

The Authentic C-Suite Guide to Digital Transformation

C-Level executives do not need to be technical to lead a digital transformation. It's more about strategy and leadership. This handbook provides practical advice to guide you through your digital transformation.

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Introduction



The vast majority of digital transformations fail. We'll explain why digital transformation may be vital to your business and provide guidance on how to position your organization for success.

Introduction

Forbes published that 84% of digital transformations fail. McKinsey had that number at 71%. If those numbers are even close, that spells dangerous times ahead for businesses pursuing digital transformation.

In this handbook, we'll explain why digital transformation may be vital to your business, why so many fail, and how you can position your organization for success.

Background

My first digital transformation was in the 1990's when I helped Microsoft create Expedia. That web site transformed the travel industry and created billions of dollars of value. I later led a team with another company that applied predictive analytics to reduce operating costs by \$50 million dollars. These are only two of several experiences in which we succeeded with digital transformations.

These initiatives had a few things in common that drove their success.

First, was a clear definition of objectives that were understood consistently across the respective businesses. *And that brings us to the number one reason why digital transformations fail: an unclear definition of digital transformation.*

If the CEO thinks digital transformation is an app, and Marketing thinks it's a social media campaign, and IT thinks it means adapting Agile software development practices, well, your

major change initiative will likely fail. Clarity is key.

We define digital transformation as “applying technology to deliver a differentiated customer experience”.

That single definition, the one common objective, will align your team around the numerous aspects of digital transformation. The CEO may be right about the app. Marketing may be right about social media. IT may be right about Agile. But success depends on these, and several other factors, coming together in one integrated strategy that focuses on the customer experience.

What's Next

In the coming chapters we will cover the following, critical aspects of digital transformation:

- Who Really Is Your Competition?
- Strategy, Culture, Technology
- Programs and Projects
- Resource Planning and Performance Objectives
- Executive Sponsorship Role and Accountability
- Measurement
- Change Management
- Scope Management
- Marketing
- Staff Challenges and Surprises
- The New World After Digital Transformation

Who, Really, is Your Competition?



As companies look to technology to create a differentiated customer experience, competition may come from surprising, and often unknown, sources. How will you differentiate and delight your customers?

Background

The previous chapter discussed the alarmingly high failure rate for digital transformations. We also explained that ambiguous definitions of digital transformation across the company are a primary reason for failure. We defined “digital transformation” as “applying technology to deliver a differentiated customer experience”. And we explained why the clear definition across the company is critical to success.

We also introduced 11 aspects of digital transformation to discuss in the upcoming chapters.

Today, we look at a second key driver of digital transformation failure. That is not understanding who your competition really is.

Competition in the Digital World

In the manufacturing economy it was fairly easy to identify your competition and there was plenty of lead time for new players to ramp up. That gave us ample time to react, through product innovation, marketing, process improvements, plant modernization, and more.

It’s much harder to identify competition in the digital world. We often are not aware of a competitor until they’ve already taken a chunk of our market share.

Industrial espionage, foreign government sponsored intellectual property theft, and low barriers to entry make it easier than ever for competitors to start and scale their business.

So how can we plan?

Planning for Competition

Jamie Dimon of JP Morgan Chase famously stated that he's not worried about the other huge banks. He's worried about the kid in his parents' basement with the torn up Stanford sweatshirt who can process a loan in 15 minutes when it takes his company weeks.

It's critical to be obsessed with your customers and to recognize who your competition is or may be.

Strategy is about protecting and extending your differentiators. Ideally, you should seek to differentiate from your competition in three substantial ways. One differentiator is easy for your competition to mimic. Two may take a little longer. But, as I've written before, **three differentiators are like a moat around your castle, making it very difficult for the competition to get into your space.**

As you consider your digital transformation strategy, think about your customer experience and your known competition. What can you do to improve the customer experience in ways that would be prohibitively difficult for your competitors?

Can you provide a uniquely high level of customer service? Do you have international expertise that your competitors don't? Do you have data that enables you to predict customer needs? Do you have advanced technology that you can leverage, like artificial intelligence and machine learning?

Also consider your customer journey. From discovery of your product or service to engaging with you to ordering and the ongoing customer relationship, where are you diminishing the customer experience and where do you excel?

Working with our clients, we use customer journey maps to track every interaction with the customer. We then rate each interaction as offering a competitive advantage, neutral, or presenting a competitive disadvantage. We then establish a strategy to turn the disadvantages into advantageous differentiators.

Challenge your leadership team and staff to identify three significant differentiators that will delight your customers. Give them one week. You'll be surprised what they come up with.

Then, build your "emerge stronger", digital transformation strategy around those differentiators. That strategy may include a customer-friendly app or improved web site. It may cause you to change how you ingest orders and manage your supply chain. Perhaps you can

streamline order processing and tracking with improved technology. Predictive analytics may tell you who to target or how to adjust product inventory seasonally. You may discover that IoT enables you to anticipate issues with remote equipment and enable preemptive maintenance.

There are countless opportunities to improve the customer experience. Find the ones that set you apart from the competition and make it difficult for new players to enter your space.

Raise the Barriers to Entry

You may not know who your competition is or may be. But by obsessing over your customers and designing the best possible journey for them, you can at least raise the barriers to entry.

Remember, if you don't delight your customer, somebody else will.

Make it difficult for your competition. Build the moat around your castle. Focus on your customer experience. Then look at internal process improvements, streamlining your supply chain, marketing, sales, and all other aspects of your business.

Once you implement your digital transformation strategy, drive continuous improvement. Never lose sight of the customer experience. If you listen to your customers, you'll never get a wrong answer.

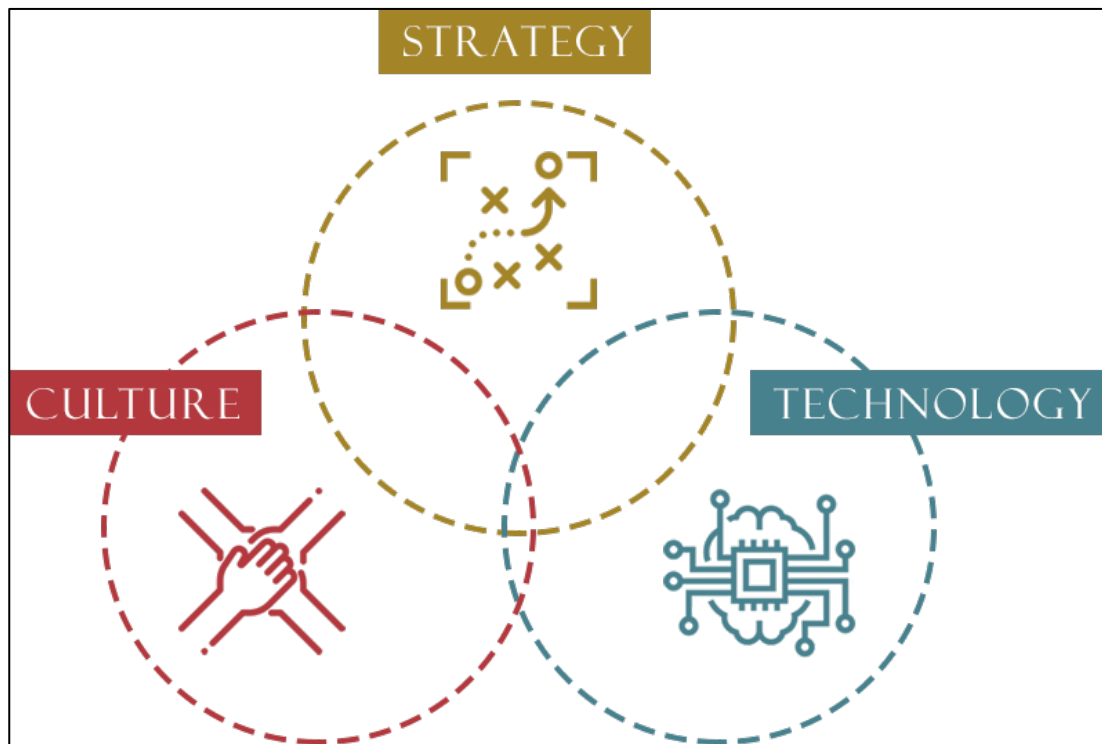
Conclusion

A differentiated business can charge a premium, grow faster and sustain its competitive advantage longer as compared with the rest of its industry.

Don't just digitally transform. Transform in a highly differentiated way to raise the barriers to entry and stand apart from the competition – both known and unknown.

This chapter covered "Who Really is Your Competition" and "Customer Journey and Differentiation". In the next chapter, we'll explain why Digital Transformation is really an enterprise strategy that has to balance culture and technology.

Strategy, Culture, and Technology



Digital transformation introduces change to all parts of your business. It therefore requires an enterprise strategy that balances culture and technology.

Breadth of Digital Transformation

The first chapter defined Digital Transformation as “*applying technology to deliver a differentiated customer experience*”. Further, that differentiated experience needs to provide your business with a sustainable competitive advantage.

Think about this. If we change the customer experience, we’re probably making changes to marketing and sales. We may also adjust how we ingest orders and may have to alter our supply chain. Surely there will be legal requirements to be addressed and we may need to modify our accounting. Obviously, there will be new technologies. And we may have to hire and/or retrain people. In these few, descriptive sentences, I just mentioned nearly every aspect of the business.

That is why digital transformation is really an enterprise strategy. It’s definitely not an IT project or a digital marketing project or a product development effort. More likely, it will be all of these and more.

Because digital transformation will require multiple projects across nearly every aspect of the business, it clearly requires an enterprise strategy.

Culture and Technology

Transformation means change. Most business cultures are resistant to change. Executives may fear losing authority. Staff may be afraid of new technology. People are just comfortable with the status quo. Yet, we can’t transform if everyone isn’t on board.

Therefore, digital transformation requires not just an enterprise strategy, but a strategy that balances culture and technology.

I purposely stated culture first and technology last. That's because the technology doesn't matter if the culture isn't ready. And, frankly, changing technology is much easier than changing culture.

Change Readiness and Technical Fluency

The culture aspect of digital transformation refers to *change readiness* and *digital fluency*.

Change readiness can be a huge initiative that not only prepares the organization for change but recognizes that change may be the normal course of business. Many digital transformations fail because they are treated as IT projects. No offense to the thousands of IT leaders reading this but, face it folks, we're not traditionally the people the business calls on to change culture.

The culture portion of the digital transformation strategy may be led by Human Resources in collaboration with Marketing, Corporate Communications, and IT. The goals are to prepare staff for a new way of working, to remove the fear and communicate the benefits, and equip managers to coach their teams through the changes. This requires a lot of communication and training. Without these, any major change initiative is likely to struggle.

Change readiness begins long before any technology is in play and it continues throughout the initiative. The goal is to create a culture that welcomes change and is prepared to embrace it.

Another important aspect of the cultural portion of digital transformation is digital fluency. As we transform the customer experience and leverage technology to streamline the business, we are likely to ask people to use technology that they have never seen before. We may be asking people to use technology for the first time on the job.

Training people on the very basics, long before we train them on the "new systems" is critical to the success of any digital transformation. Again, we're changing nearly every aspect of the business to deliver a differentiated customer experience. The company needs lead time to prepare the workforce for the new, digital environment.

Once the culture begins shifting to a digitally fluent, change ready environment, then new technology can be introduced.

Conclusion

Digital transformation clearly requires an enterprise strategy that balances culture and technology. The company culture must include change readiness and some digital fluency before substantial new technology can be introduced.

We've discussed the need to clarify the definition of digital transformation and also understanding who your competition may be. This chapter explained why digital transformation requires an enterprise strategy that balances culture and technology. Coming up will be some keys to successful program and project management, resource planning and setting performance objectives to keep the team aligned, and some discussion of executive sponsorship and accountability.

Programs and Projects



The C-Suite doesn't need the details of every project in your Digital Transformation, but there is certain information that they absolutely must track to achieve full transparency.

Program vs Project

We previously explained how digital transformation impacts the entire company and, therefore, requires an enterprise strategy that balances culture and technology. When you build your digital transformation strategy, you'll define strategic objectives and measurable goals. These are meaningful to the C-Suite and Board but are generally too esoteric for the staff.

The best practice is to work with staff representatives across the company to translate those objectives and goals into action plans. The term "action plan" is synonymous with "initiative" or "project". For now, we'll simply refer to projects.

We can communicate *projects* across the company so employees will understand what they are – much better than digesting strategic objectives.

A "*program*" is a collection of related projects. Your entire digital transformation may be a program or, depending on the size and complexity, you may have multiple programs under the digital transformation umbrella.

Each project will have a project manager. At a minimum, the project manager is tracking the half dozen or so critical deliverables that tell you if the project is on time, within scope, and on budget. For example, you may have a critical milestone for gathering business requirements, one

for designing the solution, one for building the solution, one for testing, and one for rolling it out to the customers or business. These types of milestones apply to process changes, software development, product development, and probably any other type of project.

Some projects will have very detailed work breakdown structures with hundreds or thousands of tasks. These may be crucial for managing a project team, but the C-Suite should not be concerned with that level of detail.

We said a program is a collection of related projects. The program manager needs to understand the links between those projects and the domino effect if one project encounters challenges.

We often create a program plan that simply consists of the critical milestones for each project within the program. It also includes the links, or dependencies, between projects. For example, a delay in a milestone in one project may cause us to look at other projects that are dependent on the first. Maybe the next project can't start yet. Maybe we're in the middle of another project that's dependent on a deliverable from the first.

Visibility into the inter-project dependencies gives us the necessary information to shift resources, adjust schedules, and understand any budget impact.

The Iron Triangle

There are only three things we can control in a project. They are *time, scope, and budget*. If we miss any one of those, the entire project may fail, or quality will be materially diminished. Time, scope, and budget are often referred to as the iron triangle because they are connected, and you can't alter one without affecting the other two.

The C-Suite needs complete transparency into the iron triangle for your digital transformation program(s).

Project managers may track minute details and program managers will track a collection of related projects and their inter-project dependencies. These players tend to be the first to identify risks to projects and programs.

If individual tasks encounter challenges, they may or may not affect the time, scope, or budget for the entire project or program. It's the responsibility of the project manager to identify these risks and present mitigation options to the executive sponsor.

If any task or collection of tasks is at risk, and it affects the time, scope, or budget of the overall project or program, then escalation to the C-Suite is critical. They may then approve a new timeline, a reduction or change in the scope of the project, or a budget exception. They also must understand the implications to the overall objectives and goals of the digital transformation strategy.

Reporting to the C-Suite

We should always document the business case for a digital transformation or any other major initiative. The C-Suite needs to see the cost/benefit analysis with specific line items describing cost savings and revenue gains, including who on the executive team owns each.

The program manager(s) must understand how their collection of projects contributes to those financial benefits.

Any time a risk is escalated to the C-Suite, along with the recommended time, scope, or budget

adjustments, the program manager must also present the impact to those financial benefits.

Armed with that information, the C-Suite can understand the full business impact.

So here are some recommendations for the C-Suite regarding digital transformation projects and programs.

1. Ensure that business benefits are clearly documented at program initiation, along with the executive that owns each benefit. Track progress toward these goals at least monthly. Early in the program may be too soon to predict but, as it progresses, the teams will understand whether they'll achieve the goals. And here's a helpful hint. Encourage the sponsor(s) and program manager(s) to validate requirements and design against the desired goals and question the teams regularly to keep them focused on the bigger goals rather than just individual tasks.
2. Have your program manager(s) maintain a simple Gantt chart of critical milestones for the overall digital transformation and review that monthly. The chart may just be colored bars next to milestone names in a spreadsheet or slide. Color those bars green, yellow, or red, representing, respectively, that the milestone is on track, that there is potential risk with time to mitigate it, or that we missed the timeline, scope, or budget and must reset the remainder of the plan.
3. Track actual spending vs budget. If you track internal resources, your program manager(s) or executive sponsor(s) will have the required salary information. You'll probably also have outside consultants or vendors. Track the expenses weekly, or at least monthly. If expenses are running low, there's a good chance that the project is falling behind. Use this as a check and balance against the Gantt chart. If expenses are tracking high, and the project is on time, be prepared to approve budget exceptions down the road.
4. The executive sponsor(s) or program manager(s) should present a list of issues every week (or at least monthly), along with steps being taken to mitigate them. This dialogue ensures
5. that the C-Suite is fully aware of risks and encourages the sponsors and program managers to be transparent.
6. Celebrate wins. As major milestones are achieved, recognize the teams and congratulate them. A simple email or walking into a team meeting does wonders for morale.

If you're part of the C-Suite or the Board, these six recommendations give you the transparency you need to understand how your investment is being managed.

Conclusion

I've worked for Global 500 companies as well as smaller organizations. And I have friends and colleagues that also have big company experience. We often lament about how project/program status reports get scrubbed as they go up the chain of command. The program manager reports a risk. A director softens the language. A VP has it changed again. And so it goes. By time the report reaches the C-Suite, everything looks great.

And then the delays, scope reductions, and budget exceptions sneak in as if nobody saw them coming.

Transparency is essential. Without it, the C-Suite loses control and misses the opportunity to

make informed decisions about current and future operations and strategies.

You can spend as little as 30 minutes a month to stay informed about your digital transformation. And your engagement will keep the sponsor(s) and program manager(s) on their toes. It will also demonstrate to the project teams that executive leadership is serious about, and supportive of, the digital transformation efforts.

I was interviewed a few years ago by Gartner analysts from around the world. They were asking why the majority of digital transformations fail and what can be done about it. As I provided my advice, one analyst asked what's different about digital transformation versus any other major change initiative. I replied that if you stumble on an ERP implementation or a CRM deployment, it may cost you some time and maybe millions of dollars. *But if your digital transformation fails, it may cost you your entire business.* I watched as the mosaic of heads on the Zoom screen simultaneously sprung back. There was a brief silence. And then the remainder of the interview took on a very serious and urgent tone.

Remember, you're embarking on a digital transformation to create a differentiated customer experience. You're seeking a sustainable competitive advantage. Your competition is probably doing, or seeking to do, something similar. And there may be some kids in their parents' basement preparing to disrupt you. The stakes are high. Seek the right guidance and stay involved through the recommendations I provided here.

What's Next

In the coming chapters we will cover the following, critical aspects of digital transformation:

- Resource Planning and Performance Objectives
- Executive Sponsorship Role and Accountability
- Measurement
- Change Management
- Scope Management
- Marketing and PR
- Staff Challenges and Surprises
- The New World After Digital Transformation

Resource Planning and Performance Objectives



Images clockwise from top left by Wavebreak Media Ltd, Stokkete, Sam Wordley, and Sergey Ishkov from 123RF.com

So, you have your Digital Transformation strategy. How do you know if you even have the resources to execute it?

Background

Previous chapters explained how digital transformation impacts the entire company and, therefore, requires an enterprise strategy that balances culture and technology. When you build your digital transformation strategy, you'll define strategic objectives and measurable goals. Then, you'll engage members of your staff to translate those objectives and goals into action plans, or projects.

That's where strategic planning typically ends and is one of the reasons why most digital transformations fail.

Stated differently, *strategy without execution is just a dream*. But how can we be sure that we can execute our digital transformation strategy?

The first two steps are effective resource planning and performance management.

Resource Planning

I've seen countless companies that may get as far as six months into execution of their strategy before they realize they don't have the human resources to execute the strategy. They developed their action plans and maybe even assigned people to projects. But they never

stopped to check if the people had the bandwidth to deliver.

It turned out that Sally was committed to 120 hours a week, the marketing team didn't have enough people to build the future campaigns and still keep the current campaigns afloat, IT had to choose between keeping existing systems running or building new products and systems, and the list goes on.

Our best practice is to sort the action plans, or projects, by value. In most cases, that means return on investment. Sometimes it may mean speed to cash positive. Whatever your company's priority is, make sure the executive sponsor for each project states the value. Then sort the projects from highest value to lowest.

Now start assigning resources to these projects, being mindful of the hours you're asking them to work. You'll soon see that your best people can't work on every project. And, at some point, you'll run out of people altogether. Draw a line under the last resourced project.

If we can hire, outsource, or add contractors to a project and still have positive financial results, then consider those options. Now move the line down and extend the list of projects that are feasible.

Every project that falls below the line should not be attempted. That may mean you have to revisit your strategic objectives and goals and make them slightly less ambitious. It's better to have realistic goals that you can achieve than lofty goals that you fail to meet year after year.

In fact, according to Harvard Business Review,

"Companies on average deliver only 63% of the financial performance their strategies promise."

Can your business survive if you only deliver 63% of your digital transformation?

Now that your projects are realistically resourced, let's add an insurance policy to our ability to execute.

Performance Planning

We translated strategic objectives into measurable corporate goals, and we translated those goals into manageable projects. Then we assigned people to those projects. So, didn't we already define the goals for those people? Now let's formalize them in performance plans.

Personal performance objectives should certainly include personal development, supporting the company values, and "soft" skills. But, first and foremost, they should align each individual with the company strategy. In this case, it's the digital transformation strategy.

Performance objectives and, in my opinion, merit increases and bonuses, should be tied to execution of the action plans that support the strategy.

A programmer may be required to deliver specific features for a new product or app. A graphic designer may be responsible for the images that will be used in the campaign to promote that product or app. A corporate trainer may have to ensure that the salespeople gain the technical fluency to sell the new product or app.

Each of these individuals may only succeed if their team succeeds. That drives alignment and teamwork. You can bet that I'm going to pitch in and help my teammate if my bonus is dependent on us all succeeding. (OK, I would help out regardless of the bonus, but you probably

get the point.)

Clear performance objectives, derived from the action plans to which each individual contributes, drives alignment and teamwork. And that increases the probability of your digital transformation succeeding.

Conclusion

Strategy management is the marriage of strategy and execution. Strategy without execution is just a dream. Strategic planning exercises usually end once the action plans are defined.

You can gain a competitive advantage for your business by translating strategy into execution. And the first steps are effective resource planning and setting clear performance objectives that align your team members with the digital transformation strategy.

Don't be one of the majority of companies that delivers only 63% of what your strategy promises. In the world of digital transformation, those are the companies that get disrupted.

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Executive Sponsorship and Accountability



Image by Milkos from 123rf.com

Successful digital transformation requires strong executive sponsorship that includes accountability for the business results.

Background

The first few chapters explained how digital transformation impacts the entire company and, therefore, requires an enterprise strategy that balances culture and technology. We then started explaining how to turn strategy into successful execution. Here, we discuss the critical importance of the executive sponsor and how to ensure accountability for your business results.

Executive Sponsor

The executive sponsor, by definition, is a direct report of the CEO (or the actual CEO) and has the authority to approve the time, scope, and budget for your digital transformation.

As explained previously, Digital Transformation is an enterprise strategy to create a differentiated customer experience that gives your company a sustainable competitive advantage. That strategy will likely result in numerous projects impacting different parts of the organization. Therefore, it is wise to have an executive sponsor for each project and then an executive sponsor for the overall Digital Transformation program, which is the collection of all related projects.

I'm sure we've all seen project sponsors that simply gave lip service to the project but were not really involved. That's a common cause for project failure. Don't let that happen. Your executive sponsor needs to be emotionally engaged in the initiative. He or she must stay informed, understand issues and challenges, and be involved in decisions that may change the course of the initiative.

The executive sponsor should receive weekly status updates that include a progress report, any

issues that may put the project at risk, and a tracking of actual expenses versus the budget. Any changes to the time, scope, or budget of the project must be approved by the executive sponsor.

The executive sponsor, along with the program manager should be well enough informed to provide updates to the rest of the executive team and the board of directors.

Accountability

The description, above, of the executive sponsor role probably sounds common and benign. But there's more.

The executive sponsor has ultimate accountability for the business results of the digital transformation.

If you follow my writing, you've heard me say numerous times that you never start a project, IT or otherwise, without an executive sponsor's commitment to the results. How much revenue will we gain and how much cost will we save? There may be numerous metrics that contribute to the return on investment, like customer satisfaction, streamlined processes, improved supply chain, and countless others. But, in the end, the board, shareholders, and other stakeholders want to know the value to be gained.

We typically work with business leaders, managers, and staff to understand the various ways that a digital transformation will improve the business. While the overall objective is to create that differentiated customer experience, that experience will manifest itself in revenue gains and cost savings.

How much cost can be taken out of the sales process? How much faster will we process an order? What new products or services will we be able to offer? Do we reduce legal or regulatory risk?

The executive sponsor should challenge the cost/benefit assumptions, clearly understand the factors that make up the overall return on investment, and track progress toward those results.

The final element of accountability is the financial accounting process. The investments and expected financial results are documented at the beginning of the digital transformation initiative. As parts of the program go live, Accounting should be capturing the actual costs and amortizing them over an appropriate period of time. And they should be meeting with the executive sponsor, at least quarterly, to verify that the new "assets" are still in use and that the desired benefits are being realized.

This financial discipline and accountability provide complete transparency so that leadership and the board understand the value returned by their investment.

Conclusion

The executive sponsor is one of the most important roles in your digital transformation. The level of engagement of the sponsor is usually an early predictor of project success.

The sponsor approves time, scope, and budget, and any changes as the project progresses. The sponsor also approves the anticipated return on investment and tracks these during the project and after completion.

The leadership and accountability of the executive sponsor is a critical success factor for your digital transformation.

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In the coming chapters we will cover the following, critical aspects of digital transformation:

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Measurement



Image by atosan from 123rf.com

Just as a pilot checks measurements before, during, and after a flight, your digital transformation requires the same attention to measurement.

Background

Previous chapters explained how digital transformation impacts the entire company and, therefore, requires an enterprise strategy that balances culture and technology. We then started explaining how to turn strategy into successful execution. Here, we discuss the necessity for measuring business impact before, during, and after your digital transformation.

From Customer Experience to ROI

In our Introduction we defined Digital Transformation as utilizing technology to create a differentiated customer experience that gives you a sustainable competitive advantage.

Most projects start with an analysis of the costs and benefits. I can't emphasize enough how dangerous that is in today's world. Why? Keep reading...

Always start with an evaluation of your customer experience. We use a customer journey map to identify every interaction the customer has with a business. We then ask the business process owners to rank those interactions as follows:

- Green means that interaction is a competitive advantage for us
- Yellow means neutral

- Red means a competitive disadvantage

This can be a chilling exercise but, don't worry, your customers and employees already know all this. It may be the first time they're seeing it across the entire customer journey, and that may be the alarming part.

Next, we determine ways to improve the reds and yellows without sacrificing the greens. Those process improvements then dictate the high-level requirements for our digital transformation.

Now, we can use those requirements to complete our first estimate of the costs of our transformation.

This is where it really gets fun. We meet with the business process owners and ask them to estimate how much time would be saved by improving the processes as described in the requirements. We can document how long a process takes and how many times a year it's performed. Multiply by average staff compensation for that group and we arrive at a current cost. Then, we look at processes that may be eliminated or improved and do the same math. The result is either cost savings, if we can eliminate staff costs, or margin improvement if we can grow without a proportional increase in staffing.

OK, that's the cost side of the return on investment. What about revenue?

Meeting with senior managers and executives, we can start estimating growth and new revenue opportunities. We frequently hear about how current technology constrains growth. "Our system can't support what we want to do so we don't do it." Or "if the customer could do these new things, we could sell 10% more of this product or service."

I like to run the revenue growth opportunities by the CFO. They usually reduce the numbers, which makes the ROI analysis more conservative.

Now we have a plan to improve the customer experience, an estimate of the costs to do so, and an estimate of the cost savings, margin improvement, and revenue growth that should result. That's when we go to the Board and pitch the plan.

Before, During, and After

I started by saying that, just like a pilot, we need to measure our digital transformation before we start, during the initiative, and after it's done. We just described measurement before. That's the business justification part of any major initiative.

It's equally important to measure during the project. It's easy to lose sight of the key objectives as we get caught up in activities. I like to take some checkpoints along the way where we stop and verify that our detailed requirements and our design are leading us to the goals we defined at the onset. You'll be amazed at how a few reminders and minor adjustments can keep us on track to achieving the digital transformation goals. We also know that some design changes will likely be made during implementation. Just make those changes with the customer experience, cost savings, and revenue growth in mind.

We still may not know if we achieved our goals at the end of the digital transformation initiative. It may take months or even a year to see the fruits of our labor. Keep the goals in place. Use them as performance objectives for executives and business process owners. That accountability is crucial.

Tracking results also helps us with continuous improvement in our project management processes, business justifications, and personal performance. If someone projected cost savings ten times what were actually achieved, doesn't that person deserve the visibility, transparency, and opportunity to learn and grow? If we don't provide that, aren't we hurting both the individual and the company?

As a final thought on this topic, good measurement also builds credibility with executive leadership and the Board. Success tends to lead to further investment because the company is trusted to deliver the desired results. Similarly, transparency when we miss our targets, along with action plans to improve in the future, also builds credibility.

Conclusion

Measurement before, during, and after a digital transformation is a critical success factor. We measure the customer experience and set out to improve and differentiate it. Then we measure likely cost savings that result from improved processes. We also measure expected revenue growth. Then we track all these measures throughout the digital transformation to keep us aligned and focused on the desired outcomes. Finally, we measure the results at the end of the transformation and for some time afterward.

The focus on measures is crucial to the success of your digital transformation, just as the focus on the measures reported by the countless gauges in the airplane cockpit is crucial to a safe and successful flight.

What's Next

In the coming chapters we will cover the following, critical aspects of digital transformation:

- Change Management
- Scope Management
- Marketing and PR
- Staff Challenges and Surprises
- The New World After Digital Transformation

Change Management



Image by gajus from 123rf.com

Change management turns your digital transformation from impossible to possible in the minds and actions of those impacted.

Background

Previous chapters explained how digital transformation impacts the entire company and, therefore, requires an enterprise strategy that balances culture and technology. Change management is how we evolve the culture of the organization to embrace the new, digital environment.

Digital Proficiency and Change Readiness

The culture aspect of digital transformation is usually much harder than the technology. We look at culture through two unique, but complimentary, lenses: digital proficiency and change readiness. Both of these will challenge the skills and emotions of your organization, and they require as much, or more, attention as the technology aspect of your transformation.

Digital Proficiency

Digital proficiency refers to the technical skills of your employees. We previously explained that digital transformation likely changes how a customer places an order and how you process that order, impacting marketing, sales, and operations. You are using technology to transform how you delight your customer. That means that your organization must have the technical skills to support those customers and to operate in the new environment.

People often resist change – especially when it involves technology. Your digital transformation requires a thoughtful approach to orientation and training on new technology skills.

Communication is key. Let everyone know what's coming and make sure they all understand the benefits to the customer and the business. Reassure them that there will be plenty of time devoted to training. And be clear that these new technical skills are critical to their job and long-term career.

Then, follow up.

Provide plenty of demonstrations of any new technology. Provide sandbox environments for your team members to get acquainted with the new tools. Involve as many people as is practical in the requirements and design sessions so they get familiar, contribute ideas, and take ownership.

And then train, train, train. Set up demonstrations as the systems and/or tools are being configured and the final products. Schedule mandatory training with sufficient flexibility to accommodate departments and individuals. Schedule make-up sessions for those who will inevitably miss training.

Have subject matter experts "hand-hold" during the first week or two of live, production use of the new technologies. And create an environment that allows for mistakes.

Improving the digital skills of your employees will return huge dividends in the long run. You should see increased productivity, improved employee engagement, and reduced attrition.

Change Readiness

Change readiness is the second part of the culture of digital transformation. It refers to embracing the change that is initially coming and also anticipating change as a new way of life. Change readiness makes an organization nimble, able to react quickly to changing market conditions, and can provide a measurable competitive advantage.

But people, in general, don't like change. We get comfortable in our paradigm and don't like to take risks.

In my decades of experience, I find that leaders are more resistant to change than staff. Perhaps they're afraid of losing power or authority. Maybe they're afraid of being exposed for a certain lack of knowledge. Regardless of the reason, leaders are key to change and must be on board.

Just as we described with digital proficiency, leaders and staff must understand why change is necessary now, why it should be embraced in the future, and the benefits it will bring to our customers and the business.

Communicate frequently about why the digital transformation is happening and about progress along the way. Be sure that managers understand how the change will impact each of their team members and build the change readiness into personal performance plans. You want to be sure that the entire organization can demonstrate its readiness to embrace change.

Project naming contests, posters, swag, and communication from the CEO are excellent tools to ease people into the change that's coming. As the change occurs, recognize people that embrace the changes. Recognize departments that adapt. Reward the good behavior with praise or even bonuses or vacation days.

And don't be afraid to take action to improve, or remove, anyone that continues to resist change. A bad attitude is a cancer on the organization and must be cured or removed.

The more you recognize and reward the adoption of change, the more ready and willing the organization will be to embrace the next change. And once you start your digital transformation, change will become a way of life.

Who Leads Culture Change?

When we think of digital transformation, we tend to think about IT as the leader. Rarely should IT lead the digital transformation. That's actually one of the top reasons that the majority of digital transformations fail.

Remember, we're talking about an enterprise strategy that balances culture and technology. Certainly, let IT take a leading role in the technology. But when you think about culture, is IT the first group that comes to mind? Probably not.

Previous chapters talked about the enterprise strategy and executive sponsorship. While the sponsor is an emotionally engaged evangelist for change, he or she will probably not be very involved in the details.

Best practice would be to include Marketing, Internal Communications, HR, and, yes, IT in the cultural aspect of your digital transformation. Culture change requires a lot of communication and performance management in coordination with the technology.

Conclusion

Change management is crucial for any initiative but is vital for a digital transformation. Most, or at least a good part, of your organization will need updated technical skills and some level of digital proficiency. And change readiness will become a core competence of your enterprise.

These changes have a tremendous impact on people and need to be managed with at least as much attention as the technology change.

Digital proficiency and change readiness will eventually create a sustainable competitive advantage for your business.

What's Next

In the coming chapters we will cover the following, critical aspects of digital transformation:

- Scope Management
- Marketing and PR
- Staff Challenges and Surprises
- The New World After Digital Transformation

Scope Management



Image microscopes by Arina Zaiachin from 123rf.com and juggler by alphaspirt from 123rf.com

As we juggle the scope of our digital transformation, we must stay aligned with our strategic objectives and measurable goals.

Background

Previous chapters explained how digital transformation leverages technology to create a differentiated customer experience. We also discussed how to establish the return on investment and ensure that those measures dictate the scope of your transformation.

Scope Creep

Two things happen during any major transformation initiative. One is scope creep and the second is lost focus.

Scope creep occurs throughout a project when people extend the business requirements beyond original intent or over-design a solution. Scope creep costs time and money, and can derail a project.

Since this is a C-Suite Guide, I won't get into the details of scope creep. Suffice it to say that the executive sponsor must approve the initial time, scope, and budget for the project and then approve

changes to any of those three. In doing so, the sponsor must ensure that the initiative stays true

to the strategic objectives and goals.

Focus, Focus, Focus

Here's the other thing that happens in transformation initiatives (and this is the real risk). Twice above I mentioned strategic objectives and goals. We tend to share those with leaders in the company and sometimes across the project team.

I strongly recommend sharing the objectives and goals with every member of the project team and making sure that each individual understands his or her role in achieving those goals.

As we execute the project, the team gets more engaged and deeper into the weeds. We encounter obstacles. We work around them. We miss deadlines and then try to make the time up. And the scope creeps. These are all inevitable and good project management anticipates them and works through them.

But as we work through these obstacles, the team members are probably not reciting the objectives and goals. It's easy for an entire project to lose sight of why we're there in the first place.

Executive sponsors and project managers need to step back occasionally, revisit the goals, and remind the team. Maybe we're designing features for a new customer interface. We should be auditing our design against the ROI analysis to ensure we'll meet our goals. The same should occur periodically throughout the project.

So, the key to scope management is to be flexible, as needed, but never lose sight of the ROI goals. Go back and check periodically. Audit the requirements and design. If you're working in an Agile environment, allow time in your sprints to verify that the work product will bring us to the stated goals.

Conclusion

A year or so ago I quoted a Harvard Business Review article that said that, on average, companies deliver only 63% of the financial results that their strategy promised. If your digital transformation only delivers 63% of the expected results, will your business be at serious risk?

Managing scope creep is a natural part of any project. But keeping that scope aligned with strategic objectives and measurable goals is often forgotten. ***There must be a relentless focus on the goals and a periodic audit to be sure we're on track.***

Waiting until the end of a digital transformation and then discovering that we didn't meet our goals can spell disaster.

What's Next

In the next few chapters, we will cover the following, critical aspects of digital transformation:

- Marketing and PR
- Staff Challenges and Surprises
- The New World After Digital Transformation

Marketing



Image airplane and blank banner by ndul from 123rf.com

Just like marketing a product or service to customers, your entire company needs to know the goals and benefits of your digital transformation.

Background

Previous chapters explained how digital transformation requires an enterprise strategy because it impacts the entire organization. We also discussed change management, program management, and more. Now, we explore the marketing of your digital transformation to ensure buy-in based on a clear understanding of goals and benefits at a personalized level.

What's In It For Me?

A digital transformation, by definition, applies technology to create a differentiated customer experience. That implies a new, digital approach to customer interaction, from advertising to sales to order processing, supply chain, billing, and more. Nearly every employee is likely to be impacted by digital transformation.

Do you want people to participate because their job depends on it? Or do you want them to be enthusiastically engaged because they take pride in serving your customers and because they see an opportunity to learn and grow?

Marketing to Engage

I remember just a few years ago when Gallup reported that employee engagement across the U.S. was at a five-year high. But it was only 34%. That meant two thirds of employees were disengaged at work!

Do you think you can transform a company in which 66% of employees are disengaged?

Marketing the benefits of your digital transformation is a crucial step in building enthusiastic buy-in. People need to understand why change is coming and why change is here to stay.

You can use your standard marketing practices to engage your employees, just as you would with customers. Explain why the transformation is important to the company. Clarify what the competition is doing and how this initiative will make you more competitive. And explain the benefits that each individual will enjoy, like new skills, better processes, possibly new organization structures and relationships, and the pride in knowing that each person plays an important role in improving the customer experience.

Just like any good marketing campaign, the message must be repeated consistently. Frequent communication is crucial. Turn loose your Marketing and Internal Communications teams, working closely with the core digital transformation project team. Setting clear objectives and the sharing periodic status updates can build enthusiasm and pride.

Treat your digital transformation as you would any new product and service. Use your marketing skills to promote it internally to keep your team enthusiastically engaged.

What's Next

The remaining two chapters in the handbook will discuss:

- Staff Challenges and Surprises
- The New World After Digital Transformation

Staff Challenges and Surprises



Image by Lesia Sementsova from 123rf.com

Is this the look of “fear of change” or “surprise at personal accomplishment”? You’ll see both throughout your digital transformation and the people at each end of that spectrum will surprise you.

Background

Previous chapters explained how digital transformation requires an enterprise strategy that balances culture and technology. Under culture, we discussed change readiness and digital proficiency, along with change management. I’m always amazed at who struggles with transformation and who rises to the challenge. It’s rarely the people you expect in each category.

The Emotional Rollercoaster

Every digital transformation, like most change initiatives, has its ups and downs. There are predictable emotional cycles that always take place.

We promote a new endeavor across the company to generate excitement and buy-in. As the project starts, expectations are at a peak.

Then the reality of the workload sets in. Vendors don’t always bring their “A” players. Conflicting priorities put pressure on the team members. And some deadlines are invariably missed. The team starts to lose confidence in the vendors, in their own team, and in the project. Expectations move from a peak to a valley.

Then the breakthrough occurs, and we turn a corner. The project seems to be back on track. The less- satisfying up-front work, like current state documentation and requirements gathering, is behind us and we're doing more exciting things, like actually building the solution. And our expectations level off to a reality that sits somewhere between that peak and the valley.

The emotional setback was temporary. The excitement returns. As solutions fall into place, personal satisfaction sets in. The team feels pride in their achievements and that fuels them to the finish line.

These challenges are real. They should be expected. Anticipate them and manage your communication accordingly.

When the CEO interrupts a project team meeting for just 15 seconds and says, "I know how tough this is and how hard you're all working. I just wanted to let you know that it's appreciated, and I have confidence in you. Thank you all," and then walks out. That is such an amazing boost to the team. I've seen it time and again.

Anticipate the natural cycles of the project and help the team along the emotional rollercoaster. You'll see amazing results.

Who Me?

My first true business transformation was in 1992 and 1993. It was before the term "digital transformation" was even discussed. We leveraged technology to create a differentiated customer experience and dramatically improve internal processes. I was the VP of IT and was credited with taking the company from its biggest loss in its 20+ year history to its greatest profit ever.

When we started the project, several executives discussed who among the staff would flourish in the new environment and who would struggle and resist.

We could not have been more wrong!

Sure, some people that we thought would find the transition easy did end up struggling a bit. But the bigger surprise was a long-time employee named Marilyn, who was just downright scared of the new technology. Guess who became one of the power users and the top salesperson? Yup. Marilyn.

Lesson Learned

That experience taught me, with absolutely indelible images in my head, to never doubt the doubters.

I took that lesson to my next company, and the next, and carry it with me to this day. And, with numerous digital transformations behind me, I can say that my colleagues are surprised every time by who struggles and who grasps the paradigm shift and succeeds.

Be wary of pre-judging your team based on past experiences and the current state. Apply change management techniques. Make sure every individual understands his or her role in achieving the company's vision. Help them understand the personal growth opportunities. And be generous with training. You'll be amazed at who steps up and shines.

Conclusion

The picture caption asked, *“Is this the look of “fear of change” or “surprise at personal accomplishment”?* It’s both. One happens early in your digital transformation and the other finds its way in later.

Projects have natural cycles, peaks and valleys, that we have to manage. And people have real fears that we also have to manage.

When you manage these effectively, you’ll be amazed at who the superstars turn out to be.

What’s Next

We will wrap up with a chapter about The New World After Digital Transformation.

The New World After Transformation



Image by Egor Kotenko from 123rf.com

After digital transformation, we continue to build on our differentiated customer experience to protect and extend our competitive advantage. But we're better and faster now.

Background

Previous chapters explained how digital transformation is about applying technology to create a differentiated customer experience. Since digital transformation impacts every function in your company, it requires an enterprise strategy that balances culture and technology. Under culture, we discussed change readiness and digital proficiency, along with change management.

Now we'll see how the transformation not only improves the customer experience, but also improves the company's ability to execute. And that will be critically important for the future.

Staying Ahead

The purpose of a digital transformation is to create a differentiated customer experience that gives us a sustainable competitive advantage. We focus on the customer, innovate, and differentiate. And now we're ahead of the competition.

But how do we stay ahead?

We can't just sit back and admire our achievements. By the time our transformation is

completed, the competition is probably looking for ways to leapfrog us.

So, we must continue to focus on the customer and innovate. Remember, the purpose of a strategy is to protect and extend our differentiators. We have to continuously think about, and implement, new ways to delight our customers.

That means our digital transformation is never really over. And that's good news — as we'll see in the next section.

Ability to Execute

We discussed in several chapters how digital transformation is an enterprise strategy that balances culture and technology. We said that culture is the difficult part, and it consists of building digital skills and creating an environment of change readiness.

So, when we say that the digital transformation is never really over, we can *take comfort in knowing that we now have the culture to continue innovative improvements.*

If we successfully executed our transformation, we should have a digitally fluent, change ready workforce. The team should be eagerly waiting for the next opportunity to further improve the customer experience. The Board and executive leadership should have greater confidence in the company's ability to set and achieve challenging goals.

The digital transformation not only creates a differentiated customer experience but should further differentiate the company by their ability to execute.

Conclusion

Forbes reported that 84% of digital transformations fail. McKinsey had the number at 71%. Either way, that's bad news.

I hope that this handbook was able to shine some light on the challenges commonly faced in digital transformations and provide good insight about how to succeed.

We have thousands of readers and followers, and I've had the pleasure of speaking with many of them. I'm pleased that my advice has helped a lot of people and organizations. And I love the insight that I get from you.

If you're embarking on a digital transformation, planning to do so, or have already started, and want to bounce ideas, discuss any concerns, or just ask questions, email Emily at Emily@WolffStrategy.com and she'll be happy to schedule a call with me.

About the Author



Larry Wolff is the founder & CEO of Wolff Strategy Partners, a boutique consulting firm specializing in Enterprise Strategy Management and Digital Transformation. Larry has served as CEO, COO, CIO, CTO, chief digital officer, and management consultant for public, private, international, and emerging growth companies. His specialties include corporate and IT strategic planning, technology led business transformation, business and IT turnarounds, merger integration and large-scale project rescues. His methodologies span industries and scale to companies of all sizes.

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Handbooks by Larry Wolff

The Authentic CIO Handbook

The Authentic Leadership Guide for the Non-Technical CIO

The Authentic C-Suite Guide to Digital Transformation