7 steps to transformation success

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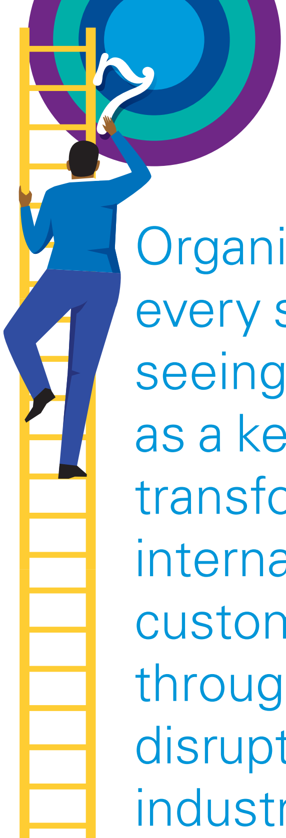

> Organisations in every sector are seeing technology as a key enabler of transformation – from internal processes and customer engagement through to entirely disrupting established industry norms.

In KPMG's 2020 CEO Outlook survey, 50 percent of respondents said business transformation is a key driver of disruption, and 50 percent of organisations were looking to leverage technology in the short-term for transformation. We know this is underway, with global figures showing $226 billion being invested in robotic processes by 2021 (Research and Markets, March 2017); $46 billion globally going to the development of cognitive computing by 2021 (IDC, April 2017), and $389 billion globally going into IoT devices (Gartner, Aug 2019).

In KPMG's 2019 CIO Survey, 44 percent of organisations expect change to their product/service offering or business model in a fundamental way in the next 3 years. This is driven by digital disruption and the need to get closer to the consumer, and it's occurring just as much with smaller, younger organisations as with larger, older ones.

But despite large investment, 50 percent of technology transformation projects are failing. Too many organisations are stuck in an 'old school' 7-year cycle of technology implementation that is susceptible to budget overruns, delays, and major capital outlay without benefit. As a result, boards lose faith in IT departments, and are less open to trying again.

It is clear that while technology is a driver and enabler of transformation, it is not the answer in its own right. Successful technology transformation in today's fastpaced world requires a fresh approach – one which is about the business model and people – not just technology.

A new cycle for success

Setting out on a technology transformation requires a shift from looking at the new technology as the answer, to one that sees continual transformation as the answer.

There are seven core steps on this journey:

1 Get out of the 7-year cycle

The traditional model of upgrading technology in organisations follows a 7-year cycle, in which every department's technology is replaced at once. This 'rip and replace' approach is a monumental, challenging, costly and time consuming task (possibly taking 3 years to complete). With today's pace of change, it means that the product being implemented will be out-of-date before it's finished. This approach is also dependent on people being prepared to operate the new systems immediately.

Getting out of the 7-year cycle starts with breaking transformation down into separate components, or 'manageable bites', and instigating a continuous program of change.

2 Go to the cloud

Key to breaking the cycle and having continuous change is embracing cloud technology.

Cloud systems are preconfigured with best-of-breed business processes, allowing organisations to focus on the core aspects of technology infrastructure, and to centrally manage the separate components.

With the cloud, new software updates are available frequently, ensuring the systems are always advanced and meeting the latest compliance requirements. The cloud also makes it possible to engage 'consumption on call', scaling up and down the use of different pieces as needs change. It also provides far greater cyber security than businesses can afford to host in their own environments.

In addition, with quantum computing rapidly developing, it will significantly change the landscape. However, organisations will be unlikely to afford a quantum computer in entirety. With cloud, they can use a 'slice' of the power – tapping into the immensely fast processing benefits without the overheads of owning it.

3 Break your integrations

A key reason organisations can get stuck in the 7-year cycle is the point-to-point integration of their processes.

For example, their HR processes are connected to payroll processes, and payroll is connected to staff access and security software. This interconnectedness can restrict companies to updating all systems in one hit.

Therefore, it's vital to have a clear integration strategy that breaks existing point-to-point integrations down and replaces them with cloud-based integration platform solutions. This makes big-system integration a lot easier and more agile.

4 Ask what good looks like

When doing a rip and replace transformation, many businesses don't see any major improvements because they simply replicate the existing model.

To offer an analogy – if a company is looking for a new insurance policy, they will go to a new provider and ask for a quote based on their existing services, rather than saying, 'Start fresh, what is an alternative model?'

In IT, by using the cloud and breaking up integrations, there is an opportunity to test underlying assumptions about processes, and find better ways to go forward. If the legacy model is taken out of the equation, organisations can ask, 'What could we do in a new, different and more effective way?'

5 Build a change muscle

A common point of failure with large change projects is staff fatigue and anxiety over the change. This can result in people not accepting changes, as well as considerable HR issues.

Change anxiety usually starts with people feeling excited, but this feeling fades when the journey to 'going live' is too long and complex. It's made worse when training is offered just before the system is 'switched on'.

When transformation is broken down into smaller components, such as regular, smaller cloud updates, people get used to change, they know that updates come along, and are more likely to be accepting and adaptable. Communication throughout the change process is vital.

6 Learn to fail

Failure is part of what organisations need to do to improve, but when it comes to tech transformation, the key is to fail fast. It makes no sense to invest 3 years of time and money into a tech transformation that doesn't work, or is out of date when it's finished. If a faster 3-month project fails, it's possible to reflect, learn, and quickly try again.

7 Budget for transformation

Seven-year cycles also still occur because boards still plan for periods of large capital expenditure on technology. Instead, in line with the speed of change, disruption and the benefits of the cloud, CEOs need to start to budget for continuous transformation, allowing for smaller and more frequent investments.

It's also important not just to budget for technology – but for change management, process reengineering, testing and training, governance and communications. Picking a smaller project to give the board confidence is a good way to start.

In summary

Building a culture of transformation, embracing the cloud, failing fast and rethinking budgets will all contribute to more successful change. This more agile approach will also position CIOs to help drive continuous improvements in pace with new technology, industry evolution and customer demand, setting organisations up to remain relevant and competitive in today's disruptive world.

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