Beyond Digital Transformation

Creating Value from Transformation

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Beyond

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Beyond Digital Transformation

Digital Transformation still figures highly on many Board Agendas and Annual Reports. After several years of reactive behaviour, the focus has returned to setting new strategic goals to prepare for the future in what is becoming a highly disrupted world.

VUCA is the new norm. Economic troubles, war zones, supply chain issues, the widespread emergence of AI and the constant creation of new disruptive players in many sectors are all driving the need for transformational change in just about every industry, and much of this change is being driven by technology. Hence, **Digital Transformation** is still the term we use. And yet we still read reports daily[1] about the persistent failure of digital transformation initiatives or those that fail to deliver the expected results[2]. Delivering such fundamental change at scale in any organisation is challenging, especially with short-term pressures. Individual leaders must decide whether to jeopardise their careers against these odds or risk falling behind.

A recent report by Deloitte[3] highlights that *'Digital transformation has the power to transform the processes and culture of an organisation, while accelerating growth and creating competitive advantage.' It is clear from this and other research that, whilst technology is essential, there are other significant factors are at play here in determining the success or failure of these transitions*[3]. Organisational inertia and resistance to change create substantial issues that can lead to an inability to transform, and transformation can only succeed when there is significant and sustainable change. The way cost and value are attributed to transformations is a significant factor that causes failure, and, finally, how organisations approach their current technology environment affects their ability to change.

This paper will explore why so many of these programmes fail and make practical, actionable and pragmatic recommendations to help organisations establish an authentic culture to embrace change and make it effective.

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1   McKinsey 2023 – 84% of digital transformation initiatives fail.

2   McKinsey 2023 – 70% of digital transformations don't deliver the expected results.

3   Deloitte 2023 – Measuring Value from Digital Transformation

What do organisations want to happen?

The Information Age began many years ago with the advent of affordable computing power. However, this was also characterised by inconsistent uptake, with some organisations capitalising on the advantages and others being late to the party. We are now in the **Digital Age, and our previous thinking on communicating in all aspects of our lives** has changed, rendering pre-Digital Age thinking obsolete[4].

As organisations have moved through these ages, this has resulted in the starting point for Digital Transformation being quite different for organisations as they are shaped by their heritage and previous approach in the Information Age.

Transforming to thrive or survive?

Despite the different starting points, there are common drivers towards digital transformation that are consistent across sectors and company size, so the destination is seemingly similar. Some organisations simply accept the inevitability of a need to change and transform to survive, but many seek to transform to thrive. It is critical to understand within an organisation the underlying driver - *survive or thrive?*

Those driven by survival are reacting to an evolving business landscape, disruptive technologies and challengers, changing customer expectations, issues with legacy technology, outdated practices, and mounting technical debt.

The thrivers, on the other hand, see transformation as a strategic advantage and actively seek to innovate and create value. They usually prioritise their customers' experience and recognise that agility and adaptability are crucial.

Beyond this underlying philosophy, there are a small number of outcomes that most transformational leaders aspire to. A better **customer experience** can create new markets for more customers or allow more effective selling to existing customers. **Operational efficiencies** to enable the delivery of products or services to customers faster, more accurately and/or cheaper. They are creating a more relevant, digital age approach that enables **faster reactions** in the future.

In essence, these three objectives sum up the majority of **digital transformation drivers, irrespective of whether they aim to thrive or survive**. There are nuances and granularity, but at the highest level, these are the core reasons organisations want to transform. The technology is important[5], but the technology is changing so fast with AI and Machine Learning, advanced cyber threats, machine customers and the ubiquity now of industry cloud platforms that any transformational change must accept that the only inevitability within the programme is that the technology itself will change constantly[6].

The other element to be aware of is that organisations that have implemented effective and successful digital transformation projects realise that it is a journey that must continue. Those that have had less success realise that they need to reverse that trend. This means virtually every organisation is exploring digital transformation at some level.

What marks out the organisations that are succeeding against those with less success? They tend to know the answers to three critical questions:

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4   Warwick Research - Connecting and Connected Cultures – A note on culture in the digital age.

5   Statista 2024 - Digital Transformation - Statistics & Facts.

6   CIO.com 2023 - 3 Key Digital Transformation Priorities for 2024.

Why are we doing this? In other words, what are the **primary drivers** of any transformation initiative, and what value will be realised through the work? And are all stakeholders agreed on this?[7]

What actions will we take to achieve the drivers established above? Unless we have a clearly articulated 'why,' the 'what' is unlikely to be truly transformative. The key is to ensure the 'what' is broken down sufficiently to make realistic targets but not so detailed that it becomes distinct pieces of work, as that is the final question to answer.

How will we achieve the actions we have described? This must embrace not only the actual, usually technology-based change but also the leadership, governance, resources required, and approach. It must also include how all parts of an organisation will be affected and contribute to ensuring any far-reaching change is accepted and sustainable.

Most successful transformations answer all these questions and, perhaps more importantly, accept that they need to be addressed and answered in the **right order: why, what, and how.**

What is actually happening?

We see increasingly more organisations initiating transformations as they fight to remain relevant. However, many of them are still failing to realise the expected value, suffering from slow adoption, fighting resistance to change, and, in many cases, being abandoned before they are complete.

Can we draw a parallel between the new Digital Age and the previous Information Age? Are there similar behaviours at play as we see some organisations speeding ahead on the digital journey? In contrast, others struggle, wasting effort, time, and money as they begin to abandon their attempts to 'become digital'?

In short, **yes**. People have always been the limiting factor in any revolution, be it the Industrial Revolution, the Information Age, or the Digital Age. Whilst technology develops at a sometimes alarming rate, people are less able to adapt, creating a series of issues common across every sector and most organisations. We have seen this dual speed of change with technology running at pace and people lagging so many times in history that it should be no surprise we are facing the same issues again. Technology investment will be wasted if we do not bring people on the transformational journey.

Another limiting factor is technology itself. As technology accelerates, what we have built previously to enable us becomes the very thing that slows us down. Yesterday's modern technology becomes today's legacy, and that can impede our ability to transform quickly[8].

When we combine the inherent difficulty of driving effective change through people with the issues of legacy technology, we often run into the problem of cost. Too often, the cost of these limiting factors is not recognised before the journey begins, and so they emerge as nasty, unexpected items that can often derail the transformation budget. This issue is magnified because many organisations still view digital transformation as a **cost** and are unable to articulate **value** effectively.

Recent research by Deloitte[9] tells how 75% of organisations 'believe that digital transformation is the single most important investment they can make' with the primary problem being that 'UK business leaders understand the value of implementing new technology, but they don't know how to measure it.'

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7   Teksystems 2024 - State of Digital Transformation Report 2024.

8   Red River 2023 - Why Legacy System Modernization is the Key to Unlocking Digital Transformation.

9   Deloitte 2023 – Measuring Value from Digital Transformation

The People Dimension

People are the
limiting factor in
any transformation

The people dimension of any organisation is complex at the best of times, but during a transformational period, it becomes far more complex, with so many elements that need careful exploration[10].

Where are decisions made

The first question to ask is, **who** is setting the transformational goals? The obvious 'right answer' is the 'business,' but there are so many different perspectives to consider. The art of truly successful transformation is recognising all these perspectives and **harmonising** them.

Too often, 'digital transformation,' because it is technology-driven, is seen as an IT-owned exercise. Look around the ecosystem of organisations offering 'digital transformation services,' and, when you scratch the surface, you find technology firms. This is perhaps the biggest issue

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10   EY 2021 - How to Navigate the People Side of Digital Transformation.

that derails such programmes because as soon as they become owned or driven by one function, they risk diverting from the overall objectives. The focus needs to shift from digital to business transformation; otherwise, we risk simply ending up with **digital upgrades**.

There needs to be an overarching agreement between everybody on why the transformation is being undertaken, and this agreement needs to be the touchstone to which the work returns on a regular basis. Digital transformation is not about changing the technology; **it is about transforming the organisation**.

Is the C-suite in harmony?

It has long been said that the C-Suite should drive successful transformation. If the question of why we are doing this is answered at that level, then the answer will embrace the whole organisation. Sounds simple.

However, even within the C-Suite, there are competing viewpoints, with the CEO, CFO, CMO, and CIO having potentially different perspectives on what transformation means to their organisation, irrespective of the underlying driver.

It is imperative that the **overall strategy is understood from all perspectives** and shared across the organisation at all levels. A C-suite-driven transformation will fail as surely as an IT-driven transformation if it is not bought into by everyone.

In recent years, there has been a drive for CIOs to gain a seat at the table, i.e., to join the C-Suite. Whilst this does provide a technology-oriented view at the highest level, it does not solve the problem of harmonising all the points of view. In many ways, it simply adds another perspective to the mix and it is often the case that the CIO is not the person to bring harmony to this mix of views. To harmonise there needs to be a role that draws all of the disparate views together into a single, cohesive strategy.

In addition to the competing viewpoints, data suggests that only one-third of digital transformation strategies are actually set within the Board Room, with the majority being set by the IT function and a small percentage being specifically driven by a particular business area to meet its own needs.

The worst-case scenario is multiple, sometimes conflicting, programmes of work underway that may derail each other or create competition for resources.

Without a single clear vision, no transformation will ever succeed

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How can we transform without a **single, clear vision** that everyone understands? If we cannot clearly articulate the why of a transformation, then we have no possibility of succeeding because we have no clear goal[11].

Do we have the right people?

Transformation requires a different thought process to Business as Usual and often requires quite different skill sets, especially on the technology side. However, outsourcing this to a third party is rarely an effective answer as this means that, after any technological change, the skills will leave the business. Successful transformational organisations understand how to leverage external expertise but ensure that the relevant knowledge remains in-house.

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11   HBR 2021 - Is Your C-Suite Equipped to Lead a Digital Transformation?

The other key difference between successful transformational organisations and others is that they apply equal importance to the **process** and **people** change as they do to the technology change[12] and will also use **external expertise** to drive these elements forward. Examination of failed digital transformations highlights that technology is rarely the issue. The most common factors that derailed these initiatives were the inability to effectively manage and develop modern technology going forward and the lack of organisational change.

Ensuring the **right people,** both internal and external, are involved is critical.

Who sets the approach?

Any strategy that does not effectively unify business and technology and accounts for all perspectives is likely to fail, but there are different ways to achieve this. Most successful transformation projects have benefitted from external advice and guidance at all levels. Using a **Strategy Advisor** is an effective way to unify the multiple strands present in any digital transformation. Finding expert skills to explore processes and technology in conjunction with existing teams is equally effective.

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12   CIPD 2021 - Digital Transformation in Organisations and People Functions.

However, that does not mean any digital transformation using partners will succeed. In fact, evidence suggests the opposite is true. Recent research by the **Cloud Industry Forum** suggests that many organisations are discontented with their partners and see them as a reason for transformational failure. Why is this? Partners will, all too often, have playbooks or *stories from the trenches* and will always seek to set an agenda that suits their P&L by repetitive, known approaches. It is hard to find the balance between a partner with their own agenda and one who will simply bend to the organisation's will and, therefore, be expensive.

Successful transformations often use an Advisor during the strategy definition and retain that advisor as an external Programme Manager in a part-time governance role over an extended period. They then select a range of delivery partners for specific elements of the 'how.' This approach means the right delivery partners can use their methods and gain efficiencies, but they cannot dictate the overall programme, which is still owned in the right place. This approach will also lead to cost efficiencies as using multiple specialists and containing their remit will result in more agile and efficient execution.

What will it all cost?

We are past the time when not understanding the power of technology is an issue. It is generally and widely accepted that technology is a necessary driver in most organisations. Now, instead of the issue of whether we need technology, it has become one of the **value of technology**. Unfortunately, value is measured differently according to perspective.

Unfortunately, value is often translated as **cost**. One of the most common reasons cited, especially by CIOs, for failed or aborted digital transformation projects is that it ran out of money, or the ongoing cost could not be justified. When you dig deeper into these assertions, the issue is often less of cost and more of **perceived value**.

Organisations see the value of digital transformation but are often unable to articulate that value clearly and so we end up with the seemingly contradictory data[13] that 73% of UK organisations consider digital transformation will fundamentally and positively affect how they operate but only 32% of their budget is allocated to digital projects. The only way to create a change in this is to articulate the value of the transformation early and allocate appropriate budget towards the realisation of value rather than treating it as a cost.

Digging deeper into cost

Cost is seen differently across any organisation, and so one of the critical success factors of any transformation project is establishing a common and accepted definition. This definition will vary from sector to sector, from organisation to organisation, and between roles within an organisation, so establishing what 'cost' really means can be challenging, yet it is rarely undertaken.

Whatever the definition, the cost is often attributed to specific operating units within an organisation, and this is where digital transformation projects become unstuck. Too often, the cost of implementing whatever is agreed upon is aligned with the IT function budget. Yet, any **benefit is rarely aligned**, making it virtually **impossible to measure success**. Seeing money flow out without any perceived benefit is disturbing in any walk of life. So, it is unsurprising that many digital transformation projects are halted because they are considered 'too expensive.' **Any project in any organisation is likely to be seen as too expensive if no revenue matches the cost**.

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13   Deloitte 2023 – Measuring Value from Digital Transformation

It is rare to see an organisational-level financial model that reflects digital transformation across all functions, and therefore, it is extremely hard to manage the value of any such programme of work effectively.

Isn't it a technology cost?

Many 'digital transformation' projects are conceived within IT, and most of these are positioned back to the organisation as cost efficiencies. '**Doing more with less**' has become a mantra internally and as headline marketing messages from vendors and consultancies alike, especially in the current age of automation, Machine Learning and AI. While looking for operational savings is laudable, rarely are all the available efficiencies realised, as most of these projects change the underlying platform. Still, they do not realise changes in the operational process or provide a platform for further innovative change.

Reports indicate that most transformation projects, especially those predicated on migrating to the cloud, **fail to deliver the promised cost reductions**.

When exploring the business cases for many transformation projects, it rapidly becomes clear that very simple metrics are used. IT functions have spent years being regarded as **cost centres,** and this attitude has become part of their own DNA, so there is a defensive approach. Cost becomes the primary driver rather than value, and this results in essentially flawed business cases, many of which fail because the ultimate cost of transformation exceeds the option of doing nothing.

IT functions tend to view cost and the associated Business Case as the direct costs associated with operating an environment. They often lack insight into the wider business and the impact of the change, so **value** is rarely defined, let alone measured.

Any digital transformation measured in terms of cost, especially technology cost, is doomed to failure simply because not attaching benefit to the cost means success is essentially impossible. A technology update may succeed on this basis, but truly transformational work requires a comprehensive measurement of value.

Any project
will fail if
it does not
create value

Measuring value

Technology is only ever of value to an organisation if it delivers benefit, and for value to be recognised, it must be positive. Reducing costs is **of value**, but it is not value simply because it is an unsustainable approach in any organisation that wishes to grow. Cost reduction can be a driver for some projects in an overall transformation programme, but if these projects are not linked to value creation projects, then the overall net value gain will be negligible.

The Legacy Dimension

The pace of technology inevitably means that any organisation over 20 years old will have been through multiple cycles of technological change. As technology develops in rapid cycles, virtually every organisation has at least one component regarded as a **legacy**. Legacy has different meanings, and that is often one of the challenges. The definition is not sufficiently nuanced to be meaningful. Legacy, in IT terms, is also **exclusively negative** and yet these older systems contain a treasure trove of data, process and knowledge that can be used to inform future change.

The fundamental problem is that modern software development is often predicated on 'let's write something new,' preferring to rip and replace current systems in favour of something new. This approach significantly extends programme timelines, and so the time to realisation of value becomes ever more extended. The rip-and-replace approach prevents the realisation of incremental gain, and so the organisation often becomes impatient with the programme as it waits for an extended time to see any change.

In our ever-changing world we tend to see replacement as the preferred response to modernise or extend. Every day we see buildings torn down to be replaced with new, modern buildings as sympathetic modernisation of the existing structure is seen as 'hard' or 'requiring compromise.' We see the same issue with legacy technology and yet, rather as with an old building, there is

significant value in retaining some of the original structure and attaching modern elements to it. This enables faster execution and, if done correctly, will enable the modernisation of the original elements at a later, more appropriate time.

When the change does come, it is often massive and poorly managed. And therein lies another problem. 'Big Bang' transformations are often followed by a sigh of relief and the belief that 'we have done transformation so we can pause.' Witness the flight into the cloud undertaken by so many organisations. Entire infrastructures and eco-systems migrated wholesale into a hyperscale cloud environment, big complex projects that achieve little more than anything being in a different location.

The journey to the cloud... and back

For many years, we have been hearing of the benefits of cloud computing and the necessity for any modern organisation to adopt *cloud-first* strategies. We have seen the wholesale lifting of 'traditional' IT environments into public cloud environments, often accompanied by promises of transformational change. And yet we are now seeing significant activity in **cloud repatriation**, that is, the reversal of the move to the cloud into a move of some or all of it back to localised data centres. Why? The drivers are multiple, but they broadly fall into the category 'it didn't deliver the change we expected' or 'costs were too high and unpredictable.'

Cloud First is not a strategy. It's just a statement of intent

These cloud-first strategies and the wholesale moves are often driven by IT seeking to ensure their platforms are seen as modern, but fundamentally, the issue boils down to putting the same thing somewhere else, and expecting transformational change is **irrational**. The primary purpose of adopting the cloud must be something beyond simply moving to a different platform. It must deliver value by enabling additional services to the business or reducing operational costs. Or, in an ideal world, both. Unfortunately, many lift and shift exercises fail in both respects, and because these are described as digital transformations, the percentage of failure becomes higher.

Cloud exit is starting to replace cloud first as a strategy in many organisations and this is not helping with the transformational journey. The need to constantly invest in trying to find the 'right strategy' is deflecting attention from the change that is really needed. Why are we facing this challenge?

One issue is the advice and guidance available to IT functions. In the UK alone, there are literally thousands of 'Transformation Consultancies' ready with their strategic advice and guidance. Look under the covers of these consultancies, and you will find a revenue engine fuelled by the need to migrate organisations quickly and simply to the consultancy's own preferred cloud solution, whatever that is. They want simple, repetitive migration projects that they can execute quickly before moving on to the next.

How can organisations gain a **true value perspective** when faced with this?

If the required journey is clearly defined, then using an experienced technical partner to execute a migration, knowing they have the tools and experience, is a good approach. **But only if the journey and the attribution of value is clearly defined**, and it rarely is, hence the high failure rate.

Returning to the legacy question

Legacy has become such a pejorative word in technology. Many organisations fear their 'legacy' will hold them back, especially against their 'born in the cloud' challengers, but this is just a matter of perspective. Ripping out what made an organisation successful is **counterintuitive**. Simply

moving it elsewhere, hoping that something will magically change, is pointless. The only effective approach is to explore the current technologies and map them objectively to a desired future state. Never assume what you have today is not fit for purpose for tomorrow.

Yes, there are risks with some older systems, which are many and various, but they are also nuanced and highly complex and should be thoroughly assessed before decisions are made. Having a well-defined long-term strategy will assist this process. Often, 'legacy' systems are defined as such because they do not lend themselves to modern access through mobile apps or web-enabled portals, but it is far quicker sometimes to build an external access eco-system than to replace the entire stack. If the eco-system is designed knowing that the legacy will likely be replaced, there are **immediate potential gains** without a wholesale replacement.

Security is often cited as causing the rush to legacy replacement, but many legacy systems are actually more secure because of their inflexibility and lack of connection to outside services. A secure access layer can deliver great customer experience without compromising the underlying security and remove the need for immediate rip and replace approaches.

There are a large number of extraordinarily successful organisations that project a modern, accessible, app driven approach to customer connection and yet, behind this, is technology that is often decades old but still functions effectively, efficiently and securely. Many of your banking apps and some of the most famous retail apps are simply connecting you to a well-established mainframe system at the core.

Sometimes, the underlying platform is the real issue, and this can be mitigated in several ways while other, more valuable work is executed first. There is also the issue of skills. Some systems are defined as legacy simply because the skills required to support them are in short supply, increasing their risk. Legacy is not a simple thing to define, and the nuance of the definition is important.

Security, patching, the lack of readily available skills are all genuine challenges, but if the transformation journey is correctly planned, then it is possible to address these without simply ripping and replacing and get on with delivering transformational change around them.

Those immediate gains can then be used to fund subsequent replacement.

How do we get back on track?

If digital transformation is as broken as it seems, how do we get it back on track? There are endless 'quick fix lists' and 'digital transformation playbooks' constantly in circulation, but the reality is that some **absolute fundamentals** must be in place before any digital transformation will be effective. Few of these fundamentals are predicated on technology; rather, they are strategic, organisational, and governance driven.

Before exploring the specifics, there also needs to be a discussion of the higher-level non-negotiables of success that affect how the specifics are driven:

Share!

Everybody needs to **engage with and buy into the overall strategy, including** any partners or other third parties. Create the strategy in a simple, easily understood format and be prepared to share it with anybody involved in the work and everybody impacted by the work. Publish dates, publish expectations, publish impact, publish everything that is not commercially sensitive because people work better with context than they do in silos.
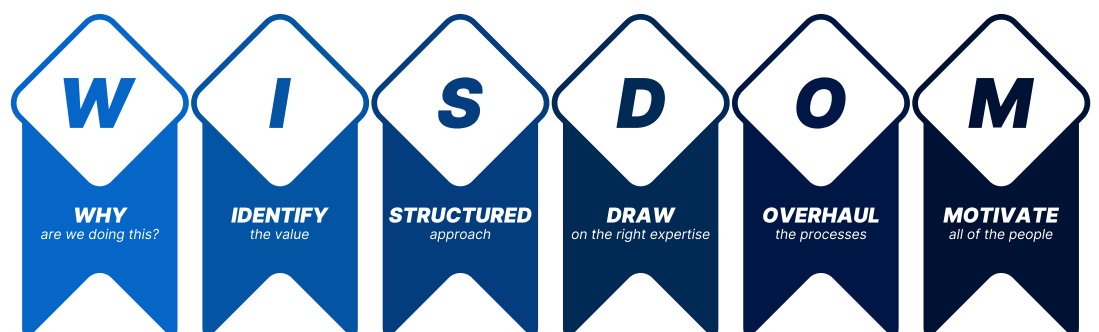
Commit

When the strategy is agreed upon, commit to it across the business. Every member of the C-Suite should be able to articulate the purpose of the strategy, the impact of the strategy and the current status of the transformation. Their language will vary, and their own agendas will be different, but the universal commitment will negate any negative impact on the overall strategy.

The six fundamentals of transformation success

What have we discovered that works for truly transformational organisations? This is a simple list but also an **inter-dependent list**. Every element needs to be in place for a successful transformation. Failed transformations may have succeeded with only slight changes or adding one missing element.

- Start by asking **Why Are We Doing This**? If we understand the why, we can adopt a Programmatic Approach committed to across the business.

- **Identify** and understand the **Value** of the programme.

- A **structured approach** to execution (the '**what**') that allows the realisation of value fast and enables building around **legacy** solutions.

- **Draw on the right expertise** to build an **execution strategy** (the '**how**') that blends external expertise with internal knowledge generation to ensure the how remains where it is needed most.

- **Overhaul the processes** within the programme. These are critical to success.

- **Motivate all of the people** and bring them all on the journey.

We have encapsulated these six fundamentals into our WISDOM methodology for success change:

W	**I**	**S**	**D**	**O**	**M**
WHY are we doing this?	**IDENTIFY** the value	**STRUCTURED** approach	**DRAW** on the right expertise	**OVERHAUL** the processes	**MOTIVATE** all of the people

Every element of this list must be properly documented and easily understood by anybody and made accessible to anybody involved. There is no point in creating a Transformation Programme and not sharing it with a partner employed to migrate infrastructure to the cloud. If they have context for their work, they will have more focus. Equally, there is no point in creating a vision that uses complex language that is not universally understood or is a set of tick-box words designed to impress rather than inform.

It is often valuable to create single-page posters or infographics that highlight the key elements of the programme. At Beyond we use large A0 physical posters to summarise the strategy and programme. Written in plain English and showing the impact across the business, these often end up being shared in company meetings, departmental meetings, and individual meetings and displayed across offices, in communal areas, and in non-office areas where they exist.

Communication is key to transformation success and only works when **everybody understands the language**.

A programmatic approach

A programme defines a broad set of strategic objectives gathered from discussions across the business. It is a **non-technical framework** with clearly stated and **quantifiable business outcomes** that the organisation stands behind. A good programme will articulate a **multi-year vision** based on the current starting point. This is key. A programme should be a living document, able to be changed as events change.

A strong programme begins with collecting and collating all the various perspectives. This is rarely best achieved internally as there will always be a natural bias toward the interest of the internal collator. This is where the effective use of a **Strategy Advisor** pays dividends. A good Advisor will not arrive with pre-conceived ideas; rather, they will question and probe across the organisation, gather viewpoints and then facilitate open and robust discussion.

Defining a programme requires **all stakeholders** to contribute and sign up for the outcome. It should **not be created by an external consultancy**; it should reflect the organisation's culture and DNA. The most successful programmes use external advisors to facilitate the process, mentor, and guide the stakeholders. They guide, **but they never drive**.

A good Strategy Advisor will also be independent of any other business. Their only interest will be in **your organisation** and what **you need to achieve. They will buy into this and may even agree to work on a contingent fee basis, where their success depends on the programme's outcome**.

When the **outcomes** are identified, and the **value** agreed upon, these must be captured in clear, simple, often visual artefacts made public within the business. Ideally, multiple feedback cycles from all staff are part of the overall process of gaining buy-in from the people.

Many organisations have some or many of these elements but often fail to bring them together into a cohesive whole. Setting off on any transformational journey without a fully articulated and shared programme invariably leads to failure.

When building the programme, the most critical element is identifying the **value** of the change.

An external
Advisor is
an effective
guide

Identifying value

$$Value = Benefit - Cost$$

The challenge in this **value equation** is measuring benefit, but no programme should begin without measuring it. A document that says it costs this today for technology and will cost this tomorrow is not a value equation because it does not establish value. Too often, Digital Transformations are based on cost comparisons and not value.

Value must be measured in terms of the **business**. There are myriad examples: more sales, more customers, faster delivery, cheaper delivery, more robust supply chains, more capability to serve more customers with the same core systems. However value is defined, it is not cost alone. If an entire programme is predicated solely on cost savings, it is unlikely to be transformational.

The programme must contain a clear articulation of **Value,** and this definition must become the guiding principle for every subsequent piece of work. The value must be agreed by all stakeholders and be clearly measurable. **Without value, a programme is pointless**.

Once the initial programme is defined and the why agreed upon, the next stage is to break this down into a number of stages. The most effective way to achieve this is to define a series of projects.
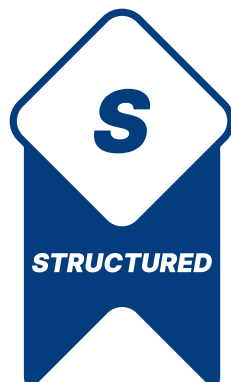
Structured approach

Programme stages are **projects, with all the projects interlocking with each other and the overall programme. Each project must be capable of being clearly and effectively measured both as an individual element and against the overall programme. It doesn't matter which project approach is to be taken: waterfall, agile, wagile, or** random tasks. What matters is that it is clearly defined and that it clearly contributes to an element of the programme.

If it is not part of the agreed programme, it should **not happen**. If a project that is not part of the programme is identified, then the programme must be revisited first.

At this stage, the required projects should be defined. The project definition will set out the objectives, goals, success, and failure criteria and provide a budget that is directly mapped back into the programme budget and underpinned by **value**.

This is the stage where the **cost** becomes relevant, but all costs must be mapped back to the **Value Equation** to ensure that the benefit outweighs the cost for each project. Project definition itself can be undertaken through external consultancies where specific knowledge and experience is needed but should always be mapped back to the programme objectives internally.

This approach removes external parties' influence from the **overall strategic direction** and prevents the oft-seen effect of wholesale change being driven by an external party 'because we have done this many times before.' Be wary of external providers projecting their experience to drive their own objectives.

Every project should contain **people, process, and technology elements. This should be a mandatory requirement for each project definition. This multidimensional approach is intended to ensure that maximum value is attained from each project and** that each project is a fully integrated element of the overall programme.

The other key element in mapping out the projects is to identify the skills that will be required to execute the project and operate in the future. For example, if the project is to migrate an element of the technology to a SaaS provider, do we have the right partner management skills? Oftentimes, this gets placed into Procurement under Vendor Management, but the operation of a finance system, for example, requires more than Vendor Management, and a formal structure for including a Finance expert in the process should be identified.

Having identified the skills required, **map these to the existing skills**. If skills are missing, can we develop them internally? Will we be losing roles? And can those people be redeployed? Have we engaged the right people across the various business units for their expertise and input into each project? How often do we see the business engaged in user acceptance testing after an initial deployment when they should be part of the design process first?

Finally, do we need partners, and if we do, are we absolutely clear on what they will be delivering? Do we have a tight **Statement of Work** that ties back to the overall Programme we can use for partner selection? We must avoid situations where we offer out a loosely defined project with a request to partners to provide their Statement of Work because this risks decoupling the project objectives from the programme objectives.

When we have a clear project definition, we can move to the Execution Strategy. **How** will we deliver these projects?

Draw on the right expertise

Having defined the projects, we are able to determine the most effective **execution approach** and develop the overall project plans.

Timescale, Resources, and Cost are the standard constraints on any project, and this is no different for Digital Transformation. However, the overall programme will significantly influence these, and if the projects are clearly defined, they should also neatly interlock.

A crucial step at this stage is to identify where **third parties** are required and begin the selection process. With a well-defined programme, partner selection becomes easier, as there is less of a need to rely on existing partners because they understand us. The programme definition should level the playing field for all potential partners, providing them with the why and **how** they are being asked to deliver.

Which brings us to partner selection.

How often has your CEO, CFO, or CMO been involved in selecting technology partners? Evidence suggests the answer is 'not often' because it is seen as an IT function. However, if digital transformation is to truly ignite an organisation, those partners are **critical**, and the selection process should include **all stakeholders** in the programme.

The reason for selecting an IT function-only process is that the other stakeholders will not understand what is required. However, all stakeholders will have a view on culture and approach, and a **diverse selection panel** will also provide wider insight throughout the process. If you are

selecting a partner to be a part of a transformational journey, their culture is more important than their technical knowledge, even at the project level.

Partners must also demonstrate that they **understand** the programme drivers and where their project fits into this. The best way to interrogate this understanding is with a broad selection panel.

Take, for example, how projects are costed. Many partners will extol the virtues of **fixed outcomes and fixed prices**. A well-defined project can have a fixed outcome, but the fixed price will always be uplifted by a risk factor, with the partners protecting themselves against the unknowns. The other option is usually a **day rate**, but this is also prone to being high because engineers will often dump time against a project, marking a day of work when, in reality, they have only worked five hours in a day, plus the overall cost has the potential to increase from the initial estimates.

With a well-defined project with measurable objectives, **contingent fees** are the most effective approach. It is an agreed price if, and only if, these objectives are met. That provides certainty on both sides and motivates both parties to work effectively together to deliver the project. Vendors will often try and negotiate out some or all of the objectives, but if the **value objectives** are held at the programme level with only **deliverable objectives** within the project, this removes that objection.

How a vendor is prepared to write a commercial agreement speaks volumes about their culture. Do they understand the overall programme? Have they sought to understand it? Can they clearly articulate the project's value to your business, not just theirs? Are they looking at the work from your point of view? Will they make recommendations that may disadvantage their revenue stream because it enhances your organisation?

All these fall under 'Vendor Selection 101' but are often impossible to measure because the overarching programme is not defined, and selection is made against the project only. Set the project requirements clearly but share the programme objectives, and there will be better results.

With partners and internal delivery resources aligned, we must now address the other two fundamental principles, which must be embedded within the projects.

Any transformational project will change how an organisation works

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Overhaul the processes

Any transformational project will change how an organisation works, whether within IT or more widely across the business. These changes must be embedded within the project and not simply put aside, as *we'll get to that when we have changed the tech*. Each project should include the relevant process change as well. There is a tendency in Digital Transformation projects to get the technology changed without leaving time and resources to address the myriad of other changes this will initiate. The process changes often **drive the most benefit from any transformational project.** Simply adding or changing technology rarely allows benefit realisation without changing how an organisation works.

This is the time for **automation, Machine Learning, and AI** to be part of the journey as well as exploring all the other processes. How does automation affect people's ability to do their jobs? Will they become more efficient? Can they bill more? Can we finish projects faster and bill and be paid faster? All of these are tangible values that will be captured in the programme and should be cascaded into the projects.

But, this is key, so many technology-led projects **fail to address these elements, believing they are** *an issue for the business* **that the projects fail to deliver benefits and become cost-driven.**

Effective process change means changing how people work.

Motivate all of the people

Ensuring **everybody** understands why a transformation programme is being undertaken is vital. People naturally resist change if they do not understand **why** change is occurring. Creating a programme that is easily communicated to all levels of an organisation is crucial to explaining why transformation matters, the impact on the organisation, and the expected timeline, and this should be published before any execution.

If people do not understand why change is imminent, they will either ignore it or resist it. If they see no change coming, they may also introduce their own changes at local or individual levels, making transformational change even harder to apply as the starting point can move in certain areas.

Engage everybody across the organisation in any transformation

However, the programme should also not come as a surprise because the best programmes and strategies are fed from across the organisation in the first place. Engaging a wide range of opinions and views at the outset will create a more robust strategy, and sharing it back is an effective way to demonstrate that opinions have been heard.

A case study where wisdom yields great value

A professional services firm was approaching the point where they needed to make some key technology decisions, but they realised that this was also an opportunity for transformational change. Simply replacing their legacy infrastructure with a modern version or picking everything up and migrating to the cloud was seen as a cost that delivered little value.

With this in mind, they approached several transformation consultancies to explore their options. The responses they received were discouraging. The responses focused on the technology, with the consistent message being, '*Migrate to the cloud, and everything will be better.*' Some of these responses were supported by business cases that appeared to show small cost savings were available from a wholesale migration, but beyond this, there was no real attempt to articulate the value.

The business rejected all the proposals as they could not see the value to the organisation. The business had a completely different perspective on their key issues of the moment and wanted a solution that would help alleviate these:

- The business was growing rapidly, and recruitment of staff was posing a problem.

- Some emerging practices in the business were struggling with technology that was not designed for their operating model.

- As the business grew, new offices were being opened, and this was causing cashflow pressure as starting new offices, equipping them and staffing them was an initial outlay that could take many months to recover.

- The additional offices were leading to geographically dispersed teams trying to share data on projects between them, leading to delays and inconsistencies in data which was generally located in the lead office with other sites accessing it remotely.

- The growing pains meant that some projects were being delayed as staffing could not keep pace with business won.

- The nature of the technology was such that staff were effectively tethered to offices to work as data gathered in the field had to be returned to the office for capture, processing and analysis.

These were the key issues keeping the management awake at night, and the thought of having to make a significant outlay to replace their IT infrastructure was not appealing in these circumstances.

So, how did the Beyond approach address this situation? We applied WISDOM.
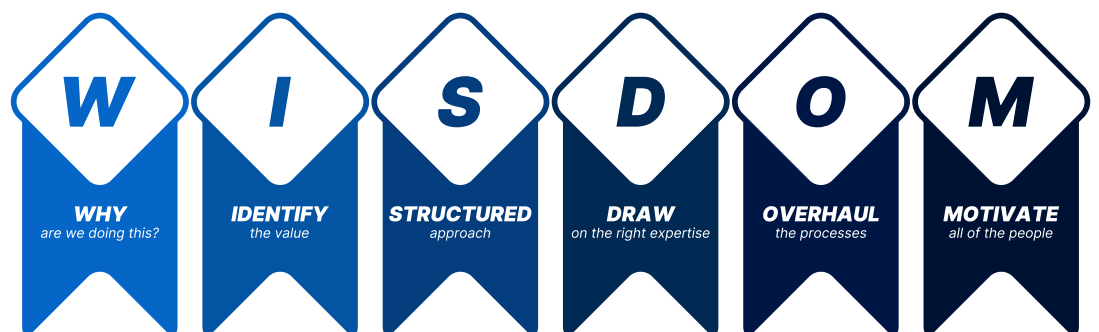
The first question we addressed was, WHY are we doing this?

Across the organisation, we spent time with the owners of the different functions and with professional staff before assembling a set of draft observations that we played back to the Board. Further discussions with the Board, including a Business Model Canvas exercise, allowed us to extract data illustrating where change would benefit the business.

We identified:

- Moving the core technology systems away from a dependence on local computing power would provide more flexibility to users and thus remove their dependence on offices.

- The same approach would provide a more collaborative environment to allow more effective data sharing between offices.

- Enabling existing functionality on data collection devices that were already owned would allow the streaming of raw data straight from the field to data collection and processing.

These technology changes would yield the following benefits:

- Removing the dependence on the offices allowed smaller or even shared offices to be used. The previous need to build a server room in each new office, cable it, etc, was removed, which provided a tangible cost saving.

- A short study of the challenges of working collaboratively between offices suggested that removing/reducing the speed constraint and eliminating data corruption issues would yield an average of 20 consultant days per month in saved time across the organisation. Although this is only around a 1% saving when translated into additional billable hours available, this equates to £20k a month.

- A further short study illustrated that enabling the existing remote data collection technology and providing a connection to a centralised data collection and processing environment would reduce the time each field consultant had to return to the office to perform these functions. This approach could save up to 20% of each field consultant's time and make this available for billing. This yielded a benefit of around £100k a month in available billable time.

- The additional billable hours could be recognised because of the resource constraint the firm was already suffering from. Extending available hours for existing consultants would reduce the dependency on constant hiring and allow more hiring in advance to enable the new joiners a proper time for induction, which then brought them to billable status faster.

- By removing the issues and the travel time from the process, projects were completed faster, meaning clients were billed faster, and so the time to cash was reduced by an average of 3 days across the firm. Whilst not a significant number, when interest rates are considered, this became tangible when viewed in the context of their £100m revenue.

Thus, the value equation for the technology-driven transformation became:

VALUE = ((Office Setup Costs & Rent)+(£120k/month additional Billable time)+(faster enablement of new recruits)+(faster time to cash)) – **COST**

With benefits nearing £2m in year 1, the project's cost became less significant. An architecture comprising some cloud-based infrastructure, SaaS solutions, virtual desktops, and a process re-mapping exercise that ensured high-level processing was all established on demand was developed, and a roadmap for the implementation was developed.

The 'cloud migration specialists' previously involved were then invited back to tender for very specific and clearly identified work packages that suited their own internal methodologies. This meant they had competitive pricing for elements they had a proven track record in delivering. Minimal risk and low cost.

The rest of the work was run by a wider programme team with specialists engaged where necessary but with the intent that the systems would continue to be operated internally so skills transfer was mandatory.

The programme's structuring resulted in the additional billable hours being realised very early within the programme and the cash flow throughout the programme remaining positive as the benefits outweighed the costs.

One of the major contributors to the success of this work was the early engagement with the professional staff. By listening to their needs and replaying them at every stage, they felt heard, and that helped bring them into the process. They were happy to adapt their working practices because they had identified the value for themselves, and so adoption post-implementation was near 100%.

FOOTNOTE

During the discussions, it was identified that if the architecture was implemented as defined, then there would be two clear new product offerings that the firm could bring to market almost immediately.

Simon Ratcliffe

Partner – Strategy & Technology

Simon trained as a psychologist before transitioning into Finance roles and, ultimately, into technology. This background provides him with a unique insight into what makes an effective digital transformation as he is able to combine the people and value elements with the technology. He has worked for 30 years delivering people-centric change that creates value into organisations across the globe, from multi-national to smaller owner managed businesses.

Motivating and engaging in his approach, Simon is an inclusive and trusted advisor who brings innovation and forward thinking to organisations who often engage him as a catalyst for change and growth. Simon can generate new ideas and concepts though facilitating robust and open discussions within Boards, encouraging groups of individuals to focus on common objectives and create visionary new ideas.

About Beyond

Beyond has a very different perspective from most management consultancies. We are a technology consultancy led by two psychologists who put people at the heart of change. With our refreshing and different approach, we can join you at any stage of your transformation journey to ensure that the **six fundamentals of success** are in place either as **Strategic Advisors** or as part of the **Execution Strategy** through our technology delivery business.

We never lose sight of the **Value Equation; we enable people and process change through our approach to assessment and enablement, and, yes, we can build great tech,** too.

Book a Discovery Call here.