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Digitisation

BY GREG MCKENNA

In partnership with

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Source: GettyImages

Executive Summary

Since John Lombe built his silk throwing mill on the River Derwent in 1721, business owners and managers have had to grapple with the relentless march of technology as it has changed business processes, products, and customers' expectations of convenience.

Henry Ford, the Radio Corporation of America, Pan Am, Xerox, IBM, Apple, Microsoft and so many others were the disruptors of their age.

The challenges faced by businesses in the 21st century are no different than those which faced their forebears, when the technology of the day threw up new challenges to their business, products, and operating systems.

Businesses today are faced with many of the same type of issues and disruptions of the past. It's just that there is an underlying theme to all change in the business world today: digitisation.

Many businesses assailed by the pace of change technology has wrought are not sure what to do next in making the leap to a fully-digitised world, where customer expectations of delivery, speed, and convenience are higher than they've ever been. Players in the winner-take-all monopolies associated with early movers like Google, Amazon, and Uber are also starting to feel the weight of incumbency on their business models, through negative press and cultural challenges.

In this report we'll explain what digitization really means, both in general and at an individual company level. We'll work through strategies for tackling it, look at misconceptions, and highlight common features of companies that do it well.

We'll look at how artificial intelligence fits into this mix, but critically, explain how although digitisation may be changing the business landscape, it hasn't changed the rules of business.

Customer focus, good leadership, strategic vision, and a solid organisation culture remain core components of digital implementation.

And of course key to all this is taking a company's current staff on a journey while attracting the talent that will ensure companies have the resources to execute on the digital vision of leaders.

As we do all of this we'll look at management options for digitisation, the advantages of cloud based technology, and highlight companies that have successfully digitised. We'll explore what they did right and what they learnt along the way, and look at why blockchain is so much more than Bitcoin and how it's helping companies maintain control of the customer experience and product quality.

Introduction - A Digital Future

It's probable Steve Jobs and his team never anticipated the impact that combining a phone, a music player, an email server, and rolodex into one tiny handheld device would have on global commerce and consumers.

The arrival of the smartphone was a true paradigm shifting moment in global history and for the global economy. Jobs, Apple, and those who followed have helped usher in this fourth industrial revolution the global economy is currently living through.

This has seen the scales tipped and industries disrupted as the power, reach, and industry dominance of companies like Amazon, Google, Facebook, Twitter, Uber, Airbnb challenged established industries and business models.

Established players have been reeling. Retail, the taxi industry, and hotels have been particularly hard hit. Microsoft has successfully hit back, changing its business model and operations, and diversifying its revenue stream.

In other industries, business leaders are still reacting, some well, some not so.

As we near the end of 2018, almost no area of modern commerce has been untouched by the changes technology has wrought. And almost no area of modern business has been untouched by the empowerment of customers – both consumers and B2B – and the rebalancing of expectations around price, convenience and delivery.

Faced with a disruption to business models, an increase in the uncertainty about the future shape of the economy and their customers' desires, business leaders understand the need for digitisation.

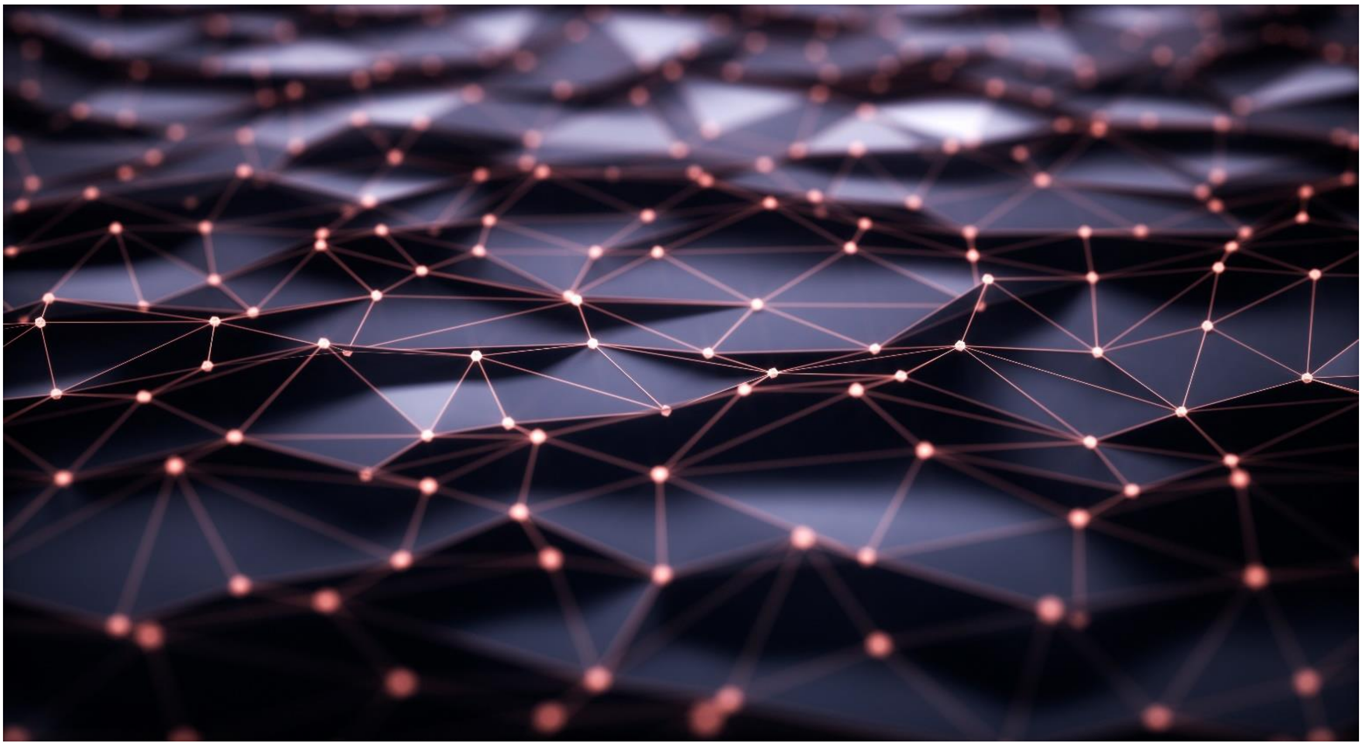
In the conversation for business leaders, this means different things to different people, companies, and industries. The important thing is all businesses and their leaders must recognise the world has already gone digital; it's not a channel, but a paradigm shift, a necessity of business.

Contents

The 7 Rules of Going Digital

1. Leaders need to change their approach. No longer is command and control the best way to manage the business. By necessity a leader needs to become more collaborative, a co-creator with colleagues, and customers.
2. Focus on the customer. This is the Jeff Bezos way. Businesses and their leaders need to have this as a primary objective of their digital strategy. Leaders need to adapt as their customer adapts, they need to evolve as customer needs, wants, and expectations change. Customers -- external and internal -- must be the primary focus.
3. Culture is critical. Technology empowers digitisation, driving the ability to get closer to the customer and deliver what they want. But the rules of business have not been abandoned. Culture is still a key to success. Without the right culture, digital transformation efforts will fail.
4. Get comfortable with failure. One important cultural change is that people across the company – from the board and executive level right on down to the shop floor must allow themselves to experiment - and fail. That will need a change in mindset.
5. Silos are the enemy. In a digital world the breaking down of silos is a paramount feature of any transformation strategy. Experimentation, failure, and success need cross functional collaboration to deliver. Silos inhibit this.
6. Technology is a means to an end. It is the enabler of the changes needed to delivery on customer and business leader expectations. It is not the end in itself.
7. Digitisation is not a destination, but a manner of travelling. The world is speeding up. Customer expectations continue to evolve. Competition is intensifying. Consider digitisation a journey, on which you'll probably never feel like you've arrived.

What Digitisation Really Means



Source: GettyImages

Jeff Bezos and Amazon have been cutting a swathe through the global business landscape for a little more than 20 years. Now vastly more than just a book seller, Amazon has disrupted global retail, e-commerce, cloud computing, groceries, and he's now taking aim at other industries like heath care and pharmaceuticals.

Google and Facebook have disrupted advertising and media. Uber upended the cosy world of taxis, and Airbnb has taught hotel groups a thing or two about pricing and convenience.

Against this backdrop every business owner or leader across the globe is going to understand they need to digitise.

In 2016, the World Economic Forum's (WEF) White Paper on Digital Transformation of Industries[i] said there was a "widespread recognition among leaders in most industries that the role of digital technology is rapidly shifting from from a driver of marginal efficiency to an enabler of fundamental innovation and disruption".

The WEF[ii] said digitisation was "the cause of large-scale and sweeping transformation across multiple aspects of business, providing unparalleled opportunities for value creation and capture, while also representing a major source of risk".

Niels Aillaud, chief digital officer at Whirlpool, said[iii], "we are living in the digital world and companies that don't understand this or don't necessarily move in to join their customers are at risk today".

How those opportunities and risks will manifest will depend on the business and industry. Most business leaders probably understand that, and have probably been involved in the road to moving some operations to digital platforms.

But what does it mean to fully digitise a business?

Karel Dorner and David Edelman from McKinsey & Co. wrote[iv], "for some executives, it's about technology. For others, digital is a new way of engaging with customers. And for others still, it represents an entirely new way of doing business. None of these definitions is necessarily incorrect. But such diverse perspectives often trip up leadership teams because they reflect a lack of alignment and common vision about where the business needs to go. This often results in piecemeal initiatives or misguided efforts that lead to missed opportunities, sluggish performance, or false starts".

The differences of understanding in what it means to be digital, Dorner and Edelman say, can be clarified by companies and business leaders seeing it as, "less as 'a thing' and more 'a way of doing things'."

It's an approach which requires a change of perspective from the top all the way through the business.

They then broke the concept of digitisation down into three strategic features:

1. creating value at the new frontiers of the business world;
2. creating value in the processes that execute a vision of customer experiences; and
3. building foundational capabilities that support the entire structure.

As you'll see throughout this report these attributes are the essential ingredients of any digital strategy. But they themselves need to be better understood in order to turn theory into practice.

Creating new value at frontiers seems an aggressive place to start. It may seem more intuitive for businesses to work through the three attributes the other way around: by building foundational capabilities, creating value, and then looking at new frontiers.

But Dorner and Edelman say, "being digital requires being open to re-examining your entire way of doing business and understanding where the new frontiers of value are".

By necessity that means examining existing business operations and sectors as well as "developing entirely new businesses in adjacent categories".

The process of digitisation requires an understanding of the developments in the economy, the marketplace, and trends in customer tastes and expectations.

In a more traditional management language, Dorner and Edelman are simply saying digital starts with an environmental scan. It's just that this environment is busier than ever before and getting busier. So some new scanning tools are required.

In terms of creating value in your core business they say that "digital's next element is rethinking how to use new capabilities to improve how customers are served. This is grounded in an obsession with understanding each step of a customer's purchasing journey—regardless of channel—and thinking about how digital capabilities can design and deliver the best possible experience, across all parts of the business".

The point is that companies making the journey need to be channel agnostic. Whirlpool's Aillaud says digital "is not just another channel". The whole world is digital.

But it's the focus on the customer which will be a recurring theme throughout this report. So too will the associated mantra – "be like Jeff" (Bezos).

And how do you do that?

Dorner and Edelman say the next attribute a company needs is to build the foundational digital capabilities to facilitate this customer focus. But there is a twist. Dorner and Edelman highlight two elements business needs to build these capabilities, and it's worth noting they put tech second.

First cab off the rank is "mindset". You'll see that a lot of that in this report: a digital mindset and organisational culture that empowers. It recurs in the literature and in successful digitisation journeys again and again.

So while Dorner and Edelman say "digital is about using data to make better and faster decisions, devolving decision making to smaller teams, and developing much more iterative and rapid ways of doing things," that requires a digital mindset.

That is, "a digital mindset institutionalises cross-functional collaboration, flattens hierarchies, and builds environments to encourage the generation of new ideas. Incentives and metrics are developed to support such decision-making agility" they say.

At its core, digital is about a business understanding itself, its people, its environment, and its customer. Its about having a laser focus on delivery to customer by establishing a flexible organisational structure which empowers a digital mindset. And then it's about having the right IT systems and architecture to enable all of this.

Tech is the facilitator, the means to the end, not the end.

What Digitisation is Not...

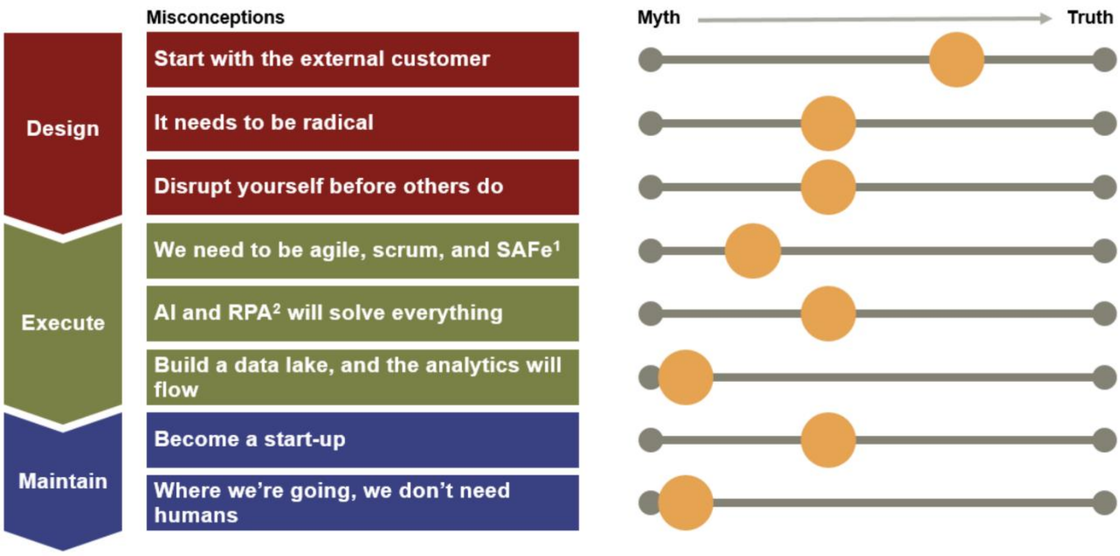
It's worth dealing with some common misconceptions about what digital and digitisation is, and what it is not.

One of the better takes on this is the one which was published by AT Kearney Partners Martin Fabel and Michael Hu along with their colleague, Senior Manager, Stuart Klein. The writers debunked what they called "Eight Common Misconceptions of Digital Transformation[v]".

Fabel and his colleagues said, "a lot of tales are passed from one digital guru to another that don't consider the realities of many established enterprises". So, in this world where digital is mystified and set apart from leaders who may feel they don't have organisational purchase on digital consumer behavior (even though they can often be the fastest adopters of it), they set about the task to "demystify digital transformation, separating the truths from the myths **based on our hands-on experience**" (our emphasis).

It's this focus on reality which is so powerful because just as economics needed the behavioural school to wake it from its overly mathematical reliance, so too does the process of digitisation need the practical application Hu brings to, as they said, "separate the hype from reality".

The shorthand version of this view is highlighted in the chart below. What's clear is that the authors think there is a bit more hype than reality when it comes to these misconceptions.



1: SAFe = Scaled Agile Framework
2: AI = Artificial Intelligence, RPA = Robotic Process Automation
Source: A.T. Kearney analysis

Start with the external customer

As you'll see throughout this document the customer is central to the path of digitisation but Fabel and his colleagues make the point it's not just the external customer where the focus should lie. "Most of the cost, speed, and quality improvement opportunities will have internal customers".

Process improvements *within* the firm are a by-product of digitisation in many real-world examples.

While the overall business may be focussed on serving the customer better, throughout the digitisation process and transformation they say, "each facet of the organisation must have a clear understanding of who they support, what their needs are, how they are already using what is provided, and what bandages are being applied".

The authors say this can be understood by talking across units and understanding the other unit's position throughout the process. Silos will spring to mind here.

Any business case for transformation must, "consider both external and internal customers to enact real change," they wrote.

It doesn't need to be radical

Locking your creative thinkers in a room to reinvent the wheel misses the point that while creative or design thinking is helpful, "it cannot be used to drive every workshop and ideation session," Fabel and his colleagues say.

Indeed, they point out something you'll see later in this report. That is, if there is to be a radical transformation then the business must take several steps and work through a process of testing and learning about the new idea.

They don't mention it directly and it's something covered later in this report, but to facilitate this step through process of testing and learning requires leadership and management changes.

Likewise, AT Kearney's concept of MVP (minimum viable product) the authors mention as the first step along the road also comes out in much of the literature and practical examples as a critical step in the process of a digital business transformation.

Having built the MVP the authors say the next step is that "multiple rounds of use case focused initiatives are necessary to build competencies and capabilities". That's test and learn, right there. Finally the business case has to evolve "from MVP to stepping stone to North Star" they says

It's fine to think big, "but prioritize what drives the financial impact, even if it's incremental".

Disrupt yourself before others do

It would be all too human for a business owner, a board, CEO, or C-suite executives to be either stuck like a deer in the headlights of disruption or rush to react to the emergence of technologically enhanced business model disruptors.

A good example of this is the rush to e-commerce without remembering that even in nations where Amazon is strong more than 80% of retail sales remain brick and mortar based.

Perhaps that might mean having an e-commerce strategy, responding to changes in customer preferences and expectations, changing the channel resource allocation mix, but remembering the bricks and mortar sales channel remains important.

Indeed, the authors say, the battle needs to be fought on both his fronts. They add that there "**isn't a single case where aggressively disrupting a core business has been value accretive for shareholders**—no matter how cool "disrupt yourself" might sound" (our emphasis).

Jeff Bezos or someone like him might be coming for your cash cow, but they warn against "pretending you have the secret to upending your own historic practices".

That's something the WEF highlighted in its 2016 White Paper on Digitisation[vi]. It noted, "the game is not over for incumbents. They have significant resources such as hard assets, brands, global distribution, customer relationships, data and decades of institutional know-how to harness frothier digital transformation".

Use agile, scrum, SAFe – yes, but ugh

Management-speak and acronyms often sound cool. But these strategies often fade from view or aren't applicable in the real-world circumstances managers have to confront.

While you'll see throughout this report that flatter structures and cross functional collaboration are central to digital transformation, acronyms and shorthand like "agile", or "scrum", or "SAFe" -- used by tech companies -- may not work for all organisations.

The authors of that WEF paper say, "throwing a few scrum masters into the legacy organisation while management keeps asking for stable plans, business cases, and hierarchical decision making is a recipe for failure".

The recognition here is that while the ideal is a goal worth striving for, it could be the enemy of good practice in the short term. They say the business needs to make progress toward this goal "much more than just ways of working" which are proscribed in terms like agile, scrum, or SAFe.

You might need to say you're doing things in a bit more of a relaxed way.

AI, 'thinking like a start-up', and data-centrism are not business plans

"Artificial intelligence (AI) and robotic process automation (RPA) are having a profound impact on the fundamental components of many businesses—from financial reporting and inventory management to customer service, **but both require a deep understanding of the problems and processes they're attacking to make the difference,**" they say (our emphasis).

This is another theme you'll see recur across this report. It is not the tech itself, or its application, that is the answer or cure all. Rather, the business must understand how to deploy the technology and understand how it creates value.

Today's tech leaders and business disruptors have embraced data, its flow, and its informational content to build better systems and process to run their business and serve their customers.

But, in successfully examples this use of data and roll of the processes that collect and then deploy the information through the business and back to the customer are strongly aligned with the overall business strategy of the company.

That's the point Fabel and his colleagues make when they say a company that collects data as part of its digital transformation will add value but note that: "any digital transformation that is not closely connected to the desired business outcome will never end and is likely to favor the past instead of the future".

"Long-term success requires creating a proper data management structure based on the end objectives," they say.

That's a point we'll get to when we talk about building out a digital strategy.

AT Kearney's entreaty that data and analytics should be thought of "in terms of data definition and quality, governance, storage, integration, presentation, and access and archiving", is a key one to remember.

(This is particularly the case considering the recent implementation of the EU's General Data Protection Regulation and with increased customer scrutiny over data ownership and usage.)

Similarly, there's a temptation to be like a start-up, to have that laser focus on building the product or business, to have that desire to disrupt the industry being targeted.

But Fabel, Hu, and Klein say that while "forward-thinking companies instill speed and accountability in everything they do" it is focus that is the key to a start-up's success and larger companies often "have an array of commitments that prevent a start-up culture from simply being flipped on".

It's why partnering, something we'll discuss later in this report, can be such a powerful part of the digital transformation.

The automation trap

Faced with increased competition, tighter margins, and a disappearing value proposition, it is easy for companies to fall into the trap of thinking the automation can help redress that imbalance. Or at least save on staff costs.

Of course that will be useful in the short-term. But an artificial intelligence solution may also require some highly specialised staff to maintain it – and this will be costly, at least in the medium term.

This may pose a problem for companies determined to transform, because attracting the talent to undertake the tasks required is a challenge in its own right.

Source: GettyImages

Beginning the Journey

Companies that once dominated industries have been surpassed by others that may not have existed a decade or two ago.

Knowing what a business needs to do to counter these new and emerging threats and take advantage of opportunities is understanding where that business sits relative to industry and opportunities.

In performing that environmental scan though it's important to understand where the drivers of digital disruption manifest for business and industry.

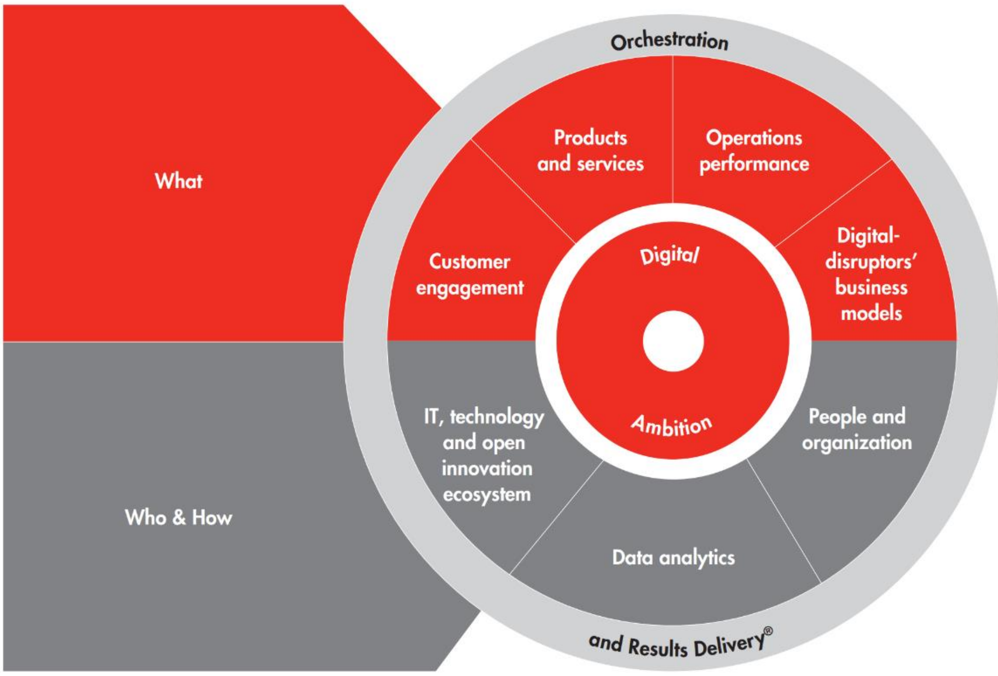
Bain and Company partners Laurent-Pierre Baculard, Greg Caimi, John Senior, and Elizabeth Spaulding highlight the changes that leaders need to make in "Leading a 360-Degree Digital Transition[vii]".

They say digital technology creates or destroys value in "four critical areas of the organisation". These are:

1. Customer engagement;
2. Digital products and services;
3. Operational performance; and
4. Preparing for disruptive new business models

Baculard and his colleagues suggest during the initial assessment of digital readiness, companies should aim to establish where a company "stands relative to competitors in each of these areas" and then lay out "out the ambition and milestones for the change management effort".

To facilitate this Bain has developed an evaluation framework – as a starting point - it says helps define where the company sits.



Note: Results Delivery® is a registered trademark of Bain & Company, Inc.
Source: Bain & Company

Think of it as a modern approach – a digital one – to an analysis approach that business leaders and managers understand well: the SWOT analysis.

Baculard and his colleagues say that their framework is "like a lighthouse".

They say it "guides corporate leaders to a holistic view of the digital threats and opportunities facing key parts of the business, linking them to an overall vision for how digital is reshaping the competitive landscape". The result, they say, of this analytical framework is to bring "order to a chaos of initiatives and provides a clearer basis for narrowing down priorities and managing the cross-functional interdependencies that the best digital solutions often present".

One thing is clear. The digitisation process that has overwhelmed the global economy has been a continued iteration where technology has enabled companies to service and better connect with key customers.

And when it comes to customer engagement Amazon and Jeff Bezos stand out as the benchmark for a customer engagement model which seeks to keep pace with the changes and evolution of customer behavior.

However, regardless of industry, this framework offers companies and leaders a framework for analysis.

Be Like Jeff

It's widely recognised that the customer is at the heart of business sustainability in the digital age. Arguably no business has either executed on that strategy better nor harnessed the tools of technology more effectively than Jeff Bezos' Amazon.

What's less widely known however is that Bezos identified his strategy and how he would achieve it more than 2 decades ago when he started Amazon.

In his first shareholder letter in 1997[viii] (when Amazon had just 147.8 million in sales) Bezos wrote:

> *"This is Day 1 for the Internet and, if we execute well, for Amazon.com. Today, online commerce saves customers money and precious time. Tomorrow, through personalization, online commerce will accelerate the very process of discovery. Amazon.com uses the Internet to create real value for its customers and, by doing so, hopes to create an enduring franchise, even in established and large markets…*
>
> *Our goal is to move quickly to solidify and extend our current position while we begin to pursue the online commerce opportunities in other areas. We see substantial opportunity in the large markets we are targeting. This strategy is not without risk; it requires serious investment and crisp execution against established franchise leaders…*
>
> *It's All About the Long Term."*

There is your digital strategy right there. Over the ensuing 20+ years Bezos and Amazon has relentlessly pursued this strategy. If you want to succeed in a digital world, be like Jeff.

Leading the Change

Illustration: Daniel Goh

Everyone can't be like Jeff Bezos and Amazon. Get used to it. But boards, CEO's, the c-suite more broadly do need to change in order to digitise with successful business outcomes.

This is particularly the case when it comes to the legacy corporate and business structures under which most companies still exist.

Until technology enabled the arrival and success of business disruptors over the past 10 or 20 years the traditional leadership model for business was that of command and control. Power resided with the Board and CEO and devolved from there throughout the C-suite, through their reports, and down throughout the hierarchy of the organisation to the lowest rungs of the organisational structure. Those at the coal-face, talking to customers, interacting with competition and the market were largely excluded and disconnected from the seat of power, decision making, and strategy setting.

This hierarchical structure is a legacy of past times and past practice and should be relegated to the dustbin of history. It needs to change for a company to become truly digital.

Yet it's not just a digital phenomenon. This is increasingly just about entrepreneurialism in the modern age.

The analysts who saw it all coming

Writing in 2006[ix], Ken Dovey, director of the Information Technology Management Program at the University of Technology in Sydney and Bryan Fenech, a director of Panthalassa Consulting, investigated what they called the "role of enterprise logic" in stifling innovation.

Enterprise logic, the authors say is, "a legacy from the era of industrial capitalism, is underpinned by a functional hierarchical structure... that promotes rationalism and inhibits personal engagement in organisational life". They further explain this "functional hierarchical structure - that underpins the prevailing enterprise logic and is still a characteristic of most large organisations – has embedded in it the strategic intention of managerial control".

This is anathema to the authors of a piece that was written even before the overwhelming change induced by the smartphone because it "effectively prevents the execution of innovative competitive strategies based upon the generation and leveraging of crucial intangible capital resources."

Like staff.

The result, they say, "is the need for leaders to envision and develop a form of enterprise logic that is predicated on new structural forms that encompass the principles of co-ownership, lateral power relations, and distributed power bases".

It's staggering that in a piece written two years before the release of the iPhone, Dovey and Fenech neatly summed up the change that leaders need to make as they seek to transform their businesses into digital beings.

Bain and Company partner Laurent-Pierre Baculard and his colleagues[x] highlight the changes that leaders need to make and note the urgency of it: that digital is not a wave that will pass, but a surge which is picking up intensity as technology evolves.

"Many describe digital innovation as a wave, which implies that once it passes, everything will resolve to a new normal. But we see it as a tide that is in constant and powerful flux. Hyperconnectivity; massive, cloud-based computing power; streams of data tamed by predictive analytics—all are colliding with trillions in investment capital to produce a new era for business, characterized by constant innovation, the prevalence of predictive analytics and dramatically accelerating cycle times," they wrote.

That would easily overwhelm a centralised command-and-control structure and thus reinforces the logic for the kind of changed enterprise logic a must have for a successful digital transition.

Baculard and his colleagues highlight an environment in which "**speed**—which has long been something of a holy grail for the leaders of large companies—is no longer a nice-to-have, but an **essential capability that will separate winners from losers**" (our emphasis).

This needs to manifest in an acceleration of "the deployment of digitally powered processes, customer experiences, and ways of working across global organisation's and teams." the authors note.

Pointedly for business owners, boards, and the C-suite, Baculard and his colleagues believe that "if creating a platform for digital evolution is not among a CEOs' top two priorities over the next two to three years, his or her company runs the risk of being dramatically displaced in its own industry".

The authors say a company needs to be adaptable, and must be "close enough to market to detect when change is essential and agile enough to respond fast with the most competitive solution".

Clearly the ability to do that and at scale and speed will depend on oraganisational size and capabilities. But as a core competency, knowing the market well enough to see change coming and then adapting and preparing for that is now critical skill any business owner, leader, or manager must have.

Business owners and managers have known this for generations, so there is nothing new in learning the ability to adapt. But in this new world, there are specific things that leaders need to learn to do, as outlined by Bain & Co.

"In our experience across many companies in several industries, real and practical digital transition combines **managerial practices that leadership teams have examined for years**, but have rarely implemented in full: frontline empowerment, organisational flexibility, cross-functional collaboration, decision-making based on quantitative analysis, linking strategy to execution and adapting continually. In a digital world, these capabilities form the composite set of must-have skills. Developing those skills is a journey involving the entire organisation, to build a new, more adaptable management model," they wrote (our emphasis).

Command and control is from the past. But the change this new future entails could be significant for many, so Baculard and his colleagues say, "the most advanced leadership teams break the challenge into a series of manageable steps".

Here's where we talk about what you can really do on a daily basis.

Leading for Success in Digital

Time to look at partners at McKinsey: Tanguy Catlin, Jay Scanlan, and Paul Willmott wrote in Raising your Digital Quotient[xi], that after "an in-depth diagnostic survey of 150 companies around the world" their analysis "of the digital performance of major corporations points to four lessons in which we have increasing confidence".

Those lessons?

1. **STRATEGY.** Not everyone can be a disruptor. So "incumbents must think carefully about the strategy available to them". But this doesn't mean "doing digital" on the margin. Rather established businesses must digitalise by "wholeheartedly committing themselves to a clear strategy".
2. **CUSTOMER.** Success flows from "the ability to invest in relevant digital capabilities that are well aligned with strategy – and do it at scale". This is important because "t he right capabilities help you keep pace with your customers as digitisation transforms the way they research and consider products and services, interact, and make purchases on the digital consumer decision journey".
3. **CULTURE**. It's more than tech. "Big data analytics, digital content management, and search-engine optimization—are crucial" but "a strong and adaptive culture can help make up for a lack of them".
4. **ALIGNMENT**. Align the organisation's structure – funding, talent management and acquisition, and KPIs with the strategy chosen.

This, Catlin and his colleagues say, will provide the road map and the management mindset to go with it because without it, "there's a real danger of traveling in the wrong direction, traveling too slowly in the right one, or not moving forward at all".

Finding Great Leaders for the Digital Age

What are the common traits of digital leaders who can achieve business transformation to or facilitate progression as the business matures its business model and faces inevitable changes?

Gerald C. (Jerry) Kane, a professor of information systems at the Carroll School of Management at Boston College, writing in the MIT Sloan Management Review[xii], he said "strong digital leaders are very much in demand".

Kane said he'd conducted research which "asked more than 4,300 global executives whether their organisations need to find new leaders to succeed in the digital age". The results, Kane said, showed that, "68% indicate that their organisation does, in fact, need new leadership to compete. Even more striking, **there is surprisingly little variance across maturity categories for these responses**: 77% of respondents from early-stage companies report that they need new leaders, as do 55% of respondents from maturing companies. On the whole, more than half of digitally maturing companies still say they lack strong leadership," (our emphasis).

He said "finding and developing the right talent is truly difficult" as leaders "constantly face new challenges and must adapt both the organisation and their leadership style to this new environment".

Consequently, "successfully meeting these challenges requires new skills and capabilities that leaders have not needed in the past".

But he did highlight four common traits executives "wished leaders had more of to help their organisations navigate digital trends", based on a survey of more than 4000 executives. The survey found executives want digital leaders to:

- Provide vision and purpose.
- Create conditions to experiment.
- Empower people to think differently.
- Enable collaboration across boundaries.

It's no coincidence these traits are consistent with challenge companies face in the journey through digitisation and the successful setting and execution of a strategy in the digital age.

Strategy Ownership in a Digital World

The term strategy originates from the Greek word "strategos", meaning general, or leader. Modern language has co-opted this from its military meaning to mean a process most businesses go through at least annually at their "strategic planning" workshop or weekend.

When you understand its etymology, it's easy to see where the command and control structures of legacy business models came from: strategy is very much seen as something that's set from the top.

But often the process of setting strategy and these strategic planning sessions simply end up with a wish list of achievements rather than a road map to the goals the company wants to achieve, who its customers are, how it's going to target and add value to those customers, and what it needs in terms of organisational capabilities to access and acquire business.

Mark Bonchek, Founder and CEO of Shift Thinking, wrote in the Harvard Business Review, last year that "a good digital strategy creates a gravitational pull"[xiii]. He argued the "mental models" of strategy which come from the battlefield are "ill-suited" for the digital age.

Instead, he says, leaders should think of digital strategy as being like the force of gravity and "influence from a distance". In other words your strategy "needs to generate a force of attraction, pull people into its orbit, and help them pull others in, too".

If you'll excuse the pun, that sounds a little nebulous. But in Bonchek's three-step plan for creating a centre of gravity for a business and product, he neatly outlines the principles for the process of successful digitisation.

1. **Gravity generation is important.** Bonchek says it "originates in a shared purpose that is created with your stakeholders as cocreators", not just to or for them as consumers.
2. **So too are experiential orbits,** which help "turn purpose into profit", he says. Think Amazon Prime, or the Google and Apple ecosystems where "companies embed transactions in relationships".
3. **Finally, there's what Bonchek calls "force multipliers".** This is essentially an extension of network theory where Bonchek allows for the gravity of members in the orbit of the brand themselves having a gravity which draws other to them and by extension to your brand.

That all sounds very retail focused. But that's just the obvious examples used. What Bonchek is doing is suggesting that companies find a way to build a deep connection with their customers that goes beyond the simple transaction focus of the past.

Business can quite easily merge his concepts with the Bain and Company "Digital 360" framework to fully appreciate what it has to do to set its strategy in order to maximise the chance of success.

Disrupting your own business

McKinsey's Tanguy Catlin and his colleagues[xiv] agree but suggest the type of "gravity" generation Bonchek speaks of may only be open to a select few companies – like Nespresso or Uber.

Rather they say "companies get their digital strategy right by answering three important questions. First, where will the most interesting digital opportunities and threats open up? Second, how quickly and on what scale is the digital disruption likely to occur?

Third, what are the best responses to embrace these opportunities proactively and to reallocate resources away from the biggest threats? This final question can be addressed in a number of ways, Catlin says, including:

1. A **smaller-scale disruption** of your own business model to enter a new space or redefine an existing one;
2. **Fast-following** to ride the wave and capture some of the value created by an industry's evolution; and
3. **Aggressively reallocating resources** from digitally threatened assets to more digitally interesting ones; and
4. **Boosting the effectiveness of existing business models** through digital approaches and tools.

Each of these questions fit neatly with the prevailing thinking from Bain and Bonchek and this combination will, in the end and after a number of iterations, provide a company with a strategy to digitally transform itself.

And they are not inconsistent with AT Kearney's debunking of the myth that companies need to disrupt themselves before others do, because the smaller scale disruption that McKinsey's Catlin and his colleagues suggest is consistent with the test and learn approach AT Kearney's Fabel suggests.

Iterating is key

Rita Gunther McGrath, a strategy professor at Columbia Business School, also argues for an iterative approach to setting strategy[xv].

“Companies can’t afford to spend months at a time crafting a single long-term strategy. To stay ahead, they need to constantly start new strategic initiatives, building and exploiting many transient competitive advantages at once,” she says.

Gunther McGrath’s research suggests eight shifts in the way a company is operating:

1. Think about arenas, not industries.
2. Set broad themes, and then let people experiment.
3. Adopt metrics that support entrepreneurial growth.
4. Focus on experiences and solutions to problems.
5. Build strong relationships and networks.
6. Avoid brutal restructuring; learn healthy disengagement.
7. Get systematic about early-stage innovation.
8. Experiment, iterate and learn.

Whichever approach a company wants to take, whichever formula it wants to follow, it is clear that the old system of command and control from a centralised CEO directing a hierarchical structure has to change. It’s clear that for a successful digitisation project, adaptability, flexibility, experimentation, iteration, and failure are all parts of this process.

Case Study: StatOil's Digital Transformation and Rebirth as Equinor

Equinor, Norway's energy giant formally known as Statoil, is 67% owned by the Norwegian government and has operations in thirty-six countries around the world. It offers an excellent case study of the journey of digital transformation.

Åshild Hanne Larsen, CIO and Senior Vice President Corporate IT, Statoil ASA, Ouriel Lancry Partner, Bain & Company Inc., and Mehran Gul, Project Lead, Digital Transformation of Industries at the World Economic Forum, recently wrote about Statoil's path to digitisation in "A step-by-step guide to digital transformation[xvi]".

They didn't gild the lily, writing that, "transforming a company into a digital enterprise is tough. Many companies have had some success, but few have completed this metamorphosis. No comprehensive playbook, or even checklist, exists for executives to follow".

According to the Equinor website however, and the authors' WEF case-study, the transformation has been a successful one with the company trumpeting that, "digitisation is on everyone's lips these days—but at Equinor, it's already part of our DNA. Our story is one of innovation and technological development".

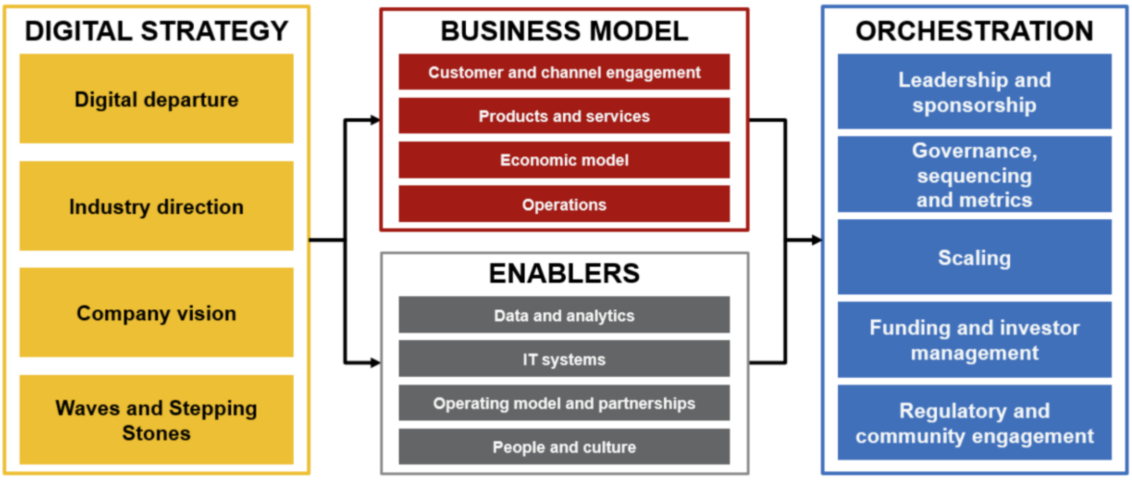
The company goes on to say that the technology is not an end in itself. Rather Equinor is investing in digitisation, "not because digitisation and innovation are goals in themselves, but **because digitisation is a key enabler for our strategy**. We will produce oil and gas more effectively with lower greenhouse gas emissions, be a leader within carbon capture and storage, and invest substantially in renewable energy" (our emphasis).

Back to Larsen and her colleagues case study at the WEF and it is clear that as Statoil, Equinor was asking the very same questions many companies are now asking themselves. The 4 questions Larsen and her co-authors said they asked were:

1. How do we balance investment for today's opportunities with investment for the future?
2. How do we win the war for digital talent?
3. How do we effectively fund digital initiatives?
4. How do we drive digital initiatives to scale?

This is where the true value of Statoil sharing its path to digitisation becomes apparent. Larsen, Lancry, and Gul said they quickly realized those questions "centred on four building blocks".

1. where your business should be going (digital strategy);
2. how that fits what your business does (business model);
3. what you need to get there (enablers); and
4. how you will manage change to reach your destination (orchestration).



Building blocks and subtopics for a digital transformation
Image: Digital Transformation Initiative at World Economic Forum

Digital strategy

The authors say that in their experience "setting a digital strategy stats with confronting three key questions; where is my industry headed, what will my company's role be in that future, and how can I create a path forward that balances a sense of direction with the ability to adapt along the way?"

These three questions add up to the requirement for a company to perform an environmental scan in order to start its journey of digitisation.

The point here, Larsen and her co-authors argue, is that the process needs to be "today forward and future back – every digital transformation must include elements that pursue business opportunities that are relevant today as well as those that put the organisation on the path towards the future".

The authors make the point that "digital transformations are still business transformations" and as such must deliver more than just new technology. Rather, "they must drive real value for the customer and improved outcomes for the business".

Customer and the business. External and internal stakeholders.

“All of us asked the same question: is this just the cost of doing business today or can we derive additional value from these improvements?” Larsen wrote.

Enablers

Again, the authors argue this is about more than the tech.

While they said, “all our digital journeys require changes to key enablers or the installation of new ones – data and analytics, IT systems, operating model, people and culture” they highlighted a recurring theme in literature and case studies noting “we were amazed at how much success really depends on organisation and culture, and how difficult those can be to change”.

They said, “our greatest challenges lie in hiring new talent, enhancing skills of our own, and shifting our culture to become more innovative and adaptable”.

As a result Equinor was spending around $US12 million to retrain its workforce through a digital academy.

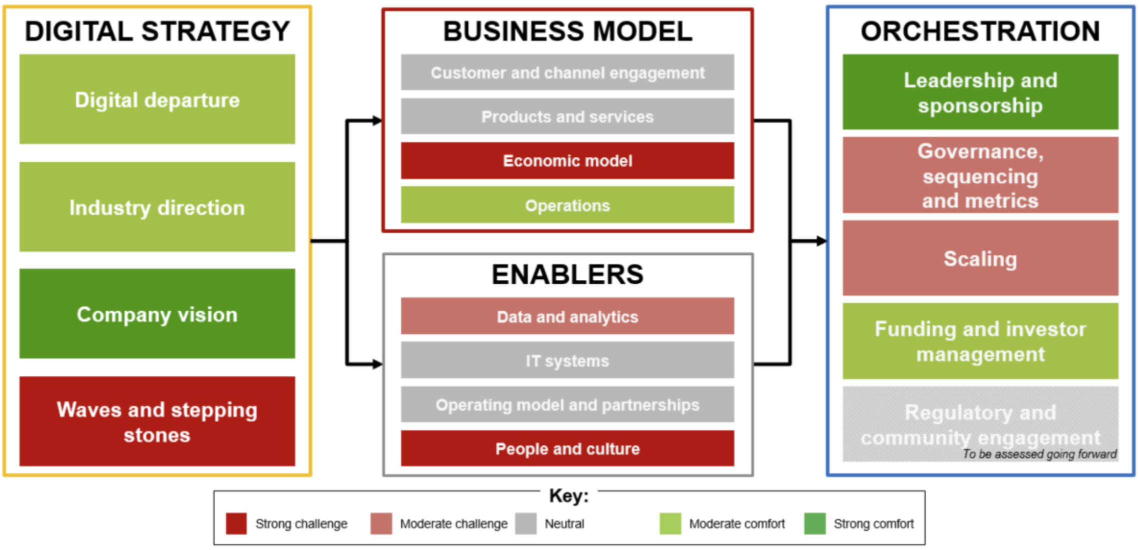
Orchestration

Managing the journey is complicated, Larsen and her co-authors wrote.

While the experimentation phase often saw success, “it remains a formidable task to then take that experiment and scale it throughout the enterprise” they said. Obstacles that popped up included “securing funding, changing the behaviour of thousands of people (not just 10), and integrating into legacy IT systems, to name a few”.

And in another recurring theme Statoil’s journey highlighted that leadership is a critical part of the success of a digital transformation and in overcoming the obstacles highlighted. Importantly “leaders from across functions act as digital ambassadors”.

At the end of the process the authors were able to establish which areas proved the most challenging and which were “under control”. It’s an important resource and one those on the journey or about to begin the digitisation process should study.



Heat map: where executives feel comfort and see challenges
Image: Digital Transformation Initiative at World Economic Forum

People and Culture in a Digital World

Source: GettyImages

It is revealing that Statoil's experience highlighted that people and culture was a "strong challenge" to the process of digitisation. That's because getting the culture, the people, and the leadership right for the business environment in a digital world is recognised as one of the key challenges of any company's journey to digitisation.

One of the big hurdles to bridging the digital divide is that traditional business models and their management structures have embedded in them a fear of failure. This is why getting the cultural and leadership changes necessary to support innovation and the new business strategy is key.

As McKinsey's Catlin and his colleagues argued in Raising your Digital Quotient[xvii] that "big data analytics, digital content management, and search-engine optimization—are crucial" but "a strong and adaptive culture can help make up for a lack of them".

Building a strong and adaptive culture

How does an incumbent business change its culture? How does it adopt the values required for its digital transformation while recognising the value of legacy businesses and while taking staff on the journey?

It's not an easy task.

The adaptability, experimentation, willingness to fail, and openness required will be uncomfortable for many leaders and their teams. Leadership must also seek to drive the structural changes needed so every worker will understand their part in the plan and thus obtain for themselves an "ownership" of digital.

Hiring the right people to facilitate the journey is clearly a key part of this process. But so to is taking incumbent employees on the journey.

The WEF[xviii] suggests 4 key areas leaders "should focus on in order to move toward a digital culture";

1. **Communication.** Communicate three times as much as necessary. Besides face-to-face conversations consider all digital channels (e.g., social media, blogs, wikis, forums, shared mailboxes, webcasts and videos). Focus on an honest and open conversation style; this will make the journey easier for employee to accept. Companies should also consider using a communication log.
2. **Journey management.** The leadership team needs to drive the cultural change. Leaders have to consider that the change needs to reach the grassroots level. The "clay layer" (middle management) of an organisation in particular is difficult to address, so it is important to tackle this thoroughly. Leaders need to release people's creativity and apply lean startup methodologies described earlier such as hackathons and design thinking. Companies should also hold digital immersion trainings for leadership to develop their digital literacy. This also needs to be supported by putting in place the right HR policies.
3. **Make changes visible.** Create job aids and reference guides for employees; consider the use of semi-permanent visualisations, change journey maps and paintings on the walls of the offices to support the endeavor.
4. **Continuous change monitoring.** Use tools such as change tracking, culture/feedback surveys and performance monitoring.

Bain's Baculard and his colleagues[xix] say, "human capital is clearly at the heart of successful digital transitions". They highlight that a "successful digital transition rests on overcoming this organisational resistance."

To do this they say leadership has to generate "buy-in". To facilitate this they recommend the following steps:

1. Define the change clearly and create alignment behind it by translating what it means for each part of the organisation;
2. Ensure people understand that as cycle times accelerate, decisions need to be swifter and wired differently than in the past;
3. Staff may need intensive training to learn new skills and behaviors; and
4. Everyone needs to have a clear understanding of how their role in the transition affects and depends on others.

Both these approaches are approximated in many other case studies and examples in the literature. And one thing that is apparent in the process of successful digital transformations is that cross-functional collaboration is going to be as important to success as a culture that fosters experimentation, testing, learning, and sometimes failure.

This is where structural and cultural changes need to merge. People across all levels of the organisation need to feel empowered to work on and offer solutions to problems. They need to feel ownership.

That, according to Bain's Baculard and his colleagues "requires some critical organisational and cultural changes". To facilitate that the CEO needs to empower boundaries to be broken down because "everyone, for instance, needs access to customer data, as well as the analytics and visualisation tools used to interpret it— information that is typically hoarded in a particular part of the organisation". This is often achieved by the CEO "giving teams permission to set new rules and by providing the strategic framework to buttress the new order they say."

Google's Digital Culture

Digital natives like Google – companies that have grown up in this digital age and are thus already adapted to it – are the gold standard for operating in the current environment. But while they were born digital that doesn't mean they have to adapt to the changing environment.

So, more established businesses, ones with traditional business models and leadership structures can learn from the core tenets of what makes a company like Google successful.

McKinsey's Barr Seitz spoke to Jon Kaplan[xx], Google's VP of US sales and operations, to better understand Google's culture.

Kaplan cited three tenets inherent in Googles DNA.

He said because of how Larry Page and Sergei Brin founded the company – the original servers were made of Lego - it did the best with what it has. It is thus "**incredibly scrappy**". He also highlighted Google is a **data-driven** company, explaining that "at Google, you really don't walk into a meeting talking about your gut feel on something. You need to have the data to back it up" he said.

The third tenet is that Google is **agile** with the company having evolved and changed over it life such that it is "totally different today than when we started". That, he said means "we have to have leaders, we have to have employees, and we have to have technology that is all very agile for where the industry is going".

It is this focus on agile which is important for other businesses to understand if they want to successfully negotiate their digitisation journey.

Kaplan said Google does "dozens of tests and experiments every single quarter". It does this in a small way and then scales up if successful. "We can start very small and test a theory, and if it doesn't work, we can very quickly pull that back. That's a really important part of what we do every day," he said.

He added one of the hallmarks of Google is how it learns from failure "in its test and learn culture".

Unsurprisingly Kaplan also said Google is "highly analytical about our culture". It does that buy an annual survey of all employees covering "every aspect of what a great culture would include: innovation and autonomy, forward thinking, teamwork. All the things that are important to the DNA of the culture".

But it doesn't become shelf-ware.

Google then looks at the feedback "and [analyses] it every single year, and then we actually take every piece of feedback" and address the areas where there is room for improvement.

Empower Your People by Connecting the Dots

Source: GettyImages

While it's easy to say you need to change you culture and empower your people to be like Google, it's unlikely for established players who aren't digital natives to be as straightforward as the theory would suggest.

Janet Balis, EY Global Advisory Services Leader for Media & Entertainment, and Kris Pederson, EY Americas Advisory Principal, argue that the very best companies[xxi] have, in affect, always had what we now call a digital mindset.

Citing the 12% of companies listed in the 1955 Fortune 500 who still exist today, they say these companies are, "providing consistently exceptional experiences, one interaction at time, across the entire value chain, realizing that business may be driven but technology but is fundamentally about human experiences".

Tech is the enabler. Human experiences are the connective tissue.

Balis and Pederson also say, “these companies also understand that they need to move at the speed of change. The more connected companies are with their internal capabilities and the external ecosystem, the more likely they will be able to anticipate where customers and competitors are going next so that they can design for the future instead of today”.

To achieve that they say companies must “challenge current constructs and use technology to build more agility into the way information and intelligence flow”.

It’s not the first time you’ve read something similar in this report. But Balis and Pederson have a 4-step process they say will allow companies to “connect the dots faster”. It’s a succinct road map for a business with an aim to take out the human frictions and objections to the change that many companies will experience on the path to digitisation.

1. Change your culture, nest your purpose.

Like others, Balis and Pederson say culture must change. But they nuance that by highlighting a company needs to “nest its purpose”. In doing that the, company defines itself and then allows each functional silo to “determine its nested purpose to align with the higher goal”.

They say every part of the C-Suite, every function, and business unit should also have their own purpose statement to “prioritise what’s important to your customers and motivate people to drive those goals”.

2. Break down the divisional and brand silos

They admit this “imperative isn’t new, but it remains a source of friction”. That’s because humans are humans and they are competitive. This mean they “may still be focusing solely on their own KPIs or on a digital agenda that doesn’t align with your organisation’s broader and integrated agenda”.

They say that “leading practices can only emerge with better collaboration, especially around customers and data”.

But what is unsaid here is that the management task of working with these employees and divisions who are or may become roadblocks is going to mean a hands on approach to manage of exit these members of staff.

The old skills are still necessary in a digital world because at its essence its still about people and their human foibles.

3. Dismantle the data and technology silos

Technology is often rolled out through a business as a "series of point solutions that could solve specific issues – ERP, CMS, CRM, etc." Balis and Pederson say. But companies need to find a way for these technologies to "more seamlessly speak to each other, and intelligent automation removes prior barriers around system integration".

On data they argue that the silos need to be overcome by driving "analytics across all of the available data sources so that the organisation can see the customer holistically and drive actions to scale the business".

4. Connect the external ecosystem

Google is Google, Facebook is Facebook. They have the size and scale to seek to do most things inhouse. But that option is not available to all companies, probably most.

So Balis and Pederson argue that after connecting the dots internally it is time to "consider making connections across the broader ecosystem of partners, suppliers, agencies, media companies or vendors, and other organisations".

In this way, "external partners contributing to the business will drive more value if they understand the context of their relationship" Balis and Pederson say.

The point of this 4-step process they say is that "by focusing on one area at a time, organisations can introduce change in a way that allows connective tissue to form".

BAlis and Pederson argue that "technologies are deployed as a means to and end: they enable the business strategy, which, ultimately, must focus on the customer… Organisations looking to survive — and thrive — 10, 20 or 50 years from now, will need to rally around innovation and technology to serve their company's higher purpose and deploy them with conviction. They'll want to understand all of the underlying dynamics of their current and future customers to make the right connections and create the synergies that will drive the future of business".

The Tool to Empower Company Learning – The MVP

Test and learn, be prepared to fail, learn from failures.

It sounds simple, if a bit managerial. Exactly how a company can do that depends on a simple concept of the minimum viable product, or MVP.

An MVP according to Bain & Co's Pierre-Laurent Baculard[xxii] and his colleagues is the development of digital initiatives "as prototypes, with clear time constraints for design and deployment". That's important because it "forces cross-functional teams to create 'minimal viable products' and test them on a part of the customer base to get early input".

MVPs are big enough for a real live test, but small enough not to disrupt the overall business and its customer relationships.

For example, Google's Kaplan said his firm can do, "1 percent test, for instance, on our core search product—scale that up if it's successful, but we can start very small and test a theory, and if it doesn't work, we can very quickly pull that back."

Baculard says one of the benefits of the MVP process is that it "brings together all functions during the inception of digital initiatives, representing all components of the process. And it allows teams to learn rapidly from market feedback and adapt accordingly before scaling up deployment across the entire organisation.

Building an MVP

Clearbridge Mobile, a Canadian App development firm, has a very simple prescription for planning out an MVP[xxiii] which can act as a functional guide for companies to use as a template and then mold to their own situation.

1. Identify and understand the business needs
2. Find the opportunities
3. Decide what features to build

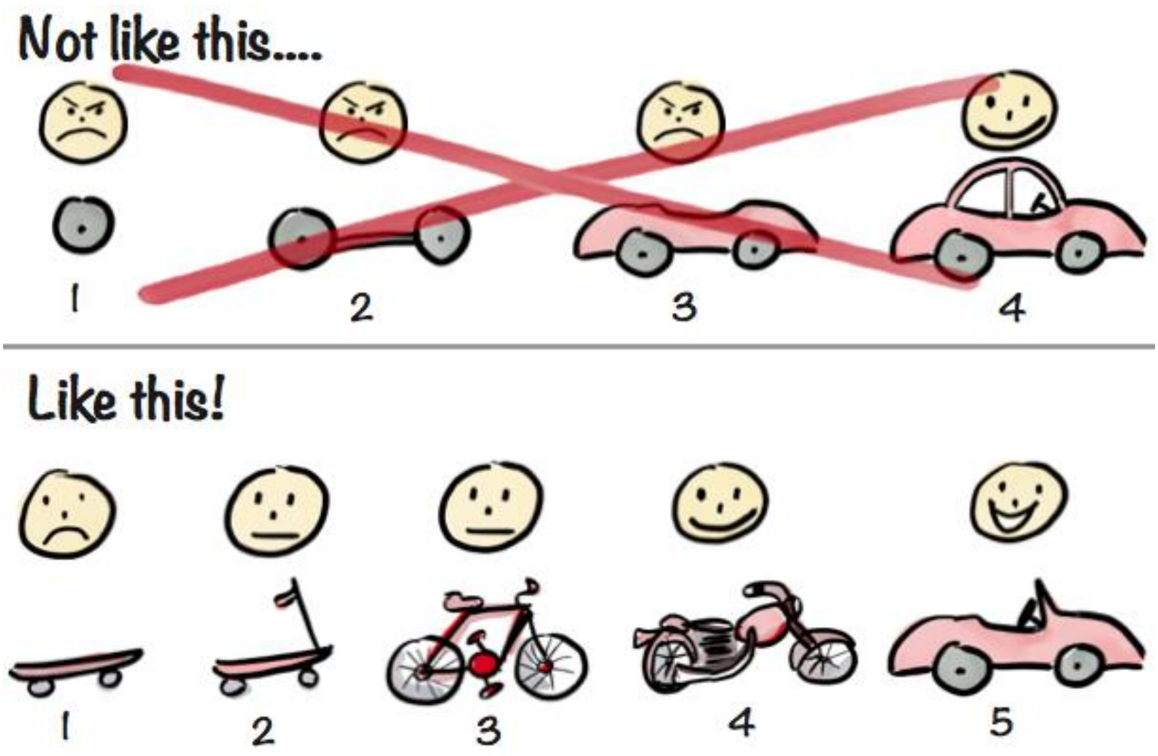
PWC's risk assurance practice suggests[xxiv] using an "agile" approach to the MVP process to allow for the test and learn mantra which is seen as best practice for digitisation.

“One common adage in the IT industry is that 80 percent of all end users generally use only 20 percent of a software application’s features. Agile addresses this by focusing on creating the minimum viable product (MVP) by delivering the minimum set of features that will deliver perceived value to the users. The MVP also allows them to continuously incorporate feedback into each future iteration as more information about the product becomes available, and added to the minimum features required (by the users),” the authors said.

But this agile approach can be dangerous, says Henrik Kniberg, a lean/agile coach at Crisp in Stockholm who has worked extensively with Lego and Spotify. Writing on the Crisp Blog[xxv] Kniberg argues the agile approach is like delivering a tyre as the first iteration when the customer wanted a car.

Rather he says, “we start with the same context – the customer ordered a car. But this time we don’t just build a car. Instead we focus on the underlying need the customer wants fulfilled. Turns out that his underlying need is ‘I need to get from A to B faster’, and Car is just one possible solution to that”.

He notes this is a metaphor and readers should “think any kind of customized product development situation”.



Source: Henrik Kniberg, Used with the permission of the creator

His team then delivers the initial product, in this case the skateboard to facilitate the movement from A to B and notes, “we’re not trying to make the customer happy at this point. We might make a few early adopters happy (or pragmatists in pain), but our main goal at this point is just to learn”.

He says the key is to tell the customer, “don’t worry, the project is not finished, this was just the first of many iterations. We’re still aiming to build a car, but in the meantime please try this and give us feedback”.

He says companies should work through this process, from skateboard to car (remember it’s a metaphor) learning along the way. You’ll note in the second iteration the company delivers a convertible, not a hard top. That, Kniberg says, leaves you with an overjoyed customer because, “we learned along the way that he appreciates fresh air in his face, so we ended up with a convertible. **He did get a car after all – but a better car than originally planned!**” (his emphasis).

He goes on the give examples of Spotify, Minecraft, a big government product and Lego before saying that the concept of minimum viable product should change with the M and the V being dropped in favour of a new process which includes Earliest Testable, Usable, and then Lovable Product.

His takeaway is simple and possibly gives a better sense of what a company undergoing a digital transition might be best focusing on.

His advice:

- **Avoid Big Bang** delivery for complex, innovative product development. Do it iteratively and incrementally. You knew that already. But are you actually doing it?
- **Start by identifying your** skateboard – the earliest testable product. Aim for the clouds, but swallow your pride and start by delivering the skateboard.
- **Avoid the term MVP**. Be more explicit about what you’re actually talking about. Earliest testable/usable/lovable is just one example, use whatever terms are least confusing to your stakeholders.

We asked Albert Naffah, the Commonwealth Bank’s Managing Director, Strategic Initiatives, Business & Customer Solutions, what he thought about the two approaches – MVP and Kniberg’s adjustment.

Naffah said that in his experience the problem with many MVPs was that the “viable” part was misunderstood and often misused.

“It's got to be viable. And often people put out prototypes, really, call them MVPs, but they're not viable, they're not attractive, they're not desirable for the intended customer segment. So, they don't meet the first hurdle which is they're serving the purpose of people who want them.” he said.

Naffah said the Commonwealth Bank often launches MVPs and “for them to qualify as an MVP, they've got to be customer ready. They've got to meet at least one if not more needs, they've got to function, they've got to be reliable. But we do know that we can build and iterate on those MVPs to address more and more needs over time”.

There you have it. Whether you take Kniberg’s approach or follow Naffah’s example the key remains to leave the customer at the heart of the process. “It's got to at least address one or more of the needs that that customer is buying that solution for,” Naffah said.

Albert Naffah's 4-step Guide to Product Digitisation

Albert Naffah, the Commonwealth Bank's Managing Director, Strategic Initiatives, Business & Customer Solutions, has spent most of his career in the payments space. That's an area of modern commerce that has been undergoing significant change over the years. And it's an area which has seen the pace of that change increase dramatically in recent years.

Naffah told us that over his career "processes along the payments value chain have steadily been digitalized. So, it's something I've been thinking quite deeply about for a number of years and led, or been part of, teams that have contributed to some significant change in that space".

We asked Naffah for his thoughts on what business leaders or companies at the start of this journey and who are looking to digitise products or processes should focus on.

He said the first step is what's being digitised must be "something that is better or easier, an improvement on the non-digital equivalent… Otherwise, why would you change?".

The customer remains central of course, Naffah said, highlighting as the second step “the customer experience is critical. We talk about that all the time. But it's got to be a slick customer experience. Which again talks back to that first point. Ideally, there is an efficiency game either for the provider of that service or for the user of the service, and ideally for both”.

These first 2 points are the absolute minimum. But, he added that they beg the question, “how do we determine and measure” the satisfaction of these first two points? That brings us to the third and fourth steps in the process.

Testing remains crucial Naffah said as the third step because “customers are varied and different and they've got different needs”. He said this means “businesses need to ensure they’re testing these digital experiences with customers regularly, whether it be initially through some market research and then through putting things through a lab, through customer experience type testing”.

The final step is that businesses must iterate. “Test and iterate before actually releasing the solution into the market” Naffah said.

This was exactly the kind of process the Commonwealth Bank had gone through with the recent introduction of the New Payments Platform – which allows instantaneous transfers from one bank account to another by customers using phone or email as verification.

Part of that process is that customers register their PayID, to facilitate transfers. “We iterated about 20 or 30 times through various experiments with actual customers to make sure it was as easy and simple as possible, that customers weren't dropping out in the middle of the process”.

As a result of this simplification around the process allowing customers to enter their details, CommBank has around 45% of all PayID’s in Australia that have been registered. That’s the true measure of the success of this process of iteration that drives product digitisation.

Attracting Talent

We’ve already heard from Gerry Kane[xxvi] that global business leaders recognise there is a desperate need for more digital leaders.

But it’s not just leadership talent that companies need in increased supply: finding digital savvy talent is going to be a core issue for managers and business leaders to prioritise if they are going to successfully achieve their digital transformation.

AT Kearney, in a research report, "Answering the Digital and Analytics Talent Gap: The New 'Trilinguals'[xxvii]", says the race for "digital and analytics talent is even fiercer" than the "race to incorporate digital and analytics into business".

That's because while "companies have greater access than ever before to data that can create real value and a long-lasting competitive advantage… at the forefront of this revolution is talent: the smart, driven people needed to work seamlessly at the intersection of technology, analytics, and business".

Attracting talent is no small challenge.

Recently JP Morgan announced it had changed its entry-level program for tech-talent, so it can try and attract more young engineers away from Silicon valley.

Lori Beer, JPMorgan's global chief information officer, told Reuters[xxviii] the bank was seeking to give engineers more challenging projects to work on because the bank, "wanted to take a fresh look not only at how other financial services firms think about talent but also, other high tech companies…We have fantastic talent but we need a lot of it".

That an attractive employer like JP Morgan - one of the world's biggest and arguably best-managed banks - needs to revamp its approach to attract talent suggests recruitment could be a road block to transformation.

Rainer Strack, Susanne Drychs, Adam Kotsis, and Stephanie Mingardon from the Boston Consulting Group (BCG) in their report[xxix], "How to Gain and Develop Digital Talent and Skills", say: "The technologies themselves will be evolving and relatively easy to exchange, but the workers capable of using them will be scarce. In fact, we expect a severe shortfall in digital talent around the world by 2020, when, according to a Gartner study, 30% of tech jobs will be unfilled owing to digital talent shortfalls".

So, what do you do?

Like JP Morgan, companies need to reinvent their offering to these tech workers. But for many businesses that's also likely to mean that the digitisation transformation is likely to need to be in full swing in order to make their company an attractive place of employment for these new workers.

That's easier said than done.

BCG's Strack and colleagues says, "to build and retain a strong pool of digital talent, companies must answer four important questions". **Who** they need, **where** they can find them, **how** they are going to recruit them, and – crucially we'd argue given the lack of available talent – **what skills can be built** from existing talent within the business.

"Without skilled staff, there can be no digital transformation" BCG says.

BCG has a solid framework for working out "who" and "where", while the "what" should be core to any leaders focus in the digitisation transition journey.

But the "how" part of this seems likely to be the most difficult challenge for many businesses and BCG provides a framework for this with a few simple step process:

Step into their shoes: Companies need to understand "how digital employees think". And while tech-talent can cover many personality and experience types, BCG says, "they seem to share a digital mindset" which means these workers are "entrepreneurial and inclined to data-driven decision making. They focus on user-centric product and service development and are passionate about creating and building. They are experienced in multidisciplinary teams and show a strong tendency toward collaborative and agile ways of working".

Importantly these workers are also, "more concerned about their product portfolio—the projects and products they build—than about prestigious titles or linear career paths. They want to be surrounded by inspiring peers and thought leaders in their field of expertise".

Install tech-savvy recruiters: Digital natives in the HR function are critical. "More than 90% of digital employees today use online tools and communities in their job search. And they find new jobs in an average of less than two weeks," BCG says.

Strack and his colleagues highlight that "companies today need recruiting staff with social media and online networking skills, HR software capabilities, and digital knowledge. Only programmers can recruit programmers; recruiters must speak the language of their candidates".

Look to new talent channels – Strack says companies need to understand where talent themselves look for work and embrace these channels. That's because "might be using only group-specific recruiting platforms". Internal referrals is another channel worth exploring as is offshore talent.

Closely related to new channels to **target the interests** of the employees being sought. Naturally this requires companies to understand where the interests of their target employees lies. And, of course, the specificity of the role will inform where these informal events might be.

But the key points BCG makes among these steps would seem to be that a company needs to “**digitalise and personalise”.** That’s no different to the core tenet of the transformation and of the customer journey companies will be one.

Strack and his colleagues suggest that “it’s the selection and recruiting process that will distinguish the successful company from its competitors”, and the process needs to be sped up and automated, “to become fully digital”, for success.

And of course having attracted, or trained talent companies have to work on **retaining** that talent. To do that companies need to offer “ongoing learning opportunities and interesting career paths”.

“Companies can also keep talented employees in the fold with programs and policies that show personal appreciation, create a positive work-life balance, and cultivate a collaborative, flexible workplace”.

The End, And the Beginning

Your digital future is here.

The question is not if you digitalise your operations it is when you digitalise. Crucially also it is how you undertake this path of digitisation, how you perform your environmental scan, set your strategy, and help lead your organisation that is also a key to success.

Once you understand what digitisation means to you and your business, to your industry and your customers and processes you are on the journey.

This report has leaned on some very detailed research and real world examples in order to help guide you. Each of the references is attached and can form a worthwhile library for any aspiring digitiser.

But just as technology continues to advance so will and understanding of best practice for digitisation – both to stay on the journey into the future and successful navigate the opportunities and threats that the evolving business environment will continue to pose.

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