strong platform for the future has been built and even with

continuing intense global competition and economic uncertainties, the core businesses of Studios and Online continue to report good annual growth.

What happened? ITV articulated the bold vision of a news service completely rebuilt around the principle of 'digital first'. Leapfrogging several generations of developments in online news, ITV set out a radical plan to build the structure of its news website around a feed of live updates which could in turn be aggregated into stories or categories. The resulting service was and remains a pioneer in the field of online news.

To achieve this, Adam Crozier identified 4 key goals: (i) build a world class web platform, (ii) develop all content in multi-channel format, (iii) create and own content and (iv) be first with the news. That was the task he set the organisation and every senior management meeting revolved around those 4 challenges, and as Crozier insisted "only these 4 and nothing else". Funding was raised to accelerate the organic push acquiring content production and studios in Europe and in the US including the global leader in reality and factual shows Leftfield Entertainment. In addition, there was a major restructuring of talent and teams as well as significant all staff training to reinforce the digital and multi-channel goals.

"When we arrived a lot of people said the company was a basket case and should just be unwound, but we've been able to demonstrate just what is possible by being totally focussed on a few key objectives and only those. It meant it was easier to say no to things and not get distracted from the main aims".

4. Inject the voice of the customer

The Bupa Customer Lab: In order to drive their transformation agenda, a core initiative at the heart of new Bupa is their Customer Lab. Set up by CEO Evelyn Bourke and championed by Director John Moore, the goal here is to establish a customer-centric culture and have the voice of the customer driving decision-making.
To achieve this, they have established a number of initiatives, including setting up a team of customers who will also act as "customer reps" to constantly challenge *why are we doing things in this way, surely the customer would want it differently?* There's a group of about 20 Bupa execs working in the Customer Lab, each with specific responsibility for a key product line, a country market or line of business. The KPI include NPS scores, customer satisfaction metrics and external surveys which review how well Bupa is doing versus its competitors. These customer metrics are closely examined, reviewed constantly by the Board and are the litmus test for how well and fast the company is changing.

In addition, the Bupa Customer Lab team have set up an incubator to bring in new ideas, tools and applications which can help them transform the customer experience. A partnership has been forged with Microsoft and start-up ventures and small businesses are invited to pilot and test their ideas and work inside Bupa for 10 weeks with access to the company's resources and support and to develop their ideas to prototype or test. All around new ways to deliver high quality and comprehensive health, care and insurance services that can meet customers needs in the next decade.

"Ultimately, delivering our transformation still comes down to our people. But it's about how we talk to our customers, the customer experience we build, the brand goals we embrace and nurture, the customer life time value we can create that will make the difference."

5. Emphasise /dramatise the urgency

Change is always easier to drive if there's a burning platform. Here's an example, albeit from some years ago but still highly relevant.
Some years ago Cadbury (before it was swallowed up by Kraft) had a biscuits /snacks business which sat alongside its core chocolate confectionery division. Often the poor cousin, the business and snacks operation suffered from lack of investment, limited product innovation and outdated manufacturing facilities. Yet its Cadbury biscuits brand name was well-loved by consumers.
After much debate, Cadbury sold its biscuits /snacks to its management team and at the time Cadbury shareholders applauded the company's commitment to its core confectionery and the focus on that.
Meantime, the MBO management team, excited by what they could achieve, faced a daunting task to revitalise the company and turn-around a heavily indebted, loss-making organisation.
The CEO of the new company was Paul Judge (who then invested in and helped establish the Cambridge University Business School) and he described the change and transformation that they then embarked on in this way:
"At first, it felt like we were in a sinking lifeboat, it was crisis time, water was leaking in on all sides, there was no time to discuss and debate what we should do, we were all totally

united on one thing, save the boat! So it was all hands to the deck, 24/7 all single-mindedly focussed on the same goal. Looking back it was amazingly hard work, we were exhausted but it was also exhilarating as the boat began to stabilise, we could see we were making progress and we felt we were actually going not only to survive but to flourish.
And that is when the problems started, as soon as we had got to a solid and reasonably safe platform, we started to argue about what next! What direction should we go in, who should be responsible for what, what new equipment we should buy to start building our boat for the future? Progress started to slow. Decision-making which had taken seconds now started to take weeks. And after about 12 months, we noticed just how much things were changing. While we had that "burning platform" things were easy, relatively. Without that we had to rethink our change programme and find new ways to energise and engage everyone in our continuing journey."

Four years after that historic management buy-out, the business was very successfully sold, but it remains a very good example of the power of "burning platforms"!

6. Agile ways of working

Much has been written about this. The key is for the organisation to trial new ways of working which can deliver more quickly. It's also about developing a mindset of "test-trial-learn".

A good example comes from Airbnb:

In an interview with the Airbnb then Head of Data Science, Riley Newman, Riley explained how the company had moved from a traditional function and often siloed way of working to adopt and embrace new Agile methods.

"We began with the usual functional teams and skill sets with their separate reporting lines but found that just encouraged siloed behaviour and no real appreciation of what might benefit the customer.
To make sure we understand the data and can capture the insights we now have core "neural" /multi-functional teams. This consists of 5 key groups: Data Scientists, Engineers, Analysts, Product Managers and Marketers. They are brought together with one team, one and the same boss, and have a joint responsibility.
"Price Tips" is example of the huge impact Agile had for us. It was one of our new features. A host can look at the calendar to see which dates are likely to be booked at their current price, as well as which aren't, and get suggestions on pricing."
Simple idea, but it took a number of learn-plan-test-measure iterations.
"Price Tips" now pulls information from billions of trading points as well as leveraging Machine Learning and personal inputs to create its data insights and to detects patterns and journeys on the web site to see why certain listings command higher prices. The goal is to be able to predict and set the optimal price.
We completed this whole Price Tips solution in 8 weeks. The key was having a clear co-located, multi-discipline /multi-function team working very collaboratively together. That's the way we now approach all our projects."

7. Break down silos.

This is a constant challenge for established organisations. How to break down years of functional, product or country-led organisation structures and develop a multi-channel collaborative integrated approach. This is also often now being described as: how do we get the organisation to have a single joined-up strategy and view of our customers, and how at the same time do we make sure the customer has a single and integrated joined-up view of us.

For years, companies felt such a goal was out of reach: "our IT systems are a mess and until we fix that, these sort of goals have to stay on the back-burner". But advances in technology with micro-services, APIs, Cloud-based solutions, the raft of emerging software tools, open source, digital eco-systems as distributed, adaptive and scalable, internet of things connectivity, mobile, data science and machine learning…all these initiatives are opening-up new possibilities to work smarter and make the sort of advances in technical competency that can make the difference.

To take advantage of these new opportunities, companies are building on Agile methods of working and now introducing "co-location". This is proving a key to break down those historic silos. Bringing people together from different parts of the company. Co-locating around the same table. No longer reporting to their functional boss but now to the Project Leader who joins them around that same table.

An agile data lab should comprise a mix of business and IT expertise.
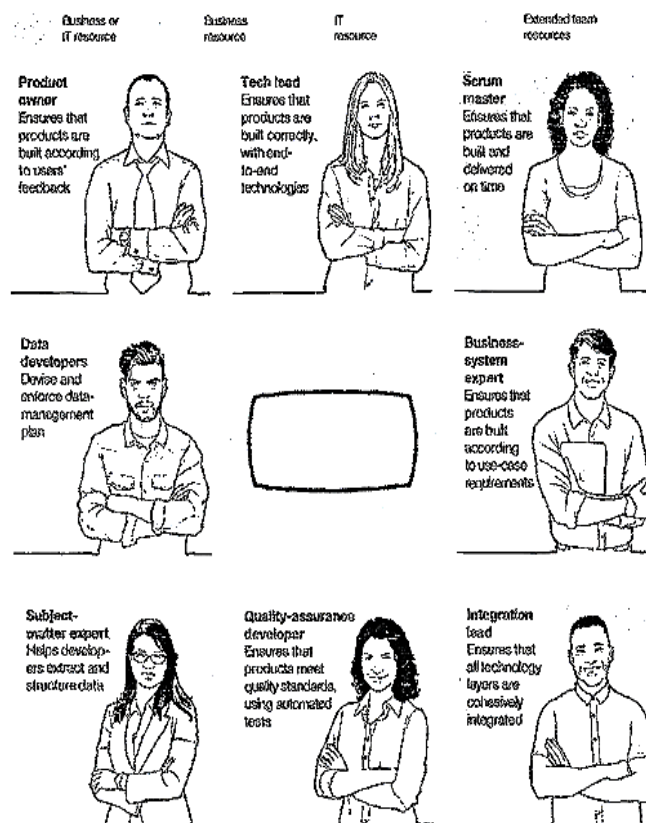
Research from Cigniti Software has shown that co-location can bring these 7 benefits:
(i) accelerates communication,
(ii) builds mutual trust and respect,
(iii) streamlines development,
(iv) enable real-time decision-making,
(v) lowers costs,
(vi) speeds up time to market
(vii) makes management easier.

As one transformation leader John Gleeson has put it: *"why not develop this approach, yes, it does require some significant organisation change in reporting lines and structure but pick one easy win short time scale project to start, prove the value and then the more widespread adoption becomes easier and easier"*.

8. Town hall communications

Joe Garner, the CEO at Nationwide, is one leader who embraces open style and regular communications. Driving any change and transformation involves not just the top-down vision and strategy-setting, not just the personal commitment of the senior execs, but also of course the same level of commitment and understanding and enthusiasm of all the workforce of the company. To achieve that regular and open style communication is critical. Successful CEOs like Joe will hold many and frequent "town halls" open to everyone, an honest and unambiguous Q&A to share what's happening, why, what progress is being made, what blocks are being discovered, a call to action to everyone to get involved and help drive the progress and pace necessary.

Companies like Boots, Halfords, RWE Power, AXA, Aviva, Unilever are examples of companies who are excellent at their internal comms. They use a mix of face to face meetings, videoconference, vodcasts, CEO blogs. Bupa have their "staff happiness week", others for example establish employee reps as champions to act as advocates and department hub go-to knowledge experts (used for example by PepsiCo and IHG). O2 and ITV have all made their mark with their level of idea sharing and many others.
The key is to do this regularly and consistently and retain complete openness and honesty throughout. As one ITV exec put it during their major transformation journey: "those town halls were the best days of our working week".

9. Investor management

In some ways the hardest of challenges. How explain to shareholders what is happening, how gain their trust and confidence that the turnaround is truly underway, and *will* deliver, how stabilise the share price even though the benefits of the transformation have not yet come through?

There has been much talk over a number of years about investor short-termism, about the value of having a clear long term vision and strategy, about how winning companies are those

that set their sights on "big hairy audacious goals" and drive the organisation to achieve them, but managing the dips and troughs that necessarily go with a transformation are now even harder to achieve with the social media spotlight exaggerating every dip and forensically examining every step of progress.

However, CEO updates and progress on restructuring can in fact lead to share price upgrades. For example, Unilever announced its long- term plans and strategic response following the take-over attempt by Kraft Heinz and even though some of the initiatives would hit the immediate bottom-line, the share price moved up 3% on expectation of a stronger future platform. Others like Barclays, BT and Thomas Cook have all had to announce significant restructurings in recent times but won shareholder support and patience convincing that their change programmes were well-grounded and would over time deliver the benefits targeted.

McKinsey is one organisation who have been especially active and vocal about the dangers of shareholders forcing companies to take a short-term approach at the potential expense of the longer term gain. They have established their "Corporate Horizon Index". The findings show that companies on the long-term end of the spectrum dramatically outperform those classified as short term. "Among the firms we identified as focused on the long term, average revenue and earnings growth were 36 percent higher, and total return to shareholders was higher, too. The returns to society and the overall economy were equally impressive. By our measures, companies that were managed for the long term added nearly 12,000 more jobs on average than their peers over the measured 10 yr period."

While acknowledging the challenges of managing short term investor reaction, McKinsey is another voice seeking to encourage longer term planning, business development and shareholder management.

10. Link pay and benefits

To some extent this "key to transformation success" is obvious and the benefits of linking exec pay to delivery of the key business goals is clear.
The challenge is to ensure that the targets and goals are very directly connected to the transformation agenda and that each person on the team is indeed given measurable targets that they personally can act on and feel accountable for. In some instances pay and benefits is simply linked to "good performance" at the discretion of the line manager and perhaps without the clear transformation target-setting.

Research from Willis Towers Watson found that: "employees are struggling to see the link between pay and performance at their workplaces. The Workforce Study found that only a minority of workers (37%) see a clear link between their pay and performance. Less than half (46%) said they thought that their company does a good job explaining its pay programmes. Only four in 10 (40%) felt that their manager makes fair decisions on how their performance links to pay awards.

But the study also found that the lack of connection between pay and performance is becoming less common now as the need to transform is starting to affect and impact most every organisation, forcing managers to focus ever more closely on key target delivery. As the Willis Towers Watson survey concluded: "it will be important for companies to get this

right, as reward will be an ever more critical tool in encouraging employees to go the extra mile in delivering their company's transformation targets".

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Business transformation has of course never been easy; changing sometimes decades of working practices, processes and structures, trying to inculcate a mindset which accepts and even embraces the need for change, explaining the role and impact that technology advances are having and winning hearts and minds support for the necessary new strategies and direction the company must take. As the Cadbury /Premier Brands example shows, having a sense of urgency, even crisis, can help as a catalyst, but to really build a sustainable and long-term platform for future success then all 10 of these key lessons learned need to be aligned and in place and worked on to enable the transformation to happen.

To sum up in the words of Wal-Mart CEO Doug McMillon: "we have embarked on a long term journey to change this corporation…we are making a massive investment in digital transformation…we have to move from stores-based to omni-channel…we're training the whole workforce, all our associates to build a stronger foundation…we're learning that we can and need to partner with others to accelerate our progress (acquisitions of eg e-commerce Jet.com and logistics start-up Parcel)…we need to reboot our whole approach to customer data and personalisation…we have to take on the Amazon.com juggernaut…with our now deep commitment to change we are going to unlock the huge potential we have to succeed in the digital age".

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