

The reality of transformation



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In our latest report, we share the findings of research we've conducted with stakeholders across the finance, travel, leisure and charity sectors on the reality of 'transforming' - uncovering what 'digital transformation' means to the people in charge of delivering it, where people are in their journey and common blockers and enablers to moving forwards rapidly.

The rise of new technologies can mask deeper cross-sector challenges that this report also aims to address; the design of effective frameworks to enable the transformation of people, processes and cultures; all critical to ensure that businesses remain relevant today and for the long-term.

Digital transformation has possibly become one of the most overused business terms in recent years, with every company on some kind of transformation journey.

So why a report into it now? Surely digital transformation was all over five years ago and we're all in a post disrupted world?

Introduction

Welcome to our latest research report into the reality of digital transformation today.

As I'm sure you're asking, why has Great State decided to write a research paper in an area so well established? Digital transformation was the hot topic years ago, we've all done that now and moved on.

We have our five-year transformation plan created by a top four consulting firm, we've set up our innovation lab in the nearest WeWork and built our shiny new website and Alexa skill. Box ticked and the risk of our Uber/Amazon/Airbnb/Tesla moment avoided. Phew.

That is of course not the answer - although for some that may well be seen as 'job done'. For many that journey has only partly started, whereas for others they can only dream of having made such apparent progress. So, despite being a concept that's been widely used since the early 2000s, it feels as if transformation is only now getting real for many organisations.

Just one look down the high street alone shows you that many brands haven't successfully reacted to the change digital has brought.

Some of the retail, banking and leisure brands that have been cornerstones of the UK high street (both physical and digital) for decades no longer exist or are (very publicly) struggling to survive. Whilst I'm sure few of us believe that the 'House of Sports Direct' is the future of retail.

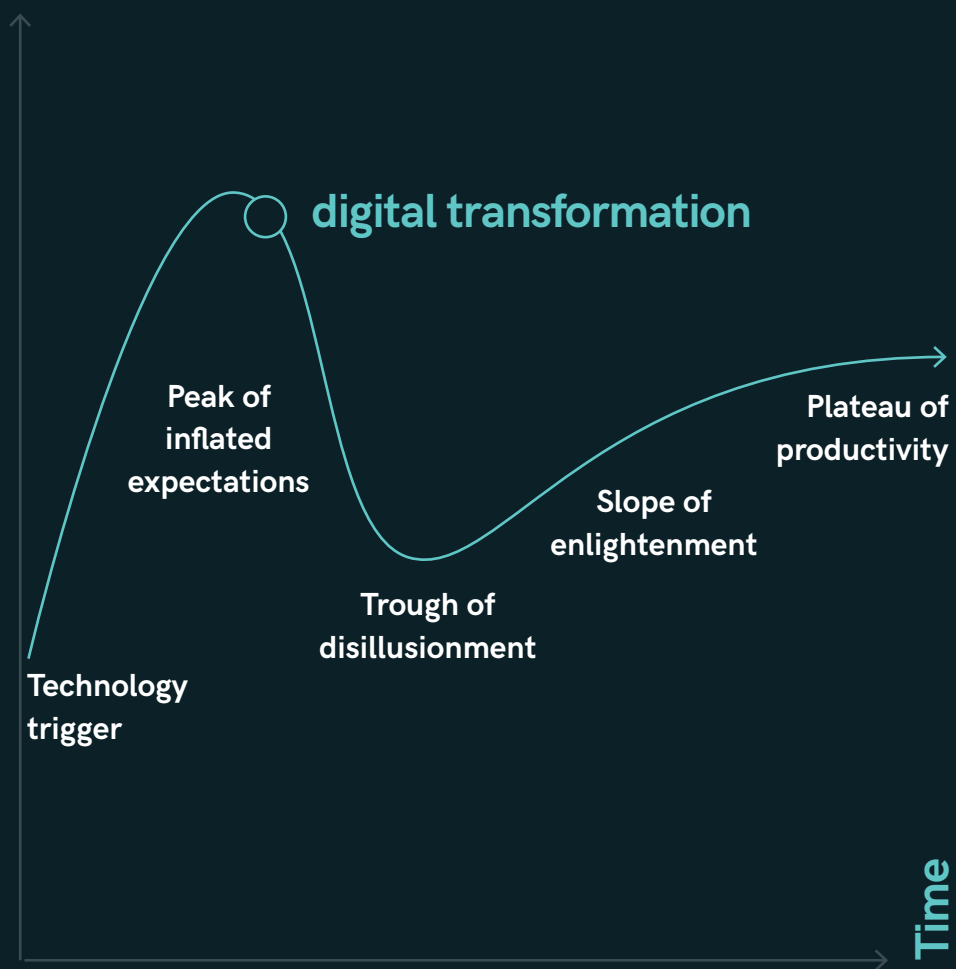
The true challenge is that the expectation of today's connected consumer is higher than ever and continually evolving; driven by the experiences delivered by new entrants, the big tech companies and by the rapidly changing technology in their pockets.

Those that are successful understand the needs and desires of today's customers better and have the ability to evolve continually at pace - all clearly easier if you're a new entrant without barriers such as legacy systems or organisational structures to overcome, although far from impossible for traditional business.

In fact, often it's not that many organisations haven't had the foresight to change. As Joshua Gans (economist at the Rotman School of Management in Toronto and author of The Disruption Dilemma) noted recently in the Financial Times:

"Kodak and Blockbuster weren't caught by surprise. They knew what the future looked like. They didn't know later than everybody else, they knew ahead of everybody else. They knew; but they couldn't organise around the new."

Expectation



We see a lot of organisations in a similar position today. There is a general understanding that they should be changing, moving forward, and if they embrace digital in some way their future will be secure.

Rightly so, the first step in this journey towards security is understanding what that digital future holds, which is often when organisations look to the large consultancies, who are experts at laying out what the future could look like, but in many cases provide a vision the organisation struggles to deliver against; a vision presented with passion and fanfare at the annual conference but ultimately ending up locked away in a drawer while everyone gets on with their day jobs.

As a result, many organisations just aren't moving forward - paralysed by the enormity of the challenge that lies ahead. Literally not sure in what direction to take the first step.

We work every day with clients who are in exactly this position, who need support in making that vision of the future a reality. We're often there to provide a fresh, more practical perspective on that vision and a roadmap to start to deliver it.

Because the reality of transformation is that it is hard. Really, really hard. And yet, we sit through endless conferences and case studies where we are shown a shiny version of that reality - where companies have literally turned themselves around using digital (effortlessly it would sometime seem).

For a lot of people in other organisations, trying to drive that transformation forward can feel a lot like banging your head against a brick wall. Slowly and repeatedly.

So we decided to do this piece of research. To talk to leaders 'in the trenches' who are trying to galvanise organisations to change, to understand the day to day reality of delivering transformation, the common blockers and accelerators to change and share the practical advice they would give to their peers based on their own experiences - both good and bad.

As a result, this document isn't intended to cover every aspect of transformation, indeed you'll notice that we've deliberately not focused a lot on tech and data (areas which warrant their own report - following in early 2019). It's intended to summarise our discussions with 12 leaders across multiple sectors on their experiences and their advice to other leaders.

Hopefully you'll recognise a lot of the themes we cover, based on your own experience and realise you aren't alone in your hair pulling/head banging/gin drinking frustration to the lack of progress in your own organisation. You may even sit back and realise you're way ahead of the game.



Nicola Hinds
Strategy Director



Andrea Daniels

Marketing & Digital Director at British Council

"To me, digital is about fixing and transforming the entire organisation...it must also demonstrate amazing client impact"



Charles Bodsworth

Digital Strategist & Transformation Director at Imperial War Museum

"We want digital to completely change the way people work...to reimagine the way curators conduct their role...using social media and delivering content touch points throughout our museums"



Christiaan Hen

Head of Innovation at Schiphol Group

"Digital is not a goal in itself...it must help us solve the capacity problem, improve the passenger experience, as well as reduce cost base"



Cynthia Quek

Digital Delivery Lead at British Heart Foundation

"Digital is ultimately about getting closer to our clients...its about instilling an internal mindset shift ruthlessly focused on user needs"



Jack Oliver

Independent Digital Transformation Consultant

"Digital transformation matters first and foremost because it presents an opportunity to reimagine brand and client experience"



Jean-Jacques Thomas

Chief Digital & Innovation Officer at SNCF Réseau

"Human and technical challenges must go together. It's as much about new ways of working as incorporating new technology"



Joost Van Der Made

Head of Concept Design & Innovation at Nederlandse Spoorwegen

"We use digital to truly make our passengers happy by providing control, appreciation and freedom"



Lara Burns

Chief Digital & Technology Officer at Age UK

"Half the programme is focused on how we improve advice for older people, the other half is focused on smarter working for staff"



Neil Wickens

CIO Digital at HSBC Private Bank

"We are building an event-driven service to support relationship managers in their dealings with our client base...it's about bringing data closer from the manufacturer to the end user"



Philippe Duban

Global Head of Retail Banking & Wealth Management Business Transformation at HSBC

"Digital is technology that helps us make the bank more efficient for our customers and colleagues...the aim is to make the bank simpler, better and faster"



Rob Muir

Chief Digital Officer at National Express Group

"We have set strategic challenges focused on Innovation, Data and Marketing to improve revenues, efficiency, safety and customer satisfaction"



Samantha Fanning

Head of Digital at St John Ambulance

"Digital is largely focused on the repurposing of our website to be used as a 'pathfinder', and to spread the use of Agile methodology across the entire organisation"

Our research

What does digital transformation actually mean to the people we interviewed?

For us it was important to understand what is considered digital transformation to those actually driving forward the change within their organisation.

"Is there one end state that we plan to get to that goes, yes we've digital transformed... no, that's not how we see it... we are looking to constantly iterate on key areas of the business"

Rob Muir, National Express

"Pushing out tech is not what digital transformation is about"

Joost van der Made,
Nederlandse Spoorwegen

"Digital is not only about the shiny VR world - we are focused on adopting digital ways of working, on overhauling legacy systems and improving organisational delivery"

Charles Bodsworth, Imperial War Museum

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Six building blocks of transformation

There are literally dozens of models available that detail how to approach transformation - some broad, some much more focused on a specific area.

We believe digital transformation can be best approached through six foundational building blocks. No one building block is more important, indeed they must all work symbiotically together to drive long term transformative change. The approach and activities within each section evolve and develop as the organisation moves through its transformational journey.

We have grouped the findings from our research around these foundational building blocks:

Planning

1. Vision and leadership
2. Funding and measurement

Culture

3. Engagement and comms
4. People

Delivery

5. Process
6. Tech and data

Planning

Whilst elements of digital transformation can happen organically within pockets of an organisation, to achieve anything of scale takes significant conscious effort, led right from the very top.

1

Vision and leadership

If anything was clear from the research we undertook, it was that, without a strong vision and a desire for the senior leaders of an organisation to focus ruthlessly (and yes it needs to be ruthlessly) on delivering that vision, transformation progress is at best slow and painful, at worst completely non-existent.

Transformation is fundamentally a leadership challenge – get that right and the rest is easy to achieve, and yet it seems to be lacking in so many organisations.

The transformation leaders we spoke to felt there were four primary elements that had to be in place to deliver successful transformation:

1. The right vision – whether its ambitious or pragmatic, there has to be a vision of what digital transformation looks like for your business.
2. A true commitment to what transformation actually means.
3. The right digital leaders in place to action it.
4. The right structure to deliver it.

Develop a North Star

In our research, a lack of 'Vision' was named as the single most important accelerator to transformation by 80% of the people we spoke to.

Having a vision of where you're trying to get to that's right for your business was key. It can be ambitious or pragmatic but as long as it is relevant, compelling and up to date (not set by a previous CEO 3 years ago) it provides a North Star to focus an entire organisation.

It needs to be there to unite and galvanise everyone in the business to deliver real transformational change, which can be challenging and uncomfortable in the most part, but more often than not can deliver real results.

"Digitalisation for us is about using data and technology to solve complex problems. But it always ends up being a lot more. To do it requires different ways of thinking, roles, people, mindsets, and way of working... it requires changing organisational structure and business planning, finance planning, procurement and legal process. It may start small at first, but the consequences are immense - which is often why it's so difficult"

Christiaan Hen, Schipol Airport.

Without this clear direction in place one interviewee commented: **"I often feel like we're running around with a hammer looking for a nail to hit"**

Transformation means more than just a website

The idea of 'Digital Darwinism' has been written about widely over the last few years - the concept that businesses have to Adapt or Die to stay relevant.

We've seen high profile examples where companies have come out fighting using digital as an agent of change to revitalise their business - Domino's pizza and Lego being just two such examples.

Many companies haven't reached that 'crisis' point - although there is an awareness that they should be doing 'something'. That something can often result in a superficial vision that talks with excitement about a digital future, with no real clarity as to what shape this takes or how this will move forward.

As a result, several of our interviewees talked about a mis-alignment of what digital transformation actually means for an organisation - between the digital team (user focused, organisation wide, tech enabled) and the business leadership (it's a customer channel) - causing significant friction.

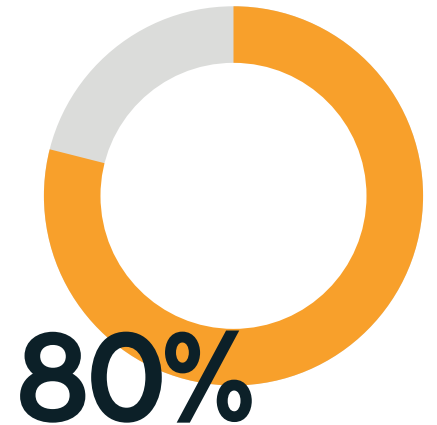
There can a tendency to pay 'lip service' to digital transformation, publicly promoting change without any real commitment.

"The board need to put their money where their mouth is. They describe an amazing ambition, it's like I've said I'm super committed to a holiday in Hawaii next year, I'm definitely going to Hawaii - but I'm not going to speak to a travel agent, not going to save, not going to plan it. I'm not going to do anything - I'm just going to hope that I'll arrive in Hawaii next year"

Anonymous interviewee

'Transformation' in these organisations starts and finishes with a new website, or maybe an app if really pushed, and will presumably continue on this trajectory until a crisis point has been reached.

Unfortunately, putting a stake in the ground and then not committing to the delivery can have a detrimental effect on the organisation, moving them even further away from the vision they have used to inspire, instead leaving those who believe in transformation confused and despondent. Further down the line, this can in turn make it difficult to attract and retain people when things actually do need to get moving.



said Vision and Senior Leadership focus were the most important factors in accelerating digital transformation

Digital transformation = business wide change

For those companies we spoke to on more ambitious journeys, there was a commitment from the highest level that real business change is needed to deliver against a digital agenda – across ways of working, recruitment and finance, to name a few. It is not something that is constrained to a single department.

“Digital is not only about the shiny VR world – we are focused on adopting digital ways of working, on overhauling legacy systems and improving organisational delivery”

Charles Bodsworth, Imperial War Museum

“Is there one end state that we plan to get to that goes, yes we’ve digital transformed?.... no, that’s not how we see it. The whole approach to digitally transformation as a business is that it’s iterative, we are looking to constantly iterate on key areas of the business”

Rob Muir, National Express

Both National Express and the Imperial War Museum make an important point in their quotes above. Not all digital transformation is ‘sexy’. There are as many gains to be made in improving the customer experience by rethinking back-office processes as there are in a shiny new consumer facing AI messaging bot or voice interface, (although admittedly less likely to get you column inches in the trade press or be spoken about at your next networking event).

Those who are taking this seriously are focusing 80% of their time and effort on things relatively unseen to the user.

The right leaders

Do leaders understand digital?
The actual question should be – do they need to?

In our interviews this came up several times, both in a positive and negative sense. Whilst in an ideal world the leaders of an organisation would understand digital, to many senior leaders it’s a brave new world that makes them feel uncomfortable and out of their depth. In some cases, this can hamper any significant progress, with the ‘digital’ people frustrated that the business can’t see the benefit they could drive, and those controlling the purse strings uncomfortable with the risk associated with committing investment to something they don’t understand (and on a personal level may not see the value in).

“The digital team is in a separate space, with a different mentality, we are not always taken very seriously”

Charity interviewee

This is echoed in a recent report produced by Capgemini, which stated only 35% of organisations believe they have the leadership capabilities required in 2018 for their digital transformation.

More importantly, the value placed on the right leadership has grown (or maybe the impact of the bad leadership is being felt). When the same report was conducted in 2012 this was a more hopeful 45%.

Often it’s about converting things to a language that everyone can understand – Joost Van der Made, Nederlandse Spoorwegen, stressed the importance of creating a ‘North Star’ video to present a near-time vision of the future the board could buy into, as well as demonstrating what could be delivered in the short term using experience maps.

“It can be difficult selling the vision for a digital product, it’s not always as easy as a standard project. Digital projects are based on softer measures (often based on research) and that’s not as easy”

Joost Van der Made,
Nederlandse Spoorwegen

The best leaders empower those in transformation roles to ‘do’. Getting rid of the shackles to do things differently, they are often willing to take a ‘leap of faith’ initially to bring momentum to any programme to demonstrate success.

It can often take a hardline approach to drive the change in mindset and behaviour supported by all the senior leaders within an organisation. Overcoming resistance to ‘that’s the way it’s always been done’ can require some very clear and public statements of intent, employing ‘carrots’ and ‘sticks’ in equal measure.

There also needs to be recognition that the creation of a truly digital business is not a one-off project, or the sole responsibility of a specific department, but instead needs to be ‘passionately embraced’ by the entire organisation to succeed.

The right structure to deliver

Sadly, there is no singular structure that will make transformation easy. Across our interviews we spoke to people spearheading transformation in different sizes of organisation in vastly different sectors and they all largely operated different models. What we do know from our research is:

- There needs to be clear ownership of transformation at senior levels within the organisation. Whilst responsibility for co-ordinating transformational effort can sit with one individual, executional responsibility for delivery has to be shared across the leadership of the organisation.
- Reporting lines varied into CEO, CIO and CDO. None of these are right or wrong it seems - however to get real traction there has to be a board level champion - in an ideal world, the CEO.
- Cross-functional committees work well to co-ordinate effort across the organisation, define business cases and prioritise deliverables.
- It can be hard to get any real long-term traction if innovation/transformation is isolated from the rest of the business.
- When the organisation is ready, distributed decision-making is the only way to achieve long term success.

Top five accelerators to digital transformation

One

Vision and senior leadership focus

Two

Flexibility around funding

Three

Innovation mindset

Four

The right talent/resource

Five

Whole organisation engaged in the vision



2

Funding and measurement

Funding is vital to getting any transformation programme off the ground, measuring success is key to keeping it going. It's often one of the hardest hills to climb and can often severely limit the progress of any programme, or stop it dead in its tracks - especially if there is no vision or realistic top-down commitment.

Funding and measurement for a 'transformational project' can also be problematic because of its cross-organisational nature, often with the initial deliverable being driven by one area of the organisation and the benefit being realised elsewhere, over extended periods of time. Building the business case can often end up being more of an exercise in relationship building, negotiation and compromise, rather than purely focused on proving the numbers.

The fact that this came up repeatedly in our research is no surprise. If senior leaders are incentivised on the performance of their 'silo', then no matter how profound the vision or how committed they are to change, they are unlikely to contribute funding, resource or time to a programme which risks the shrinking of their empire, or the achievement of their objectives and bonus.

In order to drive real change, there has to be a realignment in the way senior leaders are incentivised (or seen) to succeed in a new collaborative world.

There were a number of recommendations from those leaders who had successfully navigated the funding challenge:

Align to business objectives

'Every business case should be aligned to one of the strategic pillars of the business.' Sounds simple, but this came across strongly from those who had been successful in funding ongoing programmes of work.

Intrinsically linking business cases to organisational objectives justified projects across organisational silos and allowed boards to make some initial leaps of faith.

In businesses where transformation is focused more on one off 'vanity projects' (yes we've all been there when the CEO wants an app) this was hard to do and therefore limited the long-term funding that was available, often resulting in a solution looking for a problem.

SNCF Réseau apply a pinch of realism to their financial planning. Recognising there is always going to be a project where a significant leap of faith is required, they ensure 95% of changes directly contribute to an overarching business objective whilst 5% can be progressed as 'free spirits'.

Prove success quickly, but don't forget foundational change

Nearly all the interviewees talked about the need to demonstrate success quickly to get ongoing buy in and 'market' the process – both at board level and across the organisation.

However, many cautioned this can be a double-edged sword. Showing you can deliver results quickly, and often at low cost, can encourage a short-term focus and eclipse the need for investment in long term projects. There has to be a realisation that there is only so long you can prop up an archaic legacy system or limp on without a single customer view.

"80% of your digital innovation is defined or limited by legacy IT. It needs to be developed first before you can move on"

Joost Van der Made,
Nederlandse Spoorwegen

One organisation we talked to were required to demonstrate ROI within the first 12 months of delivery of any project, no matter what the level of investment. Not only did this limit investment in foundational systems – such as CRM, or the removal of legacy technical systems, it caused all those involved to take a risk-averse approach to the entire programme, only moving forward on small changes where they could guarantee success.

Christiaan Hen from Schipol Airport talked about this challenge in terms of Revolution vs Evolution. Ensuring both elements are understood and funded is critical to success.

"Revolution vs Evolution. People always want quick results, and in some cases that's right. There is a reason why evolution takes time. There is less friction and its sustainable. Whilst I don't like things to go slow - ultimately you need to take the time to get some of these things right"

Christiaan Hen, Schipol Airport

Flexible funding cycles

The importance of funding cycles that flex to the needs of the programme, rather than the annual budget cycle, were discussed as being one of the key elements to funding transformation projects successfully.

Whilst having a financial commitment to a long-term programme of change (in most cases three years plus) was reassuring, this was only effective when there was recognition that there was no crystal ball in regards to the future needs of the business and that flexibility to adjust the programme within broad parameters was needed (indeed the very premise of Agile requires this to be the case).

There were several ways in which this had been approached. Charles Bodsworth at the Imperial War Museum talked about their approach to developing a three-year business case, with only Yr 1 having any real robustness, the insight and results of which would be used for Yr2 and Yr3 planning, in time.

Others allowed for mini business cases to be submitted under broader macro value pockets – allowing for ideas to bubble up from other areas of the business and be progressed to deliver against the overall macro business goals.



Realistically **measure**

Attribution is hard when it comes to transformation. Those companies that accept that and find a way to ensure money is invested sensibly without limiting progress, are those that are able to move forward at pace.

No one we spoke to felt that they had it nailed and unfortunately we don't believe there will ever be a definitive answer as to how to do this well.

One of the more realistic approaches was taken by SNCF, where there was a focus on measuring the macro progression of overarching business objectives, alongside individual project KPIs, again reinforcing the need to tie business cases intrinsically to the objectives of the business.

Ultimately benefit realisation requires sensible discussion between multiple parties (based on theoretical allocation) and a large degree of mutual trust. It's not always easy to justify everything in numbers.

Indeed the challenge of measuring the 'qualitative' impact of many programmes can get overlooked, it can be equally important to balance hard numbers with softer elements such as customer service, improved communication and staff happiness, which can sometimes be just as critical to measuring value.

Funding **iteration**

Agile projects by their very nature have no end, and yet business case funding can often stop at the point of handover to BAU.

There's always a complicated dance over CAPEX/OPEX but consideration has to be given to the long-term iteration of any product to ensure its continued success beyond launch.

The handover to BAU is a more complicated than just funding, which we explore more with regards to "Process" later in the report.

Top five **blockers to digital transformation**

One

The right talent and resource

Two

Culture

Three

Legacy systems and processes

Four

Consensus

Five

Methodology

Culture

**“Culture eats strategy
for breakfast”**

Peter Drucker,

The father of modern business management

Much has been written about the need for the right culture to exist to allow the transformation of an organisation – the need for employees to be empowered, have an innovative mindset, to work collaboratively, to look externally and to be open to risk and failure.

However, changing culture can often be one of the biggest challenges, especially in organisations who are often so in need of transformation, where hierarchy, tradition and process have often been the mainstays to 'the way it's always been done'.

"You can achieve great things with small means if the culture is right"

Charles Bodsworth, Imperial War Museum

Those whose transformation programmes are flourishing are prepared to invest heavily (in time, top down commitment and quite frankly money) in shifting the cultural perspective to one that embraces change and has the momentum to drive it forward.

Unless there is a real desire to change and those commitments are in place, organisations are struggling to recruit (and retain) the right sort of entrepreneurial talent to drive significant transformation forward – and take others on the journey along with them, encouraging and in some cases demanding a seismic shift in behaviour.

Without that talent in place throughout the organisation, pushing change both up and down, it's very hard to see any significant shift in culture.

"We are being slowed down because we are not able to unpick fast enough the established ways of working and the risk-adverse culture"

Anonymous interviewee

As a result, lack of talent was ranked as the number one blocker to transformation in the organisation we spoke to (culture coming a close second), with the message coming across more strongly in the charity and traditional banking sector, who still aren't seen as hotbeds of innovation, despite the prolific PR (for banks at least).

Interestingly, LinkedIn's data backs this up, showing a 32% drop-off in candidate interest in roles at traditional banks over the last five years compared to a 40% increase in roles in cryptocurrency, fintech and challenger banks in the same period.

The fact that 80% of the blockers and enablers from our interviews reference culture/people in some way, demonstrates how vital the right culture is to the people on the ground driving change.

It's hard to categorise so many complex issues around developing the right culture to allow transformation to flourish – but we've pulled together the following themes based on our research:

"Being a digital organisation means not only having digital products, services and customer interactions but also powering core operations with technology. Becoming one, therefore, requires a tectonic change in the activities employees perform as well as in their individual behaviors and the ways they interact with others inside and outside the organisation. Although it should come as no surprise that the traditional ways of working are incompatible with the new ways, it often does"

Boston Consulting Group, 'It's not a Digital transformation without a Digital Culture'
April 2018



3

Engagement and communications



"We asked people to change – without having a clear enough story about why we are doing this, everybody in the organisation should be able to say the same thing. Unless they understand they are just not going to do it"

Christiaan Hen, Schipol Airport

Hen talked extensively about the need not only to have vision in place – but the need for that to be communicated and embraced by those across the organisation.

And not just in a snappy statement on the wall in reception – it needs to be a living and breathing embodiment of the vision of the business, constantly referred to by all employees and stitched into any new product or service, change in process or team structure.

Everyone in the organisation should be engaged in driving forward change with recognition from the senior leaders that transformation is led from all levels and corners of the organisation, indeed it should be actively encouraged at every level if change is going to be embraced.

Several of the interviewees referenced the fact that many of the 'people at the coal face' are the best placed people to deliver the type of innovative improvement that adds value to the organisation and their consumers, IF they are given the right landscape to operate in, support and empowerment.

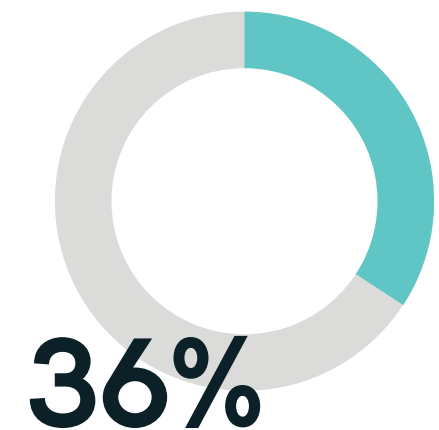
Thomas (SNCF) spoke about the numerous benefits in engaging 'end users' in shaping any solution. Not only do you deliver a more effective product (unlike those MVP's developed in isolation) they are much more likely to be adopted in the long run and to be successful.

"We make choices to prove things work as prototypes – but they're not the correct ones when we get to implementing at scale. Quite often the failure is as a result of not considering the human impact in regards to skills/process"

Jean-Jacques Thomas, SNCF Réseau

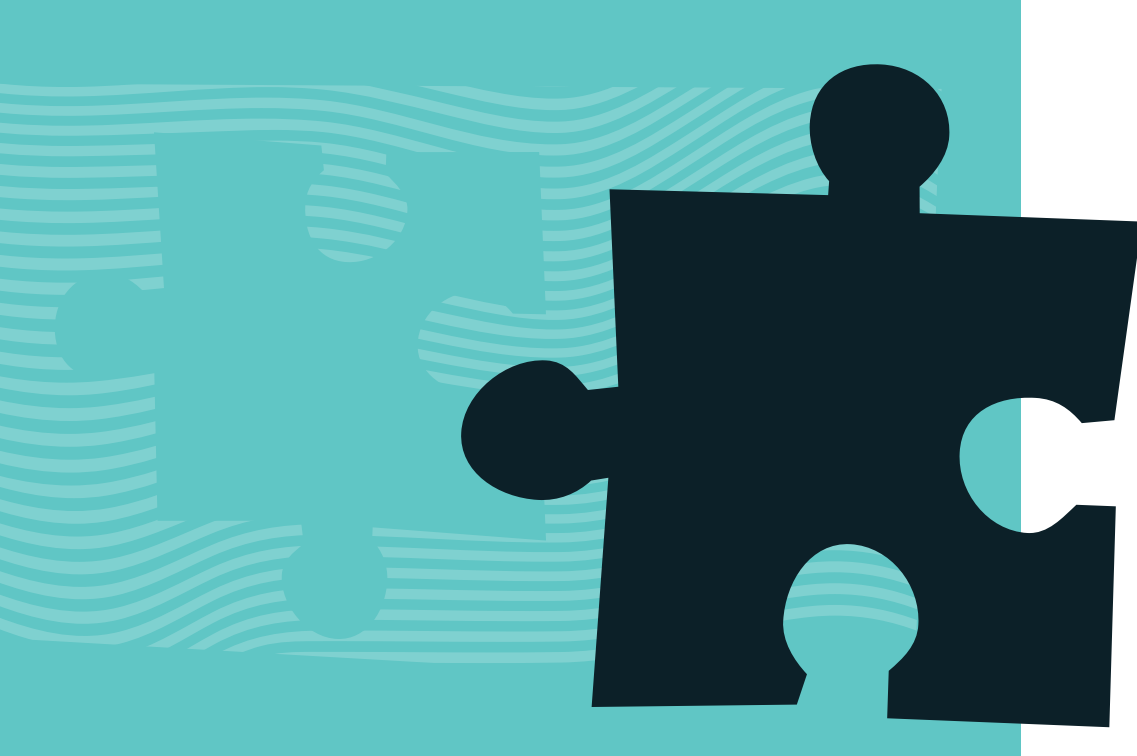
Equally those end users should be encouraged to develop and run their own transformation projects. One of the benefits of flexible funding means that ad hoc developments can bubble up throughout the business and be taken forward, assuming they align to the overall business objectives and have the skills to take forward.

As Capgemini report this broader engagement currently isn't the case with only 36% of organisations saying they encourage everyone to be part of the digital initiatives.



of employees say there are possibilities for everyone in the company to take part in the conversation around digital initiatives

Capgemini – Understanding Digital Mastery Today, 2018



4 People

Without the right people, building the right culture, organisations fail.

Since mass adoption of the 'the internet' in the early 90s, there has been a constant issue with the industry, being able to employ people with the right skills to deliver against the digital needs of their consumers and now more broadly, their users.

So, this is not a new message, but the fact that attracting the right talent was the number one blocker to transformation in our research was still a surprise. The stark reality is that the lack of digital skills is still real and is holding many businesses back. This was across a broad spectrum of resource too - from leaders to project managers to technical.

Balance between internal/external resource

Many organisations 'buy in' resource to support the transformation process. This can prove to be a successful catalyst to kickstart programmes - bringing experience of tried and tested methods, and often an ability to challenge the status quo in ways which can be difficult as an internal employee.

However, several of our interviewees cautioned that there needs to be a careful balance between internal and external resource if you are going to achieve long term sustainable transformation. One charity we spoke to had historically completed 70% of its transformation through external resource before realising this wasn't effective in the long term and is focusing on rebalancing this as a key deliverable of their transformation programme.

Ensuring capability is built internally across the organisation and doesn't remain in siloed pockets of external resource is key.

Whilst external resources are great to inspire, inject objective thought leadership and provide capacity where perm resource is hard to secure, they need to be integrated

effectively into the organisation so that they can draw on the wealth of knowledge already available, as well as developing the capability of existing resources.

One of the reasons why labs so often fail is that innovation cannot be done in isolation, separated from the rest of the business. Fundamentally your employee skills have to shift and be nurtured if you are going to deliver widescale transformation - and that takes long term engagement and investment in upskilling and training.

National Express has taken a multi-tiered approach to balanced external input, effectively putting in place three cross-functional innovation teams to work on business challenges that can be surfaced from anywhere in the business (marketing, HR, operations):

1. Internal innovation teams within National Express - focusing on BAU innovation where we know the answers if given time to focus.
2. Innovation labs - off site blue sky incubation labs where 3rd parties are set challenges and pitch ideas. Looking into areas where we know there is a benefit but we don't know the answer.
3. University research - longer term approach to understand transport trends and innovation opportunities.

An approach that ensures people feel engaged in the transformation process and empowered to make a difference in areas where they can deliver most value.

Delivery

The ability for an organisation to move from MVP to full scale production can be difficult. It's often the point where most friction arises as prototypes are exposed to the harsh realities of 'the real world' and different ways of working can clash.



5 Process

Clearly the process of transformation is a huge subject and could have an entire report dedicated to it alone. There were a number of learnings that interviewees felt were critical to getting a transformation programme underway and maintaining its momentum.

Put the framework in place to let others deliver

This was one of the most fundamental learnings from our research. Those people who were getting most traction in transforming weren't trying to do it by themselves. They'd put in place frameworks to allow others to deliver in a controlled and co-ordinated plan of attack, building effective, collaborative relationships across the business with shared responsibility.

Clearly this required some fundamental building blocks to be put in place, such as a clear vision, a supportive board etc, but by taking this approach they also engaged the rest of the organisation, there was less friction and transformation moved forward with less effort.

Those trying to do it by themselves were left trying to push water up hill.

Develop your own flavour of Agile

Agile is synonymous with transformation

Everyone interviewed was using an Agile methodology, but often only as a pocket within an organisation, which seemed to cause as many problems as it solved.

Many of our respondents talked about the fact that working in an Agile way can cause friction with the rest of the organisation, particularly support functions such as legal, governance, procurement - who by their very nature tend to be more process driven and risk-averse. So, whilst they were able to move quickly in their Agile bubble, things stalled when they moved from MVP to development at scale.

As a result, the overwhelming feedback from interviewees further down their journey was that you should develop the right 'flavour' of Agile for your organisation - one that allows you to move forward collectively at pace, effectively engaging the wider organisation, rather than rigidly enforcing Agile practices.

Whilst Agile can undoubtedly allow the organisation to shake off the shackles of historic process, forcing people to think and behave differently within the relative confines of another tried and tested method, all too often it can become the focus of transformation, rather than just the method of delivery - we are AGILE, therefore we have transformed. Whereas it should only ever be seen as a means to an end.

Transition to BAU

Don't ignore the marathon for the sprints

Whilst this is hinted at in other sections of this report, transition to BAU warrants its own section as it is so key to the success of any transformation programme, but often gets completely overlooked in favour of the next new shiny MPV, even prompting one interviewee to comment...

"Ongoing BAU and maintenance is seen as a distraction to delivery in the short term"

Short-termism is a theme we picked up in 'funding and measurement' and again we see it play out here. Whilst a lot of organisations successfully manage the transition to BAU, many of the interviewees provided practical examples of projects that had either not reached their full potential or completely failed because the transition to BAU had not been considered in terms of:

- Do internal end users believe in the benefits of the change - were they engaged?
- Do they have the capability and skills to manage?
- Who is responsible for the benefit realisation (often the people who built the business case aren't the ones responsible for the delivery against the numbers)?
- Is there ongoing budget for continuous iteration in order to deliver the benefit?

If the transition from MPV to scale, and subsequently onto BAU, is not considered at the outset this not only wastes the time and resources expended to get to delivery, it also creates friction between the teams driving transformation and those expected to execute against it.

"They shouldn't be run as a special programme - they should be integrated into the business to ensure buy-in to the vision and transitioned to BAU"

Joost Van der Made,
Nederlandse Spoorwegen

Put users at the heart

Any organisation who wants to compete actively in a modern landscape should understand the value of user research and testing, to ensure products and services are designed to meet the needs of their users.

However, despite having ambitious visions and adopting Agile practices, there wasn't always a focus on users, around 40% of people we spoke to didn't collect regular user insight in order to determine priorities and ensure investment would be effective in meeting needs. Prioritisation instead was undertaken by board 'hunch' alone.

Clearly the benefits of research are numerous with regards to service development, however this should also be used to add weight to all business case development, justify 'softer' projects and effectively measure against macro business goals and project KPIs.



6

Legacy, technology and data

Whilst our research didn't focus on technology and data specifically, we would have been ignoring a significant area without at least acknowledging it. In particular the difficulty not having the right tech and data management in place can cause any transformation programme.

One of the debates we expected to hear in our discussions was the fractious relationship between the business and IT, the constant tussle for ownership of digital and IT's inability to deliver at pace. Whilst, admittedly, we largely spoke to business leaders, it felt as if there was generally a collaborative relationship between the business and IT with those we interviewed - with both parties equally hampered by the issues discussed above: lack of vision, funding and the right talent to deliver.

There was a general acknowledgement by many that technical resource was stretched too thin causing significant issues with moving from MVP to full scale production - often with projects 'piling' up behind maintenance of existing systems. As a result, this was often one of the primary arenas where external resource was used to provide pace, capacity or additional specialist skills, making it crucial that internal capabilities continued to be developed to sustain long term delivery:

"To get buy-in to vision is relatively easy, to convert to action in the form of prototypes and concepts is easy too... the ability to execute these on legacy system is tricky where the IT backlog is huge and innovation has to be mixed with managing the system"

Joost Van der Made,
Nederlandse Spoorwegen

A final thought

As a final thought, we wanted to revisit what interviewees said digital transformation meant for them right at the start of this report. As a collective, they make a very important point that should be a key takeaway for anybody working in any type of transformation role.

Digital transformation should not focus on 'digital' - it's not the end game. If it does, you're designing a company that's already out of date and you'll be forever behind the curve.

Yes, digital in the broadest sense has been the catalyst for this wave of transformation and is an unbelievable agent of change, but there is already a new wave on the horizon, fuelled by data, AI and machine learning.

What true transformation has to be about is the adoption of modern business practices that ensure you can meet the increasingly high expectations of your users. In an ever-changing 'connected world' you need the right frameworks in place to allow you to adapt, the right culture and people to deliver against your evolving roadmap and the complete commitment of your senior stakeholders to deliver it.

With this in place you'll have the flexibility - and ultimately the longevity as an organisation - to adapt and move forward constantly, to keep ahead of your competitors and your consumers.

About Great State

Consumers have higher expectations than ever before - driven by rapid changes in technology and fierce competition in every sector.

Meeting those expectations requires different thinking and capabilities than those offered by traditional agencies, consultancies and tech providers. We are a new breed of agency designed for this challenge.

Our consulting, experience and engineering teams work in partnership with clients to identify opportunities for growth, deliver them to market quickly, then scale them for the long term.

We are famous for our work for brands including Adidas, Arla, Aston Villa, Mondelez, Honda, the Royal Navy and Orange.

For further information and to hear about ways Great State can support your future transformation journey contact miranda.glover@greatstate.co

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“Digitalisation for us is about using data and technology to solve complex problems. But it always ends up being a lot more. To do it requires different ways of thinking, roles, people, mindsets and ways of working... it requires changing organisational structure and business planning, finance planning, procurement and legal process. It may start small at first, but the consequences are immense – which is often why it’s so difficult.”

Christiaan Hen, Schipol Airport.



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