PROGRAM DESIGN FOR DIGITAL TRANSFORMATION

October 2019
PMI Silicon Valley Symposium

Session Goals

1. Define: Digital Transformation (5 min)
2. Explore: Key Trends (5 min)
3. Identify: Strategy & Program Structure (10 min)
4. Apply: Design Thinking & Agile for Program Design (15 min)
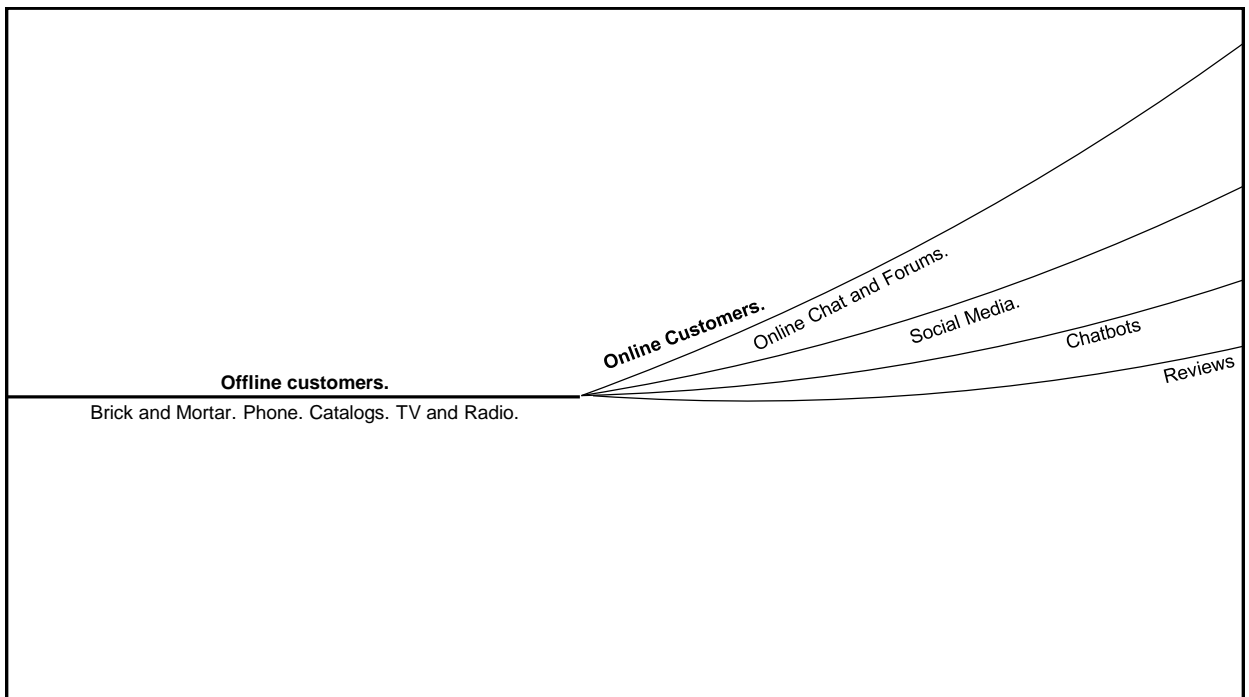5. Learn: How to Manage Change (5 min)

Context Leap

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DEFINE DIGITAL
TRANSFORMATION

5 min

Digital transformation is the integration of digital technology into all areas of a business, fundamentally changing how an organization operates and delivers value to customers.
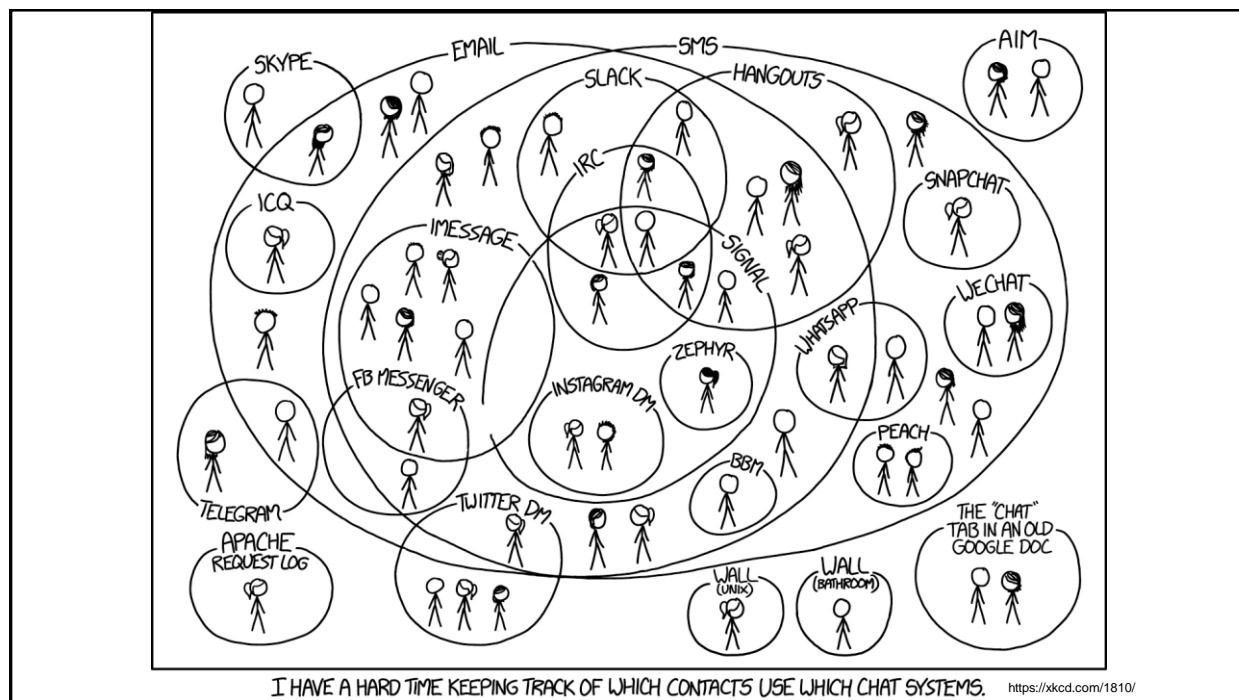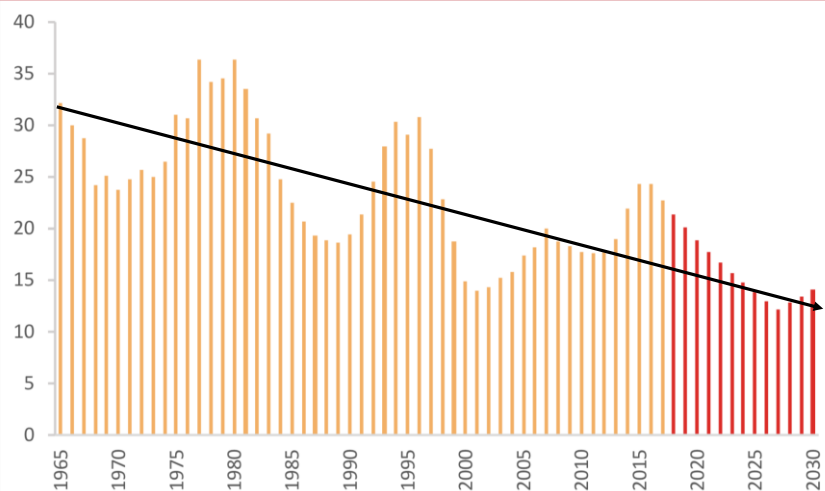
Why?
Why now?

Online Customers.

Online Chat and Forums.

Social Media.

Chatbots

Reviews

Offline customers.

Brick and Mortar. Phone. Catalogs. TV and Radio.

I HAVE A HARD TIME KEEPING TRACK OF WHICH CONTACTS USE WHICH CHAT SYSTEMS. https://xkcd.com/1810/

Chart 1: Average Company Lifespan on S&P 500 Index
Years, rolling 7-year average

1965: 33 years
1990: 20 years
2026: 14 years

Data: Innosight analysis based on public S&P 500 data sources. See endnote on methodology. www.innosight.com

Source: Innosight

About 50% of the S&P 500 will be
replaced over the next 10 years.

Source: Innosight, Inc Magazine

Key Myths

Myths	Truths
Digital Transformation is about IT/Technology. It falls under IT/Tech leadership.	C-suite needs to own Digital Transformation. Every department and function plays an important role in the journey.
Digital Transformation is for blue chip companies.	Every company needs to be thinking about and investing in Digital Transformation to stay relevant and viable.
Digital Transformation is out to reduce the workforce. It only wants digital native talent.	Digital Transformation is encouraging the workforce to step into new ways of thinking, working, and leveraging their skill sets, interests and experience.
Digital Transformation is complete at implementation.	Digital Transformation is an ongoing and iterative journey.

Source: CIO

KEY TRENDS & DRIVERS   5 min
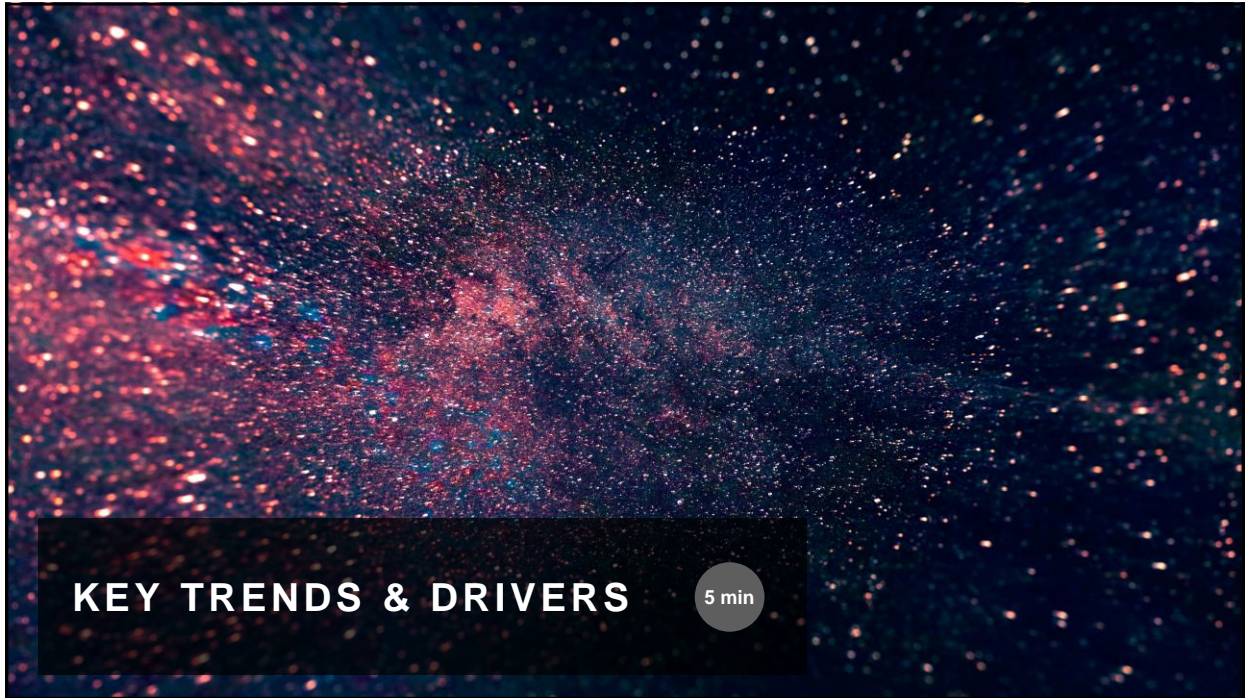
1. Operate more efficiently
2. Innovate faster (and better)
3. Improve the customer experience
4. Transfer strengths to digital to retain market leadership

$2T

projected global
spending on DT in 2020
(USD)

- International Data Corporation

42%

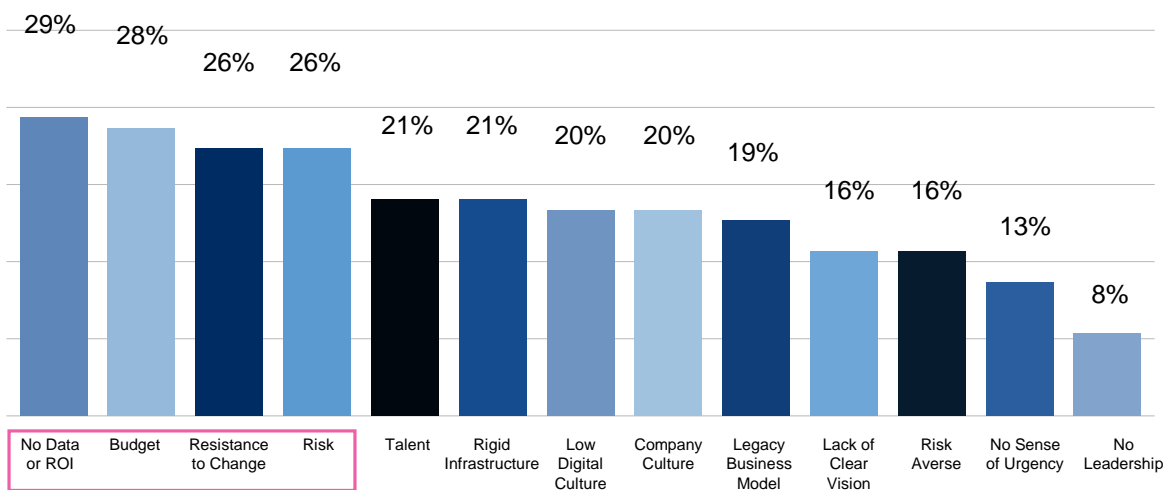increase in global
spending since 2017

- International Data Corporation

Key Drivers of Digital Transformation

1. Market Growth
2. Consumer Behavior
3. Increased Competition
4. Regulatory Standards
5. Changes in Employee Behavior
6. Proactive Investment
7. Talent Deficiency
8. Declined Business Performance

Source: Altimeter Digital Transformation Survey Q3 2018

Top Challenges in Digital Transformation

No Data or ROI	Budget	Resistance to Change	Risk	Talent	Rigid Infrastructure	Low Digital Culture	Company Culture	Legacy Business Model	Lack of Clear Vision	Risk Averse	No Sense of Urgency	No Leadership
29%	28%	26%	26%	21%	21%	20%	20%	19%	16%	16%	13%	8%

Source: Altimeter Digital Transformation Survey Q3 2018

70% of digital transformation programs <u>do not</u> reach their stated goals

- McKinsey & Co, The How of Transformation

$900B wasted or mismanaged efforts

Program & Project Management Professional are *mission critical* hires for companies investing in Digital Transformation.

STRATEGY & PROGRAM STRUCTURE   10 min

Digital Transformation Maturity

1. Business As Usual: Legacy perspective
2. Present & Active: Pockets of experiments, change
3. Formalized: Intentional experiments, bolder initiatives, executive support
4. Strategic: Cross-functional collaboration, Shared insights and plans
5. Converged: Dedicated efforts to create new infrastructure
6. Innovative & Adaptive: Scaled, constant change and new ecosystem

Source: Altimeter

"Digital leadership requires an entirely new mindset, one that needs to be carried out to all members of an organization, at every level."

— Janice Miller, Harvard Business Publishing

FIGURE 2

We measured digital maturity based on the extent of the business benefit yielded by an organization's digital transformation efforts

Average: 40 Initiatives
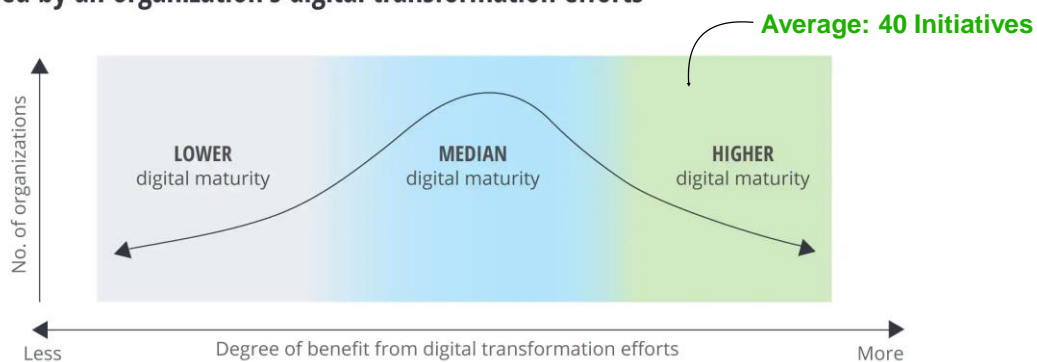
Source: Deloitte analysis.

Deloitte Insights | deloitte.com/insights

Leadership is Disciplined Choices

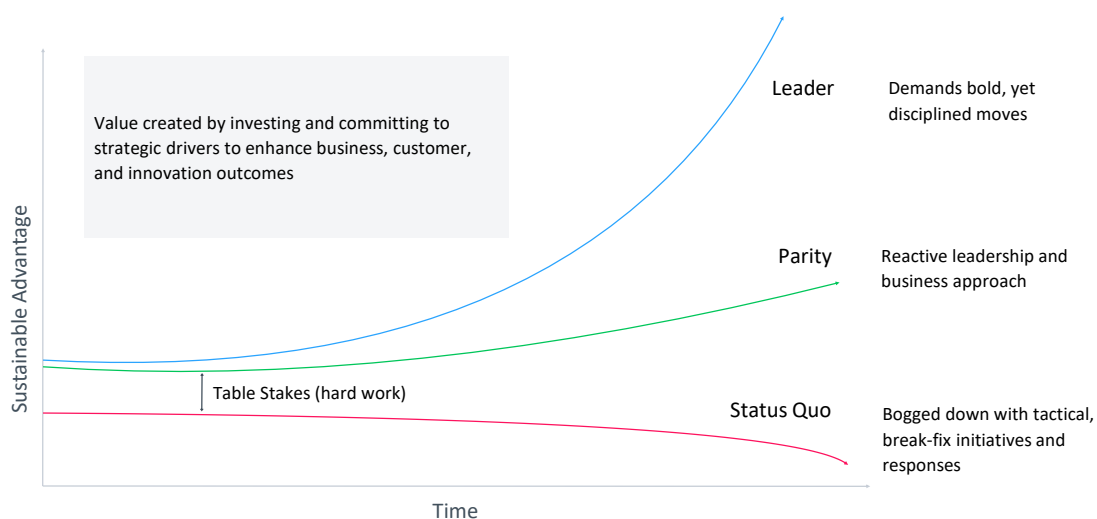Make bold but disciplined decisions to create value.

Value created by investing and committing to strategic drivers to enhance business, customer, and innovation outcomes

Leader — Demands bold, yet disciplined moves

Parity — Reactive leadership and business approach

Status Quo — Bogged down with tactical, break-fix initiatives and responses

Table Stakes (hard work)

FIGURE 3

An organization's digital maturity correlates with the scope of its digital transformation efforts

Transformation of more business functions

Increasing digital maturity
Increasing scope of digital transformation program

Execution of more digital pivots

Source: Deloitte analysis.

Deloitte Insights | deloitte.com/insights

Where to focus?

Median Maturity =
- **Data**
- **Infrastructure**
- **Talent**

High Maturity

FIGURE 1

Seven digital pivots propel an organization's progress toward digital maturity

Digital pivot	Description
Flexible, secure infrastructure	Implementing technology infrastructure that balances security and privacy needs with the ability to flex capacity according to business demand.
Data mastery	Aggregating, activating, and monetizing siloed, underutilized data by embedding it into products, services, and operations to increase efficiency, revenue growth, and customer engagement.
Digitally savvy, open talent networks	Retooling training programs to focus on digital competencies, and staffing teams through flexible, contingent talent models to rapidly access in-demand skill sets and flex the organization's workforce based on business need.
Ecosystem engagement	Working with external business partners including R&D organizations, technology incubators, and startup companies to gain access to resources such as technology, intellectual property, or people to increase the organization's ability to improve, innovate, and grow.
Intelligent workflows	Implementing and continuously recalibrating processes that make the most of both human and technological capabilities to consistently produce positive outcomes and free up resources for higher-value actions.
Unified customer experience	Delivering a seamless customer experience built around a 360-degree view of the customer that is shared companywide so that customers experience coordinated digital and human interactions that are useful, enjoyable, and efficient in immersive, engaging environments.
Business model adaptability	Expanding the organization's array of business models and revenue streams by optimizing each offering to adapt to changing market conditions and augment revenue and profitability.

Source: Deloitte analysis.

Deloitte Insights | deloitte.com/insights


Key Pitfalls: Planning Stages

1. No "Wait and See"
2. Get C-Level Support
3. Do Due Diligence
4. Address fear, risk aversion and change
5. Work adaptively with smaller and shorter time-to-value work streams
6. No Siloed Data

Source: CIO

Key Pitfalls: Implementation Stages

1. Simple Organization Structure
2. Invest in Digital Literacy
3. Fresh Perspective: Bring in outside help for new energy and support.
4. Cross-Functional Groups: Ensure accountability.
5. Partner with HR
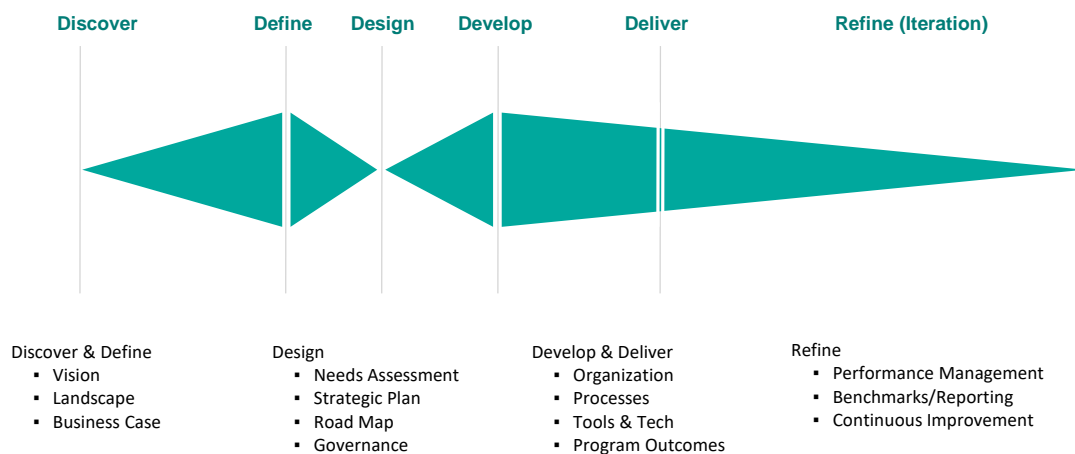6. Build Talent Pipeline: Avoid talent deficits.

Source: CIO

**DESIGN THINKING & AGILE
FOR PROGRAM DESIGN**

10 min
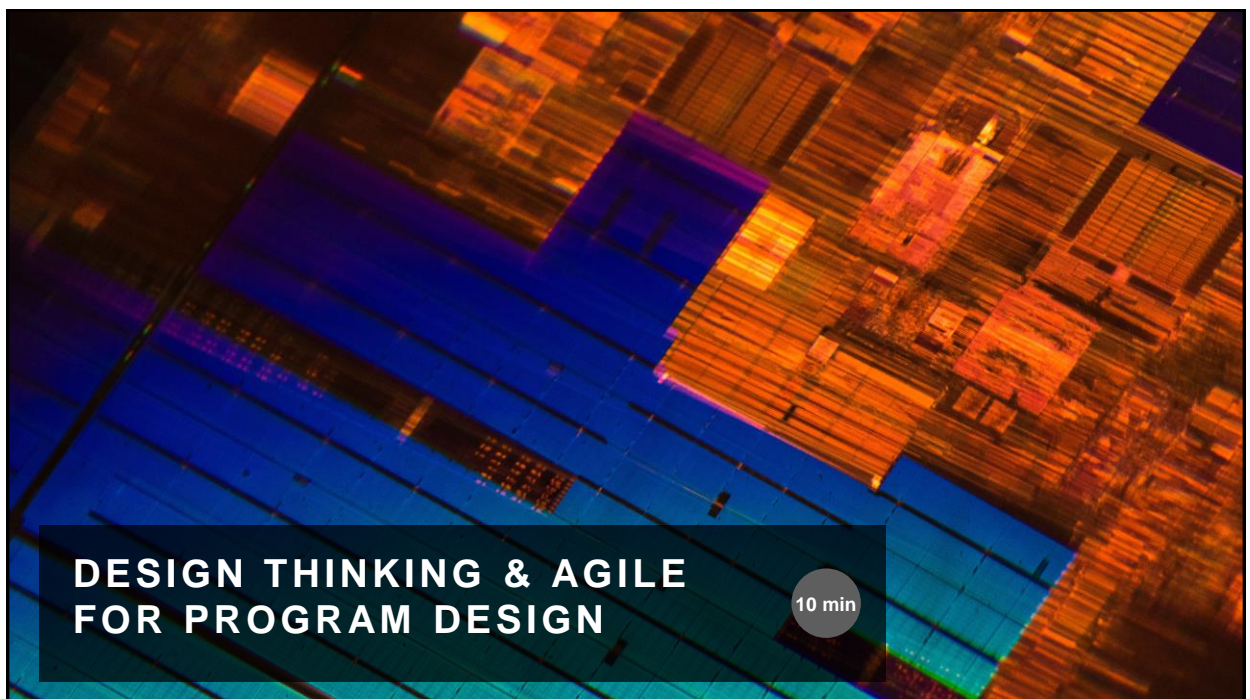
"[Design Thinking] is about finding out peoples' behavior, motivations and needs and coming up with solutions and services to match. The toolbox is wide and varied."

— Gartner analyst Marcus Blosch, CIO.com

Process

| Discover | Define | Design | Develop | Deliver | Refine (Iteration) |

Discover & Define
▪ Vision
▪ Landscape
▪ Business Case

Design
▪ Needs Assessment
▪ Strategic Plan
▪ Road Map
▪ Governance

Develop & Deliver
▪ Organization
▪ Processes
▪ Tools & Tech
▪ Program Outcomes

Refine
▪ Performance Management
▪ Benchmarks/Reporting
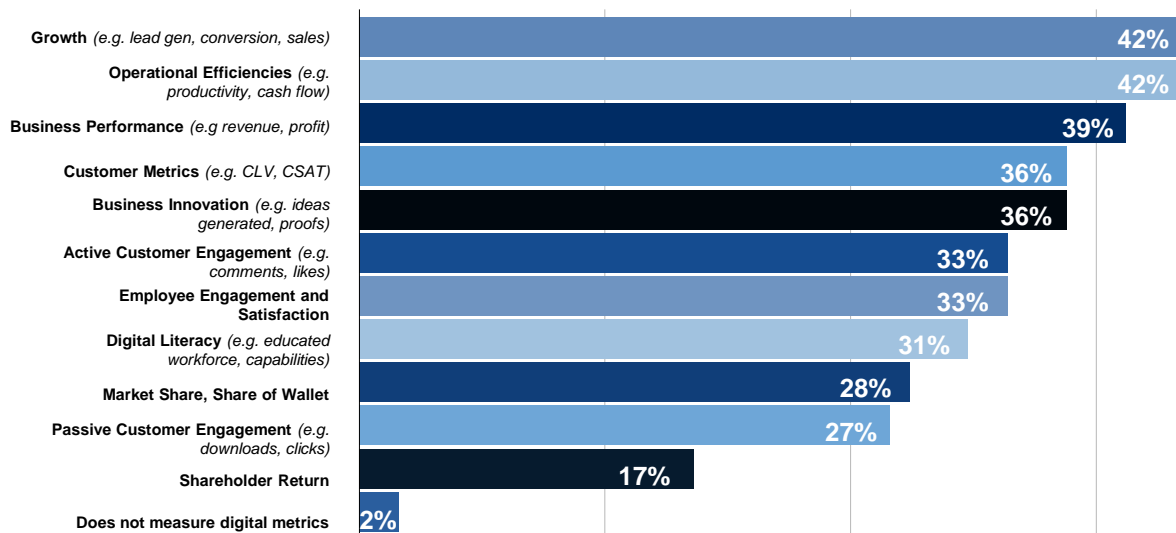▪ Continuous Improvement

Metrics & KPIs

Fact: Digital KPIs are harder to define.

- Assess progress in digitizing current business model; sales, marketing, operations, supply chain, products and services, and customer service goals
  - *Some KPIs will be transitional, others permanent*
- New revenue sources from digital business models (e.g. growth, revenue, market share, margin metrics)

Digital Transformation Metrics

Metric	Percentage
Growth *(e.g. lead gen, conversion, sales)*	42%
Operational Efficiencies *(e.g. productivity, cash flow)*	42%
Business Performance *(e.g revenue, profit)*	39%
Customer Metrics *(e.g. CLV, CSAT)*	36%
Business Innovation *(e.g. ideas generated, proofs)*	36%
Active Customer Engagement *(e.g. comments, likes)*	33%
Employee Engagement and Satisfaction	33%
Digital Literacy *(e.g. educated workforce, capabilities)*	31%
Market Share, Share of Wallet	28%
Passive Customer Engagement *(e.g. downloads, clicks)*	27%
Shareholder Return	17%
Does not measure digital metrics	2%

Source: Altimeter Digital Transformation Survey 2018

Clear Objectives
Bold Scope
Adaptive Design
Agile Execution
(Human-centered) Effectiveness

Design Thinking for Program Success

Design thinking can help organizations avoid pitfalls that keep projects from succeeding:

Problem-framing (Clear Objectives)

- Fix the root cause.

- Capture the scope of the issue.

- *Question the Question.*

- Explore new ways of framing the problem accurately, ensure teams are on the same page.

Source: CIO

Design Thinking for Program Success

Design thinking can help organizations avoid pitfalls that keep projects from succeeding:

Empathy (Bold Scope)

- Build an understanding and empathy for stakeholders (e.g. users, customers, employees, leaders).
- See what's the best version of "possible" for your stakeholders.
- Avoid hive mind.
- Anticipate future evolution.

Source: CIO

Design Thinking for Program Success

Design thinking can help organizations avoid pitfalls that keep projects from succeeding:

Iteration (Adaptive Design)

- Corporate governance is linear-minded and can stagnate innovation. Allow for failures.

Source: CIO

Design Thinking for Program Success

Design thinking can help organizations avoid pitfalls that keep projects from succeeding:

Test ideas and assumptions (Agile Execution)

- Faster time-to-value.
- Iterate well and often.

Source: CIO

Design Thinking for Program Success

Design thinking can help organizations avoid pitfalls that keep projects from succeeding:

Collaboration (Effectiveness)

- Work with other parts of the organization as well as customers/partners.
- Impart ways of working that are empathetic and creative.
- Identify ways of working that aren't working and fix them.

Source: CIO

MANAGING CHANGE:
PROGRAM LEADERSHIP

5 min

Culture and change is the biggest barrier to ability to deliver innovative value.

WORKSHEET: BARRIERS TO CHANGE

ENGAGEMENT	PROBLEM ALIGNMENT	INTERPERSONAL	THE UNKNOWN	EXECUTION
SATISFACTION — "I'm dissatisfied with the goals of my department or company, regardless of this change initiative."	**PERSPECTIVE** — "From where I sit in the organization, this isn't an issue."	**INFLUENCERS** — "The people I trust aren't bought in to the change."	**SAFETY NET** — "If I fail at the change, I'm worried I'll never make it here."	**ITERATION** — "Leaders don't seem prepared to adjust the solution based on my feedback."
CLARITY — "If you tell me what to do, I'll do it; it just isn't clear what I'm supposed to be doing differently."	**DIAGNOSIS** — "It seems like we're trying to solve the wrong problem."	**ORGANIZATION** — "Our complex organizational structure is going to stand in the way of change."	**BAD MEMORIES** — "This change is reminiscent of a past failure. Haven't we learned from being burned before?"	**MEASUREMENT** — "It's hard to know whether my peers and I are succeeding or failing at the change."
INCENTIVES — "This change is a significant sacrifice for me. What's my incentive for change?"	**EMPATHY** — "The current way we do things works great for me; why are we changing?"	**CULTURAL ALIGNMENT** — "This change doesn't seem to fit with our culture."	**JARGON** — "I don't understand what all these new terms mean; it's like a foreign language."	**RESOURCE** — "I don't have the right tools, access, or resources to make the change."
REWARDS — "This change is a big opportunity and has a lot of upside for the organization. If I'm a part of the change, will I benefit and share in the upside?"	**AWARENESS** — "I didn't realize there was a change being considered or underway."	**POLITICAL ALIGNMENT** — "It's clear that factions within the company don't agree on the change."	**DISRUPTION** — "This is going to change everything; the way I work will not look the same."	**SOLUTION QUALITY** — "This solution isn't working as designed. Glitches or temporary workarounds are affecting my experience."
COMPETING PRIORITIES — "I see the need for change, but I have bigger priorities to focus on."	**PROCESS ENGAGEMENT** — "I wasn't involved in the decision to change, yet I'm a key stakeholder."	**NETWORK EFFECTS** — "Unless everyone makes the change, it doesn't matter whether I do. If this change succeeds, I'm happy to fall in line. Until then I'll hang back to see if others step up."	**FEAR / UNCERTAINTY** — "I'm afraid of this change and what it might mean to me, my department, or my daily work."	**ABILITY / SKILLS** — "I don't have the right skills to make the change. I'm not confident that I'll know how to do the new behavior or use the solution."
INTRINSIC MOTIVATION — "I don't see a connection between this change and what motivates me intrinsically."				
DISINTEREST — "This change is too dry and boring to get excited about."				

	SOLUTION ALIGNMENT			
SMALL POTATOES — "This change is too small and insignificant to warrant very much of my attention."	**CONFIDENCE** — "I don't believe we can achieve this."	**STRATEGIC ALIGNMENT** — "I don't understand how this change connects with our company's past, present, and future."	**SOLUTION FIT** — "This solution doesn't address the root cause underlying the need for change."	**CULTURE CHANGE** — "If we're going to succeed in this change, the whole culture needs to change. The challenge is much bigger than what we've scoped."
VISIBILITY — "It's hard for me to remember to do the new behavior – it's just not top-of-mind."	**SETTING EXPECTATIONS** — "I know we need to change, but this solution isn't what I expected."	**SOLUTION DESIGN** — "This solution is more difficult to work with than the old way. It takes me more time and effort."	**CO-CREATION** — "I wasn't involved in the design of the solution, and I have great ideas that could have made the solution much better than it is."	
COMMITMENT — "Who knows if they're actually going to follow through on this change. I'll believe it when I see it."				

Credit: XPLANE

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New Ways of Working

Building an organization for the future requires breaking some rules.
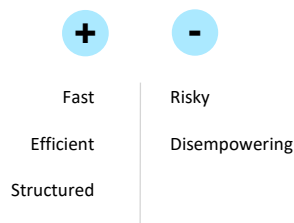
Old Rules	New Rules
Efficiency and effectiveness	**Learning, innovation and impact**
Hierarchy; structure and decision rights	Network; collaboration and knowledge-sharing
Based on business function and process	Based on work and projects
People "become leaders" through promotion	People "create followers" through influence
Lead by direction	Lead by orchestration
Culture ruled by fear and perception; risk-adverse	**Culture of safety, abundance, and importance of risk-taking and innovation**
Rules-based	Playbook-based
Roles and job titles clearly defined	Teams and responsibilities clearly defined, roles and titles change regularly

Graphic adapted from: Deloitte University Press - DUPress.com

"People support what they create. The best way to start building momentum is to involve them as soon as you can."
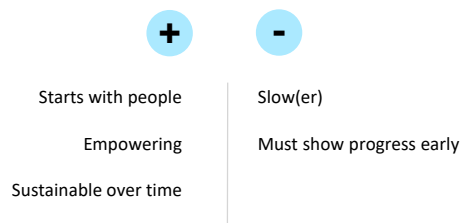
— Partner & Managing Director Bryan Walker, IDEO

Change by Mandate (Authority)   Change by Movement (Influence)

+   -   +   -

Fast   Risky   Starts with people   Slow(er)

Efficient   Disempowering   Empowering   Must show progress early

Structured   Sustainable over time

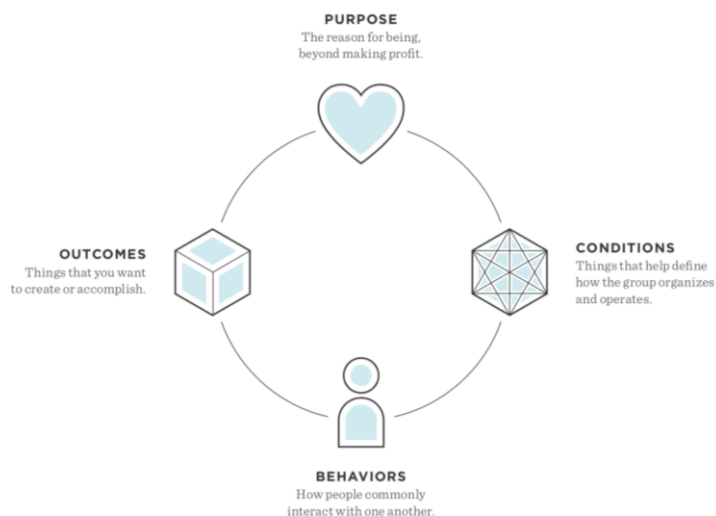*If you're not careful, you can disempower people and lose engagement.*

Understand people's aspirations and invite them into the process. It won't happen quickly, but you'll gain influence with consistent successes, winning hearts and minds.
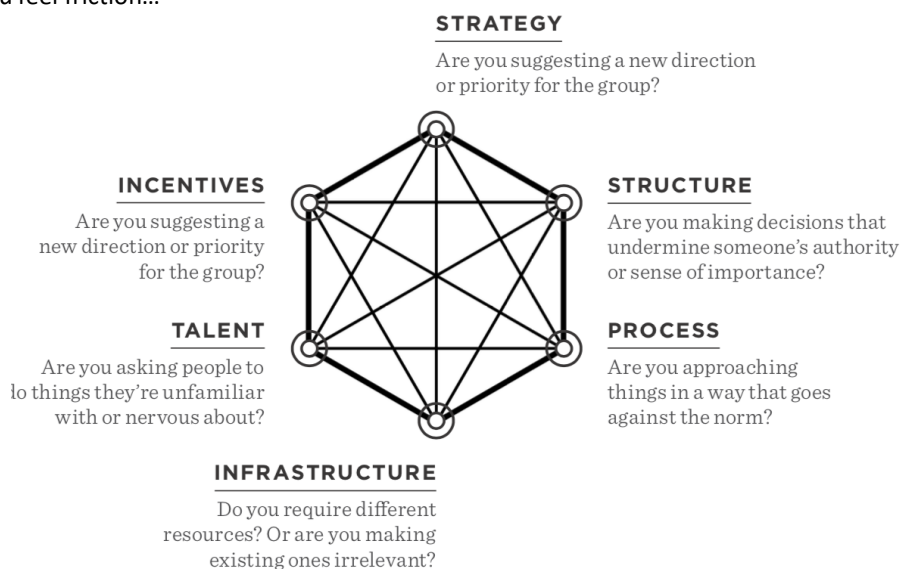
Source: IDEO U

Circle of Purpose: Human Systems

People who come together with shared intention can be thought of as a human system.

PURPOSE
The reason for being,
beyond making profit.

CONDITIONS
Things that help define
how the group organizes
and operates.

BEHAVIORS
How people commonly
interact with one another.

OUTCOMES
Things that you want
to create or accomplish.

Source: IDEO U

When you feel friction…

STRATEGY
Are you suggesting a new direction
or priority for the group?

STRUCTURE
Are you making decisions that
undermine someone's authority
or sense of importance?

INCENTIVES
Are you suggesting a
new direction or priority
for the group?

PROCESS
Are you approaching
things in a way that goes
against the norm?

TALENT
Are you asking people to
lo things they're unfamiliar
with or nervous about?

INFRASTRUCTURE
Do you require different
resources? Or are you making
existing ones irrelevant?

Source: IDEO U

PUTTING IT ALL TOGETHER

Key Principles

1. Think Big - Be holistic, close gaps, prioritize by value
2. Learn with the customer
3. Determine digital maturity, work from there
4. Switch to a digital OS
5. Change the culture (be human-centered)
6. Steer change, not schedules
7. Encourage leadership at all levels

Source: Digital @ Scale by Anand Swaminathan, Jürgen Meffert

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