

ACCELERATING DIGITAL EVOLUTION

Driving customer engagement by starting small,
learning together and scaling fast

Jens Ekberg

Accelerating digital evolution: Driving customer engagement by starting small, learning together and scaling fast



Introduction

Customer expectations are rising while companies are struggling with delivering engaging customer experiences. Digital transformation is a top priority on the CxO agenda and companies are directing their investments into emerging technologies to digitise customer interactions. But for many, digital transformation only remains a vision. They are unable to bridge the gap between digital strategy and digital transformation. To succeed with digital transformation, it's imperative to start small, learn and scale fast—transforming legacy technology and business in the process. Change is not discrete, it has to be continuous and ubiquitous.

“To succeed with digital transformation, it’s imperative to start small, learn and scale fast”

Digital transformation causes organisational friction. Change is undermined by legacy IT environments, disjoint business processes, outdated governance structures and capital budgeting processes. Organisations seem to know what to do but they simply can’t get the ball rolling.

The CMO is becoming the new CIO: according to Gartner, the CMO will spend more on technology than the CIO by 2017. Historically, marketers have focused narrowly on marketing and promotion. But today, marketing is all about meeting the customer’s digital expectations. It’s about providing consistent delight in every interaction point. Gone are the days when loyalty could be bought with loyalty programmes or promotions. Recently, Deloitte concluded that contemporary loyalty programmes were—at best—without customer impact. Loyalty is now built through the anticipation and integration of preferred customers’ needs in every interaction.

This requires speed, agility and flexibility. It also requires technology. Many marketing organisations have taken it upon themselves to acquire and operationalise the requisite technologies to meet customer expectations and to drive loyalty. IT organisations, on the other hand, have historically been focused on operational excellence and robustness, consolidation and cost. An effect of this is a digital divide where many IT organisations are being left on the side, while emerging digital technologies are being adopted in the business.

However, no matter who is driving the transformation many organisations still struggle with the acquisition, adoption and operationalisation of emerging technologies. Moving from digital strategy to digital transformation is harder than it seems. Digital requires new organisational capabilities in both business and IT organisations, not only new technologies.

Legacy has become the scape-goat for digital failure

From a technology point of view, adopting new, emerging technologies has become easy. Cloud-based services, whether it’s infrastructure, platform or software as a service, can be swiftly adopted and operationalised. They give organisations financial and operational flexibility, greater access to new functionality and significantly shorter deployment lead times.

Many organisations have a significant legacy environment that needs to be transformed and managed. They are stuck with aging ERP implementations, end-of-life core platforms or outdated back-office solutions. Organisations tend to approach this in two distinct ways:

- **The ‘rip and replace’ approach:** modernise then digitise
- **The ‘digital on the side’ approach:** build something new in parallel

In a recent whitepaper, 3gamma highlighted the negative effects of driving IT transformation as discrete, one-off initiatives. The effort required for a ‘rip and replace’ approach is

significant and focus the organisation's energy on internal issues, rather than the customer experience. The 'digital on the side' approach almost always starts out fine but fail to scale; when faced with existing governance, processes and structures, the new services or offerings fail to prosper.

In 3gamma's experience, the approach adopted by organisations seems to correlate with the relative power of the CMO or the CIO. CIOs tend to prefer the 'rip and replace' approach while CMOs opt for 'digital on the side' approaches. Ironically, the argument for either approach is the same: our legacy environment is not fit for digital. The two approaches illustrate a digital disconnect; organisations tend to get stuck in legacy transformation or in a siloed digital side-business. Legacy environments become the scape-goat for digital failure.

To succeed in digital transformation, the as-is—both from a business and technology perspective—needs to be addressed during the transformation. For most organisations, the trick is to accelerate the pace of digital evolution, avoiding a digital revolution and the resulting 'bloodshed'.

CMO or CIO doesn't matter—technology implementation without business change is still useless

Whether the CMO, CDO or the CIO is driving the digitisation agenda, there's still a tendency to become overtly technology-oriented. Accenture recently published research indicating that companies overinvest in digital and that companies' investment portfolios need to be rebalanced to keep customers engaged. A digital customer doesn't equal a profitable customer.

The capability to respond to digital disruption can't be acquired; it has to be built and honed through practice over time.

Companies facing severe disruption will, almost regardless the size of their investment, not be able to respond if they lack the requisite organisational capabilities to do so. The capability to respond to digital disruption can't be acquired; it has to be built and honed through practice over time. It needs to be embedded in the fabric of the organisation. To succeed in the digital space, the business' and IT's joint capability for change has to be re-learned.

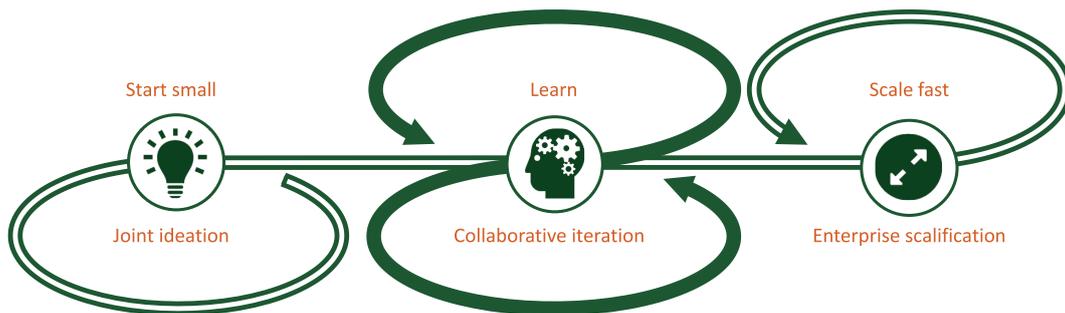
Moving forward – a design thinking approach to digital

With digital, the boundary between business and technology becomes blurred. The adoption of emerging technologies to digitise the front-door requires organisations to experiment, learn and scale continuously. A 'rip and replace' approach or a 'digital on the side' approach will solidify complexity, either by pausing digitisation or by building a digital silo. To drive digital transformation, it's imperative to start small, learn and scale fast – while transforming legacy in the process. This is a collaborative process, involving both IT and the business.

Successful digital transformation is based on three simple principles operating in the intersection of technology and business:

- **Organisations need to start small:** explorative search rather specific problem-solving through trial and error with low upfront commitment
- **Organisations need to continuously learn:** evaluate options through joint business and IT feedback processes and joint reflection by building cross-functional teams from the organisation's value chain
- **Organisations need to be able to scale:** realise short-term value but think long-term by making conscious trade-offs in each iteration and ensuring joint ownership of the backlog

Needless to say, these are not simple in execution. They require changes to governance, ways of working and a cultural shift in most organisations. They put the spotlight on an organisation's capability to change at its core. But by focusing in on how an organisation approaches digital transformation, it provides the foundation for not only driving digital transformation, but also honing the capability for future change. A small, scalable successful change can become a guiding beacon for future change.



An agile method for emerging technology and proof of concepts

Starting small means moving away from significant up-front analysis and planning and making solution bets. Technology and ways of working needs to be explored jointly by the business and IT. A cross-functional team is essential to address legacy IT transformation in the process and avoid the folly of 'digital on the side' and to transform current ways of working in the organisation. Through joint ideation the team can seek inspiration for new ways of working, both in customer-facing processes and in internal processes. For example, moving away from upfront requirements and analysis will create friction with classical procurement approaches, both within the organisation and with vendors, and with capital budgeting approaches. The assumptions underlying these processes, commercial models and interfaces need to be revisited. In today's world, it is key to involve the product owners, IT, vendors and regulatory perspectives in the experiment to ensure that a mosaic of perspectives are included.

Learning is critical in the exploration of new technology and ways of working. Through iterations, the team's and the organisation's learnings are disseminated continuously. It's also the process of refining the initial experiment, validating the best assumptions and extending

the functional scope of the solution. In this process it's imperative that legacy transformation is included. Key areas of the legacy environment needs to be addressed by exploring new ways of working, new solutions and through that reengineering the as-is continuously. From a collaboration point of view, this is an iterative process between the organisation's architects, developers, product owners and senior stakeholders. Successful organisations are able to show-case a workable prototype in each iteration, thereby enabling stakeholders to be inspired and to provide tangible feedback in the design process.

Scaling draws upon the learnings and experiments done. It builds on the prototypes built. Through a successful groundwork, the initial idea is extended to a larger customer base, to a broader product range or to a wider user-base. A key feature of successful scaling is executive and organisational support. In 3gamma's experience, a key success factor to establish this support is a well-communicated, show-case example of a fruitful small-scale experiment. In contrast, this support is hard to gain through an upfront design – often facing hordes of nay-sayers. Scaling does not replace learning, it broadens the number of stakeholders providing feedback. Scaling includes continuous refinement of the idea based on internal and external input.

To be able to realise the value of digital, an organisation needs to put more effort into HOW to approach digital than WHAT to digitise.

There's no digital blueprint—digitisation is an evolutionary process to the organisation as a whole

CxOs cannot delegate digital transformation. Successful digitisation requires honing of digital capabilities over time and is a process that requires significant effort and investment. It is not about technology, it's about the approach to IT-enabled change. To be able to realise the value of digital, an organisation needs to put more effort into HOW to approach digital than WHAT to digitise. The blueprints for technologies like social, mobile, analytics and automation are widely available – the question is how to operationalise them in a specific organisational context.

About the author

Jens Ekberg is a Director and senior IT management consultant in 3gamma. He is specialised in IT strategy, IT architecture and IT transformation. Jens works across industries supporting clients in IT-enabled business change working in the intersection between business and technology. Jens holds dual degrees in engineering and business administration.

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