BUSINESS TRANSFORMATION

BUSINESS TRANSFORMATION

CONTRIBUTORS

CATH EVERETT
Freelance journalist specialising in workplace and employment issues, she also writes on the impact of technology on society and culture.

CHARLES ORTON-JONES
Award-winning journalist, he was editor-at-large of *LondonlovesBusiness.com* and editor of *EuroBusiness*.

NICOLA SMITH
Freelance journalist, she contributes to publications including *The Times*, *The Sunday Times*, *The Guardian*, *Marketing Week*, *Retail Week* and *Drapers*.

CLARE GASCOIGNE
Formerly on the staff of the *Financial Times*, she is now a freelance journalist specialising in City and financial features.

BEN ROSSI
Editorial director at Vitesse Media, and formerly editor of *Information Age* and *Computer News Middle East*, he writes for national newspapers and business publications.

Raconteur reports

LEADERSHIP

Make room for the transformer in chief

Digital transformation of an organisation is increasingly being entrusted to a new member of the board

CHARLES ORTON-JONES

It may be telling that one of the smash hit books of the past year has been on sleep. Berkeley professor of neuroscience Matthew Walker's *Why We Sleep* was a comprehensive analysis of why humans need to sleep, which doubled up as a polemic against the habits that lead to insomnia.

He marvels: "A hundred years ago, less than 2 per cent of the population in the United States slept six hours or less a night. Now, almost 30 per cent of American adults do." The health implications are shocking. Lack of sleep leads to mental illness, diabetes and chaos. More than 1.2 million accidents are caused each year by sleeplessness.

A key reason for sleepless nights is pressure at work. Change has never been faster. Companies are simply struggling to adapt to the multitude of threats to their existence. The pressure to transform is immense.

A survey by Couchbase, a customer engagement database provider, of 450 digital transformation project leaders revealed 54 per cent worry their business would go bust if their digital transformation failed. Fashion brand Jaeger went to the wall for precisely that reason. A further 89 per cent of enterprises say their industry is being disrupted by digital technology. Worse, 90 per cent of digital projects fail to meet expectations.

Could there be a solution? For a rising number of firms the severity of the situation calls for a new role: the chief transformation officer.

Delivery company UPS created the role in November. The new chief transformation officer reports directly to the chairman and chief executive. The position is "charged with driving and facilitating organisational change that will help UPS to both identify and execute opportunities for profitable growth within its existing business units and in yet-untapped markets and product segments".

Advertising giant WPP's first chief transformation officer is settling into the job. Lindsay Pattison's remit is to unite efforts across the 160 or so agencies under the WPP umbrella. It's a job so big she could be forgiven for a sleepless night or two herself.

But is the role necessary? The consulting world is divided. Ben Pring, director of Cognizant's Center for the Future of Work, says: "It is magical thinking that one person could do everything required to make a large company fit for purpose in the 21st-century digital economy. It is just not possible.

"Digital transformation requires a fundamental shift from previous models and impacts the customer experience, a company's operations and back office, the way it markets and sells, how its employees work, and the products and services it delivers.

"A single digital transformation officer cannot be responsible for all of this on their own. True digital transformation requires top-down leadership in every department and business function, with co-ordination at the CEO, C-suite and board level."

Nick Taylor, managing director at Accenture Strategy, is in full agreement. "Digital transformation officers will not be the silver bullet companies are looking for to drive new growth," he says. "There is no transformation on-off switch, and it's rarely ever initiated and driven by a single person, particularly in large, complex organisations.

"Disruptive growth needs to be the priority of the entire C-suite, where everyone is accountable, and it requires a new mindset, culture and philosophy that's infused throughout the entire organisation."

The rise of the chief transformation officer implies the converse view is gaining ground. Martin Lentle, country manager for the UK and Ireland at open source software company Red Hat, says the role brings together disparate parties. "It can be likened to a good orchestra; you need someone at the front with a single plan that is visible to all, helping the players through rehearsals to build a perfect performance," he says.

Mr Lentle points out that the role may have existed under another guise for some while. "From meeting many C-level people on a regular basis, I have seen heads of innovation within an organisation change their title to digital transformation officer," he says. "You could argue they are the same role, with updated terminology."

Maybe it comes down to the nature of the company and its leadership. Some companies are in flux and need a visionary to find a way through the chaos. Others can do that with the existing C-suite talent.

Nigel Vaz, chief executive, Europe, Middle East and Africa, of consultancy Publicis.Sapient, uses the example of Apple to illuminate the nuance. "The role of chief transformation officer is a great idea if the CEO doesn't see themselves in that role. Steve Jobs was the chief transformation officer of Apple, whereas Tim Cook is more a classic CEO," he says.

The key thing is to look at what the chief executive does. "How do they spend their day?" asks Mr Vaz. "Do they obsess about the past and current? Then they are a Tim Cook-type leader. Or do they think primarily of the future like Steve Jobs?"

It takes a brave boss to admit they are struggling to galvanise the company for the future challenges ahead. But if the chief executive is overwhelmed, a chief transformation officer could be the way to kick-start change. The new board member can unite efforts across disparate departments and agencies. And get the organisation back on track.

Working for a struggling company leads to sleepless nights. If the cure for insomnia is a chief transformation officer, more and more boards will be making room for one. ◆

Who's in charge of digital transformation?

Digital front runners and late adopters selected who was in charge for digital culture change at their organisations

	Chief executive/managing director	No responsible person	Other
Front runners	80%	0%	20%
Late adopters	10%	80%	10%
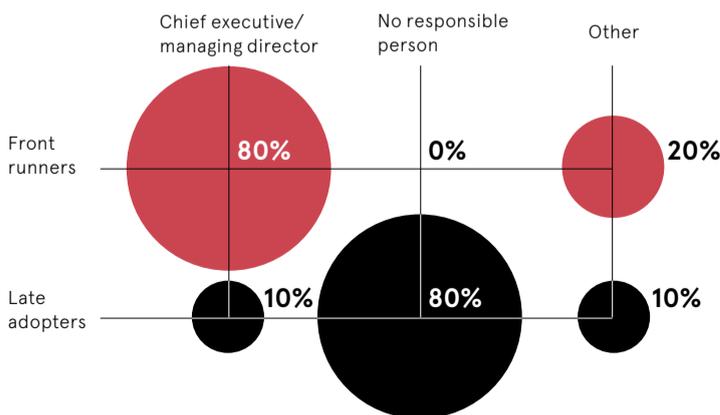
Capgemini 2018

Customers in driving seat of digital

Companies striving to achieve a digital makeover must put the customer at the centre of their transformation

NICOLA SMITH

While the focus is on newcomers entering industries and threatening the viability of traditional players, it is lack of customer centricity that poses the real threat to incumbents as the so-called disruptors are simply using digital technology to build an operation around the consumer. It is a realisation that is forcing larger companies to transform the way they do things, while a bigger picture is slowly emerging.

"People recognise that customer centricity is a driver for revenue growth, driving loyalty, retention and sales," says Duncan Barnes, partner in consulting at Deloitte. "But it is also increasingly seen as a driver for cost-reduction. There used to be this misnomer that a better customer experience and a reduced cost to serve were in conflict, but people recognise now that dissatisfaction for customers is a source of cost for businesses."

Customers demand not only value but also transparency, accessibility, convenience and personalisation. Dissatisfaction can extend from the product or service itself to the wider customer experience. Business transformation means putting the customer at the heart of everything from product development to marketing.

"The continual challenge in all customer-centric transformation is to be very close to your customers, and to test what you're building and get regular feedback," says Mr Barnes. "The best example is when businesses bring customers into the ideation process and help them to come up with new ideas for how to serve them better, making them part of the community for new idea generation and testing."

Many established businesses struggle, not because they don't recognise the need for change and the threat posed by more customer-centric startups, but because they are unable to implement digital transformation. It is not easy to achieve for large organisations, which are invariably hampered by legacy systems and an ingrained way of doing things.

Mr Barnes adds: "Big companies find it very hard to make significant changes quickly. Small companies are often more agile and are able to overtake them, so the challenge for big companies is how do they adopt the culture of a startup without throwing the baby out with the bath water?"

In the energy sector, increasing competition, evolving regulatory demands and changing customer behaviour has piled pressure on providers to transform their operations to stay relevant. Incumbents have turned to partnerships and acquisitions, enabling them to tap into technological innovation and act with greater speed and agility.

Centrica-owned British Gas was the first of the big six energy firms to move into the smart home market when it launched its connected home brand Hive in 2013. Two years later it acquired AlertMe, the technology platform that underpins Hive. Sudeep Maitra, global vice president of strategy for Centrica Connected Home, says: "The AlertMe platform gave us a very good and credible starting point in the connected home space, but we have since built on it for scale. We are close to one million customers now."

The company has also used the platform to increase its range of connected home products, adding sensors and a camera, and integrating with Amazon Alexa and Google Home. "Acquiring the AlertMe platform has enabled us to give

> ❝ **Business transformation means putting the customer at the heart of everything from product development to marketing**

customers an end-to-end digital experience," says Mr Maitra.

While npower and E.ON have also partnered with connected home specialists – Google-owned Nest and Greenwave respectively – one of the most recent acquisitions in the sector has been EDF's purchase of engineering and technical services firm Imtech in 2017, enabling EDF to offer improved services, energy efficiency and low-carbon solutions.

As Richard Hughes, director of sales and marketing at EDF Energy, says: "No one company has all the expertise to meet the pace of change and sectors are rapidly converging. Our partnership with Imtech is a good example of where our combined skills and level of experience will give us a far greater capability and reach to respond to customers' changing needs."

Both Centrica and EDF attribute at least some of the success of their partnerships to adopting an agile methodology. "That is how we think and how we put the customer at the heart of our product development," says Mr Maitra. "We test extensively

with customers what kind of product they want and how they want to use it, and then we have iterative development, take it to market and keep improving iteratively."

He says the culture has since permeated Centrica as a whole: "We are better at how we serve our customers, automating what we do and reacting on digital channels."

Mr Hughes concedes that keeping pace with EDF's more agile technology partners can be a challenge, but the company addresses this by working through proof of concepts at the start. "Not only to prove the idea or technology has legs, but also to demonstrate that we can work effectively together," he says. "From here we can then look to formalise the relationship more effectively."

It is not just the big six who are busy forging partnerships. Relative newcomers also see this as the way to stay ahead. Stephen Fitzpatrick, founder of Ovo, the energy supply company launched in 2009, says: "Partnerships have allowed us to diversify our offering and tap into new technologies and digital products."

He cites Ovo's partnership with electric vehicle charging point startup ubitricity and the acquisition of smart-grid company VCharge as examples. "We have been able to shift our offering from that of a core energy supplier to a truly integrated, technology-enabled energy services company," says Mr Fitzpatrick. ◆

Customer-focused IT initiatives

Percentage of global chief information officers involved in the following initiatives at their companies...

Initiative	Percentage
Building technology platforms	59%
Designing products	46%
Delivering customer experience	45%
Customer acquisition, retention and loyalty	44%
Analysing customer data	38%
Joint governance process with marketing	16%

Deloitte 2017
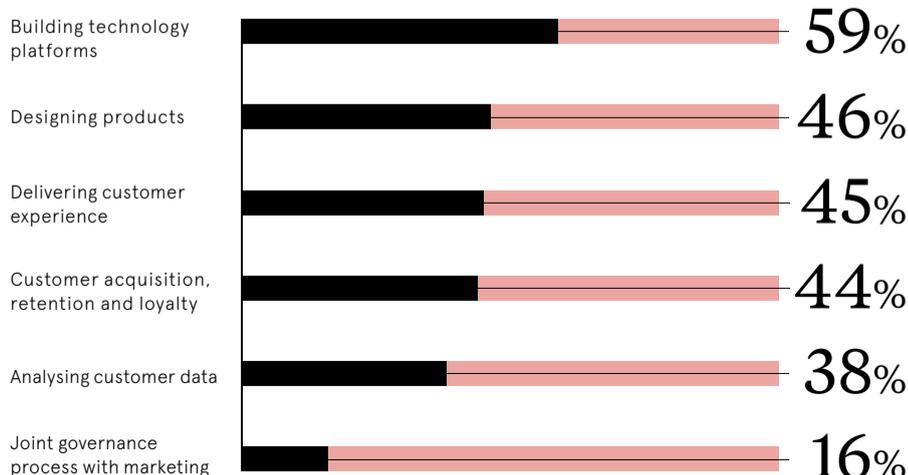
'The best organisations frequently use transformation programmes to test fundamental issues about their business'

The pace of change is faster than ever. But it is still the slowest it will be in our lives. This fact dominates business today. And it is leading companies and governments to embrace business transformation in ways they never dreamt they would.

Sector by sector, we see the emergence of new products and services, challenger business models, innovative reform of distribution and supply chains, the extraordinary power of digital technology. New generations of consumers and employees bring vastly different expectations. Look at what's happening in banking, music, retail, healthcare, higher education and so much more.

And overlaying it all, for us in the UK, is the disruption of Brexit and tougher economic times. We won't settle into a new norm. Indeed, transformation is now arguably business as usual, and organisations must embrace it as a strategic priority, making themselves ready for change at every moment.

Of course, transformation isn't easy. It is disruptive and challenging, as well as necessary and rewarding. Transformation demands clear thinking, a strong sense of purpose and skill in bringing people with you.

Transformation must be owned not just by the leaders of an organisation, but throughout the workforce. And, ideally, by shareholders, customers and other stakeholders as well. This often means that we need to do more than win the logical argument for change. We need to convince hearts as well as minds.

Much of the human response to change is emotional rather than rational. Of course, there should be a robust business case behind any decision to change. But business leaders must also get their tone and approach right if they want to succeed. This applies even more when the project involves technology, particularly digital.

Too many organisations are tempted to see digital as a quick fix. Recognising the need to respond to aggregators and agitators in their marketplace, incumbent businesses sometimes just bolt digital capability on to their existing firms and hope this will do the trick. It won't.

The best organisations, by contrast, frequently use digital or technology transformation programmes to test even more fundamental issues about their business.

How do we relate to our customers? Are we enabling our people to make the most of technology? Are we in the right markets? Should we partner, diversify or look for a merger? What sort of organisation do we want to be in five years' time? What is our purpose and can we articulate it in way that makes sense to our key audiences?

By getting to the answers to these questions, transforming organisations are far more likely to achieve the results they want and to get value for money from the changes they implement.

The best transformation teams learn and adapt as they go along. They are constantly looking for signals of where they need to adjust and respond, and where the opportunities are to push the boundaries. They use our unprecedented access to data, and our astonishing power to analyse and interrogate, it to inform their thinking, but not to dictate it. They share intelligence and look for inspiration from a wide range of sources.

Marrying a strong sense of strategy, priorities and programme management with this new agility and ability to learn is tough for even the best organisations. It is one of the reasons why diversity of thought, experience and perspective are so important around the board table and throughout an organisation, as well as within the consulting industry.

Yes, we're all having to change. And we can certainly make it a change for the better.

Alan Leaman
Chief executive
Management Consultancies Association

Businesses chase agility in the new world of digital

Companies are embracing digital innovation to stay ahead of competitors in an increasingly disruptive business landscape, but true transformation relies on an agility that organisations struggle to achieve

Powerful technologies such as cloud computing, big data and artificial intelligence are doubling in capability every one to two years and coming together to help accelerate critical breakthroughs in innovation. These technologies are combining to drive much-needed technical and cultural transformation in industries and businesses at threat of digital disruption.

The pace of change required to transform effectively means businesses are having to significantly increase the speed at which they adopt change initiatives. To thrive in the digital world, companies need to streamline the rigid structures and legacy processes that exist in their organisation, and ultimately change the way their projects are run and decisions are made.

According to Ian Wyrley-Birch, global partner at consulting firm The Birchman Group, companies have no choice but to embark on a digital transformation. "They must keep up with, and exceed, customer expectation," he says. "The question is how they do this and when. It is only a matter of time before today's technologies become tomorrow's standards."

There is no magic bullet to achieve a successful digital transformation, but businesses should begin by reviewing the skills they have at their disposal. With most of the technologies involved in digital transformation still in an emerging phase, the talent required to deliver these new capabilities is hard to come by. "Even the big consultancies apply outdated project management methodologies and bog organisations down in too much complexity," says Mr Wyrley-Birch.

However, the biggest mistake a business can make is to wait for the technologies to mature. One of the biggest roadblocks to digital transformation is a risk-averse mindset. Many organisations are too siloed and focused on back-office processes, rather than delivering true customer value. They dismiss digital as an IT issue that only requires a change in technical architecture, resulting in a lack of real buy-in from the top of the business and an unaccommodating culture.

"Organisations need to get into the mindset of adopting best practise and only adapting processes that are unique to them," says Mr Wyrley-Birch. "The key here is for businesses to truly understand their uniqueness and adopt standard everywhere else. Once this has been established, they must adapt to continuous innovation and change, seeking opportunities to exploit their uniqueness and build new capability rapidly. To do this they must be fast to identify the opportunity and make the decision, and ideally teams should be empowered to do all of this autonomously."

The result, he says, is a truly agile business that enables continuous transformation. Without this agility, digital initiatives will take too long, exceed budgets and fail to implement deeply enough, ultimately disrupting the company and having a negative impact on business performance. Senior management lose confidence in the strategy, jeopardising the executive sponsorship that is so vital to digital transformation and making resistance to change even greater.

Consultancies play an important part in guiding a company's digital transformation, but those that take the traditional approach of advising a big programme of cultural change precedes the digital transformation itself have led businesses down a route of failure due to a lack of vision and control. UK-headquartered Birchman Group

Ian Wyrley-Birch
Partner, The Birchman Group

> **The ability to achieve standard best practice and unique innovation in tandem will provide significant commercial advantage and make it extremely difficult for competitors to replicate**

advocates the approach that these should be done in parallel.

"A successful digital transformation is done in controlled, manageable chunks," says Mr Wyrley-Birch. "We delivered a digital transformation with a global FTSE 100 company in under a year in this way and after three years their competitors still hadn't caught up. We brought in an approach to running projects tailored to their organisational capability. It delivered enormous benefit in 18 months, driven by the vital ingredients of strong sponsorship and true agility."

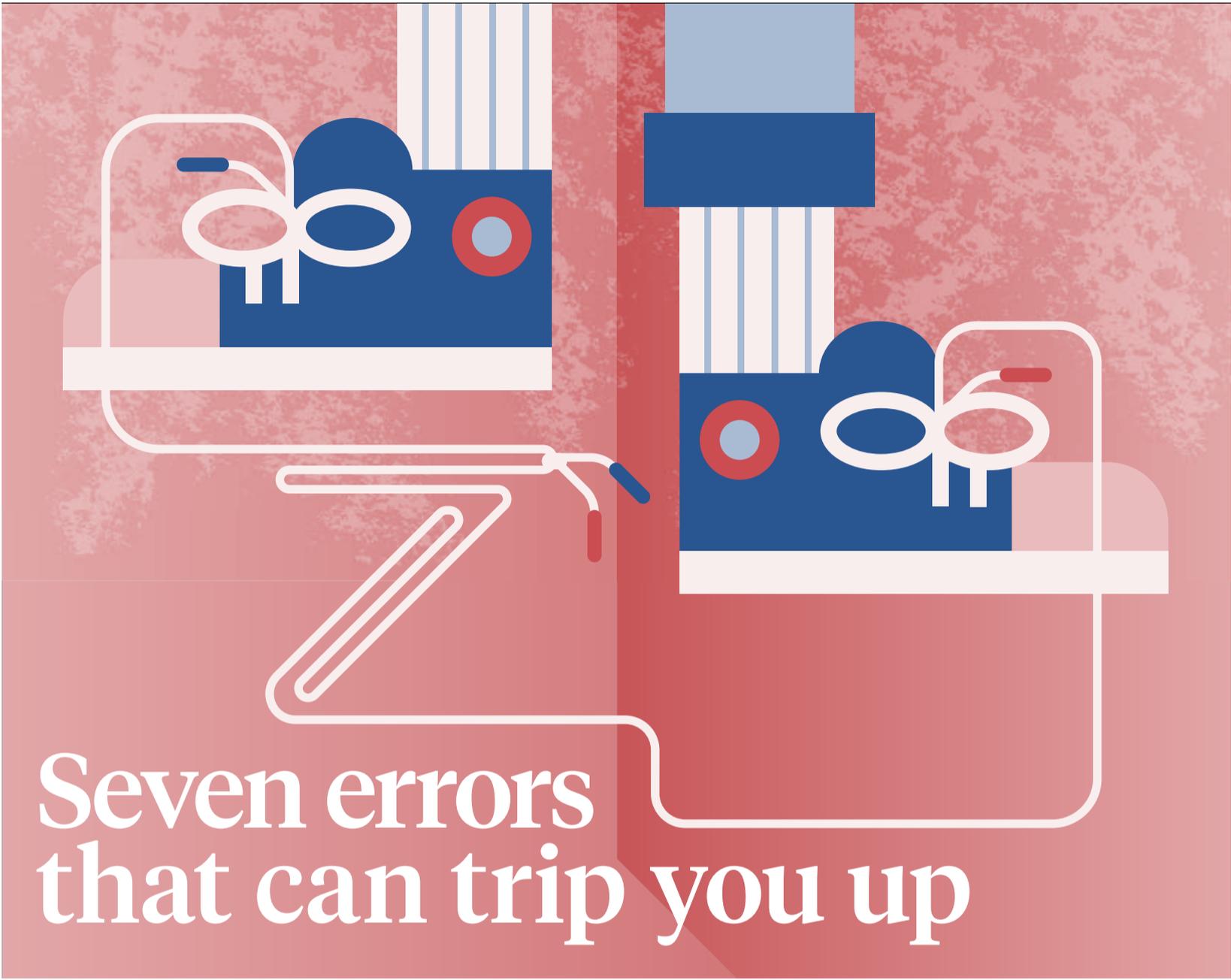As digital continues to disrupt industries, the ability to achieve standard best practice and unique innovation in tandem will provide significant commercial advantage and make it extremely difficult for competitors to replicate. "Companies must identify what is truly unique about them and create a platform for growth around that," Mr Wyrley-Birch concludes.

For more information please visit
www.birchmanconsulting.com

Seven errors that can trip you up

Failure is frequent in grand transformation projects. Seven experts offer suggestions for overlooked causes of catastrophe

CHARLES ORTON-JONES

Neglecting design

"An increasing number of fast-growth startups are founded by designers. The design course on Stanford University's MBA is one of the most popular and it's increasingly understood as a powerful strategic tool. That said, many businesses still don't realise this and not only neglect to create a leadership role around design, but also fail to invest in growing design capabilities more broadly in the business. Done properly this will force a company to entirely rethink how it brings new products and services to market as well as how it runs and organises itself."

**James Haycock,
founder and managing director of innovation and change consultancy Adaptive Lab**

01

Too top-down

"Today's decision-making and development processes are becoming much more 'bottom-up' than 'top-down'. Rigid hierarchies are increasingly taking a back seat and flatter corporate cultures based on collaboration have moved in. It's important that the person responsible for transforming the digital capabilities of a business supports these changes, creating an atmosphere where innovation is encouraged across the whole organisation. Responsibility for digital change doesn't stop with the executive committee, so it's vital that companies as a whole are equipped to adapt to the challenges they face. Declarations of intent from the board are simply not enough."

Mike Blanchard, director of customer intelligence solutions at business software provider SAS

02

Rivalry between change leaders

"Herd instinct driven by the kind of digital disruption that is ubiquitous in today's global economy can lead to confused, 'me too' efforts by businesses to transform. Nothing is more symptomatic of this failing than the bewildering cast of characters that variously present themselves as digital leaders – chief information, marketing, digital, data, customer, technology and digital transformation officers to name but a few. According to research by Digital McKinsey, a third of company executives do not know which leader is responsible for digital and technology functions within their business. In most cases these are either people who have successfully 'made a play' for the digital piece or they are brought in to spread some digital pixie dust across some previous perceived success."

**Chris Porter,
digital transformation director at cybersecurity and transformation consultancy 6point6**

03

Failing to get internal buy-in

"Once I advised one of the major Russian banks on the process of blockchain technology implementation, and we encountered an enormous amount of problems even at the process development and planning stage. After two weeks of communication with the IT vice president of the company, it became clear there were two main reasons. First, 50 per cent of managers just didn't understand why digitalisation is necessary and co-operated passively. The other 50 per cent realised the implementation of transparency and self-verification of transactions, operations, rights and responsibilities was not convenient for them and sabotaged the process. I believe that overcoming these two factors inside the company is far more critical than the technical or managerial skills of a particular digital transformation office (DTO) or its total absence. At the current stage of corporate readiness to digitise their processes, the role of a DTO is often not relevant at all."

**Aleksei Antonov,
chief financial officer of decentralised fog-computing platform SONM**

06

Fixating on distant goals

"A solid strategy must avoid all-encompassing initiatives without careful understanding and planning. Instead, taking on board 'quick wins' will help to bring a clear impact on operations and obvious benefits. This can be done by running multiple small projects in parallel to ensure the best ideas are progressed rapidly and the bad ones fail early."

**Matt Jones,
lead analytics strategist at data science consultancy Tessella**

04

Passive bosses

"Transformation should be championed by the chief executive, the front and centre face of the company who intrinsically understands how the business fits together, who knows how transformation tessellates with other priorities and who has the greatest sense of proprietary. To help them get 'the plumbing' right by implementing the right changes, the CEO needs a fine chief operating officer, someone who gets things done and isn't afraid to get their hands dirty. And if the CEO isn't all over the process of digital transformation, it's simple – you get a new CEO."

**Chris Gorell Barnes,
chief executive and founder of content agency Adjust Your Set**

05

Wrong qualities in leaders of change

"A common misconception is that the head of transformation needs to have a strong IT background. In reality, the ideal candidate should have a passion and curiosity for technology and all that it can deliver, but other qualities are essential. Leading digital transformation is all about inspiring change. And realising that, a lot of the time, people don't actually want change. They'll need to have hugely strong people and mediation skills to bring leaders on side and hold senior managers accountable. They'll need a strong business and management background to build the business plan for change and argue the case for change. They'll also need a strong constitution. It will require considerable investment, it will disrupt the status quo and it won't be plain sailing."

**Kieron McCann,
director of strategy at WPP's technology consultancy Cognifide**

07

Commercial feature

Business transformation: disrupt, differentiate or defend?

Most companies are good at their core business, but not at reimagining its future

"Software is eating the world," wrote Marc Andreessen in *The Wall Street Journal*. The entrepreneur and software engineer made his observation in 2011; today almost every aspect of commercial organisations – what they are and what they will become – is driven by technology.

"Businesses have been transforming forever, but there are two new factors influencing the speed of change," says Nigel Vaz, chief executive of Publicis.Sapient International. "The first is the accelerated rate of change of consumer behaviours and expectations. The second is the rate of change of technology or the digital element of business transformation.

"Whereas technology was once the preserve of the IT department, and cost and risk were the priority, now technology is integral to and powers every part of the organisation. As a result, it is on the agenda of the CEO and C-suite instead of isolated to IT."

Transformation and the capability to deliver it require businesses and leaders to regard change as much more than a project with a starting point and a completion.

"Amazon is constantly evolving – is it a bookseller, a retailer, a media company,

![Nigel Vaz photograph]
Nigel Vaz
Chief executive
Publicis.Sapient International

a logistics disruptor or the largest provider of cloud services?" says Mr Vaz. "Amazon is defined not only by what it does, but also how it does it. It has built capabilities to power its own business, for instance AWS to power its commerce platform, and has turned that into a business itself. How it quickly stands up and then monetises these capabilities is a core skill, one which more traditional organisations need to understand and to adopt."

Traditional companies and industries are increasingly being disrupted by nimble and digital-first entrants. While this is true across all sectors, the disruption can come in different forms from processes such as manufacturing, to products and services. If companies do not evolve their businesses and put digital at the core, they could see themselves surpassed by digital leaders.

Many of the top companies of yesterday have been overtaken by those that put digital at the core. Look at a comparison of the top five US companies by market capitalisation in 2001 and today.

Publicis.Sapient has been helping to build digital businesses for almost 30 years, and has fundamentally changed many industries through the launch of some of the first internet banks, stock trading platforms and the largest retail commerce platforms. It helped to create online seat selection tools for airlines, which became one of the biggest drivers of cost reduction at the time and now represent the airline industry's second biggest revenue generator after air fares.

Publicis.Sapient partners with clients on their digital business transformation (DBT), an approach that begins with identifying how to create value for consumers and the business, and prioritises what will most materially impact a business. The second stage of the DBT approach focuses on how to unlock that value using digital capabilities.
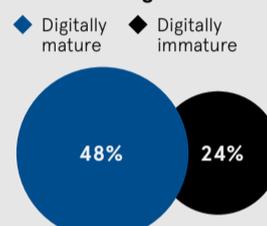
In the instance of airline seat selection, the clear value identified both to customers and to the enterprise required adjustments to many systems and processes. DBT requires the
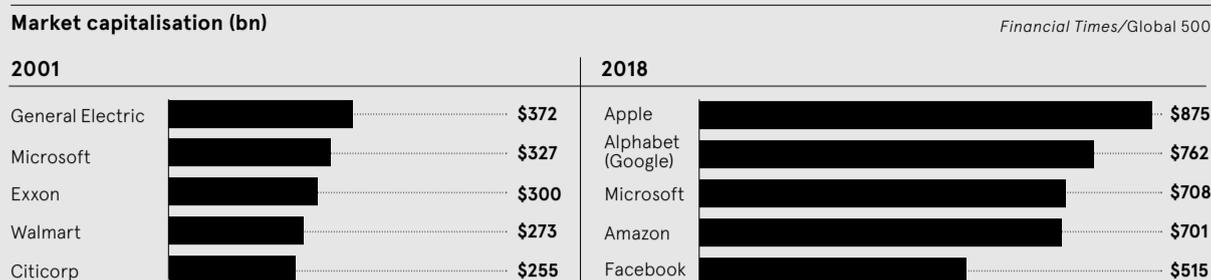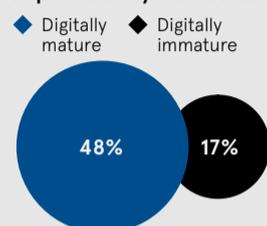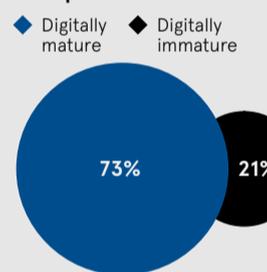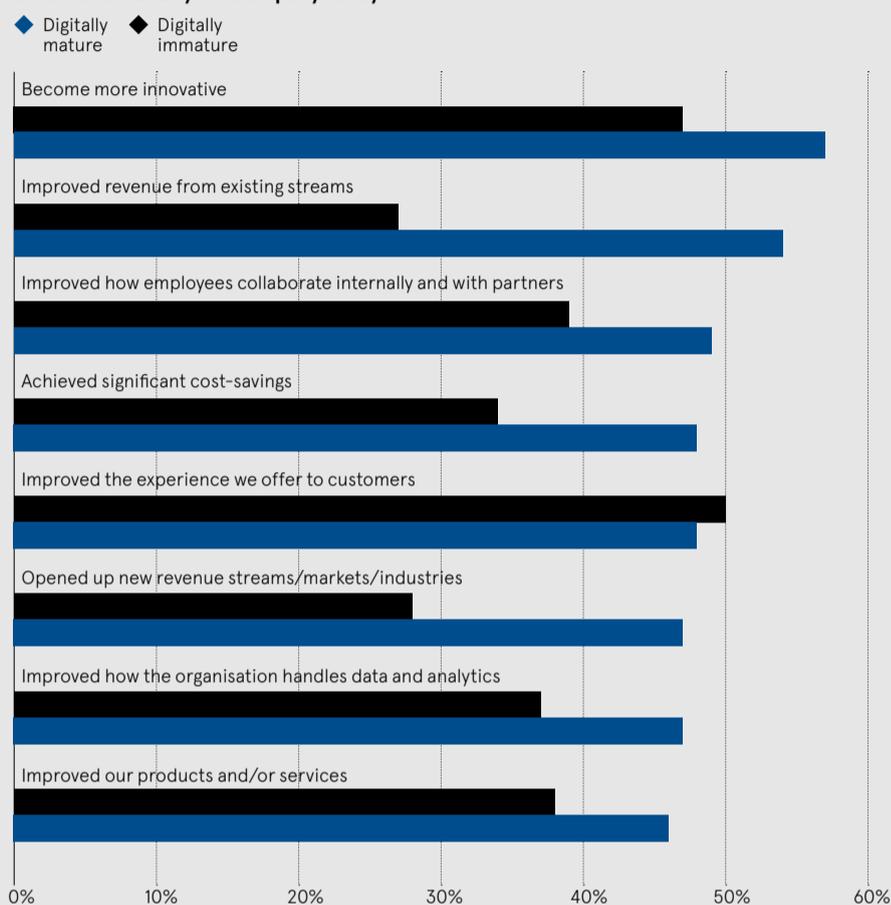
transformation of both the front stage, which is exposed to customers, and the back stage, underpinning business infrastructure and operations.

"Some companies identify opportunities for disruption, but then fail to realise how they'll go about delivering it," says Mr Vaz. "Others are so mired in the how of a change that they are unable to evolve the business to ask the bigger question of the what."

He contrasts two of Apple's bosses. "Steve Jobs was a transformational CEO whereas Tim Cook is a more traditional CEO. Cook is the kind of boss that most companies have – someone who is great at running the organisation. But the more transformational CEO is focused on how the company will create value for consumers and pushes it to achieve that. The organisation needs both skillsets – the vision and the roadmap to get there."

> **If companies do not evolve their businesses and put digital at the core, they could see themselves surpassed by digital leaders**

There are companies that "disrupt" in contrast to those that "differentiate" and "defend", explains Mr Vaz. "If we look at the German automotive industry, it is differentiating on the traditional combustion engine alone. These carmakers pioneered it and it is their focus; they're using it to defend themselves against the disruptors.

"Tesla, on the other hand, might not yet have the production capabilities and the scale, but it has put a marker in the sand to say, 'This is how we think that the automotive sector will evolve'. It is a future that is less about the hardware of the car and more about the car becoming a platform through which companies can differentiate themselves."

In research conducted by Publicis. Sapient in partnership with the Fortune Knowledge Group, nearly three quarters of digitally mature organisations say it is likely or very likely that the leader in their industry will be a digital disruptor within the next five years.

Many companies look to external partners to help with their business transformation, sometimes due to lack of internal capability, but more often because, while they are highly effective at their core business, it is a significant challenge for them to reimagine the future of their business and industry.

An approach that puts the customer

at the heart of everything that a company is and does, starting with customer needs, will enact change that has the greatest impact on value to the customer and for the business.

Digitally mature organisations are twice as likely as their immature counterparts to point to deep customer insight as the most important factor driving success of their organisation's digital transformation strategy, according to the Publicis.Sapient and Fortune Knowledge Group research.

The "how" should become the "what" of digital transformation, Mr Vaz argues. "You need to think about how you view organisational models, culture, processes and policies, and how you measure results. It's important to create a culture of continually unlocking value by consistently evolving. Even if you make the wrong choices about where you're going, you need to be able to move beyond those mistakes as part of your evolution."

He believes that the leaders of companies need to adopt a culture of constant digital transformation. "They need to think about it as a journey rather than a destination," he says. "That's what's so exciting about it."

For more information please visit publicis.sapient.com

Market capitalisation (bn)

Financial Times/Global 500

2001

General Electric	$372
Microsoft	$327
Exxon	$300
Walmart	$273
Citicorp	$255

2018

Apple	$875
Alphabet (Google)	$762
Microsoft	$708
Amazon	$701
Facebook	$515

Executives who rate their firms as profitability market leaders

◆ Digitally mature   ◆ Digitally immature

48%   17%

Digitally leading companies are twice as likely to value deep customer insight

◆ Digitally mature   ◆ Digitally immature

48%   24%

Digitally mature companies are more likely to recognise and anticipate threats

◆ Digitally mature   ◆ Digitally immature

73%   21%

In which of the following ways has digital transformation created value for your company today?

◆ Digitally mature   ◆ Digitally immature

- Become more innovative
- Improved revenue from existing streams
- Improved how employees collaborate internally and with partners
- Achieved significant cost-savings
- Improved the experience we offer to customers
- Opened up new revenue streams/markets/industries
- Improved how the organisation handles data and analytics
- Improved our products and/or services

0%   10%   20%   30%   40%   50%   60%

Executives Reveal the Impact of Digital on Business Transformation, Publicis.Sapient global survey

GENDER INEQUALITY

THE TIME HAS COME FOR CHANGE

The moral argument for a more diverse and inclusive workplace is undeniable, though proving a business case for driving change is sometimes less clear. Organisational equality is no longer confined to the realm of human resources, but has become a boardroom issue all over the world, as leaders realise the benefits that a balanced workforce can have. Yet there's no simple fix or approach that can ensure equality is beneficial to organisations. Change needs to be focused on workplace culture itself and embedded into the business strategy if we are to see any meaningful improvement in gender diversity

Only 26% of senior roles around the world are held by women

Grant Thornton 2017

34% of global businesses have no women in senior leadership

Grant Thornton 2017

**21%** more likely for gender diversity leaders to financially outperform laggards*

McKinsey 2018

26% increase in global GDP if women were to achieve complete gender parity with men

McKinsey 2016

*Comparing the top and bottom quartiles for gender diversity on executive teams
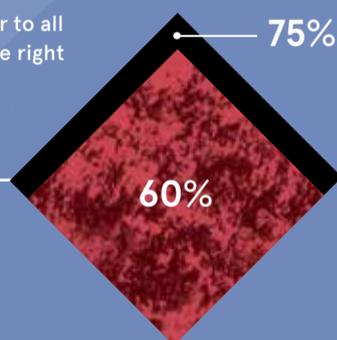
Reasons for gender diversity

Percentage of companies and employees have different views on the following...
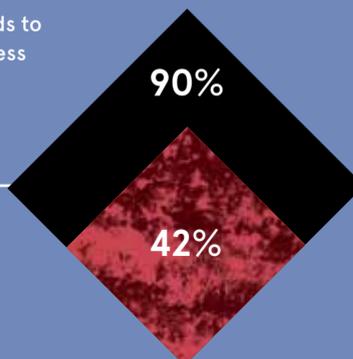
◆ Employees ◆ Companies

Diversity contributes to a positive image of the company
52%
23%
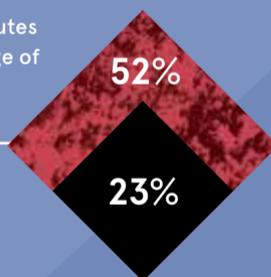
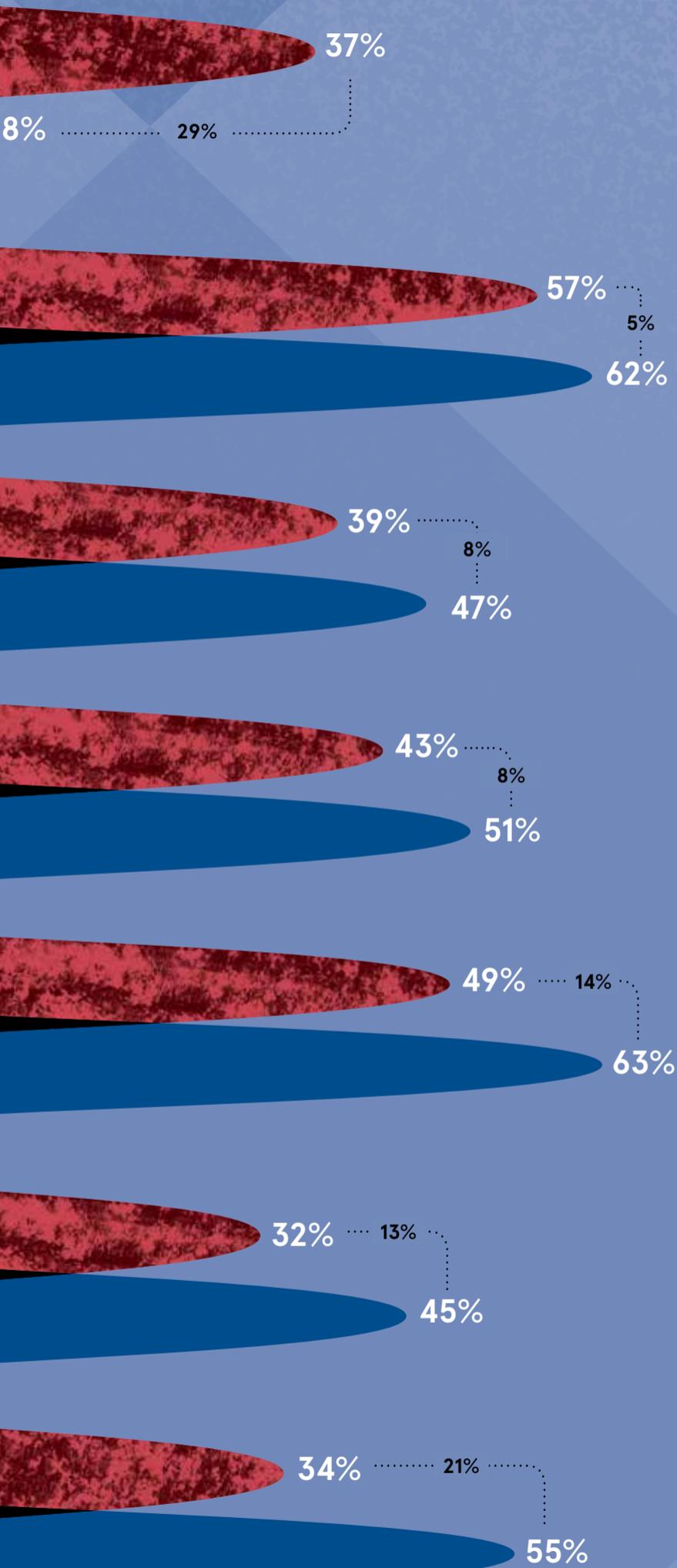Diversity is fair to all people/it's the right thing to do
75%
60%

Diversity leads to better business results
90%
42%

McKinsey 2017

Men and women have very different vie...

Percentage of male and female employees who agree with...

◆ Female ◆ Male

My gender has played a role in missing out on a pay rise, promotion or a chance to get ahead

I have equal opportunity for growth as my peers

The best opportunities go to the most deserving employees

A broad range of leadership styles is successful at this company

My company is doing what it takes to improve gender diversity

Managers make sure a diversity of voices is represented in decision-making

In this company, disrespectful behaviour towards women is often or always addressed quickly

...ws about progression
...n the following statements...

37%

8% .... 29% ....

57% ....
5%
62%

39% ....
8%
47%

43% ....
8%
51%

49% .... 14% ....
63%

32% 13%
45%

34% .... 21% ....
55%

Best/worst countries for gender equality
Proportion of senior management

◆ Female ◆ Male

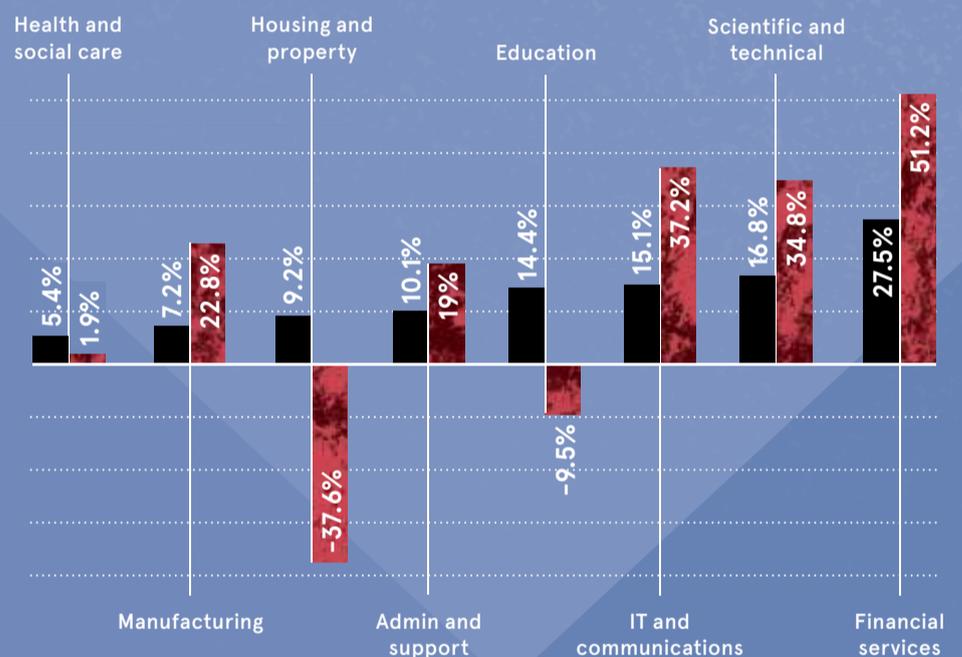| BEST				WORST			
Russia	47%		53%	Japan	7%		93%
Indonesia	46%		54%	Argentina	15%		85%
Estonia	40%		60%	India	17%		83%
Poland	40%		60%	Germany	18%		82%
Philippines	40%		60%	Brazil	19%		81%
Lithuania	37%		63%	UK	19%		81%
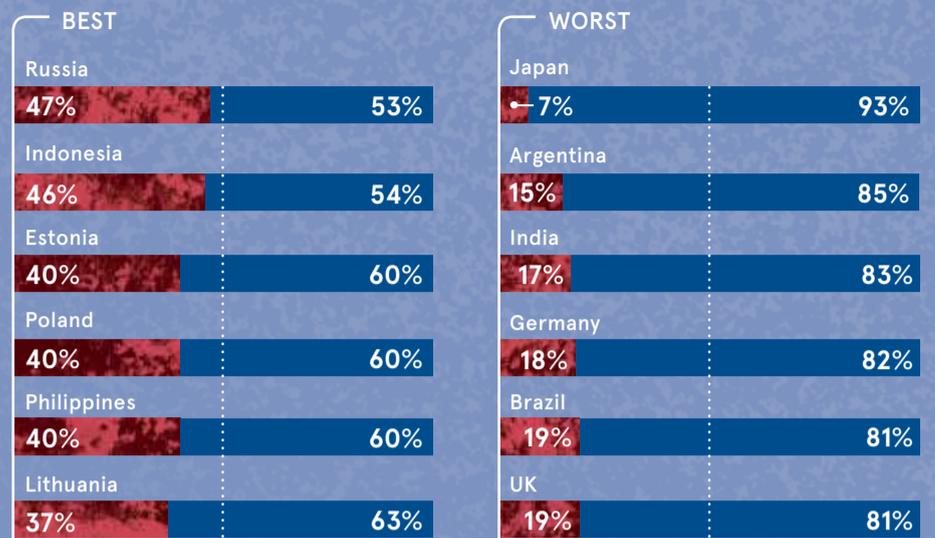
Gender pay gap
Analysis of 570 gender pay reportees

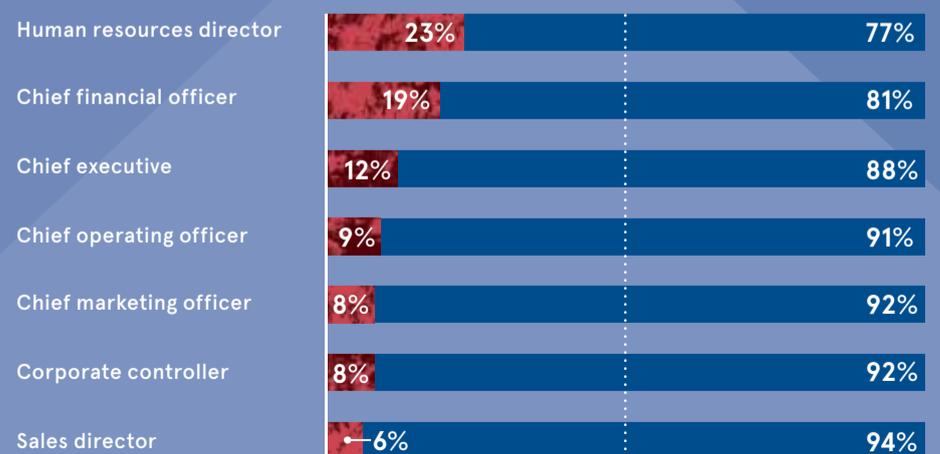◆ Mean gender pay gap for hourly pay
◆ Mean gender pay gap for bonus pay

Health and social care — 5.4% / 1.9%
Housing and property — 7.2% / 22.8%
9.2% / -37.6% (Manufacturing)
10.1% / 19% (Admin and support)
Education — 14.4% / -9.5%
15.1% / 37.2% (IT and communications)
Scientific and technical — 16.8% / 34.8%
27.5% / 51.2% (Financial services)

Gender representation by role
Proportion of global senior management

◆ Female ◆ Male

Role	Female		Male
Human resources director	23%		77%
Chief financial officer	19%		81%
Chief executive	12%		88%
Chief operating officer	9%		91%
Chief marketing officer	8%		92%
Corporate controller	8%		92%
Sales director	6%		94%

Jonathan Kingston/Getty Images

Making the business case for workplace diversity

Embedding diversity and inclusion into company culture gets the best from people and helps boost the bottom line

CATH EVERETT

Although most organisations do not take diversity and inclusion (D&I) as seriously as they ought, in reality the practice has the potential to help transform businesses from the inside out.

As Helen Tucker, human resources director for Northern Europe at multinational consumer goods manufacturer Procter & Gamble (P&G), puts it: "It's about culture change, and giving people the opportunity to live your values and credos and principles. For us, that's about respecting everyone and making them feel valued and included so that, no matter who they are, they're able to contribute to the business in the best way they can."

But such a philosophy is more than just warm, fuzzy words or the latest manifestation of political correctness. In fact, according to McKinsey's latest D&I report *Delivering through diversity*, there is a clear correlation between this kind of approach and increased profitability.

For instance, the top 25 per cent of companies surveyed with a good gender mix at executive level were 21 per cent more likely to demonstrate above average profitability. This figure rises to 33 per cent if ethnicity and race are used as the marker.

But despite D&I's potential to transform the way organisations and their teams think and conduct themselves, it rarely does, says Stephen Frost, founder and chief executive of D&I consultancy Frost Included. The problem is, although there is "movement", the sector is "overwhelmingly immature", he says.

To illustrate his point, Mr Frost divides organisations into three key categories. The first is the Diversity 101 group, which comprises the majority. They base their D&I activities on complying with legislation such as the Equality Act.

But the problem with this approach is it can end up being counter-productive. All too often, the focus narrows down to individual high-profile issues such as gender pay gap reporting, which tends to generate only tokenistic change.

Second come Diversity 2.0 firms, which are a bit further down the path and include many of the FTSE 100. They see D&I as positive in marketing terms, good for the reputation and a plus in terms of stakeholder relations, helping them to win contracts and the like. As a result, they tend to have a number of diversity initiatives in place, but their thinking is not usually very joined up.

Thirdly, there are Inclusion 3.0 organisations, which are few and far between, but include players such as Unilever, EY and the Wellcome Trust, says Mr Frost. They start with a philosophy of inclusion and embed D&I into their business strategies as well as into decision-making at all levels.

Key to this approach is the concept of intersectionality, which recognises that many individuals have more than one diversity characteristic, which includes race, gender and sexual orientation.

As Mr Frost points out: "When you just focus on 'women', it probably means you're talking about straight, white women. But that leaves others even further behind and it's about helping everyone to succeed, no matter who they are."

So how can organisations best take advantage of what Ms Tucker believes is a massive opportunity to transform their corporate culture for the better by adopting a more inclusive approach?

The first step of this three-to-four year journey, she says, is to create a strategic action plan that is closely linked with the company's organisational and business strategy.

The aim is to ensure D&I becomes hard-wired into the business in all areas of talent management – recruitment, promotion, retention and leadership – so it is part of the business agenda and helps to deliver on business goals. As such, it is also important to frame what success looks like and find ways to measure it.

The next stage is to ensure that leadership at all levels is accountable in three key areas of hard numbers and data relating to employee mix, creating a culture in line with the company's inclusive values and enabling a flexible working environment, which includes everything from gender-neutral toilets to benefits.

To this end, P&G set up an inclusion council comprising leaders from across the business to encourage them to "align with and own the (D&I) strategy". Existing employee networks were also involved in the process to "harness their intent and energy and resources" and ensure "everyone contributed to taking a common direction", Ms Tucker says.

Put another way, creating a sustainable culture of inclusion is not just about providing leaders with a one-off training course on unconscious bias.

Instead, advises Nic Hammarling, head of diversity at business psychology consultancy Pearn Kandola, it is about a "constant drip, drip, drip where you have to take pretty much every opportunity to remind people and give them practical things like checklists or actions to do in the moment". Otherwise they are likely to take shortcuts when busy and revert to old habits.

But individual leaders also need to take personal responsibility for acting in an inclusive way. "It's important to make it personal or otherwise you're trying to boil the ocean," says Mr Frost. "So it's about saying 'as a leader, it's your job to include difference because doing so will cover your blind spots and help you make better business decisions'."

As to recognising when you are on the right road, Ms Hammarling sums it up nicely: "It's when you move away from the idea that getting it right is somehow politically correct towards being truly interested in others and how to get the best out of them, no matter what their background, to the benefit of everyone." ◆

Correlation between diversity and performance

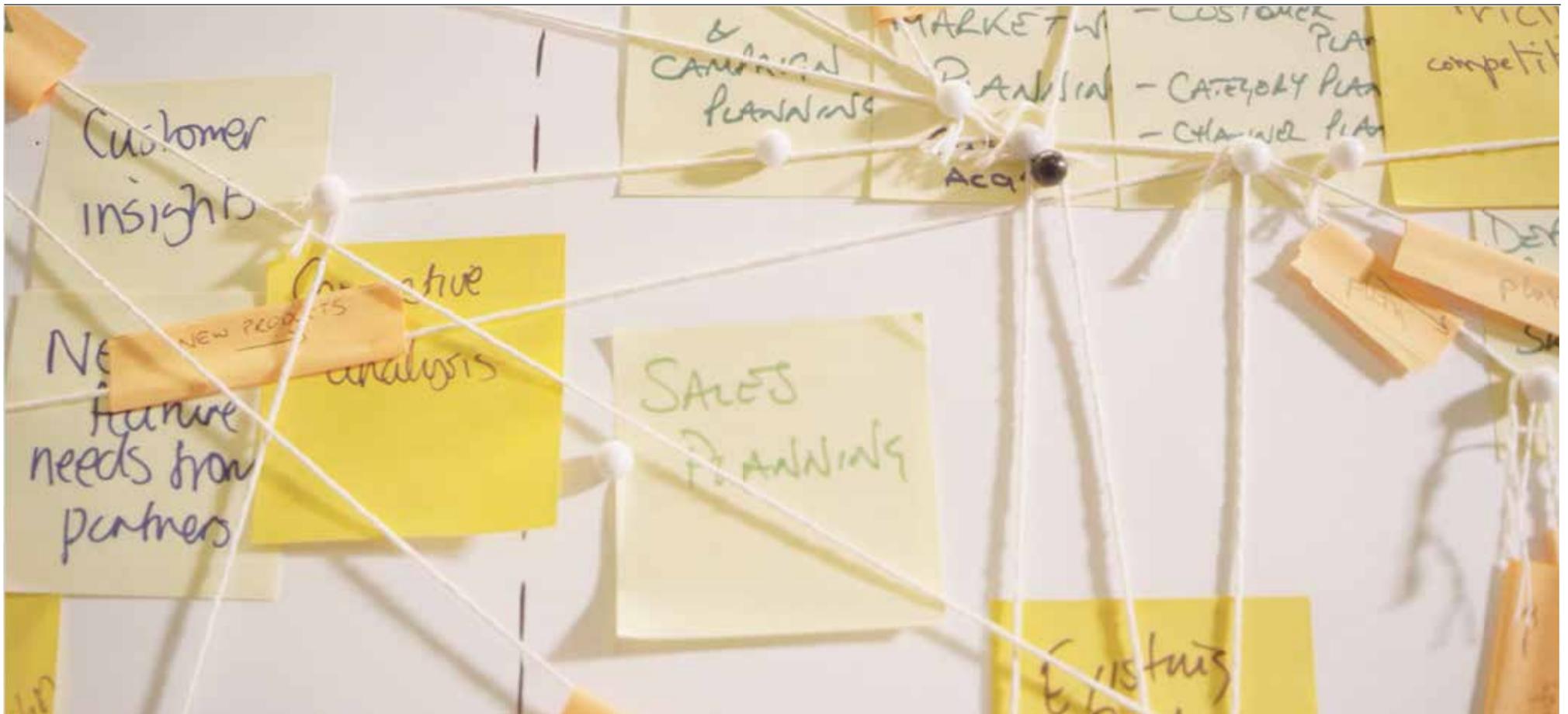Percentage likelihood of above-average financial performance by diversity quartile*

◆ Fourth quartile ◆ First quartile

Gender

45%	
55%	**+21%**

Ethnic/cultural

44%	
59%	**+33%**
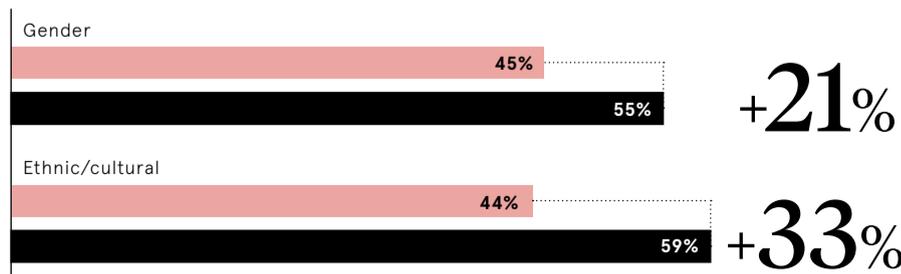
*Percentages are rounded to the nearest whole number; however, calculation of the differentials in quartile performance uses actual decimal values

McKinsey 2018

Behind the scenes at a smash-hit transformation

How Egremont Group helped photo-printing website Snapfish turn from struggler to high performer

What does truly world-class transformation look like? One of the most startling cases in recent years has been Egremont Group's turnaround of global photo-printing website Snapfish. The site once valued at $300 million became a loss-making, low-morale and strategically lost enterprise. Snapfish drifted from owner to owner, becoming a byword for a business that couldn't quite decide what it wanted to be.

In December 2015, the website managed to bungle Christmas orders, gifts arriving late.

Then in 2016 a new chief executive arrived from retailer Walgreens, where he had worked with British consultancy Egremont Group on an enterprise-wide business transformation programme, focusing on performance improvement and cultural change.

He tasked the consultancy to help him effect a total company-wide transformation. Today, Snapfish is thriving. It is both profitable and growing sales. The result was so productive it was nominated for a Management Consultancy Association 2018 award for Change Management. In 2017, Egremont Group won the same award for its work with Walgreens. Customer metrics are through the roof, as is employee satisfaction and engagement.

The project offers a prime chance to look under the bonnet of a really effective transformation job. So what went on at Snapfish?

"I met Sean Connolly, the chief executive of Egremont Group, at a Mexican restaurant in 2016," recalls Snapfish chief executive Jasbir Patel. "We plotted a course for the turnaround. I said this project is about getting people to believe. It wasn't a technology transformation issue. It came down to trust, leadership and alignment."

The first task was to get Snapfish's management and staff to take a fresh look at their business model. It's a complex organisation, with 185 full-time staff, support staff in India, and a sales model selling photo-printing and gifts both direct to consumers and businesses, providing IT infrastructure for other retailers to offer similar services.

"Snapfish had grown so quickly they had no sense of core processes," recalls Mr Connolly. "We wanted to create an environment where people see reality with clean eyes. Then they see new possibilities." This ethos has a concrete methodology behind it. Egremont introduced the "string and paper operating model" exercise. Each department helps to map out physically the essential activities of the company with PostIt notes, paper and string, and connect links.

It demands employees think hard about the internal workings of their company. "It took four to six weeks elapsed time," says Mr Connolly. "Each group that came in modified it. At the end they said, 'Wow! That's how it works. And it's a mess! We could do this so much better'."

The next stage was reshaping the company from the ground up. Intense sessions thrashed out the ideal working model of the new Snapfish. The appetite of staff to contribute was phenomenal. There had been no lack of passion at Snapfish, merely an inability to articulate views in a co-ordinated manner. A project room surfaced every complaint, worry, ambition, idea and solution in an open manner.

The corporate culture received the harshest rethink. "We crowdsource," says Mr Connolly. "Rather than asking HR for an ideal list of behaviours, we ask the organisation. How can leadership inspire followership? And how do you create a workplace where people can be themselves?"

> ❝ **Egremont enabled me to lead the organisation through a significant transformation**

Egremont Group studied the dynamics in meetings. Is the balance of voices right? Who said what? Are concerns listened to? Transparency is critical and it became imperative that staff learn they can challenge the agenda at meetings. "How we conduct meetings is one of the biggest pieces of work that continues to deliver for us," says Mr Patel. "With transparency it's OK to honestly disagree. We worked hard on that."

The global reach of Snapfish presented a major challenge. Mr Patel openly admits there was a lack of communication between the United States and divisions in Australia, New Zealand, the UK and continental Europe. Internal departments were siloed.

Egremont Group introduced practical ways to unite staff across borders and job descriptions. In came monthly operations reviews and regular governance meetings. Cross-functional sponsorship built links between key staff. "We now do video-calling," says Mr Patel. "We believe in face-to-face interaction." The 300 support staff in India, previously neglected, were consulted and included in the transformation process.

A well-positioned business is fit for the future. But how can leaders know what the future looks like? The project mapped out the knowables, unknowables and variables to create a picture of what Snapfish could look like in the year 2028. "This means you can ask where you fit in," says Mr Connolly. "And what do you need to do to get ready for that world?"

The results? The financial turnaround of Snapfish is remarkable. Sales were down double digits in 2015; in 2017 they rose double digits. The return on investment of the consulting work is 25:1.

Mr Patel is emphatic in his praise for Egremont Group: "The challenge was huge, not only declining sales and customers, but extremely low staff morale. Ultimately Snapfish had lost its way and identity. Egremont enabled me to lead the organisation through a significant transformation. Egremont enabled Snapfish to discover its core identity and unify the organisation around it. The results we are now seeing show a clear turnaround."

Staff tell the same story. Today 95 per cent agree that the company is strongly aligned on vision and strategy. The workplace feedback site Glassdoor records some of the most telling insights. "CEO Jasbir Patel has revitalised Snapfish with values that put employees first," writes one long-term employee. "For the first time, our company truly respects ideal team players who are hungry, humble and emotionally intelligent... each of us has a clear understanding of how we as individuals contribute to achieving company goals."

The tools, processes and ideas put in place during the transformation process continue to deliver, long after the consultants have left the building. Mr Connolly and Mr Patel remain in close contact. "Unlike other major agencies that sometimes offer you a senior executive who wasn't on the project, Sean is always open to come back to the team to chat to us. You build a personal relationship with Egremont Group," says Mr Patel.

Can the same approach work with other organisations? Mr Connolly has worked on a long list of landmark transformations, including Seven Trent Water, where a single job expanded to a multi-year overhaul of the entire company due to the strength of results.

"We make your organisation capable of change," he says. "Then you don't need us. We are arguably cannibalising our future income, liberating organisations. Hopefully they'll like it and tell other people."

For more information please visit www.egremontgroup.com

egremont group

How smart execs spend cash on digital

Executives, who led major transformational digital projects in large organisations, share the lessons they learnt from the risks involved

BEN ROSSI

TOLGA AKMEN/AFP/Getty Images

Danny Nicholson
Landsec

At a time when innovation is developing at a rapid pace and new technologies come to the market at an increasingly frequent rate, businesses must adapt to the digital landscape and arm their employees with the most productive and mobile tools.

Landsec, the UK's largest commercial property development and investment company, took advantage of a large-scale office move recently to introduce a digital workplace strategy which delivered accessible and agile technology to its staff.

Where previously people were tied to their desks with traditional phones and desktop PCs, the company has now given all employees the ability to work securely wherever there is an internet connection with individual Microsoft Surface Pros.

"This gives them the freedom and opportunity to collaborate with each other easily – from screen-sharing and video-calling, right through to capturing notes quicker and downloading online resources for offline use," says Danny Nicholson, enterprise architect at Landsec.

Central to Landsec's approach was ensuring the change was communicated effectively to all employees. As well as working with an external change management consultant, the company selected "change champions" from all levels of business to help communicate the changes to their peers.

"Our change champions were early adopters of the new technology and helped iron out any bugs or complications," says Mr Nicholson. "Additionally, we created a document that contained all details regarding the changes and included information on how to use the new technology.

"Communication was fundamental to reassuring our employees that these changes were positive ones and a Leesman survey revealing a 44 per cent increase in satisfaction highlights its success."

02

Deborah Sherry
General Electric

GE started its digital transformation seven years ago when it found its business was at risk of being disintermediated by software companies that were on the verge of disrupting the conglomerate in a similar vein to Uber's disruption of the taxi market.

"To tackle this challenge, we had to go on the defensive," says Deborah Sherry, senior vice president at GE Digital Europe. "We searched for industrial software that would help us, but we couldn't find anything fit for purpose."

As a result, GE built a platform, Predix, which allows organisations to construct industrial apps similar to the way mobile app developers create apps for Android or iOS, and applied the technology to its own manufacturing processes. The digital transformation has not only driven $1 billion of productivity gains for the company, but allowed it to build a multi-billion-dollar business in industrial software.

Achieving a successful digital transformation means going beyond technology; it requires widespread organisational change. To create an environment that could enable innovation, GE looked to emulate disruptive companies in Silicon Valley.

"In an industrial setting it's essential to manage risk, but that can make organisations slow," says Ms Sherry. "So we created a culture around FastWorks, a simple agile methodology for creating value quickly at the lowest possible cost without losing sight of the requirements of assets like jet engines and wind turbines.

"It allows us to fail small and often, but to learn fast. It lets us build teams around problems quickly at low cost and then, when we know we have the right answer, we can invest and scale rapidly. Traditional hierarchies simply don't let you move that fast, so you need to adapt quickly to be a truly digital industrial company."

Nicola Downing
Ricoh

Japanese electronics firm Ricoh has cut tens of millions of pounds from its 23 operating companies in a major internal digital transformation project that established four shared services centres in Germany, South Africa, Spain and the UK.

With each operating company previously having its own finance team, there were 23 separate teams across the organisation which were essentially doing the same thing. By investing in the digitised service centres, Ricoh has standardised and simplified processes and provided the ability to leverage where work is done.

Ricoh Europe's chief financial officer (CFO) Nicola Downing, who led the project, says at the heart of the project's success has been real accountability at board level and executive sponsorship that reaches across the business.

"Anything on this scale needs a leader," she says. "One person does need to be accountable for it and I think that does fit well with the CFO or, for organisations that have it, a combination between CFO and chief information officer (CIO)."

Whether that accountability sits with a CFO, CIO, chief digital officer or someone else, it's important that efforts are joined up across departments, and that skill gaps are identified and filled quickly. The project leaders should champion the change programme in all levels of

03

the business and explain how it will affect people.

"With the breadth of my role, I don't pretend to be an expert in all the areas I have ultimate accountability for," says Ms Downing. "It's about having strong people in teams around you, so hiring the right people for projects or transformational activity is key.

"Success depends on making sure people understand what you're doing and why, keeping communication lines open, and being honest with your staff. Good ideas often come from lower down in the organisation, people who are every day at the coal face working on the things you're trying to change." ◆

Art of transformation

Bringing structure and rigour to a transformation can produce powerful results. **Tom King**, commercial director at digital transformation agency Mubaloo, explains the three steps to mastering the process

Business transformation needs transforming. Research shows business transformation has a 30 per cent success rate. Can you imagine how much time, money and probably jobs this must waste?

It clearly takes more than blue-sky thinking or asking users what they want, which often ends up in directionless and risky initiatives based on opinion, not fact.

At Mubaloo, we've learnt that the key to successful transformation is having an in-depth understanding of the "problem" or "opportunity" that we're trying to solve; coupled with the usual careful planning, internal buy-in and the right culture.

With experience supporting dozens of clients through business transformation, we've developed a three-step process aimed at making transformation a success through giving our clients clarity, focus and confidence. Let me explain how it works.

The first step is the creation of a vision for digital. This gives us direction and team alignment; it helps steer our overall objectives and tactics, whether that's to increase specific process efficiency by 7 per cent, unlock a new market or even being seen to be more innovative.

The second step is to identify the "unmet needs". By this we mean the user tasks which are important but currently unsatisfied; these form the opportunities for improvement. We like to use a methodology called "jobs to be done", which looks at the tasks users are trying to complete, not the process they use today.

It allows a set of products services to be evaluated from the ground up and has been proven as a reliable way for product/process innovation. This is about customer/user first; technology is just the enabler to get us there.

Once that process is complete, we move to the third stage aptly named digital product design. We work on a product, create a prototype, user test and deliver that in the form of an iterative digital product – it could be a web dashboard, mobile app, Alexa Skill, augmented reality experience or even just sending a SMS – that's continually developing and growing.

For example, we worked with a leading shipping and logistics provider to identify their vision for mobile, uncover the jobs that needed to be done and developed a mobile app to unlock a multi-million-pound market.

This approach materialised by enabling small, medium-size companies and individuals to book shipping container space with the help of an easy-to-use mobile application, where you can manage your freight and know at all times the status of that shipment.

The result was a total rethink of the shipping industry, while removing the middleman – other companies booking shipments for smaller clients – and unlocking a new market segment for the company.

Even dynamic companies can feel overwhelmed trying to re-engineer their organisation amid turbulent industry conditions on their own. It helps to introduce a fresh perspective, someone who looks at outcomes and is disconnected emotionally from a current process or product. Our clients are the experts in what they do and we have the expertise in innovation/transformation. The combination is very powerful.

This mindset means a consultancy agency can often rethink even everyday aspects of a business model and give you a starting line for your business transformation.

Mubaloo works with clients across industries and we frequently partner with clients that are looking to make a significant change. It works best when clients embrace new ways of working to create digital products which meet both user and business needs.

We're a digital transformation agency and mobile experts with more than nine years' experience in planning and developing digital products and experiences for world-leading clients. We can help you deliver end-to-end business solutions that cut costs, improve efficiencies and disrupt markets.

Tom King
Commercial director, Mubaloo

Transformation from back to fr

Over the past decade, the transformation
in how we bank has been astonishing –
and the revolution goes on

Rodion Kutsaev/Unsplash

CLARE GASCOIGNE

In the past five years, customers' activity on banking apps has rocketed by 354 per cent, with apps now an increasingly popular way to access current accounts, rising from 21 per cent in 2012 to 61 per cent by the start of 2017, according to the British Bankers' Association, now UK Finance.

"Customer behaviour has shifted dramatically," says Raman Bhatia, head of digital at global bank HSBC. "Customers have embraced mobile, and to compete in a world driven by mobile you have to have a very different and seamless interaction."

The big players in banking have been increasingly challenged by new and more agile fintechs; banks such as Monzo and Starling have brought a wave of innovation to the industry. But the changes in how and where we bank have also to be matched by changes in the back office, the engine room of a bank, where transactions are cleared, regulatory demands met and data processed.

"The back office is going to look completely different within a few years; the boundary points with the front office are starting to dissolve," says Julian Herring, partner in consultants EY's banking technology practice. "The promise of straight-through processing is finally coming true."

Dissolving the silos between departments is key to transforming the industry and meeting the new demands made not only by customers, but by changing regulation. Whether meeting European Union demands such as PSD2, a directive to regulate payment services, or home-grown regulation such as open banking, which opens up and shares data on everyone's banking transactions, the banking industry has to meet an astonishing array of legal requirements. And banks must maintain the current high standards of confidence and resilience that we have come to expect.

"If services fail or customer expectation is not met, regardless of whether the root cause is system or process generated, then a savvy customer is likely to switch," says David Poulton, head of client engagement at eg solutions, a software company specialising in the back office.

Many of the roadblocks have been behind the scenes, as the industry struggled to meet its compliance needs, but maturing technology has led to a transformation in how banks view compliance. It is no longer a question of producing proof via documentation, but it is now inherent in the process. Digital ledgers such as blockchain have built in transparency and immutability to the process but, like any new technology, it has taken time for such innovations to prove their value and trustworthiness.

Existing technology has been a stumbling block to wholesale

> **Digital transformation outside
> the industry has forced banks to
> develop a more finely nuanced
> understanding of the customer**

transformation for many of the incumbents. Some found themselves in the unhappy position of trying to marry up several legacy systems, the unintended result of mergers or acquisitions. The sheer variety of ways in which we could interact, on multiple devices from multiple different companies, meant that the investment costs were simply too high, particularly given the competing demands on resources from compliance. Add in the shrinking of those resources following the 2008 recession and it's plain to see why

transformation has proved such a difficult nut to crack.

But, according to Mr Herring, technology has reached a tipping point that is allowing for a much easier transformation. "The cost has dropped dramatically due to maturing technology," he says. "What used to cost hundreds of millions of pounds of investment and take three years can now be done for half the price and in half the time."

This has led many banks to outfintech the fintechs, whether by partnering with one of the challengers or growing their own software expertise, or a combination of the two. Though fintechs may still be seen as challengers to the dominant position of the older and larger banks, they are also now seen as partners, a change in mindset that has revolutionised the transformational journey.

Partnerships have become the most efficient way of delivering change and enabling banks to co-ordinate all the stakeholders to deliver what is promised to the end-customer. An individual bank has become a participant in the customer experience, rather than the owner of that experience, a change in perspective that has turned attitudes in banking upside down.

This runs side by side with a transformation in how banks view their customers. Traditionally, banks have invested their capital on transaction execution, but the digital transformation outside the industry has forced them to develop a more finely nuanced understanding of

Angel Navarrete/Bloomberg via Getty Images

Case study
BBVA

The titles given to high-flying executives at a bank give an indication of its direction of travel. BBVA, Spain's second-biggest bank, has a reputation as a digital pioneer, and two years ago it poached Barclays chief design and digital officer Derek White to be global head of customer solutions.

At the time, the role was described as "[driving] the transformation of the customer value proposition, including global product and design, customer experience, launching new products and services, and leveraging big data and customer analytics".

It is a description that epitomises the transformational journey being undertaken by the banking industry. BBVA's reputation in the digital space is based on solid

ground. Three years ago it bought US online banking startup Simple, while last year it strengthened its investment in the UK's first mobile-only bank Atom, maintaining its stake of around 29.5 per cent.

BBVA says it has now reached a digital tipping point, with more than 50 per cent of its customer base accessing banking services through digital channels, in six of its eleven core operating countries. The bank is focused on cultural change to accelerate transformation projects, using the collaborative agile method of working to increase the pace at which it can bring about change. It holds quarterly planning sessions for multidisciplinary teams, working on dozens of projects across the world.

Mr White says: "The digital transformation we are doing at the bank is all about giving customers, clients and indeed colleagues an amazing banking experience."
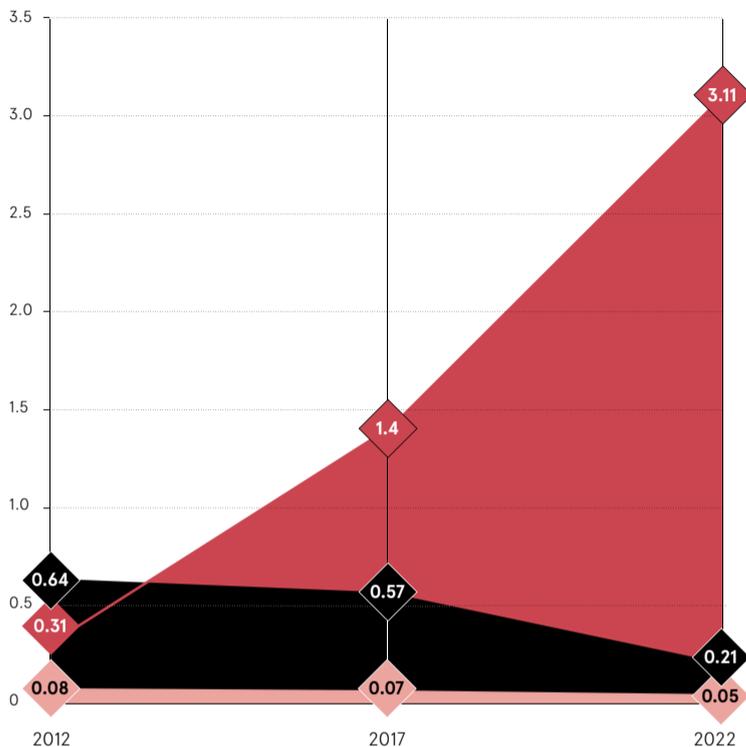
ont office

Banks must keep up with changes in customer preference

Estimated customer current account channel interactions, including logins, transactions and calls

◆ Apps   ◆ Web browsers   ◆ Telephone

Payments UK 2017

the customer. The data that is inherent in the back office has become a valuable resource to help this process; banks are increasingly mining that data to develop new and exciting interactions for customers whose idea of service has been created by the likes of Amazon and Uber, always on, always available, always instant.

> ## "The promise of straight-through processing is finally coming true

So, for example, payment services have been revolutionised by the cloud, which allows transactions to be made much faster than legacy systems. Opening a bank account can be done in a matter of minutes, instead of taking several days.

The holy grail now for banking is to anticipate customers' wants and needs, rather than just meet them, a true transformation in the way the industry behaves, but one that is hugely varied. A bank may need web analytics to analyse behaviour online, speech analytics to interpret communications via call centres, location-based information to understand the customer's life, even social

sentiment analytics to bring a new awareness of social media sentiment.

Mr Poulton says: "Banks are already transforming by looking at the way people, systems and processes interact. There is a genuine willingness among banks to transform, to meet increasing expectation, and this doesn't always have to be a large, expensive organisational upheaval."

Instead, according to Mr Bhatia, the transformation is about creating flexibility and agility through a series of shared services, a kind of catalogue of application programming interfaces or APIs, the software building blocks of IT, which can be used to plug and play services.

"It all starts with the customer's needs and about new ways of interacting with the customer," he says. "It's not good enough to have a shiny new app; you have to have end-to-end, deep, digital transformation that takes the monolithic architecture and breaks it into a set of services that are much more flexible."

Now technology has developed to the point where creating new products and services no longer necessarily demands a high level of geekiness; the programming can be assembled by anyone, rather than requiring highly skilled software developers. It allows banks to engage with customers using big data, rather than rely on often incomplete client records. Instead of a multichannel solution, it is about the omnichannel bank transformed by technological change, regulatory requirements and customer demands. ◆