INTRODUCTION:
How to Digitally Transform

Turn your company into one that thrives in a changing environment by using the five stages followed by all successful digital transformations.

The essentials of digital transformation

Digital transformation. It's a buzzword that appears on boardroom agendas everywhere, but anxieties about what it is, how it works, and what it means for business processes are still crippling many organizations into inaction, with many struggling to even articulate 'what' is it they're failing to do.

For this reason, I want to dive straight in to getting you the most critical information about successful digital transformation – starting with the three biggest misconceptions about it.

Misconception 1: 'Digital transformation needs a big budget before it can even start.'
It doesn't matter its sector or size; your organization can absolutely afford to 'do' digital transformation. In fact, there are more examples of failed digital transformations that start with big budgets than those who started with small investments in critical areas.

As you'll see in the examples throughout this book, the vast majority of success cases never attribute money specifically to 'transforming'. Digitally savvy organizations simply tackle the job on a more manageable project-by-project basis.

This leads to a second point, which is actually more of a request: Please put down the 'We're transforming' posters for the company breakrooms, and don't hit send on that all-staff email.

You'll see later in this book that the time to start the PR campaign isn't until you're well into the programme, when you have tangible examples showing

> I disagree with the thinking that you need a huge transformation budget to start anything. What you have to do is say 'we're not going to try to create the Holy Grail here. This is our business model, so what do we think is most important? How do we drive value and what does the organization design need to look like to enable that?' Start with that.
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> The intent of our digital transformation is for someone to be able to maximize their discretionary time that they have granted to us. No one needs to go on a cruise. The cruise business is less than 3 per cent of the entire hospitality spend in North America, so it's still a really small segment of the broader business.
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> I am absolutely positive that by making it easier for people to digest the product and maximize their time within the product, this concept of 'frictionless vacation' will allow us to grow the segment.
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> That transformation is all about understanding how to talk to people in a much more curated and personalized fashion so they get that we're relevant. They don't feel intimidated or overwhelmed, and they can act on the information we're providing them.
>
> Interview with Mike Giresi, Chief Information Officer,
> Royal Caribbean Cruises
> Former Chief Information Officer, Tory Burch, 2011–2015

digital transformation is already happening, working, and benefiting both staff and customers. Before that, unveiling your grand innovation plan will only trigger a flurry of worried staff emails to HR, or in a best-case scenario, a bunch of eager-to-please employees volunteering to get involved before there's anything to get involved in.

Misconception 2: 'Everyone knows what I'm talking about when I say "Digital Transformation".'

I speak a lot about digital transformation, from keynotes at conferences with thousands of attendees to leadership retreats with an organization's executive suite. I've never once witnessed instant consensus on what digital transformation means.

I'll go into more detail in the next section 'What is real digital transformation', but here's the condensed version: everyone you've spoken to about digital transformation has a slightly different definition of the focus, extent, and purpose of doing it – and this is one of the biggest reasons for programmes to fail.

Misconception 3: 'When the digital transformation is over, we can go back to business as usual.'

This misconception is the most baffling to me because the word 'transform' means something is no longer the thing it was before. Somehow so many

> 'Digital transformation' is to understand the rules of the game have essentially changed. You're not just trying to transform your business by putting your existing practices on the internet. And it's not just for one big initiative either. It's not for a 'big bang' launch. It's not for the quarterly report to shareholders. It's something that you have to be able to sustain through culture and practice throughout the years.
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> Interview with Perry Hewitt, Vice-President of Marketing, ITHAKA
> Former Chief Digital Officer, Harvard University, 2011–2016

companies think 'digital transformation' will allow them to continue doing what they've always done, just with new technology thrown into the mix.

The truth is that digital transformation is actually not about adapting to new technology at all – it's about directing an organization to be more adaptive to change itself.

You'll see throughout the cases used in this book that the companies that succeed are the ones that adopt a new mindset and new ways of working, not just to meet the changed needs of their customers today, but to become more flexible and able to accommodate changes in the future as well.

And that's just the beginning.

Throughout my years working with organizations and speaking to others leading their own company's transformation across all sectors and geographies, I've seen so many different versions of the same rough beginnings, bumpy middles, and epiphany-laden ends to notice patterns emerge.

It's from these patterns that I've distilled the framework of successful transformation, complete with tasks, objectives, outcomes, and tips to enhance the journey. By the end of this book, you'll have the tools to adapt the framework to guide your own transformation.

Before we get ahead of ourselves though, there is still one important concept to tackle. It's time to delve into what *real* digital transformation actually looks like, so you can know it when you see it, and so you can start to picture your own company's 'before and after'.

What is real digital transformation?

What it is and how to spot it

Real digital transformation isn't about getting your company to use a specific set of new technology; it's about your company's ability to react and successfully utilize new technologies and procedures – now and in the future.

For most, this includes adopting processes that allow your company's leadership and staff to investigate, experiment, and strategically employ new technology on an ongoing basis.

In other words: Real digital transformation is something you only have to do once.

New gadgets, new networks, new capabilities – everything new in our digital age poses equal threat and opportunity, and like a boxer in the ring, the company that can react quickly with concentrated force wins the title. The company that ducks and dodges the punches without a proactive strategy is only delaying its inevitable defeat.

The average company today though is nothing like a boxer. The average organization is stuck in its ways, isolated, slow to react, and bogged down by old processes. It's locked in a state of slow decision making, thanks to hierarchies that have enlarged over time, creating internal silos of people and processes, with complex approval processes that make it difficult to reach consensus, let alone pursue a collective goal.

Real digital transformation is about breaking down these barriers, removing the constraints imposed by outdated logic, and leveraging technology to create new revenue streams, drive down costs, and enhance the user experience.

Like a boxer going through rigorous training, successful digital transformation begins with a series of small changes that accumulate until the organization can cope with bigger demands. When training – or transformation – is finished, neither the boxer nor the company will behave, look, or move the way it did at the start.

Essentially, this is your *Rocky* moment. Training starts today and depending on your current fitness, in a few weeks or months, you'll be ready for your first match.

Tell-tale signs of real digital transformation

Boxing metaphors are good at setting the scene, but there are many tangible signs of real digital transformation. Regardless of the size of your company or the sector it's involved in, real digital transformation includes using new devices, platforms, systems, and networks to create:

- More profitable business models

- More efficient operating processes

- Greater access to markets

- Enhanced offerings to users

- New sources of revenue

Because these elements are intrinsically linked to your business as a whole, to achieve success in these goals, your transformation programme is going to have to tackle three critical areas of your organization:

1 **Business model**: How revenue is generated, and how customers are acquired and retained

2 **Customer experience**: Core product and services, and the processes by which customers transact and engage with you

3 **Internal processes**: Ways of working, operations, analysis, and decision making

After you've completed a true digital transformation, here's what it will look like at a top level:

1 **Increased revenue:** Bigger share of market, new markets acquired, and/or lower costs to acquire and maintain customers

2 **Increased competitive advantage:** Better products or services than the competition and/or filling a new need/want category no one else caters to

3 **Getting more done faster and with less:** Increased efficiency, coordination, and a new ability to quickly tap into strengths

How you achieve it will depend on the specifics of your organization, its unique barriers and assets, and the landscape you operate in. A small charity's digital transformation looks radically different (and a lot cheaper) than the transformation of a major bank – but the difference each can make on the future sustainability of their own organization is equally game-changing.

Separating jargon from reality

So why shouldn't you call your programme 'digital transformation', talk about it at meetings, or announce it to staff, customers, and shareholders? Because like most business terms, 'digital transformation' has moved into the dangerous territory of *jargon*.

> Digital transformation is ongoing. It's a commitment that a company makes, not a single fiery hoop that it jumps through once. At its most basic level, I see digital transformation as being an acknowledgement within a company that the previous way of doing business will no longer suffice for their continued ability to succeed within their sector.
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> The common thread is always that there's a new disruptive capability has come along, whether it is in communication, in data, in acknowledging development, which forces an organization to make a significant change which they otherwise would not have done.
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> Interview with Bryan VanDyke, Managing Director & Head of Digital,
> Morgan Stanley

Back in the days when 'synergy' and 'thinking outside the box' were the hot topics in business management, jargon was an annoying but mostly harmless part of day-to-day professional life. Consultants used it to make standard recommendations sound like radical new concepts; managers used it to make old decisions sound like a bold new direction; and employees used it to sound like mangers and consultants.

Most jargon starts innocently: a group of professionals in the same field start using a term as shorthand to refer to complex concept they're all familiar with, but the term starts to catch on. People start using it because they think they understand it, or because they think it helps them sound like an expert. Either way, the effect is the same. The number of 'definitions' increase as do the number of misunderstandings, because no one likes to admit when they don't know something – especially when it's in the middle of a management meeting and everyone else is nodding along knowingly.

The danger comes when digital-related jargon slips into the decision-making process for how to run a company.
This is because 'digital' (a word which in itself is jargon) is actually a catch-all term for the new technologies and capabilities embedded across every aspect of modern life.

Defining 'digital'
From a consumer's perspective, digital includes everything on the Internet (websites, social media, advertising, etc.) and literally anything you can do, see, or engage with through connected devices, such as smart TVs, mobile phones, laptops, wearables (like smartwatches that track your heart when you run), and

I think one of the responsibilities of a CIO is to bring people together and at least come up with rules of engagement as to what digital transformation is and what it isn't. That we're actually looking for things beyond 'hey, we want to go paperless'.

To me digital transformation, and the way I've run my career, is having a constantly improving mindset. I set the bar very high for my teams so that we are constantly evolving. That doesn't mean change for change sake, but we are always pointing the finger at ourselves to see how we can get better. How can we leverage new technologies? How can we leverage existing technologies better in a strategic way?

Interview with Jay Ferro, Executive Vice President, EarthLink
Former Chief Information Officer, American Cancer Society, 2012–2016

Wi-Fi-enabled appliances (like fridges that re-order your milk for you when the sensors detect spoilage).

Digital is everywhere, but it becomes truly powerful when you extend its definition to the enterprise level. In this sense, 'digital' also includes every element of your company's entire IT infrastructure – from product and inventory management and running the supply chain to every aspect of marketing, communications, and HR. In fact, you'd be hard-pressed to find an element of your business that doesn't have a digital component integral to its operations; how sophisticated or well implemented it is – that's another matter.

Because the realm of digital is so vast, it's useful to think of it as an enabler of capabilities rather than a set of things. For example, digital can enable any company to:

- Automate insight gathering and decision making
- Rapidly handle complex transactions and processes
- Facilitate large-scale engagement and communication

But perhaps the most important thing to note in all this is that digital is also a democratizer of power. It's the sole cause for what's shifted from the time when big companies held the currency – the supply chains, the means of mass production, the giant inventories – to today, when anyone can command a market from their garage-based start-up.

Because of digital, normal people – not just giant brands – can attract and retain customers, simply by figuring out clever ways to create and deliver

value through digital. We've all heard the stats: Uber is the biggest global taxi service, yet owns no cars. Airbnb is the biggest hotel chain, yet doesn't own a single piece of rentable real estate (McRae 2015). And this is where transformation and challenge factor in for the big companies. They don't want to democratize because that's not how you traditionally control a vast supply chain. They don't want to network because that's not how value has historically been created or held.

Where the danger of jargon comes into play

Technology can raise a start-up from humble garage beginnings to Fortune 100 status in less time than it takes to run a typical IT upgrade project and without the usual overspend (45 per cent, in case you were wondering) (Bloch et al. 2012). But because of the murky nature of jargon and the many interpretations of digital, companies are making these decisions based on poorly understood principles, which leads to embarrassing, expensive, and often, irreversible mistakes.

On the extreme end, you have the dot-com bubble of the 1990s, when nearly every company with '.com' in the name instantly shot up in investment value without any evidence of a real product, service, or marketable asset. People didn't really understand what 'dot-com' meant and instead of properly investigating, they invested out of fear they were going to miss out on the next big thing. When the bubble burst in 2001, people were shocked to find out that just because a company is 'online' doesn't mean it can survive without a solid business plan and revenue model (Leckart 2010). That's the power of jargon.

Following the dot-com crash, you'd think people would be less swept up by the magic of a catchy term. Not so.

For example, working at an agency in 2008, I'd regularly receive request for proposals asking for 'Web 2.0' with a single cost line item to fill in. Now, the term 'Web 2.0' actually referred to the social capabilities enabled by the web and the value it can help generate. But like all jargon, what started as shorthand for a complex concept soon got co-opted and people decided to implement it without realizing they've each ascribed it a different meaning. Fast-forward to pitch day. My team would be faced with a panel of perplexed clients asking why we were trying to sell them a new website with social media feeds, a forum, and blogging capabilities when they just wanted a website that's 'Web 2.0'. I shudder to think of the money lost on websites built during those years by opportunistic agencies who were more than happy to add 'Powered by 2.0' in the footer of every webpage for a small fee. But what's far more disturbing is what's happening now with the briefs asking for 'digital transformation'.

> All lot of buzzwords are driven by commercial gain. With digital transformation, a lot of the language ends of being driven by third parties trying to capitalize for different products and services. Self-interest tends to drive terminology.
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> My experience is that digital transformation is that lots of little bits can add up to big bits. Because of digital transformation, we're faster, cheaper, have a much better customer experience, and perform better commercially. Culturally, we're operating in a way that the entire company wants to mimic. What more do you want?
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> Interview with Ash Roots, Director of Digital, Direct Line Group

What people really mean when they say 'digital transformation'

The first time I remember seeing the term 'digital transformation' written on a brief was for a major global financial firm in 2010. Despite the rest of the brief asking only for a new website, the pitch panel included the entire senior executive board as well as the CEO. This was a strangely senior panel for a large, but fairly standard, website. Just a few years before, the same pitch would have been attended by IT Director and Marketing Director at best.

So what changed so quickly for this UK-based financial firm? 2008's housing market crash in America triggered a global recession and the firm's bottom line was now hurting. So, like many other companies, the senior executives had decided to turn to 'digital transformation' to stretch budgets, find new customers, and generally solve decades' worth of indifference to technology and outdated ways of working, but sadly, their definition of 'transformation' only extended as far as redesigning the firm's website.

What quickly became clear to me was how many other organizations were trying to implement major innovation programmes without fully understanding the costs, complexities, or company-wide implications. Basic answers to core questions were being skipped over as huge investments were made, and in some cases lost as projects failed and staff bailed out.

As such, 'digital transformation' has turned into business jargon that's best avoided. Some think of it as shorthand for 'don't be like Blockbuster', whose bankruptcy followed years of ignoring companies like LoveFilm and Netflix, which gained market share using the web to outperform the Blockbuster video rental empire at its core business (Satell 2014).

In case you can't help but use the term (perhaps it's already become ubiquitous at board meetings), Table 1.0 is a cheat sheet of what people tend to think it means, depending on the role they're in.

Table 1.0

People who talk about digital transformation	What they really mean
CEO: 'This year is about digital transformation'	We're doing a series of IT and website upgrades to try to boost revenue and keep our investors happy.
CMO: 'We're digitally transforming our marketing'	We're going to spend more on digital marketing this year – and we're redesigning the website.
CIO: 'We're running a digital transformation programme'	We're finally buying an enterprise Customer Relationship Management system and re-platforming our website.
CFO: 'We're investing in digital transformation'	We need to automate and shift low-skilled work offshore to reduce our costs.
Top-tier consultant: 'We're crafting a digital transformation strategy'	You need to pay us a lot of money for a set of recommendations that tell you to spend even more.
Digital agency: 'This project is your first stage of digital transformation'	We'll develop your new website using a method called 'Agile' but without properly preparing you or your teams for the new ways of working it requires.

The challenge of real transformation

The struggle of digital transformation is rooted in our DNA.
As humans, we all love convenience. Every piece of technology that has existed, or will ever exist, is created to reduce or eliminate the labour required to achieve a desired outcome – all for the purpose of reducing effort and freeing time for more worthy pursuits.

But there's a catch. We seek convenience, but we also naturally avoid new processes. Change brings risk, uncertainty, and effort (convenience's natural enemy). Tell your staff they have to learn a new skill that will make their work easier in the future, and their blood pressures will rise. Even the people who like learning and actually volunteer for training opportunities will feel the flutter of adrenalin and anxiety at the mention of an altered routine.

Five stages of personal digital transformation

Stage 1: Denial

I don't really need a new phone. So what if the new ones now have more features. They're really expensive, harder to use, and I only really use my phone for a few things anyway.

Stage 2: Fear

There are too many choices and they're all so expensive! I'll get a cheaper price if I sign a contract for two years but what if I hate it after a month??

Stage 3: Anger

What does this button do?! And where have all my contacts and calendar appointments gone?! I knew this was a mistake!

Stage 4: Delight

These photos are incredible! I'm going to post this one online … using the voice commands! This feature is going to be really handy when I'm on the road.

Stage 5: Attachment

I turned on my old phone the other day and it feels so heavy and runs so slowly compared to my new one. I can't believe I waited so long to get it.

These hard-wired genetic attributes make new technology slow to take off initially when the change is the part that stands out most. Once the new system has been adopted, this same evolutionary trait makes the system hard to leave because it's a comfortable, known, and therefore convenient process.

This is why changing to keep up with technology isn't the real problem. The real challenge is changing attitudes towards change itself.

To help understand how your staff, managers, and customers are going to feel and react to the changes you'll be proposing, think about the digital transformations you've already undergone in your own life. Every time we get a new phone, laptop, or car, we all go through the same natural, human reactions to digital transformation.

Given the ubiquity of this experience, you might think digital transformation is about getting your company and its people through a big period of upgrades, and then it's back to business as usual. But all this does is set yourself up for another round of 'transforming' in two years' time when what you upgraded to is now woefully out of date.

This is why the real challenge of digital transformation is about putting new ways of working in place that ensure a process of continuous change and improvement is at your company's core.

As a movement, digital transformation will influence all stages of humankind. For instance, I'm fifty-five and I can still remember going to the postal office with a sheet of paper. I had a number and the number was to a theatre in London. I remember the guy gave me back the sheet of paper and said 'now it's in London', and I was amazed. That was a fax and it was 1984. My kids who are seventeen and early twenties, grew up with digital. They can't imagine what it is to live without a mobile phone or the internet. My generation has only just made the change from the analogue world to the digital world, and then digital became mobile. Mobile makes it 24/7 and personal – in dating, in paying your bills, or in monitoring your health. If you're open to digital, there's a whole new world waiting.

> Interview with Wim Pijbes, Director, Stichting Droom en Daad
> Former General Director, Rijksmuseum, 2008–2016

Common digital challenges and their typical root causes

There are five common challenges this book is designed to circumnavigate.

1 **Fears from staff**

   Resistance from staff can take many forms, but the reason most often is a fear the business is moving away from the existing employees' core skills. Worries about being replaced by young 'digital natives' or even replaced by machines and automation are reasons enough for staff to resist, and, in extreme cases, sabotage digital transformation efforts.

2 **Resistance from management**

   Mid-level managers pose a greater risk to digital transformation efforts than senior leaders or new staff because of their ability to discourage staff, deny resources, and generally obstruct progress at every level of the organization. The standard cause is a perceived threat to their autonomy and area of responsibility. It's understandable that a programme aimed at fundamentally changing ways of working and increasing accountability among staff is going to threaten the power and responsibility a manager has worked hard to acquire.

3 Loss of revenue from non-digital customer segments

This refers to the potential loss of revenue or value from customers who currently rely on traditional channels to transact, access services, and engage with your organization. This is when the digital transformation programme has to weigh the risk of taking resource away from these traditional channels in favour of experimenting with new ones.

4 Decreases in business-as-usual productivity

One of the biggest overlooked areas is the loss of time and resource a business will incur, while those assets are diverted to the digital transformation programme. This is especially true for companies that aren't able to hire more staff or generate additional investment for the transformation efforts.

5 Inconsistencies in the quality of customer and staff experiences

It's impossible to transform everything at once, but it can become glaringly obvious that some areas of the business are lagging behind once digital transformation has already taken place in some parts of the organization. This usually happens at the senior leadership level where a fracturing has occurred in the executive team. Those in favour of transformation have given the go-ahead for the areas they can control, while the others hold back to see the results before committing for their own teams.

In pretty much every organization I've seen, the block to transformation is not at the board level or the CEO level. It's certainly not at the bottom either because that's made up of people in their 20s and 30s who grew up using digital technologies.

The block is almost always middle managers who are one or two rungs down from the top job. These people have twenty-five years of their career invested in doing it one way, and they'll be buggered if they're going to change anything now because they're about to get the corner office. So, the very senior leadership have to say to the people just below them: suck it up.

Interview with Ben Hammersley, Futurist, BBC World Presenter
'Cybercrime, with Ben Hammersley' & WIRED Contributing Editor

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The best ways to doom any digital transformation

The purpose of this book is to show you how to implement a successful digital transformation programme, but it's impossible to explain the good practice without also talking about what you shouldn't do. For this reason, you'll see many examples of digital transformation done badly, along with rationale explaining why certain approaches just don't work.

There is one sure-fire way to doom your digital transformation programme that's worth addressing right from the start, especially as it's the most common: targeting the wrong thing for transformation.

Don't transform to preserve the 'how', transform it to match the 'why'

The most famous example of failed digital transformation is Blockbuster, and for good reason, because it happens to feature the best way to doom your transformation from the start. The now-bankrupt video rental company went from controlling the market in home-based media entertainment to being the referenced cautionary tale (and often, punchline) in business strategy, all because it prioritized its business model (the 'how' you do business) over delivering its mission statement (the 'why' you do business'). In doing so, Blockbuster failed to use newly available technology to fulfil its own corporate mission statement, which was 'to provide customers with the most convenient access to media entertainment' (Alfredo 2012).

I always explain that digital transformation is not about all the cool sexy things that we are doing to change the way we engage with customers, our students. Digital transformation is about acquiring digital maturity. Digital maturity comes from following two parallel processes. The first is the one people focus on, which is to use technology and innovation to take engagement with stakeholders and customers to a new and different frontier. But the other process and the most important one, is the change that is invisible from outside the organization, and is really the most difficult and most painful change.

You are not going to be able to sustain that ecosystem of cool things if the organization isn't set-up to manage it.

Interview with William Confalonieri, Chief Digital Officer, Deakin University

Don't forget what the cause and the commercial side of it is, but do so in a way that's brave. Too frequently, and Blackberry and Blockbuster might be examples, it's easy to be complacent when you own a market. That's when you really have to be brave and you may have to give up revenue, especially if you see the market is going to start giving something away that you charge for, or that you make most of your money on now. Are you better to wait till they eat all your market share because they're giving it away free, or are you better off starting to give yours away free while you still have the brand and find other ways to monetize?

One must wonder where the market would be today if Barnes & Noble and other competitors responded differently when Amazon first started out as an online bookseller. What if the then market leaders had aggressively discounted to that level and created a dominate online defence, who would have even heard of Amazon now?

Those who are brave enough to take what may appear to be a financial hit to the benefit of their future are probably more on a path to the right way to transform, than those who steadfastly hold to their path because it's where their margins have been. You've got to be tough enough to stomach when 'The Street' tells you your margins are going down relative to your peers. You've got to be able to articulate why that's ok, and how in say two years' time you're going to be twice as profitable as those peers because you're going to make them irrelevant.

Interview with Jan Babiak
Board of Directors, Walgreens Boots Alliance & Bank of Montreal

To avoid Blockbuster's fate befalling your own transformation programme, you have to strip your organization's mission back to its basics and identify its true mission – the real answer to 'why do you exist?'

It might sound obvious in hindsight, but when you're in the midst of the day-to-day within a company, it's easy to fixate on how you do things, and forget completely why you started doing them in the first place. You need to take a step back and look at the bigger picture because how can you transform when you don't know what you're trying to become?

Answering the question: Why do you exist?

Many companies get the focus of transformation wrong for two reasons.

First, it's common for a company to underestimate the need for a driving mission and/or confuse the need for a mission with a need for a catchy marketing

campaign. For example, utilities companies often claim their purpose is to help people save money and conserve energy, yet very few have the outputs to match – their prices keep going up and usage among their customers stay the same. For these companies, either the purpose is false (e.g. they don't really care about conservation but think it makes for good PR) or the system they're using is flawed (e.g. they do want to help people conserve but they aren't good at doing it). Either way, digital transformation can help both types of companies, but only after the companies agree on the actual purpose they're striving to fulfil for their users, so that leaders and staff can align themselves to deliver outputs that actually match.

Second, it's common in companies that have been in business for a long time for outputs to stop matching the founding mission, but because the company is still reasonably profitable, no one thinks to question the misalignment. Even the customers are used to old way of consuming the products and services, and won't think there's anything that needs improvement – until another company comes along with a better way of doing it.

This brings us back to Blockbuster, whose mission was to provide customers with the most convenient means of accessing media entertainment. Before it became common to shop online, going to your neighbourhood video store was the most convenient way, but as soon as people started to shift towards buying certain products online (e.g. books, DVDs and other standardized products that don't need to be felt or tried on), Blockbuster's leadership should have used digital transformation to answer the question 'how can we increase the convenience of accessing films?'

Instead, they poured money into trying to grow their current output by asking 'how can we get more people renting from our stores?' (Salem Baskin 2013) As such, the digital transformation that ensued focused entirely on driving more people to keep visiting the physical stores. Eventually, the money started to run out, branches were forced to close, and more and more Blockbuster customers switched to online services like Netflix.

As a final caution, sometimes people get confused about digital transformation and think its purpose is to put everything online. This isn't true at all, as you'll see from many examples throughout this book. But even in Blockbuster's case, if its mission had been 'to provide the most enjoyable access to media entertainment', then transforming its shops to include virtual reality, gaming stations with enhanced screens and sound, and interactive video feeds with celebrities from the latest films, would have been a great way to better align its outputs with its purpose – and without having anything to do with enabling people to buy its content online.

Maybe that will be the next digital transformation opportunity in home entertainment. Everyone's come to expect the endless scrolling of film titles on Netflix, so the competitor that offers an immersive film selection experience that takes place in a physical store could be the welcome break from today's experience of never leaving the sofa on Friday and Saturday nights.

> I'm very fortunate to have be in digital since 1994, which means I've had the benefit of making many of the big mistakes myself. I've worked in large publishing organizations where we took a big bang approach to brand and internet strategy in which we spent a great deal of money with a very large agency. We thought the one-time boost would get us over the edge and after that we would magically be digital. Having been there on the frontlines and having seen every organization I've worked with from a start-up of twelve people to multi-thousand for-profit corporations to educational cultural sector, that the lessons remain true. If you optimize for a moment, you're not optimizing for your future.
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> Interview with Perry Hewitt, Vice-President of Marketing, ITHAKA
> Former Chief Digital Officer, Harvard University, 2011–2016

Distilling success into five stages: BUILD

Why is it called BUILD?

The five stages form the acronym 'BUILD' for two reasons. First, BUILD symbolizes the scale, permanence, and impact of digital transformation itself.

You should think of digital transformation in the same way you would a physical one, because the goal for both is the same: securing your company's future success. If your company was constructing new buildings – ones that had to be sturdy, secure, and stand the test of time – your engineers and architects would follow a standardized, collaborative, and systematic approach. This is similar to what it takes to plan, execute, and scale a digital transformation. You need your future digital platforms and the innovation processes your staff follow to be as secure and robust as the floors and walls around you.

The second reason is because five steps that spell something meaningful is easy for others to remember, and that significantly helps when you're winning support for the method from colleagues, executives, and stakeholders. In developing BUILD, I've reviewed many different frameworks, and most either list too many steps (more than ten in some cases) or don't even attempt to put it into a framework – opting to cluster best practices and case studies in a laundry list sort of approach. Anyone who's ever had to get buy-in at boardroom level knows the effectiveness of presenting a concise plan versus a list of to-dos – the BUILD model is that concise plan but with all best practice and case studies to support it contained within each stage.

Where did the stages come from?

The five stages of BUILD come from the distinctive phases that are present in most large-scale digital transformations. Interestingly, these phases are also present in small-scale transformation, just with fewer steps occurring within each stage.

BUILD: The five stages of all successful transformations

Before diving in, here's a synopsis of the five stages, so you know in advance what's coming and what you'll get out of each part.

1 Bridge

Bridge the gaps between your company, the people it's meant to serve, and the changes happening around it.

The first step of any digital transformation is figuring out how much you need to change and how quickly. The only way to accomplish this is to go outside your company.

After BUILD Stage 1: 'Bridge', your company will have:

1. Tangible evidence of how digital technology and new ways of working are being used by peers and competitors to win market share, increase revenue, and decrease costs.

2. Consumer and customer insights into the new offerings and experiences that are already winning a greater share of their time, spend, and loyalty.

3. Knowledge of technologies that could improve and add value to your existing business as well as insights into those that pose an immediate threat to your core business.

4. A vision that succinctly describes the kind of transformation needed to address these opportunities and threats, and that helps you win support from needed stakeholders, partners, and investors.

5. A leadership group willing to sponsor and guide transformation by providing oversight, evaluating progress, and mitigating barriers throughout the programme.

2. Uncover

Uncover your company's hidden barriers, useful assets, and needed resources to plan and prioritize its routes to transformation.

The second stage of digital transformation is figuring out the best routes for making the changes needed to achieve your vision. This involves investigating your company, challenging any outdated logic, and prioritizing needed fixes.

After BUILD Stage 2: 'Uncover', your company will have:

1 Revealed the internal barriers that could prevent your company from achieving its transformation vision.

2 Found assets you can leverage to get started sooner or with less funding.

3 Identified the business outcomes individual projects will need to achieve in order to achieve the overall vision.

4 Identified missing skills and resources, and begun the process of filling them.

5 Created the first cross-functional teams to begin iteratively working to achieve the project outcomes defined by the routes to transformation.

3. Iterate

Build in short cycles, test with real users, and improve as you go to know which innovations can scale.

The third stage of digital transformation is switching from insight gathering and consensus building to producing actual results. This involves cross-functional teams working collaboratively in cycles of ideate, build, test, learn, and improve to achieve meaningful and measurable business goals.

After BUILD Stage 3: 'Iterate', your company will have:

1 Cross-functional project teams that work collaboratively to iteratively create solutions that achieve goals aligned to the objectives.

2 Solutions that start as simple prototypes and get bigger and more complex incrementally as they're tested and improved with real users.

3 Results and evaluation processes that reveal which solutions carry the biggest business value and, therefore, should be scaled.

4 Benchmarks from testing that will inform each solutions' key performance indicators to make the case for why it should be scaled and what value it should bring.

5 New ways of working that have been trialled by the iterative teams, proving which are successful in the context of your organization.

4. Leverage

Leverage successes to access greater resources, influence, and space to scale new solutions, ways of working, and the innovation mind set.

The fourth stage of digital transformation is entirely focused on preparing to take each of the successful solutions from the previous stage to scale by leveraging successes internally and externally. Then, by evaluating where these

new assets, resources, and skills have most successfully been leveraged, you can decide more easily where to scale and by how much.

After BUILD Stage 4: 'Leverage', your company will have:

1 Shared successes internally to win influence from previously resistant parties, and access greater resources and freedoms to expand.

2 Marketed successes externally to attract new partners, new hires, and new customers in preparation to scale.

3 Identified the best areas to scale based on the amount of influence, resources, assets, and support gained.

4 Won buy-in from staff and management to increase the instances of organic adoption as the programme grows into new areas of the business.

5 Anticipated and mitigated threats, such as retaliation from the competition, that often accompany an organization announcing transformation successes.

5. Disseminate

Disseminate new innovations and ways of working systematically to make thriving in changing environments the new business as usual.

The final stage is about incrementally scaling digital transformation across every area of the business to achieve sustainable adaptability in changing and complex environment. This includes the formalization of new ways of working and rewards, and establishing the BUILD model as the new business as usual.

After BUILD Stage 5: 'Disseminate', your company will have:

1 New innovations launched and localized in new markets by incrementally scaling the cross-functional team model and iterative project approach.

2 Established flexible systems for supporting scaling across the key digital disciplines: Customer Experience, Design, DevOps, and Insights.

3 Created universal goals for achieving your company's mission with a focus on customer experience and continuous improvement.

4 Established clear rewards and incentives for cooperating with others to produce original work as well as processes for recognizing individual contributions.

5 Formalized supports for innovation, and made strategic investments in platforms, people, processes, and partnerships to enable future adaptability.

You come into an organization and you're the CEO, CTO or Head of Digital, or whatever the role, and yes there are nuances that are sector-specific, but so many of the same tenants of digital transformation are absolutely identical. We all have to deal technical debt and legacy debt. You walk in and there are alignment issues, there are communication issues, there are transparency issues, there are cultural challenges, authority is set-up incorrectly, or the wrong people are in the wrong seats.

Every CIO and CTO wants to talk about digital transformation. But the reality is once the doors close, we're all going to lament the amount of technical debt that we still have to deal with. The business runs day to day and there is no company ever on the planet that allows you to just completely stop business and say 'ok CIO, go digitally transform for a couple of years and then come back to us. We're just going to put the business and the customers on hold while you fix everything'.

Interview with Jay Ferro, Executive Vice President, EarthLink
Former Chief Information Officer, American Cancer Society, 2012–2016

Before you dive in

BUILD is cyclical and repeatable

Whether you have already started your transformation programme or not, every organization has its own quirks, and some areas will need more transformation than others. The good news is that the stages of BUILD are intended to repeat, allowing you to achieve your vision incrementally at a pace your organization can sustain.

If your company hasn't started its digital transformation whatsoever – and your first step is just trying to convince others of the benefits – then read through each stage before you do anything else. That will help you decide upfront what overall effort will be needed and where you're likely to encounter the greatest opposition, so you can use the methods featured to establish yourself as the voice of transformation and help win support from the people whose skills and influence you'll depend on.

BUILD is adaptable to every type of organization

Whether you're in a business-to-consumer (B2C) company with 500,000 staff globally or a business-to-business (B2B) firm with fifty staff in one building, the core lessons of digital transformation are the same. This is also true for public sector organizations like government bodies, and non-profit organizations like universities and charities.

For this reason, you'll see the terms 'company', 'business', and 'organization' used interchangeably throughout. Where there are differences, or techniques that work particularly well for certain sectors or sizes of operation, they're called out specifically – usually alongside relevant examples, and the differences between implementations of approaches for different types of organizations are addressed specifically where needed. As such, don't worry about whether a chapter or section is referencing 'companies' or 'organizations' because the tasks, objectives, and outcomes it describes will apply to both.

A note on company size and geography

If your company is particularly large and global, there will be a tendency to think of just your part of the business or just the territory you're in as an 'organization' in itself. This is a mistake.

For digital transformation to actually result in long-term sustainable change, you must address the goals and weaknesses of the entire company. Failing to do so will mean the vision you create will be too small in scope to accomplish any goals bigger than those in your division, or win support for implementing changes that require support or cooperation from other areas. That said, it's very likely the first instances of change will appear only in your area or territory – just don't confuse this with a transformation programme in itself.

If your company is already on this fragmented path – for example, multiple 'transformation projects' are already running on a department-by-department basis with no overarching vision or leadership, you'll benefit hugely from the tasks, objectives, and outcomes detailed in 'Part 1: Bridge' to bring these programmes together.

Everyone is a 'consumer' and the people you serve are all 'customers'

The sooner you can get your company thinking about the people you serve as 'consumers' and 'customers', the faster you'll be able to start seeing past the outdated logic and sector-specific biases that often cause the need for digital transformation programmes in the first place.

This is because the specialized terms – 'clients', 'supporters', 'patients', 'students' – all imply those people are defined by their interactions with you, and that their expectations and behaviours are shaped by what experiences you offer them. This couldn't be further from the truth.

The drastically increased speed with which new technology and digitally enabled services are introduced to us as general consumers – along with the proliferation of high-speed Internet – means our expectations and behaviours are being shaped faster by what new experiences enter our personal lives than what happens to us at work, school, or in the context of any one organization's experience.

Further to that, thanks to social media, review sites, and communication technology like instant messaging and email, every organization is required to keep people it serves using those services efficiently and happily to avoid them

complaining, causing problems, or just going somewhere else. This is because of transparency enabled by these channels. They all act as means for people to share bad experiences, see better experiences elsewhere, and be empowered to challenge even the biggest of brands one-on-one in a public setting.

A note on B2B companies

In my years as a consultant, the worst sector for failing to appreciate these principles, opting to cling to sector-specific terms, are businesses in the B2B sector because, using their logic, these firms sell to companies and not individuals. Not true: You are selling to individuals; they just all work for the same company.

In billion-dollar deals, for example, your customers might include the people who make up your client's procurement department, the heads of its distribution centres, its supply-chain management team, its legal team, its operations management team, its IT and infrastructure management team, and its entire senior leadership team – and that's not including the 'customers' of the client company itself.

That's a lot of people to think about in terms of meeting needs and adapting your organization to suit the behaviours and technology preferences they adopt. It's critical, though, because until artificial intelligence replaces all the people I've just listed, there's no such thing as selling to a company – only to the humans inside it.

You don't have to be the CEO to spark change

Whether you're a CEO trying to lead change, a director wanting to try new ideas, or a member of staff wanting to influence the boss, the principles of BUILD apply. In fact, it's rare to encounter a digital transformation that starts entirely at CEO or board level. Most often, transformation starts with pockets of innovation getting results that win support and willingness to make bigger changes. Once it's embraced by senior leadership, however, the true start date of the digital transformation gets forgotten. This is why there is a misconception that you have to be the leader of a company to be successful in starting the programme.

If you aren't the leader of your company, your first task is to evaluate where your organization currently sits in its transformation journey and decide how receptive senior leadership already is towards taking the transformation further. Critically though, you can't approach transformation selfishly from the perspective of just your department or area of remit. This is where most non-executive directors fail to win senior leadership support. Unless your goal is to advance the company's success as a whole, you'll just come across as another department head asking for more budget without understanding the bigger demands on the company, or being aware of the dozens of similar pitches made by your counterparts across the company.

Real transformation has to be driven from the top

If your senior leadership team is completely unaware of – or even against – the need for major change, you can and should use the stages of BUILD to run your own small-scale digital transformation to make the case. Some of the methods described in 'Part 4: Leverage' will help you achieve this outcome of winning support and influence from senior leadership. Just be sure to engineer your area's digital transformation in a way that helps you make the case for greater change to senior leadership, and don't stray from this goal. This is because, while digital transformation doesn't have to start from the top, any progress made will not be sustainable if it's not adopted across the company – something that takes the power, resources, and influence held only by the person or people ultimately in charge.

At Tory Burch, we grew up as a digital business. There wasn't so much 'legacy to new' transformation, it was much more about how do we stay relevant and agile, and as we got bigger, how do you maintain that edge. In fact the challenge was kind of the reverse, we had to establish enterprise capabilities because we didn't have any!

At Royal Caribbean Cruises, it's completely the opposite. Monolithic, legacy based, large applications, very complicated, organization model doesn't fit anything we're trying to do – and you have this cultural chasm you need to overcome.

To me the hardest part of this work is the culture. The technology if it's done right, normally does what it's supposed to, it's really the culture of the organization that's the biggest challenge. If it's not supported at the very top of the business, it's not going to get done. I don't care who you are or what you say, the CEO has to be completely behind it. If they're not, it's going to fail.

Interview with Mike Giresi, Chief Information Officer, Royal Caribbean Cruises
Former Chief Information Officer, Tory Burch, 2011–2015