Keep Your Digital Business Transformation on Track

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Initiatives: Executive Leadership: Digital Business Transformation and 1 more

Five common traps can all too easily derail digital business transformation. Executive leaders can use this research to know what the traps are in advance and learn ways to deal with them.

Additional Perspectives

- Summary Translation: Keep Your Digital Business Transformation on Track (23 July 2020)

Overview

Key Findings

- Most organizations do not have a clear vision of what they are transforming into, especially in a way that is easily understood by employees at middle management and below levels.

- Transformation sometimes takes focus away from operational excellence. This results in visible, avoidable failures that hurt the reputation of executive leaders.

- Change will be felt most palpably with middle management. A lack of understanding of their role in the transformation comes across as passive resistance.

Recommendations

To drive successful digital business transformation, executive leaders should:

- Identify what they want to transform into by creating a simple and easy-to-understand vision. For example, we are becoming an education matchmaker.

- De-escalate the risk of operational failures by elevating new leaders. Then, spend more time influencing strategy and business models.

- Move fast and let go of managers that are uninterested in changing and being part of the journey, as this can have a debilitating impact on other team members.

Analysis

This research is adapted from “Traps That Derail Digital Business Transformation,” which informs CIOs about the five common traps that hinders digital business transformation and ways to avoid
them.

Digital business transformation is a long journey that doesn’t really have a finish line. Interest can easily wane after a year or two of investment. Or a crisis comes along that constrains discretionary spending. Quite often the hard process of transformation invokes a crisis of meaning for executive leaders and their organizations, which forces them to think: Is digital business transformation really right for us? Where are the quantifiable results? Should we have placed different bets? Executive leaders that avoid common traps in digital business transformation can ensure they help their organization stay on track (see Table 1).

**Table 1: How to Avoid the Five Common Traps That Derail Digital Business Transformation**

<table>
<thead>
<tr>
<th>Traps</th>
<th>Tips to avoid them</th>
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| Unclear Vision         | • Create a shared understanding of what digital business is and isn’t.  
                        | • Know what you want to transform into by developing a simple and clear vision. |
| Operational Missteps   | • Take something off your list of things to do whenever you add something new.  
                        | • Develop a RACI* analysis against all major operational decisions. Shift your role from “responsible to solve” to “needs to be consulted” or “needs to be informed” as much as possible. |
| Lack of Patience       | • Be cautious when launching a new business model as it’ll be a long-term investment.  
                        | • Apply design thinking and lean startup principles to know when to pivot and when to preserve. |
| Passive Resistance      | • Talk about what is likely to stay the same. Avoid communicating what is different as it may be unsettling for many team members.  
                        | • Show employees they have the skills they need to deal with an uncertain future. |
| Middle Management Buy-In | • Shift your communications strategy and think of the managers as the key recipients of the transformation information. What do they need to know? What questions are they most likely to get from their employees? How will you know that they understand the transformation efforts? |
Lack of Clear Vision

Digital transformation is often discussed as if it were a goal. Be agile, do DevOps, be customer-focused, cut costs and be a great place to work. These are all important things, but everyone wants to do them so they’re not differentiated. And more importantly digital transformation is not a goal, it is a way to get to a goal. Our experience in working with clients is that very few have a crystal clear transformation vision and destination that the entire company is following. But if there is not a clear destination, each business unit makes up its own version and transformation becomes fragmented and disjointed.

Here is a real-life, adapted example of a digital business vision that is not clear: We will become a modern organization that uses new and developing technologies across all domains, with changes to internal and external customer relationships, to provide strong customer services and experiences and leverage partner collaboration.

Here is a real-life, adapted example of a clear vision: We are becoming an education matchmaker that matches learners with personalized educational opportunities.

Tips to avoid this trap:

- Explain what a digital business really is (an organization that has changed its business model) and is not (an organization that uses digital technologies). Pay attention when colleagues use digital terminology. If you sense ambiguity as to their meaning, ask questions to clarify.

- Know what you want to transform into by using the following to create a clear vision for digital business:
  - (Our company/department) is transforming into (destination in plain language, avoid buzzwords) to (objectives, avoid buzzwords).

- Create clear goals. Great goals are specific, measurable, actionable, relevant, time-bound (SMART), and if you have smart goals you know what you are working on and how you will determine progress and success. For example: We will know we are making headway when we see the number of active learners and course completions increase.

- Have a metaphor/analogy to describe the transformation. For example, we will be like a chameleon as we transform. We will be one color (for example, yellow) with our traditional business models, which we will continue to offer. But we will also change colors (for example,
Operational Missteps

Whack-a-Mole is an arcade game where moles stick their heads up through holes and the player tries to hit them with a mallet. The moles come up faster as the game goes on, and the player usually can’t hit all of them. Digital business transformation can sometimes feel like whack-a-mole for executive leaders when they are being pulled to spend more time on strategy, but are still primarily measured by their technology performance.

It often seems like just as the new, digital strategy is gaining momentum, email goes down, Wi-Fi doesn’t work for the board meeting, or worse, a customer-facing system has an outage. Transformation leadership is time-consuming and demands focus. If executive leaders’ focus quivers, transformation or operations are likely to suffer causing visible failures that can hurt their reputation.

Tips to avoid this trap:

■ **Take something off your list of things to do whenever you add something new to your list.**

■ **Develop a RACI analysis against all major operational decisions.** Delegate your operational responsibilities to your best leaders and ensure everyone accepts their accountabilities. Shift your role from “responsible to solve” to “needs to be consulted” or “needs to be informed.”

■ **Move from GPS-style leadership (this is the way I want you to go) to compass-style leadership (this is the destination, you decide how to get there).** Give your leaders a small number of questions and criteria to use to ensure daily operations run effectively. Let them know that you will always protect them as long as they use these questions to guide their decisions.

■ **Focus on less is more.** Reevaluate the list of scheduled projects to ensure they are meeting the digital business ambition (digital optimization vs. digital business transformation) desired by the business. Purge projects where a mismatch exists.

Lack of Patience

Twenty-two percent of CEOs say they expect their business models to look very different by 2021. Gartner research shows that it takes five to seven years for these new digital business models to create net positive financial results. The problem is that the board expects results faster — often within 12 months of launching a new product or business mode — than most executive leaders.
can deliver. We are seeing many promising transformation initiatives discontinued too early, mainly because the expectation was not set upfront that it would take such a long time to get to net-positive financial results.

Tips to avoid this trap:

- **Start creating executive patience before it’s needed.** Set the expectation upfront that a new digital business model will require five to seven years to be profitable.

- **Break the new business model launch into three phases: gain new users, create continuous engagement and profit from transformation.**

- **Know when to continue investing and when to stop by using different KPIs during the different transformation phases.** For example, in years one and two measure the number and growth of customers and transactions. In years three and four, measure the growth in active users. Revenue will begin to become measurable around year three to four, and net profits after that.

- **Apply design thinking and lean startup principles like build, measure and learn to figure out when to pivot and when to persevere with the initial elements of a new product or business model.** Most of the failed business models that we see are not doing this.

- **Use leading indicators to measure new product or business model success for the first two to three years.** Some examples include number of patents filed, number of new customers, size of the ecosystem and number of active users.

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**Passive Resistance**

Culture is either a barrier or an accelerator for digital transformation. Passive resistance is at the core of the culture barrier. It causes a slow, but steady, drag on transformation that prevents the executive leader from delivering promised results. This resistance is caused less by an intentional desire to thwart efforts, and more caused by a lack of understanding of how change impacts people directly. Our brains don’t like unfamiliar patterns. They tell us there is danger and we should ask questions, sit still and wait. A lot of questions from employees are easily perceived as resistance, when more often it is an attempt to get more information.

Tips to avoid this trap:

- **Talk about what is likely to stay the same.** Avoid communicating what is different to your team as it could be unsettling at times.
Middle Management Buy-In

CEOs rate talent employees and talent issues as the biggest constraint to internal growth. Change will be felt most palpably with middle management. This “frozen middle” can often be the main offender when it comes to passive resistance. They sometimes outwardly endorse change, but the risk is that they are merely reincarnating the status quo in a new form. The experience and expertise that got them to their management roles will not necessarily serve them well moving forward. And we tend to focus on the skills and abilities of the technical employees, but not nearly enough on what management needs to do to help realize the changes.

Tips to avoid this trap:

- Show employees they have the skills they need to deal with an uncertain future.

- Help people understand the rational goals for the change, believe in the change, connect to it emotionally as something they want to be a part of, and see a path forward they trust. Provide the vision, show them what's in it for them, provide them with a safe path forward they can relate to, and teach them how to make the journey.

- Spend a significant percentage of your time with employees, including in satellite locations. The point of this is to exert leadership by moving to the edges and working with people there so they can get the vision and the plan from you, and see that it is real.

- Find a few small aspects of culture to "hack." Good ones are: recurring meetings that don't trigger changes in direction (status meetings), institute flexible summer working hours and encourage staff to recharge their mindset for work, and retire a policy/procedure.

- Shift your communications strategy and think of the managers as the key recipients of the transformation information. What do they need to know? What questions are they most likely to get from their employees? How will you know that they understand the transformation efforts?

- Spend time with your middle managers, realizing that they feel stuck in the middle. Their direct reports are asking them a lot of questions so help them to have the answers. At the same time they are wondering if they will still have jobs. Your time conveys importance, and spending time with them will reinforce their role in the organization.

- Let go of managers that are uninterested in changing and being part of the journey. Our experience is that 10% of employees will be excited about transformation, 80% won't really care one way or another and 10% will actively work against you. One unwilling manager can have a debilitating impact on a team. Move fast when you find a “frozen manager.”
Many traps can derail transformation. But executive leaders can find success by taking small, practical steps to scale digital business transformation. Not every single suggestion is right for all situations. Focus on one or two strategies, leadership, culture and talent tips that you know you can control over the next three months.

Small steps lead to big progress over time.

Evidence

1 “The Lean Startup Principles Methodology,” The Lean Startup

Recommended by the Authors

Create a Compelling Vision That Everyone Understands

The New Mission of Your Office of the CIO

A Practical Approach to Strategic Thinking on Enterprise Value for CIOs

The Art of Culture Hacking

The Future of Work and Talent: Culture, Diversity, Technology

Recommended For You

Effective Digital Business Transformation Starts With an Industry Vision

Leverage Business Models to Guide Digital Business Transformation


Leveraging Digital Product Management for Digital Business Transformation and Optimization

Executive Leadership: Digital Business Transformation Primer for 2020
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