



TechGenetix

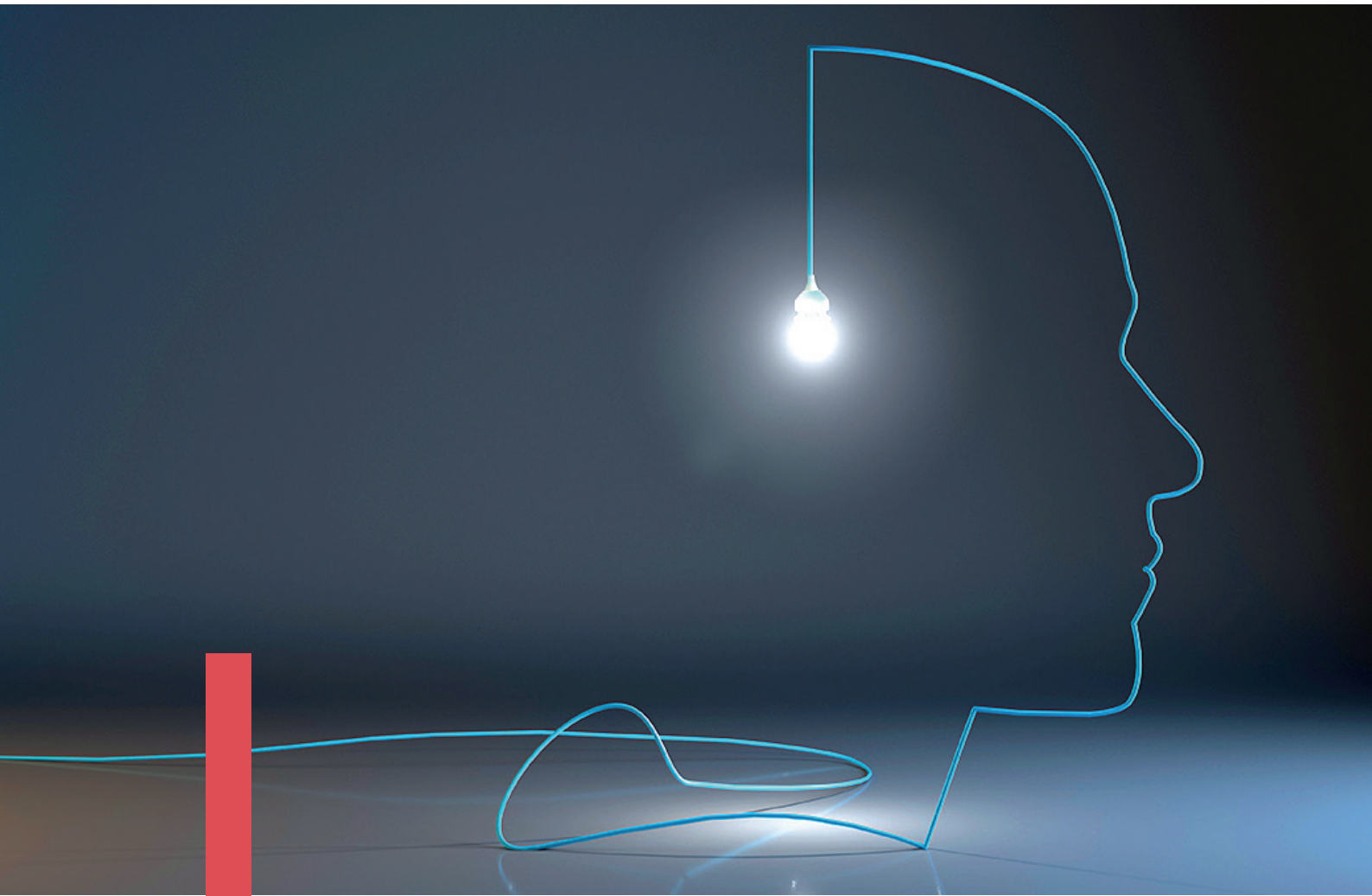
Where skills and solutions converge

ARE ORGANISATIONS HARDWIRED TO FAIL?

DIGITAL TRANSFORMATION

BY TECHGENETIX & GARY BURKE

Digital transformation is crucial for businesses to stay competitive, but why do so many initiatives fall short?



DIGITAL TRANSFORMATION

INTRODUCTION

There have been countless articles about how digital transformation, more often than not, fails to produce the benefits expected. Below we consider why this continues to be the case and how companies can rewire their approach to set themselves up for success.

Digital transformation does not have a great track record of success. Despite the term

being used (or should that be 'overused'?) for a dozen-plus years now, it continues to be poorly understood. As a consequence, you can easily find plenty of scary percentages about how likely companies are to fail in their digital transformation efforts and, although an accurate rate of failure is hard to determine, by any measure, it's far too high.



However, that hasn't curbed corporate enthusiasm and appetite, with the International Data Corporation (a global market intelligence company) predicting that "global spending on the digital transformation of business practices, products, and organizations is forecast to reach \$3.9 trillion in 2027" – ([source](#)).

\$3,900,000,000 – that's huge! But if the lack of digital transformation success continues, much of it is destined to be wasted. Although with the volume of case studies about why digital transformation fails, you would think that organisations would know what to look out for and, given the strategic importance, cost and time involved, there would be significant effort made to avoid the much-documented failure reasons – a lack of vision, lack of buy-in, not changing the culture, to name but a few.

But digital transformation does continue to fail – it's all very doom-and-gloom. So what can be done to address this lack of success?

Asking Google the question, 'what is digital transformation' returned about 902,000,000 results. That's a lot of information, and it's often conflicting, so how do you know what's appropriate for you?

Large organisations may have teams of people focused on technology,

strategy, architecture, analysis, planning, project, programme and change management and a multitude of other functions but SMEs and larger companies (even those with 1000+ employees) may not have the experience to know where or how to start with digital transformation, e.g.:

- The leadership team may have limited digital transformation experience
- There may be a lack of internal programme experience and change capability
- Difficultly defining outcomes and 'what good looks like'
- Uncertainty about how to translate strategy to action
- Nervousness about being exploited by consultancies
- Reluctance approving large budgets (spoiler-alert... you don't have to!)

But as case studies show, even large organisations can get things very wrong – Ford Motors, Lidl and just about any UK government department you care to name have all had well documented and expensive failures. So getting it right obviously isn't just about having the above in place.

NOT JUST ABOUT TECHNOLOGY

HARDWIRED TO FAIL?



It's increasingly recognised and acknowledged (and not before time!) that digital transformation is not just about technology. The technology is an enabler – to enable an organisation to do different things in different ways – to bring about a step change in operation and performance to deliver better outcomes.

Digital transformation is a big deal and it's important to have as good an understanding as possible so that decisions (particularly key decisions made by the leadership team at the very outset relating to strategy, direction, priorities and investment) are informed decisions. But the leadership team will each have their own particular lens through which they look at digital transformation. Their experience will most likely have been gained through a particular function vertical – the CIO is likely to have a technology background and view transformation through a technology lens, the CFO a finance lens, COO an operations lens etc. It's not good or bad or right or wrong, it's just how it is. However, there is unlikely to be the necessary horizontal focus – a transformation lens – to ensure the complexity involved and the impact of change across the organisation is appropriately understood.

It's increasingly recognised and acknowledged (and not before time!) that digital transformation is not just about technology.

But it's only relatively recently that organisations have had to think horizontally.

In the book, 'The Wealth of Nations', by Adam Smith, the famous 18th century economist, he introduced the concept of the division and specialisation of labour to drive greater efficiency. This functionalisation of activities, essentially creating silos of excellence, has been a primary factor behind improving productivity ever since. It's how organisations and leaders have perceived 'being efficient' for centuries. However, technology over the past few decades has enabled organisations to break from the traditional vertical structures and ways of operating and thinking. Think

about email, digitisation, the internet, cloud computing, mobile services, APIs, the concepts of interoperability and ecosystems. These are all about 'joining things up', collaboration and information sharing, and to effectively employ them, a more horizontally oriented mindset is required, which is counter to the way organisations tend to be structured and operate.

This perhaps starts to shed some light on why the reasons for the lack of digital transformation success continue to occur, although it's more accurate to refer to those failure reasons as symptoms, as they are not the root causes – and there's only two root causes.





ROOT CAUSES

The primary root cause is simply a lack of understanding of what digital transformation is and the impact it will have across the organisation.

If you're embarking on a digital transformation programme, the leadership team will have an initial understanding of the amount of change involved and its likely impact. This understanding will be aligned to the corporate appetite for that amount of change, and, from that alignment, expectations will develop around costs, benefits, effort and timescales. But, once the programme's been running for a while and you realise it's more complex than you thought (with what's involved having been insufficiently understood and underestimated), you have a problem as that's not what you had appetite (or budget) for. The alternatives are stark: increase your appetite and budget or reset those initial expectations. Either way the business case and the return on investment (ROI) will be compromised.

Shortcuts may be made resulting in the accumulation of technical debt, budgets may be cut with focus given to implementing the technical stuff at the expense of the essential investment required to ensure the successful take up and adoption of the changes by the business, i.e. workarounds will be created,

the efficiencies expected won't be realised and the ROI will suffer. In some cases, the programme may no longer be viable and need to be cancelled – back to drawing board!

It's the leadership team that will make the big decisions at the very outset regarding strategy, direction, priorities and investment, and a horizontal, holistic perspective is essential to ensure that digital transformation is approached in the right way, with those key initial decisions being informed decisions, made with as much understanding and information as possible.

The second root cause relates to not having the appropriate capability to deliver digital transformation, and there are two aspects to this. The first relates to experience and expertise. Your initial understanding of what's involved and the impact it will have means you will engage the capability that can deliver in line with that understanding. Once you realise there's more to it, you may have a capability gap i.e. do the internal and external resources working on your programme really have the experience and expertise needed to successfully deliver it?

The second aspect relates to motive. You will want everyone working on the programme to share your goals and objectives. You will want the programme to be delivered as cost effectively as possible, realising benefits at the earlier opportunity, however, some third parties (consultancies, vendors etc) may be more interested in maximising their revenue rather than genuinely acting in your best interests. A common complaint often made regarding the larger consultancies is about the poor value they deliver. The initial sale of services will be made by very capable (and expensive) consultants, but the team provided for the programme itself is often flooded with very bright but junior consultants, with minimal real-world experience of digital transformation and the approach that's needed and the possible pitfalls.

UNDERSTANDING THE BEST ROUTE

TRANSFORMATION IS A JOURNEY



Digital transformation is often described as a journey and, as with any journey, you need to know your destination and where you're starting out from to determine the best route. And there are a couple of terms that are often poorly understood which are important to have a basic understanding of – business model and operating model. We'll look at both in terms of the transformation journey.

The destination is described by the organisation's vision – captured in its vision statement – a simple one or two sentences stating its purpose – ultimately why it exists. And its mission statement simply describes, at a very high level, how the vision will be realised.

The vision and mission, together with an organisation's core values, provide a North Star and give it an overall heading and direction. But to realise its vision, there needs to be a strategy and strategic goals, and these goals will be shaped by the vision and influenced by external factors – technology, competition, regulation, customer demands etc, and by the prevailing economic, political and societal landscapes.

*As with any journey,
you need to know your
destination and where
you're starting out from
to determine the best
route*



To achieve its strategic goals, an organisation needs to 'do its thing', to conduct business – whatever that may be – and what it does is described by its business models, i.e.:

- The products and services offered
- Who its customers are/the different customer segments
- How each customer segment is served, i.e. the channels through which products and services are provided – online, call centres, retail outlets, partnerships, franchise models etc.

Each combination of product/customer segment/channel may have its own business model, but business models don't exist on their own. Organisations don't exist to hire staff, support IT systems, produce annual accounts or buy ink for printers but they need to do these and countless other things to create the environment to support and enable the execution of their business models, and it's the operating model that describes this environment, it's:

- How the organisation is structured
- The governance framework
- The culture that pervades the company

- The people and their roles
- Workflows and processes
- Data, where it's captured and how it's used
- All the applications, integrations and infrastructure i.e. the technology

The operating model describes how all these things work and work together. It's not about mapping processes to the nth degree but understanding the interaction between these components and what the company does – how they're connected to each other and the reasons for those connections.

Operating models come in two flavours. First, there's the target operating model (TOM), and contrary to what you may have read, a TOM isn't a static, fixed thing. As the name implies, it's a target, something to aim for – but it'll never actually be realised. A TOM describes the future operating environment. It's the environment that will enable you to execute your business models, which you need to do to deliver your business strategy. But your business strategy will evolve over time, so to ensure it can continue to be delivered, the business models and the TOM have to be adaptable and flexible.

STARTING THE JOURNEY

So that's the destination - what you're aiming for.

The start point of the digital transformation journey is determined by understanding the current operating model (COM). This comprises the same components as the TOM but it's how they work and work together now, across all functions of the business – and it's something that companies often have a poor grasp of but it's essential to understand.

In not understanding the COM, you won't know how things join up, how they really work and the real problems that need to be addressed and the possible challenges ahead. You won't have the information necessary to make informed decisions about the correct approach to take. Of course, this will be realised at some stage but by then it will be much harder (and more costly) to recover the situation, assuming it is recoverable. Understanding the COM gives you a solid foundation for transformation – you wouldn't buy a house without solid foundations so why would you embark on a strategically important digital transformation programme without them?

Furthermore, if you understand the COM, i.e. how the organisation fits / hangs together, you'll have greater operational resilience as you'll understand what parts of the business are impacted when things do change. And if you know that, you'll also have greater business agility and be able to react to change more swiftly, with greater confidence and less risk.

Finally, the route is described by the organisation's change roadmap – the tactical and strategic initiatives that move the business closer to its target state. And it's the organisation's change capability (often in conjunction with multiple third parties) that will deliver those tactical and strategic initiatives.

A digital transformation programme will be one of those strategic initiatives, however, it doesn't require budget for the entire programme to be agreed and approved at the very outset. If it's approached in the right way, the programme should be able to be broken into bite-size chunks, each lasting a few months and each delivering value to the organisation. It's also important to have the metrics in place to be able to demonstrate the benefits that have been achieved. This requires a baseline to be established pre-transformation.

The start point of the digital transformation journey is determined by understanding the current operating model

DON'T DESPAIR

THERE IS A BETTER WAY!



When it comes to digital transformation, organisations are often all too eager to 'start doing stuff', to rush into RFPs for new technology and get vendors, systems integrators and armies of consultants on board.

All of these may be required at some stage but there is a lot that organisations can and should do, with minimal help, before committing to significant spend and signing contracts with multiple parties – things that should be in place already (but often aren't). Relatively simple things that will lower overall programme risk, and cost, without negatively impacting timescales and help be set up for success, e.g.:

- Being clear about the outcomes wanted and why they're wanted – not the solutions
- Ensuring transformation objectives align with the business strategy
- Having a business strategy!
- Understanding the business models needed to deliver the strategy, and the high level TOM needed to support those business models
- Understanding the high level COM, the problems that really exist and what customers really care about
- Understanding the current application landscape and how that maps to business functions
- What integrations exist with third parties
- Knowing the external suppliers of services, contract terms and having contact information for them
- Candidly appraising internal change capability

AND FINALLY

Digital transformation is hard because it's complex, but companies make it much harder than it often needs to be. It doesn't have to be that hard if it's sufficiently understood and approached in the right way because, let's face it, anything is hard if you don't have the right skills, tools, experience and mindset.

Are you struggling to navigate the complexities of digital transformation? Don't worry, you're not alone, and you don't have to face it alone. At TechGenetix, we understand the unique challenges and intricacies involved in successfully navigating digital transformation. Our expertise lies in providing tailored, outcome-focused strategies that align with your business goals.

HERE TO HELP!

Whether you're unsure where to start, need guidance on strategy, or require comprehensive support throughout your transformation journey, TechGenetix is here to help.

Ready to embark on a successful digital transformation journey?

Contact Chris Jones MD at TechGenetix today and transform your business with confidence, backed by our dedicated and experienced team.

chris@techgenetix.io

+44 7702719146

www.techgenetix.io

TechGenetix
7 Harp Lane
London
EC3R 6DP



TechGenetix

Where skills and solutions converge

where skills and solutions converge