

Enabling ‘digital transformation’; the Leadership challenge

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Setting the context

What is 'digital transformation'? We define it as the change any organisation goes through to take advantage of the 'digital economy'. The digital economy has five main themes:

Firstly, **changing behaviour** in terms of the way consumers find out about, purchase and consume products (often enabled through social and digital networks) means that organisations must understand and integrate their marketing, selling and service activities across a bewildering array of channels and media. They have to try and fathom where their budgets are best spent to deliver the optimum experience to their audiences.

Secondly, the increasing volume of advertising content a consumer receives is causing them to consciously or unconsciously screen-out messages that are not directly relevant to them. Coupled with the point above, this means organisations need to be super smart in **balancing investment between catch all, 'spray and pray' awareness advertising with highly targeted interactions** with their audiences, personalising both content and the context (e.g. timing, creative, media, device) of the message. This is relevant to all audiences including interactions with existing consumers.

Thirdly, there is a **vast volume and diversity of data** available to help organisations understand their consumers and plan, execute and analyse interactions with them in this way. This can be overwhelming to many organisations not equipped to deal with it, but incredibly helpful to others, and differentiating in their overall business performance¹.

Fourthly, the level and nature of the **competition** is changing. The digital economy changes things for established companies and creates a reason for change. For instance, digital-first startups are often very well-funded and frequently without a constraint to show immediate returns. The fact that consumers are screening out the incumbent brand's irrelevant interactions and average service only becomes a critical business problem once there is a competitor able to take advantage of this.

Finally, the **agility** offered by workflow processes; decision engines, AI and affordable technology solutions, provides the tools to do achieve this effectively and efficiently.

For those organisations who have built today's success on yesterday's technology and organisational hierarchy, this transformation can be a 'big ask'. Defending market position or growing market share in the digital economy for these organisations entails a root and branch analysis of all the strategic processes which govern the way the organisation responds to the change required. The most common challengesⁱⁱ are: *breaking down functional silos* to deliver an integrated customer experience; *redefining end-to-end processes* to savagely streamline activities and improve speed and quality of process outcomes; *upskilling* the organisation to take advantage of data and digital opportunities; improving the *speed and quality of decision making*; becoming totally '*profitably consumer centric*' in the way the organisation thinks and behaves.

This change is *as much about people and their deeply held values and beliefs* as it is about process, data, technology and organisational policies. From a behavioural perspective, organisations have to examine and understand how new ways of working, technologies and policies will activate and motivate the day to day choices their colleagues make; what they focus on; who they work with (e.g. across functions); when to reach beyond their comfort zones and take risk; how they sustain effort and so on.....This goes on second-by-second, minute-by-minute, day-by-day until these behavioural choices form the cultural norm (what people do naturally at work, whether others (e.g. 'bosses') are watching or not). The article describes the importance of leadership and culture in achieving this transformation.

Change, culture and leadership

Change is the norm

To be successful in the new digital economy requires staff who “.. like change more than the average human being...!”ⁱⁱⁱ. In a recent AON survey, 46% of organisations identified “...aligning culture to business strategy..” as a key priority^{iv}. 64% of all organisations cited ‘organisational silos’ as their biggest barrier to taking advantage of the digital economy, versus only 15% of leading organisations^v. Further, those that aligned their organisational belief systems and behaviours with value creation showed a 44% improvement in EBITDA^{vi}.

Given the overwhelming data and evidence which points to the need to adopt a new way of working, our clients still tell us “...trying to make this change happen is too tough...people are rooted in the way they have always worked, where do I start”. A deep rooted review is essential not optional.



Limiting beliefs exist in most organisations

Organisations come in all shapes and sizes, presenting cultures and ways of working that demand different levels of change. Newer businesses such as *Spotify* have built a fast paced, vibrant and growth oriented company on the principles of: 1) *alignment* 2) *small teams, loosely coupled* and 3) *autonomy*^{vii} to meet the challenges in the fast paced music streaming sector. Traditional companies who struggle to embrace the notion of staff having ideas to drive fast change; of making mistakes in order to learn; of working in small teams who collaborate across functional boundaries will find they are being left behind.

But change on many organisations is constrained by ‘Limiting beliefs’. Limiting beliefs are [NICK W – one sentence expln]. They reside most evidently among senior leadership and the senior/middle layers of management (“The Permafrost”^{viii}) perhaps because it is they who built past success and have most difficulty changing. As such they fail to understand the imperative to model desired future behaviour and to send strong, compelling signals and powerful narratives about the future end states. Didn’t great leaders always tell powerful stories which engaged the listeners?

Leaders’ commitment

The challenge of digital transformation stares leadership in the face: they know the market position of their organisation is under threat, they know consumer behaviour is changing, they know the tools at their disposal are changing, they suspect competitors are poised to capture market share and they can accept the evidence and rationale for all this. But, so often we observe that this acceptance is only at an intellectual level and the lack of alignment is *heard* in the different language they use and *seen* in where they differentially place effort to support the ‘transformation initiative’. We rarely see the collective layers of leadership and management conjointly identifying with their shared future, instead continuing to identify^{ix} with their functional objectives as the measures and rewards are so linked.

Does your organisation need to transform?

To understand your organisation's challenge, please examine the table in Appendix 1. For each area, consider where your organisation lies between the two extremes both now and where you think you should be in the near future (typically no more than 2-3years).

If you have been accurate in your appraisal (and self-assessment is very unreliable^x), it is likely that there will be 4 or 5 areas which demand more than 2 units of change on our simple scale. But senior leadership teams often tell us that they lack the knowledge to be able to fulfil their responsibilities within a digital transformation programme^{xi}. They cite a lack of *alignment* about what is required. Ask 10 leaders whether their strategy is to become more '*consumer centric, data driven, digitally focused and agile*' and you'll get 10 'of courses'. However, ask these same 10 to define the organisational priorities and you are likely to get 10 different answers! This leadership misalignment results in: tactical vs. strategic developments often at function, brand and / or market level (*divergent* initiatives not *integrating* to deliver the transformation vision); duplicate processes (*wastage* of resource); poor quality control and governance (e.g. of data compliance, insight and analytics, or use of technology) and of course a sub-optimal investment and transformation result.

People first in any transformation approach

So, given all the above why do TCF augment their digital transformation projects with foundational and on-going support to the senior leadership, the wider organisational culture and all the key structures and staff pivotal in delivering digital transformational success? Because the success depends on correctly motivated leaders, correctly motivated staff and correctly aligned and collaborating groups and structures. Optimal processes, technology and systems are but a by-product of the choices of these motivated leaders.

Fujio Cho (Honorary Chairman of Toyota Motor Corporation) makes the point that Toyota's change and improvement approach is: "*first building people, then building cars..*" Dan Pink in his best selling book "*Drive: The Surprising Truth About What Motivates Us*" states that intrinsic (from within the self) motivation comes from 1) Purpose 2) Autonomy and 3) Mastery (the urge to get better at something that matters through learning)^{xii}. *Spotify* believe that Alignment motivates Autonomy which in turn motivates Action. *Virgin's* Richard Branson puts people first, customers second and shareholders third, because the first two will lead to the third.

Building foundations for success

At The Customer Framework (TCF) we fuse a number of proven methodologies especially designed to ensure the *Four Pillars of Success* (see Appendix 2) are in place to give the transformation programme every chance of succeeding and bring forward the expected ROI. Building these pillars result in a mobilised, engaged team of leaders and managers who are aligned behind the vision, who own the plan, who are capable of making it happen and who know what to do first. It is an *inside-out* plan, not a plan developed by a third party consultancy (which can have low levels of real ownership and therefore efficacy).

Refresh or re-wire cultural drivers

To reinforce the *people first* mentality of successful transformation programmes, these four pillars are supported by a deep examination of how the organisation works in practice, and how leaders behave and act. The underpinning work we do in this area is typically as follows:

- ✓ Distil and embed the motivating principles for workforce effort i.e. "fail quickly, learn fast, deliver with speed"; "trust over control" within the strategic priorities

- ✓ Embed leadership skills and coaching as a leadership behaviour among the vital senior/ influential players
- ✓ Prepare the ground for change so it is receptive, fertile and accepting of the demands of digital transformation (why sprinkle or plants seeds in stony, unfertile ground as they will never germinate)
- ✓ Pragmatically improve individual and team Efficacy^{xiii} so that confident people, believing in their own capabilities and those of their work colleagues, do the very best things all the time, free of fear.
- ✓ Design and inculcate the performance enabling context and culture in which confident people can operate and in which the Desired behaviour will flourish

Engaging with TCF

TCF's proven success across sectors has recently been validated through its acquisition by Dentsu Aegis Network who are keen to enable their existing clients to become even more successful. TCF's client engagements can be at the planning phase in any or all of the pillars above. Setting up these pillars, with the underpinning leadership and culture work will give the programme every chance of success and bring forward expected ROI as much as possible. TCF can also be involved in helping the programme run smoothly, for instance in helping marketing and customer experience teams think through the content of their strategy (e.g. in customer journey planning, capability build, governance policies, insight development, data strategy or technology selection). We will support you with our unshakeable confidence and capability to embrace the future.

You might find it helpful to go back to the table in Appendix 1 and honestly consider what behaviours your organisation needs in order to take advantage of the digital economy and what it needs to discard rapidly to achieve this. Please contact neil.woodcock@thecustomerframework.com for an informal, interesting and illuminating discussion.

Appendix 1: Self-assessment: Does your organisation need to transform?

Outcomes	Current	Desired/ Optimal
<p>DAY-TO-DAY V FUTURE ORIENTED</p> <p>Staff member behaves in conventional and risk averse way</p> <p>vs.</p> <p>Staff reach to pull the future towards today</p>	<ul style="list-style-type: none"> Continues to use existing process and ways of working without question Staff know existing process does not optimise their effort Wait until told to change Treats rules as more important as ideas 	<ul style="list-style-type: none"> Immerses self in Digital Economy and spots opportunity to add value to consumer value propositions and the experienced actually delivered Has the confidence to make the required change Advises bosses of changes made and appraises key interfacing workers at same time Uses ideas to initiate change of thinking and behaving
<p>DIRECTED V EMPOWERED</p> <p>Staff avoid challenges and create micro-management culture v staff punch above their weight and leaders use coaching as a preferred style</p>	<ul style="list-style-type: none"> Seeks approval – does what boss says Passes decisions up the chain bogging down leaders in micro managing Finds reasons not to be blamed for a problem or mistake 	<ul style="list-style-type: none"> Highly autonomous and free to deliver on clear outcomes Failing fast and learning fast is a key principle – it drives speed and improvement Coaching is the most used leadership behaviour to get results
<p>NARROW VIEW V WIDE ORIENTATION:</p> <p>Staff member carries out daily activities effectively but fails to see the 'big picture' v Staff embrace the big picture using it to guide their effort and set their goals</p>	<ul style="list-style-type: none"> Doesn't connect own work with overall direction Makes decisions based on micro/ functionally narrow focus When asked about company direction, projects a 'micro', limited view of how the whole organisation works together 	<ul style="list-style-type: none"> Company Vision and strategic goals drive individual and team effort Staff identify with the Company and talk compellingly about where it is going and what it is trying to achieve Takes time to understand strategy and makes decisions/ acts in line with this
<p>SILO'D V ADAPTIVE/ AGILE</p>	<ul style="list-style-type: none"> Works mostly within functional boundaries 'Silo'd' - Over bearing structure defines extent of group activity and acts as barrier to collaboration When challenged about collaborative working, most often replies with, "I do my bit" 	<ul style="list-style-type: none"> Collaborates and influences spontaneously across non-traditional working partners Aligned with all others and works to sustain and maintain alignment Takes responsibility for end-to-end processes and can identify their part in the solution

		<ul style="list-style-type: none"> Loosely coupled, self organising teams are motivated by shared goals and operate with autonomy to get things done
MICRO MANAGERS V LEADERSHIP	<ul style="list-style-type: none"> Micro-manages and wastes time solving others' problems Technically excellent and overly immerses self in technical activity Staff know boss will fix their problem Boss working 2 levels below capability 	<ul style="list-style-type: none"> Frees own time to think Schedules time to think creatively with peers Coaches staff to solve own problems Motivates staff to strive for excellence by engaging them in future direction Finds chances to talk powerfully about the future and what the Company is trying to do Aligns desired cultural traits with strategic priorities
MIS-USES DATA V USES DATA TO ENRICH DECISIONS AND ACTIVITY	<ul style="list-style-type: none"> Uses selected data in a limited way Ignores or misses lots of chances to gain new data and insight Only uses data to prove they 'are right' Follows rules rather than builds on ideas 	<ul style="list-style-type: none"> Critically open-minded; asks questions to build solution Always curious and discovering new data Thrives on using data driven insight to aid decision making, but balanced with intuition and experience
	<ul style="list-style-type: none"> Looks for reasons why change will fail Passively maintains "as is" 	<ul style="list-style-type: none"> Finds every opportunity to support the change Identifies opportunities to influence doubters as to benefits of Digital

Appendix 2: Four pillars of success

There are four fundamental pillars of change, underpinned by the leadership and culture supporting pillar discussed in this article. The diagram shows what happens if one of them is poorly defined or missing and the table below outlines TCF's approach to defining them.



1. Pressure for change

- ✓ using SCHEMA benchmarks from both peer companies and best in class from other sectors, help develop a

story to identify why the change is required and its potential impact on important business outcomes such as market share, sales, costs, margins

- ✓ understand whether there is enough senior management ambition, agreement and commitment to change

2. Aligned, shared vision

- ✓ align the very senior levels of leadership behind the agreed digital transformation effort
- ✓ engage leaders and key influencers with the vision, and get them to help shape it and own it
- ✓ build full understanding of the complexity and demands of the programme – what this will truly mean for them and what is required from them
- ✓ build the vision, end-states (from the perspective of different stakeholders), strategic outcomes (aligned to business priorities) and financial modelling for the programme
- ✓ set a SCHEMA desired state benchmark which can be compared with a current state baseline, to monitor progress.

3. Clear well-resourced plan to change

- ✓ engage and mobilise leaders within the team and use them to build a realistic, practical transformation plan
- ✓ ensure there is a small but dynamic transformation team supporting leaders in managing the programme of change, with clear milestones, accountability and outcomes
- ✓ ensure there is sufficient *competent resource* to manage the change. If no additional resource is available, focus the existing resource more carefully to free up time to manage the change. This may mean making some tough decisions on what currently takes up time
- ✓ build a business case to support the plan
- ✓ gain approval to proceed.

4. Actionable 1st steps

- ✓ ensure project teams are focussed on delivering outcomes versus the plan from day 1, and move from planning to delivery. Intellectualising too much early on in the programme is a common error
- ✓ Build in, look for and celebrate quick wins, very publicly

References to be completed

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