Step by step towards a digital transformation

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Digital transformations can be big, imposing and expensive. They also can fail.

In a McKinsey survey last year, only 16 per cent of respondents found that a digital transformation improved performance.

A study by Peter Weill and Stephanie L. Woerner at the Massachusetts Institute of Technology found board members understood that digital disruption had a big impact but only 39 per cent recalled discussing a digital transformation.

It may be conceptually slippery, but when it comes to profits the numbers are solid. The MIT study found the top third of organisations offering a digital experience had 8.5 per cent higher net profits and 7.8 per cent higher revenue growth than competitors. The need to go digital is clear, but rather than a big digital transformation an organisation is better off transitioning from within. The capability to achieve sustainable change can be built in-house but the foundations need to be solid.

Understanding your market is key. It's surprising how many organisations skip this step and go straight to trying to understand the technology. Once analysed, you'll know your market's seasons. When is your market in its summer, transactional and primed for growth? When is your market in its winter, slow and hibernating? This dictates timing or avoidance.

Sticky customers — the ones who stick around — are not always the enigmatic shapeshifters they are made out to be. Understand your services and products' value within your market. This will clarify customer expectations and you'll anticipate needs more effectively.

A good digital transition also examines differentiation. In a global marketplace simply having a better price is not sustainable. Analyse the customer's experience of your digital offering and how it might grow and change across time.

With the thorough analysis complete, consider starting with complementary digital content. Digital transformations often take a broad approach to change. Transitional changes will be more informative and sustainable, and less risky.

After building complementary content, move with the market; introduce a transactional capability. Build on your points of difference based on value for the community you are serving.

Naturally, the inside of your organisation is going to look different. You may be wondering: this is all great, but who is going to do all this work?

Create an appetite for change inside your organisation. This is also where digital transformations fall down. You can't ask teams to change how they work without complementary structural changes.

Having a growth mindset is

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essential. Studies by Stanford University psychology professor Carol Dweck show that changing a "fail" into a "not yet" releases people from stagnation. Praise and acknowledge the process and learning curve of your digital transition.

Set up teams to analyse risk. Identify inherent risk (what can happen if we do nothing) and residual risk (what is tolerable after we address risks). Then establish your systems to prevent or detect risk and track them. A structured setup around risk allows more time for other endeavours, such as having ideas.

Build teams with diverse skills and bespoke timeframes. Challenge, eliminate or automate traditional work. Allow space to grow, refine and socialise ideas. Dreams and new ideas are exciting but can take several years and iterations to mature. Having specialist employees and partners is an effective way to push things along. Through structure and analysis an organisation can become a sustainable digital business. A digital transition improves customer intimacy and the technology will grow with you.

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