

Your formula for digital & data transformation.

ENGINE
Transformation





Why you should read this.

Digital transformation has never been more important. But implementing it successfully remains a huge challenge. By some measurements, just 5% of programmes meet their targets.

That's not good enough. We need to find ways to ensure more businesses achieve better outcomes more often.

Whilst every organisation is unique in terms of its challenges and opportunities, Engine believes the code can be cracked. We've developed a formula for transformation that's already paying dividends for our clients. What follows lays out that formula, the insights behind it and the practices required to put it into action.

We use the word 'formula' because chemistry is an excellent metaphor for transformation. Both concern themselves with things that are wholly unique. Both are about engineering fundamental change in order to create stronger, more sustainable entities. And both are about ensuring the process releases the maximum amount of positive energy.

Transformation is about understanding the composition, structure and properties of a business (in all its individual complexity); exploring the reactions and changes it is capable of undergoing; and then identifying the reagents that will enable it to move from where it is today to a stronger, more future-fit status; one where enhanced ways of working, more efficient processes, improved digital systems and superior multichannel customer experiences will **accelerate commercial growth.**



The rise of digital transformation.

As Mike Tyson once said, “Everyone has a plan until they get punched in the mouth”.

Crises catalyse change. COVID-19 has been an uppercut of unprecedented magnitude, wrenching market landscapes and consumer behaviours into new shapes. For many organisations, transformation moved from being a ‘nice to have’ to a matter of business survival virtually overnight.

The shifts we saw in 2020 felt seismic; but what we were really witnessing was the dramatic acceleration of forces that were already in play. The principal drivers for transformation existed well before the pandemic and will persist long after it.

Drivers for transformation:

1. Increased competitive pressure
2. Twin challenge of reducing costs whilst increasing effectiveness
3. Emergence and growth of new routes-to-market;
4. Heightened customer expectations
5. Proliferation and fragmentation of touchpoints
6. Introduction of new regulatory standards
7. Urgent need to create new growth opportunities

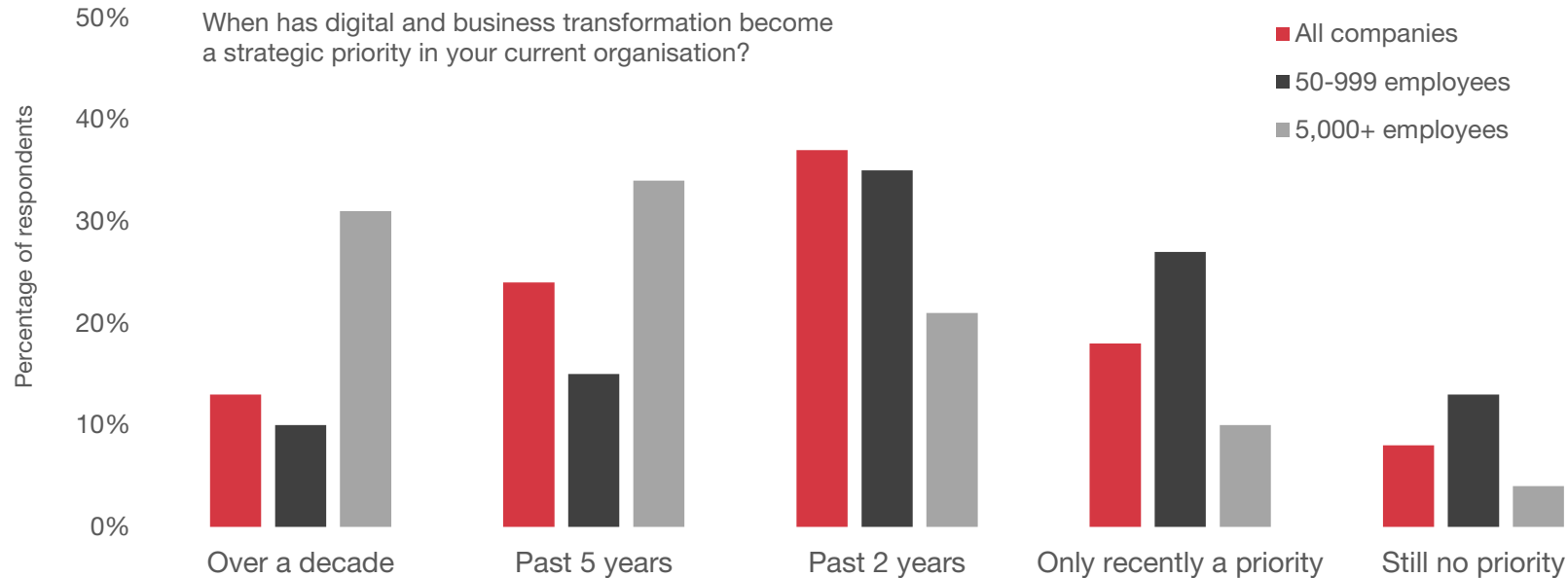


For most organisations, it's still early days.

Few companies remain blind to the need for transformation. Indeed, most are ready and eager to embrace it.

In research commissioned by Engine, 59% of respondents felt their organisation “responds reasonably well to external factors, emerging with new capabilities to drive growth and competitiveness”. A further 23% believed “we fully embrace change, and it pays off; enabling us to remain highly competitive and enjoy growth”.

At the same time, transformation is very new to most companies. Over half of those we surveyed have only made it a strategic priority during the last 24 months. Whilst larger organisations in general started the process earlier, more than 30% said transformation had only become a focal point during the past 2 years.



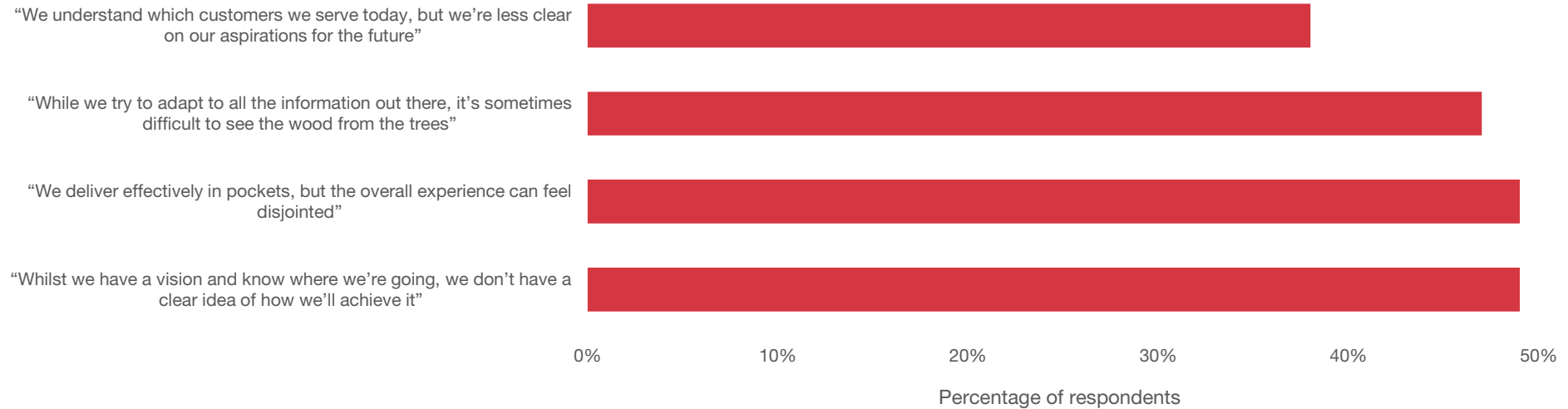


The question isn't 'if' or 'when', but 'how'.

Given that so many organisations are just taking their first steps, it's not surprising that 37% of respondents saw their company's transformation journey as no more than 30% complete. Even in larger businesses, half of our respondents felt that – at best – they'd only made 60% of the required progress.

More revealing was the fact that there was widespread awareness of significant challenges. Our respondents were quick to identify some of the primary barriers to success.

Identified barriers to successful transformation



An inconvenient truth.

The harsh reality is that most digital transformations under-deliver – or fail outright.

For every initiative that hits its mark, there are multiple misses.

- “Research shows that 70% of complex, large-scale change programs don’t reach their stated goals.”¹
- “One in four transformations undershoot their performance targets by 50% or more, producing no sustainable change.”²
- “Of the \$1.3 trillion that was spent on digital transformation in 2018, it’s estimated that \$900 billion went to waste.”³

Sometimes this is down to poor execution. But very often the problems lie further upstream.

¹ McKinsey, “The ‘how’ of transformation”, May 2016

² Boston Consulting Group, “Flipping the odds of digital transformation success”, October 2020

³ Harvard Business Review, “Digital transformation is not about technology”, March 2019

Six strategic reasons transformation programmes fail:

1. A weak North Star or one that contradicts the organisation’s deep-rooted realities
2. Misguided optimism, either in under-estimating the journey or over-estimating the benefits
3. Over-stating readiness and therefore failing to make adequate preparations
4. Missing or mis-reading market and customer signals, leading to the transformation happening too early or too late
5. A lack of buy-in and alignment across every level of the organisation
6. A strategy that focuses more on what competitors are doing than on the company’s unique assets and opportunities

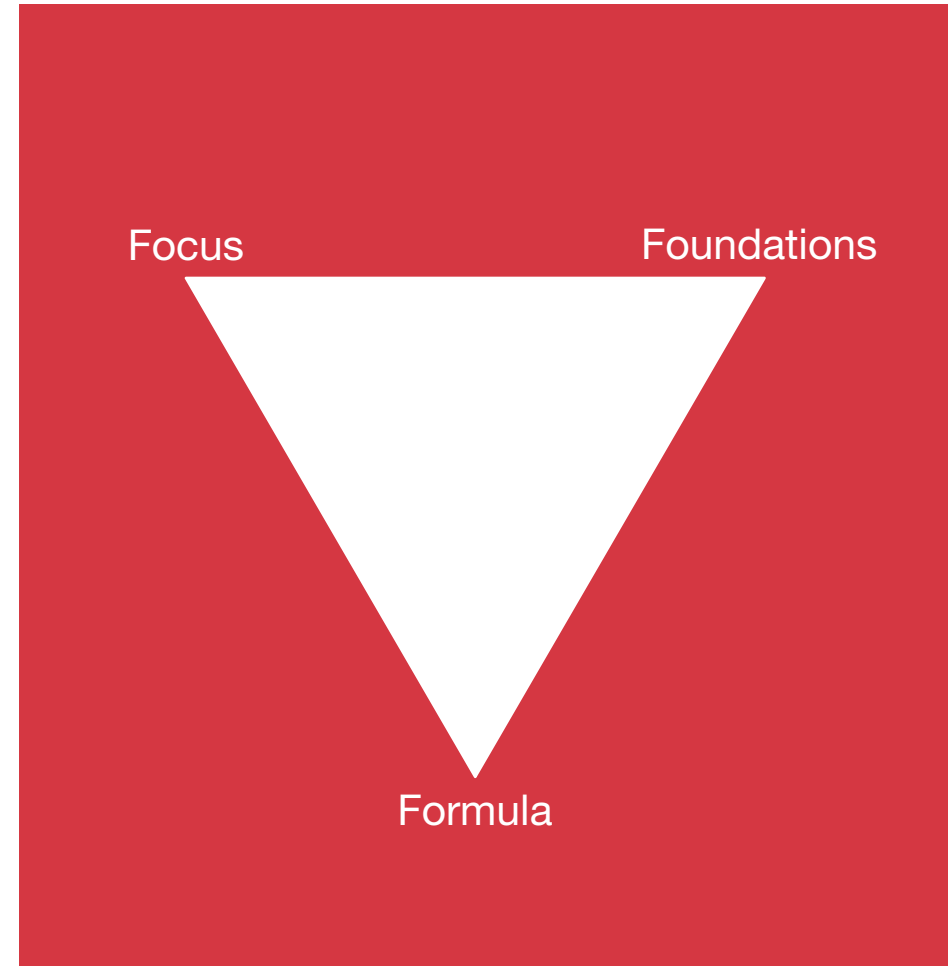


Tipping the odds in your favour.

You can't buy transformation by the yard – despite what some consultancies will tell you.

There are no off-the-shelf solutions, precisely because every business is unique in terms of its challenges, assets and opportunities. You have to identify your own advantage, embed it internally and then find imaginative and commercially intelligent ways to exploit it.

But that doesn't mean you need to fly blind. There are three factors that will increase your chances of success and ensure your transformation is one of the few that beats expectations.





Razor-sharp focus.

At Engine, we say transformation is a mindset. What we mean is something very similar to the ‘hive mind’ biologists talk about when describing the group intelligence shown by a colony of honeybees or ants. For any business planning to transform, investing up-front in nurturing this coherence is time and energy well spent.

Cohesion lasts longest and delivers the greatest returns when it is focused on a single-minded purpose.

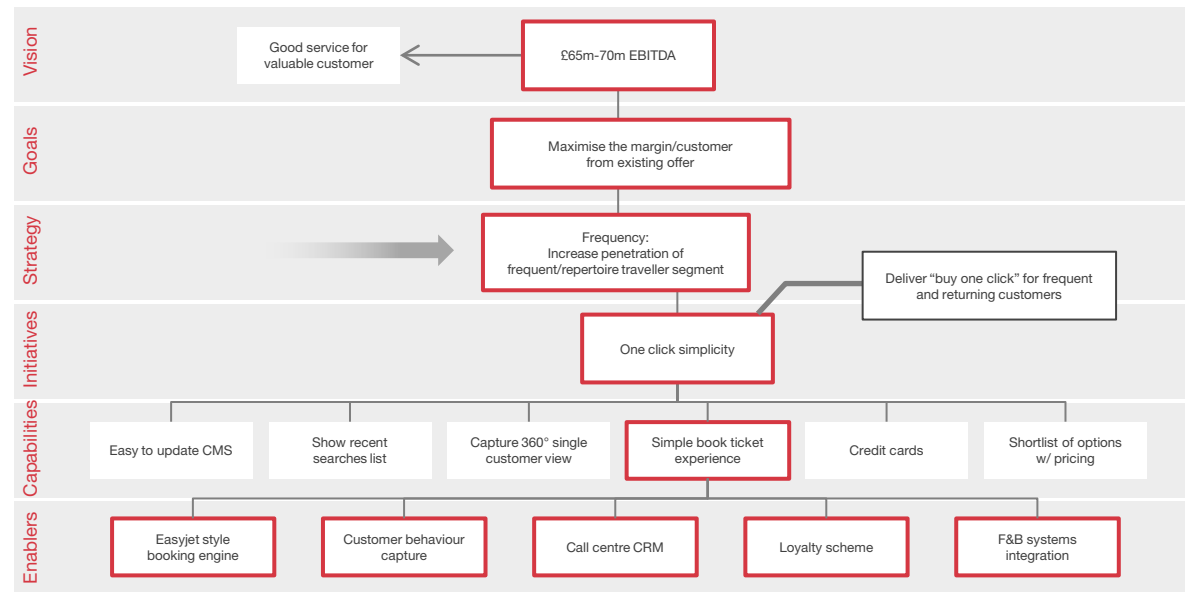
Every successful transformation starts with a well-defined, robust and motivating North Star.

That vision must then be communicated in ways that give the whole organisation direction and inspiration. Our Strategic Linkage Model can help. It provides a quick-to-grasp articulation of the ‘programme-on-a-page’ to aid speed and precision of communication.

Strategic Linkage Model



The Strategic Linkage Model applied to one workstream conducted for a travel company:



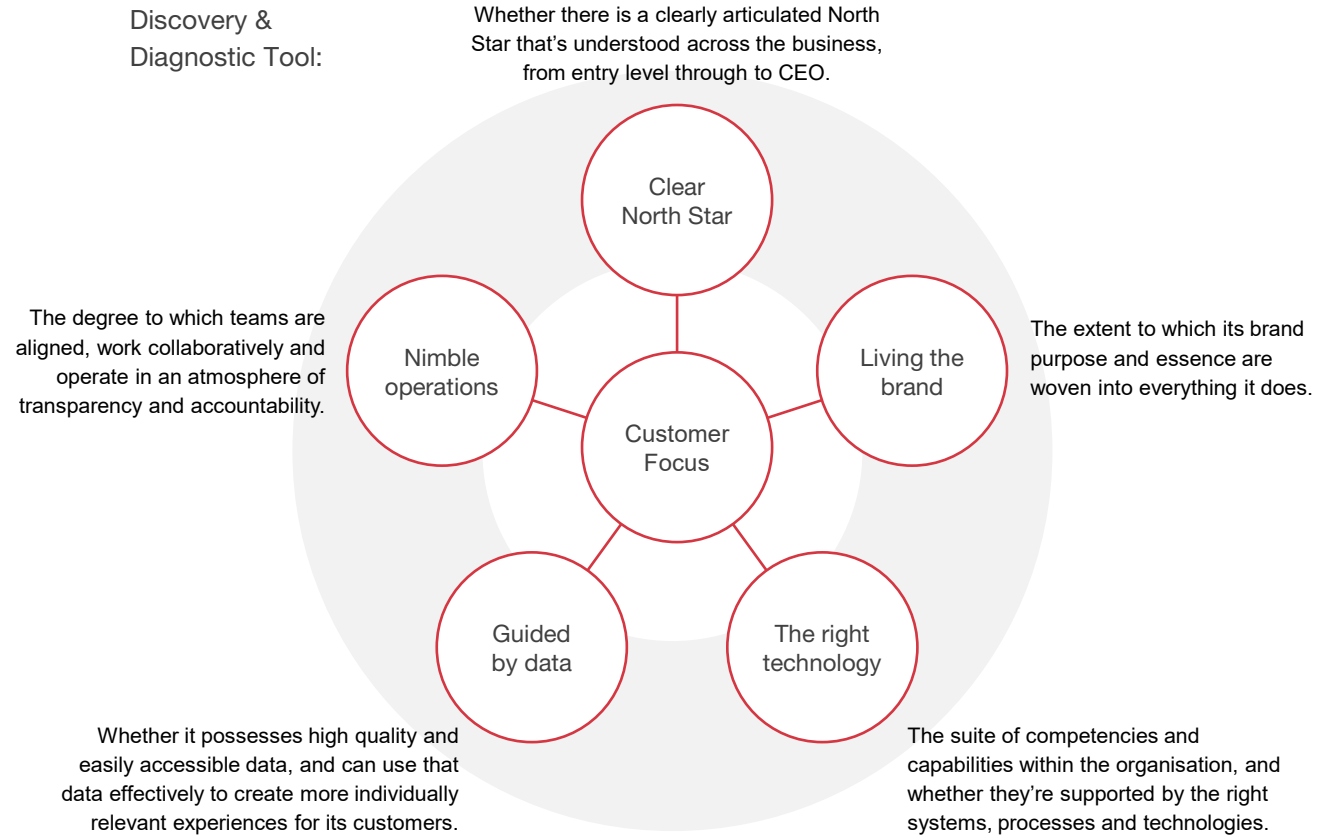


Solid foundations.

It's easy for companies to have blind spots. One of the most frequent and dangerous is an incomplete understanding of their current position. Sometimes this is natural optimism; more often, it's down to a lack of rigorous analysis.

No business can transform successfully unless it is brutally honest about where it's starting from. Without that knowledge, it may understand the size of the prize; but it cannot have a detailed grasp of the scale or feasibility of the task. The inevitable consequence is to overstate readiness.

Ruthless self-appraisal is a prerequisite for success. There are many strong frameworks out there, but our proprietary Discovery & Diagnostic Tool has a proven track record in giving organisations the measurable information and insights they need.

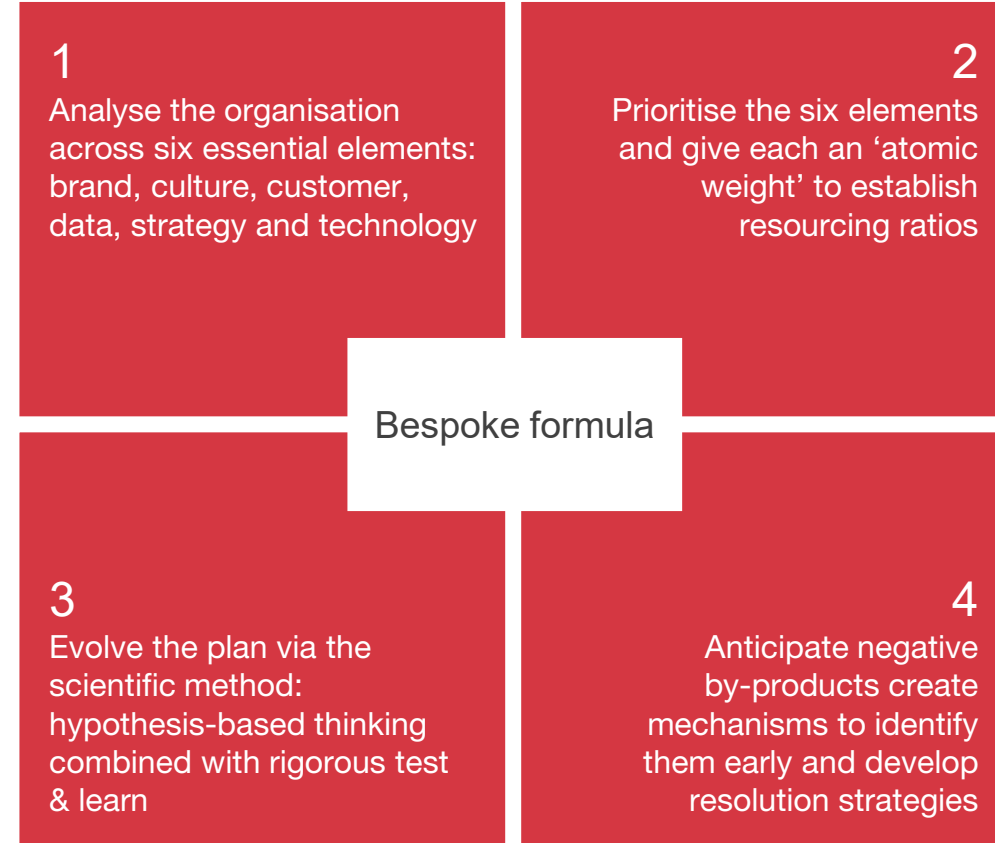




The formula itself.

Because every organisation in the world is unique, each one needs to build its own formula for success.

But the formulae for effective transformations share common characteristics. There are four inter-locking steps:





1. Analyse the 6 essential elements.

Chemists have to deal with the 118 elements that make up the periodic table. Fortunately, we've boiled things down to six.

Brand: how strong, well-articulated and elastic your brand is from a customer perspective; and how well-aligned your brand ambition is to the customer and employee experiences.

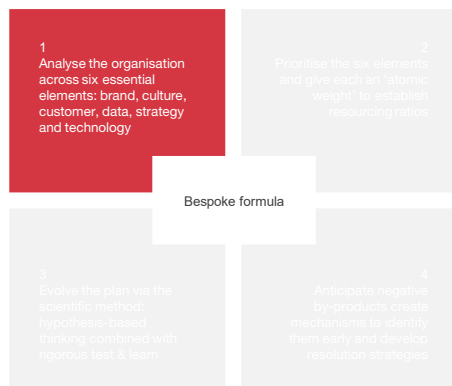
Culture: where your company sits on the spectrum from 'transformation ready' to 'change averse'; and the extent to which it can break free from the constraints of hierarchies and silos.

Customer: the quality of intelligence and insight you have about your customers, the value they represent, and the drivers required to retain and build relationships.

Data: how accurate it is, how readily you can access it and what capabilities you possess to turn data into action and competitive advantage.

Strategy: the degree to which your strategy is anchored in your advantage and assets, and the extent to which delivery can flex whilst staying true to the North Star.

Technology: how far behind or in front you are on the basics required for agile and adaptable delivery, and the progress made in deploying technology to drive additional revenues or efficiencies.

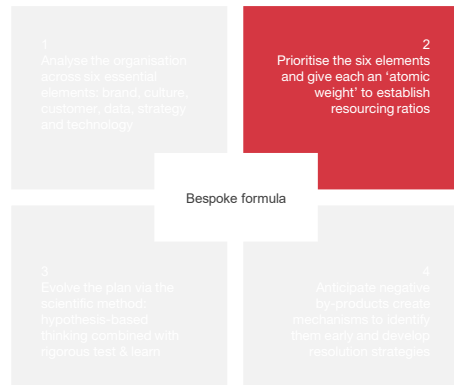


2. Give each element an atomic weight.

This establishes a hierarchy of levers, prioritising those that will best enable you to capitalise on your advantage and seize your opportunity.

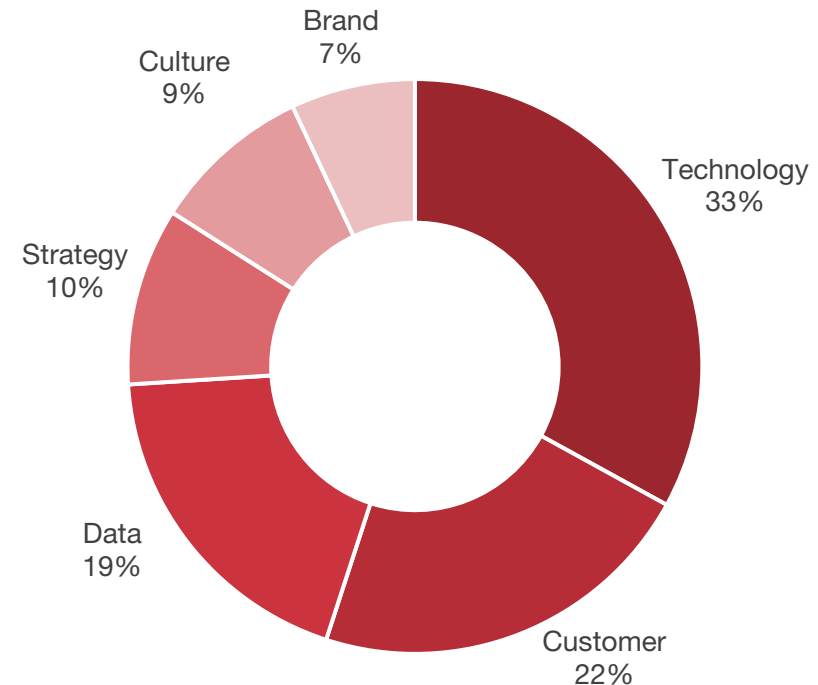
At the same time, it establishes the ratios between the different elements. Adhering to these throughout the lifetime of the programme guards against any one element sucking up time and budget and pulling the whole out of balance.

Setting the right ratios for your transformation programme is essential to delivering the most effective outcome in the most efficient manner possible.



A recurring problem in transformation programmes is to over-emphasise the role for technology. Whilst technology matters hugely, it can only deliver to its full potential when it's designed and deployed in ways that complement the other five elements.

We asked respondents which element receives the most focus and resources within their organisation, and which they personally see as the most important:

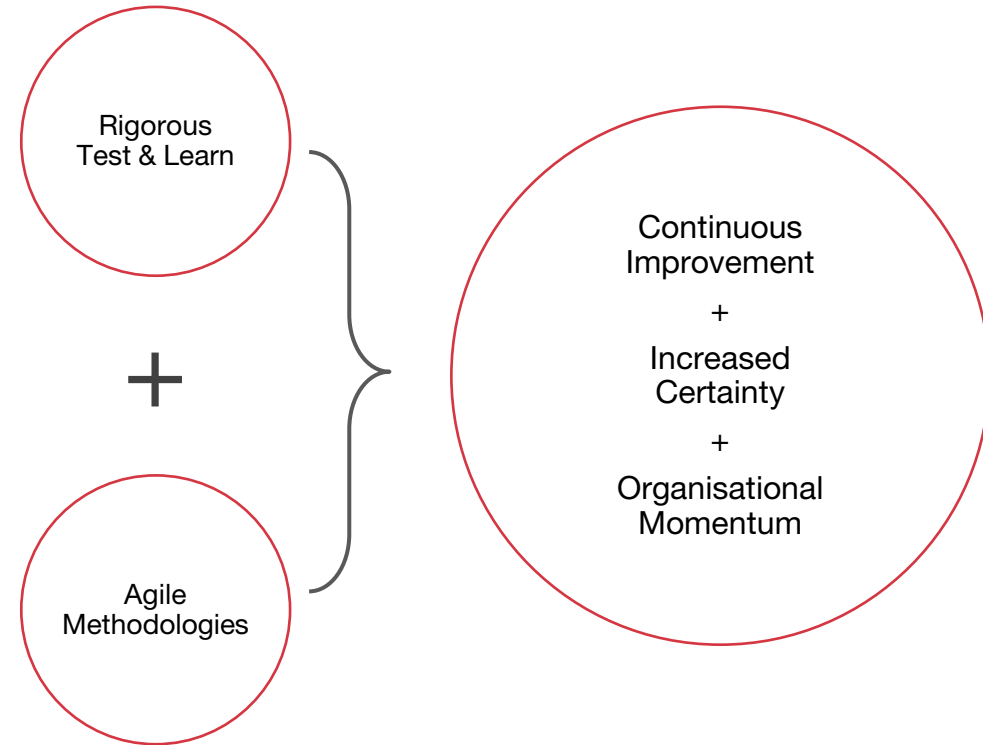
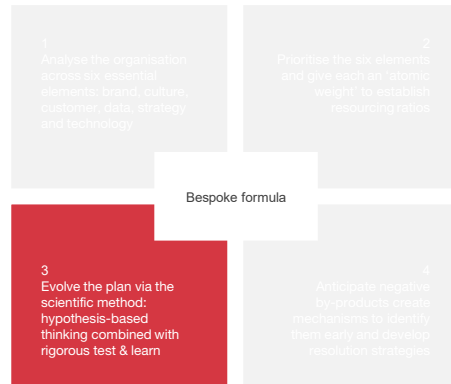


3. Apply the scientific method.

No transformation plan can be set in stone. Whilst the North Star must be clear, the programme will need to evolve in response to new learnings, to changes in the competitive context and to the emergence of superior tools and technologies.

To ensure this can happen, follow the scientific method. Develop robust hypotheses that predict the likely impact of each workstream, and then use real-world testing to check the accuracy of your predictions.

This isn't just good practice. It delivers two very practical benefits. It provides evidence of commercial and customer impact before costs ramp up and changes become locked in. Plus, real-world wins are the best way to build confidence across the business.

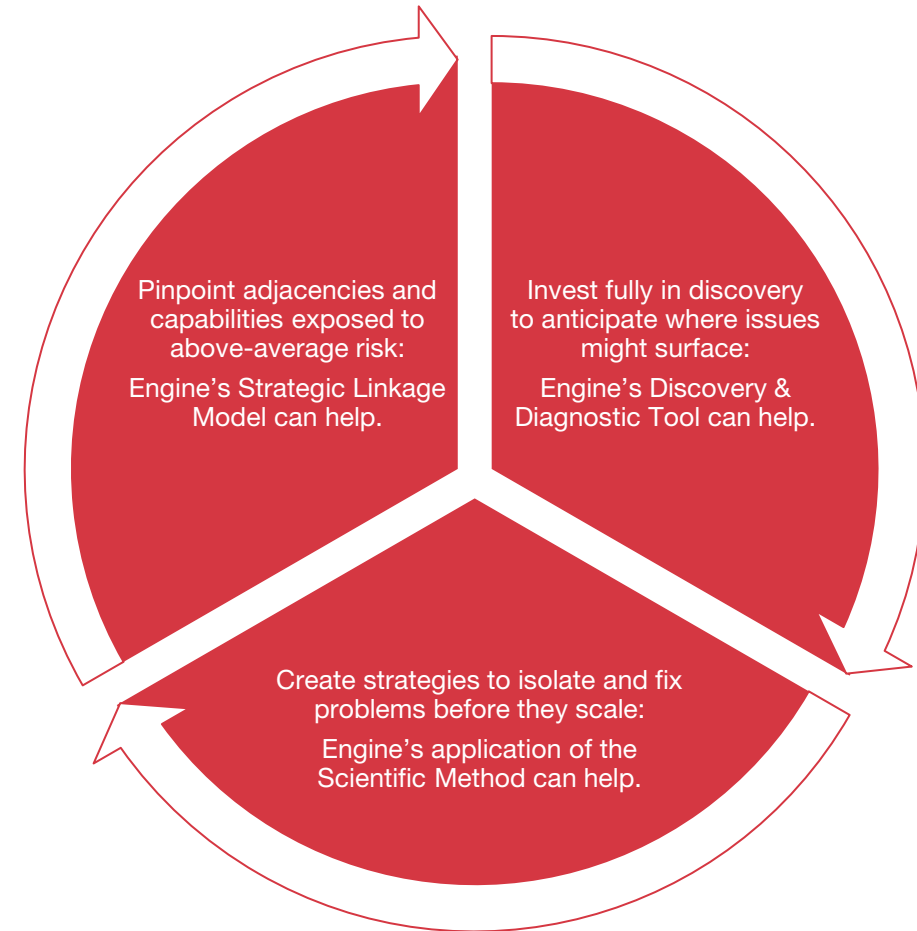
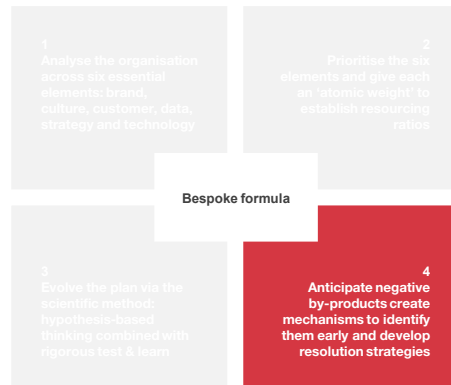


4. Anticipate negative by-products.

The ecosystem of any organisation is complex, and meaningful change in one part will inevitably bring knock-on effects elsewhere. The law of unintended consequences is a particular challenge in transformation; the more so because the uniqueness of every company makes the consequences hard to foresee.

Ultimately, the best defence against fall-out is to design an operating model that's laser-focused on building internal alignment; that's obsessed with encouraging cross-function problem solving; and that embeds agile working practices into every corner of the organisation.

But even with an operating model perfectly tailored to your culture, structure and needs, you still need mechanisms to ensure you can identify negative by-products early and resolve them quickly.



Want to know more?

These slides summarise some of the key learnings contained in our recent white paper “Finding Your Formula for Digital & Data Transformation” includes the full research findings, case studies that show our thinking in action and a more detailed overview of Engine’s proprietary tools.

To download a free copy, head over to our website.

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