

The background of the slide is an abstract pattern of overlapping squares in various shades of blue and white, creating a sense of depth and movement.

# CIO PERSPECTIVES

FROM IDG

## Executive Events for Senior IT Leaders

# Against All Odds: Digital Transformation Lessons from the Trenches

**Dion Hinchcliffe**

Vice President and Principal Analyst

*Constellation Research*



PERSPECTIVES

FROM IDG



# Against All Odds: Digital Transformation Lessons from the Trenches

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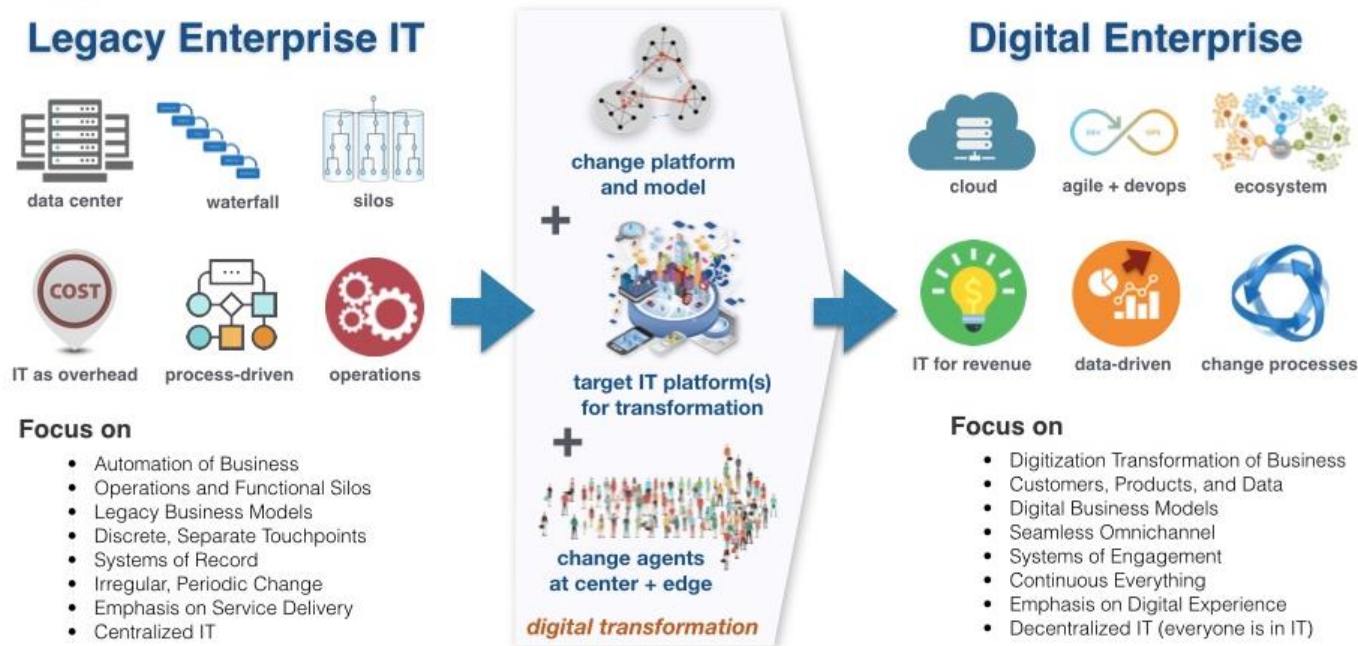
[dion@constellationr.com](mailto:dion@constellationr.com)

#CIOPVA

It's no longer about WHY.  
But HOW best to digitally transform.



# The Transformation Journey We Are All On...

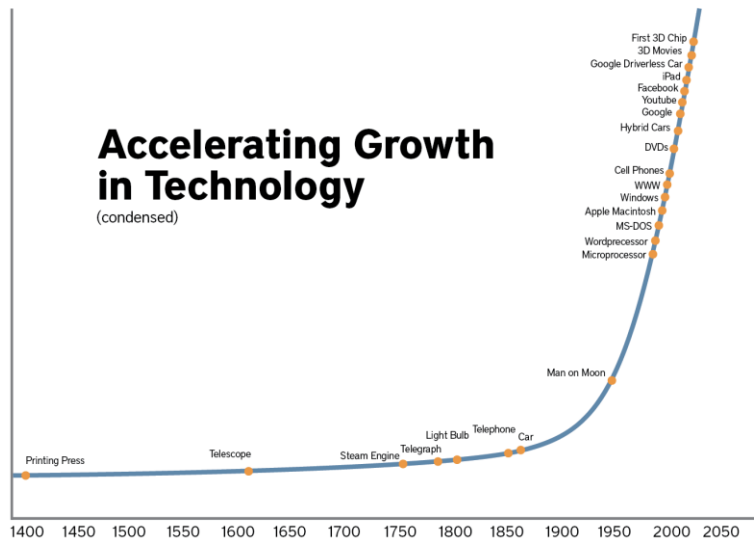


From <http://zdnet.com/blog/hinchcliffe> on ZDNet. by Dion Hinchcliffe

# Emerging Technology Rate of Change At All Time High

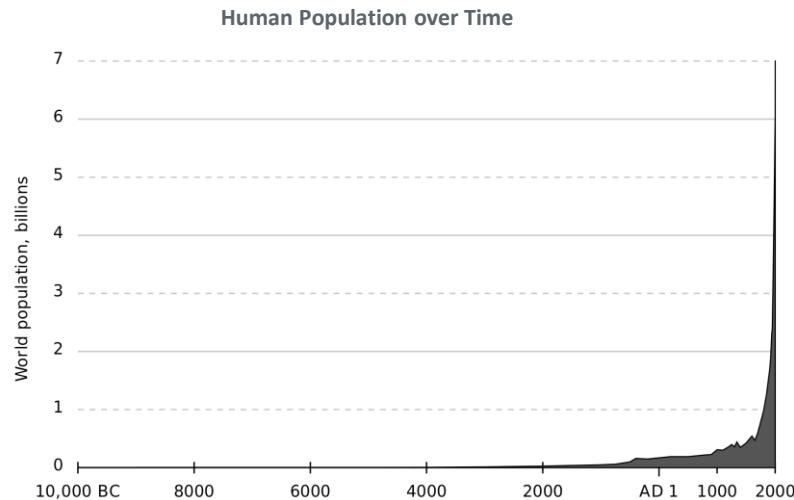
Growth of Technology and Human Success: Hand in Hand

1



Technology Growing and Change Fastest in History

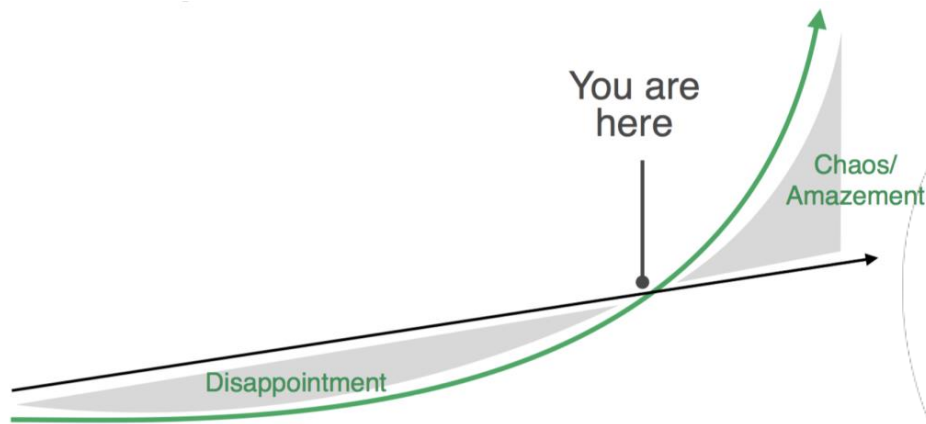
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Which Overall Has Been Very Good for Us



# More Change in Life and Business in the Next Ten Years Than the Last 50 Combined



**Insight:** Linear Thinking Does  
Not Prepare us for Exponential Times



# Understanding Exponential Tech Change Actually Helps Us Prepare Enabling Us to Anticipate the Nearly Unlimited Value Potential

1

**Insight:** The Value of Digital is Driven by Power Laws That Pay Off Big Downstream

2

But Most Organizations Only Change Linearly, or Logarithmically at Best

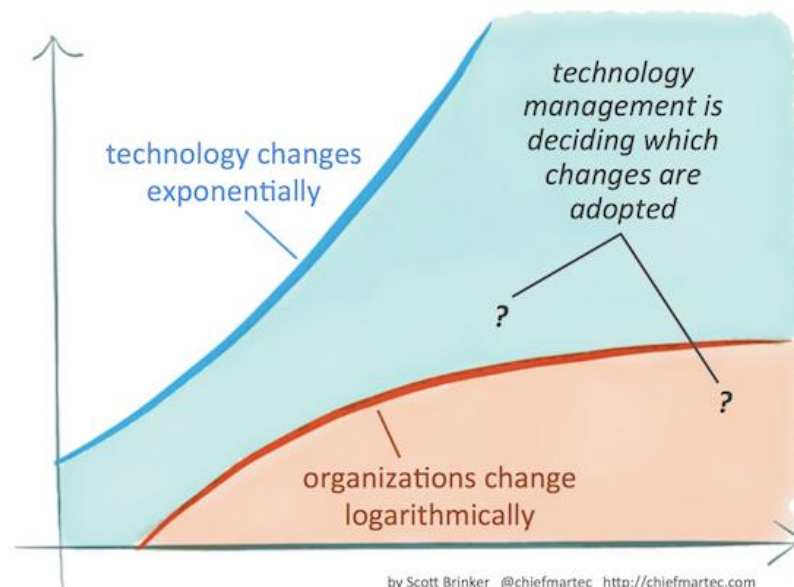
## The Payoff of Power Laws (Like Moore's Law) Over Time

Technology	Average cost for equivalent functionality	Scale
3D printing	\$40,000 (2007) to \$100 (2014)	400x in 7 years
Industrial robots	\$500,000 (2008) to \$22,000 (2013)	23x in 5 years
Drones	\$100,000 (2007) to \$700 (2013)	142x in 6 years
Solar energy	\$30 per kWh (1984) to \$0.16 per kWh (2014)	200x in 20 years
3D LIDAR Sensors	\$20,000 (2009) to \$79 (2014)	250x in 5 years
DNA genome seq	\$10,000,000 (2007) to \$1,000 (2014)	10,000x in 7 years
BCI neuro devices	\$4,000 (2006) to \$90 (2011)	44x in 5 years
Full body med scan	\$10,000 (2000) to \$500 (2014)	20x in 14 years



Source: "Exponential Organizations"  
<http://www.slideshare.net/vangeest/exponential-organizations-h>

@dw2

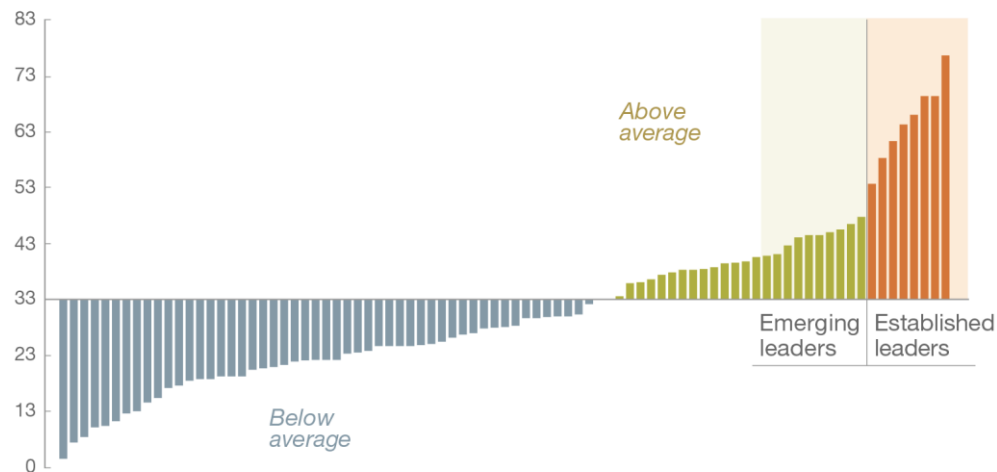




# Yet Most Companies Are Far Behind

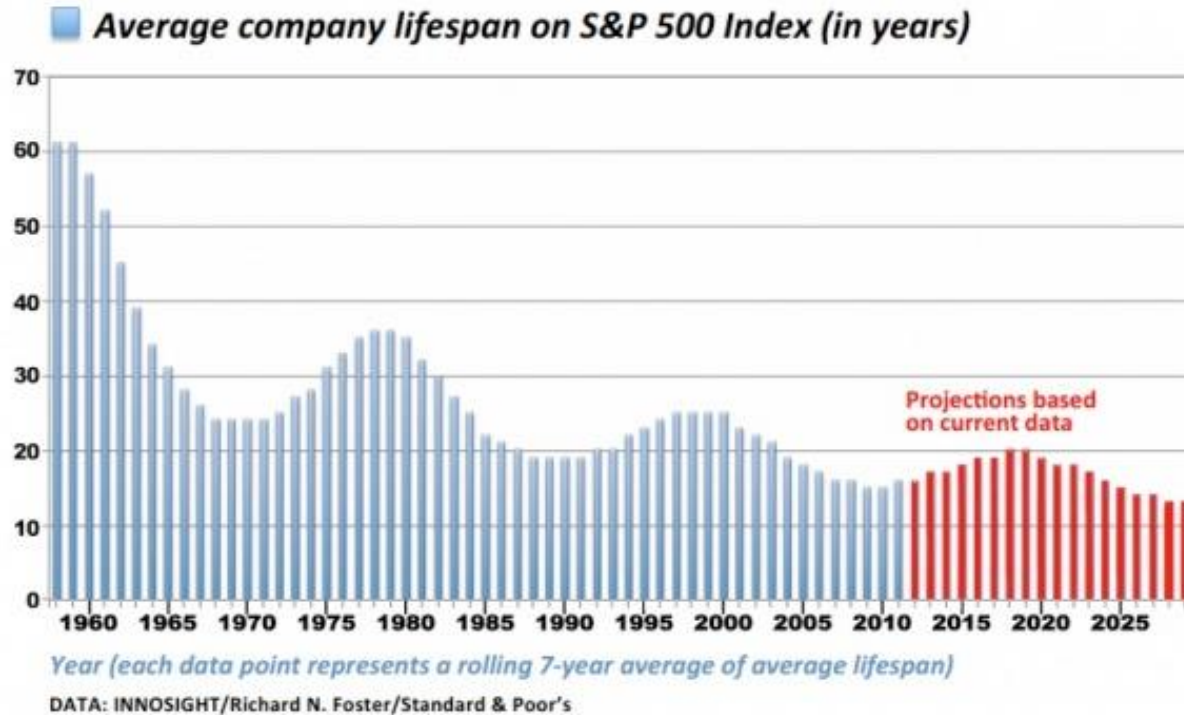
An assessment of the digital maturity of big corporations reveals a wide range of performance.

DQ (Digital Quotient) score



McKinsey&Company

# Result: Technology is Wiping Out Companies Faster Than Ever



## Three Core Insights for Digital Leaders To Find the Way Forward

- Many experiments are necessary to pathfind the way
  - The venture capital industry has built an empire on the 1/2 in 10 model
- It's now cheaper to experiment than to analyze an opportunity
  - “Just try it”
  - Corollary: The best ideas come where you least expect
- Data now the lifeblood of strategic change and industry leadership



win



try



try



try



try



try



try



try



try



try



257



328



TECHNOLOGY

# Why GM Hired 8,000 Programmers

Car Maker brought much of its technology in-house to make custom software; selling trucks on





MENU

Harvard  
Business  
Review

INNOVATION

# Why Nordstrom's Digital Strategy Works (and Yours Probably Doesn't)

by Jeanne W. Ross, Cynthia M. Beath, and Ina Sebastian

JANUARY 14, 2015



SAVE



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6



TEXT SIZE



PRINT



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INSIGHT CENTER

**Making Money with Digital Business Models**

SPONSORED BY ACCENTURE

What successful companies are doing right

---

Then, between 2004 and 2014, Nordstrom made an extraordinary series of investments, each aimed squarely at that same purpose of providing a fabulous customer experience. First came a new point-of-sale system that included personal book software so that salespeople could track individual customer requests and needs online. This was followed in quick succession by the launch of an innovation lab, the creation of Nordstrom apps, the introduction of popular social apps that created buzz as well as mobile checkout, support for salespeople texting, and ultimately the acquisition of a cloud-based men's personalized clothing service.

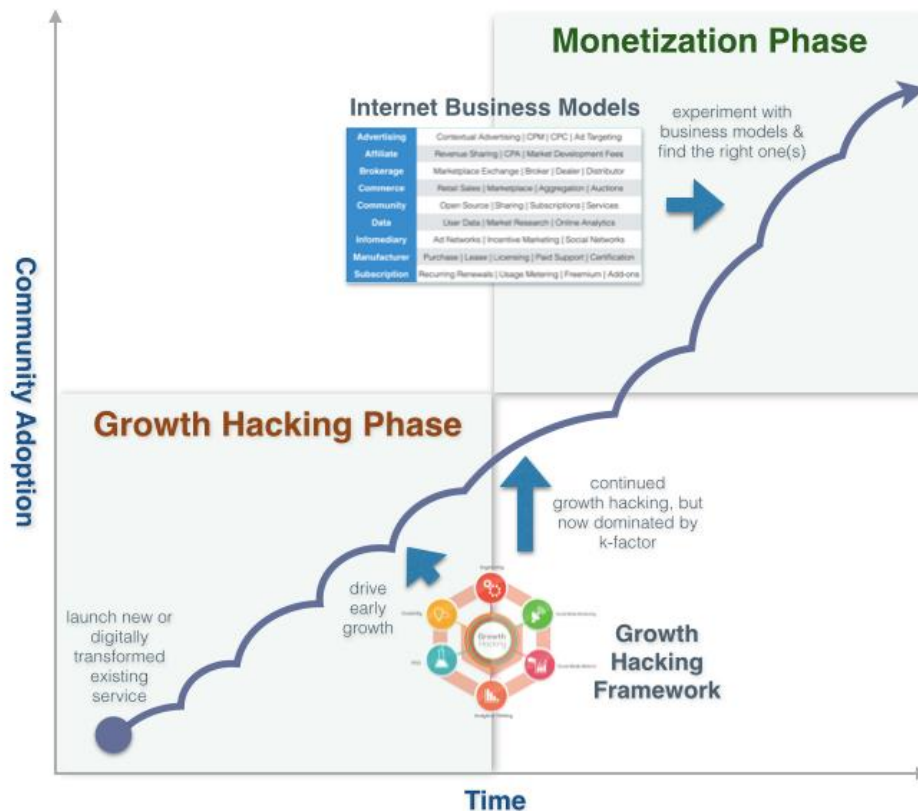
**“The persistent digitization of Nordstrom’s business has allowed the company to grow revenues by more than 50% in the last five years”**



## And Why You Might Not Be Able To Without 3-5 Years Lead Time

Nordstrom's digital capabilities make complete sense for Nordstrom. What makes them important is that they are tightly integrated with all the parts of the business that ultimately serve the customer. This is not a matter of having the best apps, analytics, or social media tools. Instead, it's a matter of tending to the details of building integrated digital capabilities, one at a time, making the right data accessible, and simplifying processes. Most retailers will struggle to do this because they haven't architected their product or customer data for easy access by the new digital capabilities. Without those core capabilities, integration with and among new digital capabilities is virtually impossible.

# In Fact, Most of Your Digital Ideas Will Need to Pivot to Succeed. And It's Necessary.



# All Organizations Are Being Impacted By Digital

**The current life span of a Fortune 500 company is 15 years + falling**

**The challenges of adapting to today's operating environment:**

Rapid and disruptive technology innovation

Dramatic increase in expectations by customers and the marketplace

Gap between digital high performers and laggards growing faster than ever before

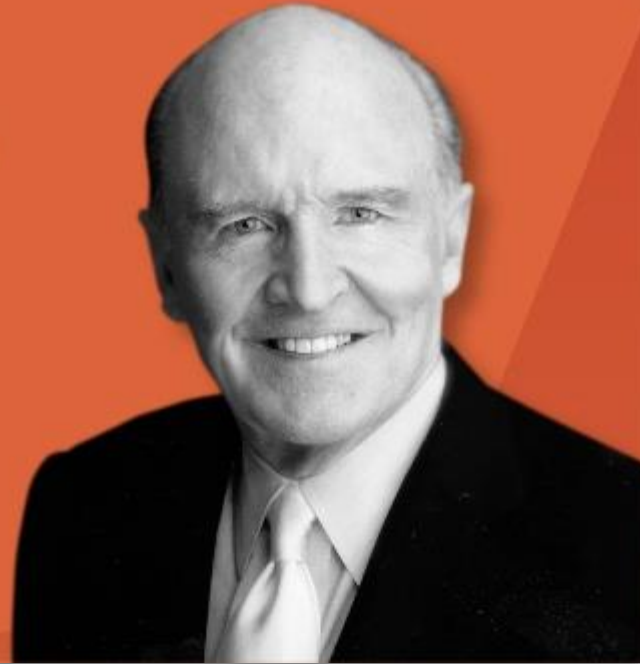
New business models blurring industry boundaries



**The digital winners must adapt in all new ways.**

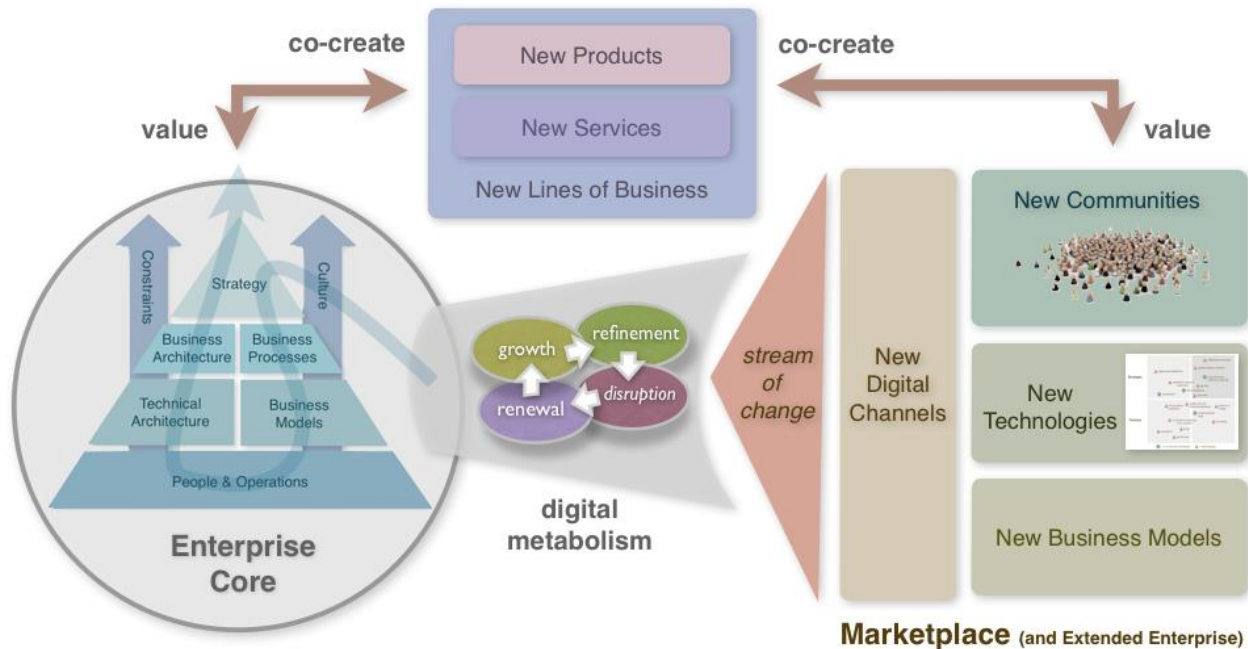
" If the rate of change on the outside exceeds the rate of change on the inside, the end is near. "

**JACK WELCH**



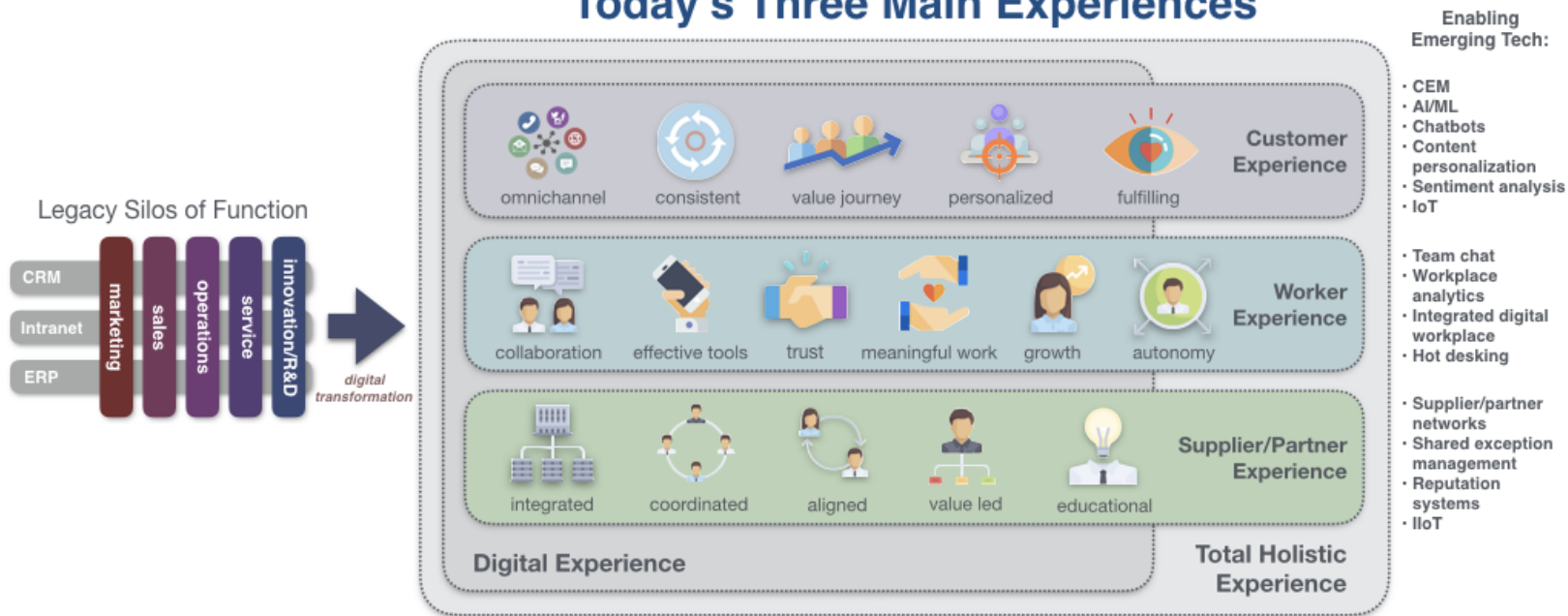
# Organizations Will Need a New “Digital Metabolism”

- That Can Change About as Fast as the World Does



# What Are Most of Us Trying to Do?

## Digitally Transforming an Organization into Today's Three Main Experiences



From <http://zdnet.com/blog/hinchcliffe> on ZDNet. by Dion Hinchcliffe

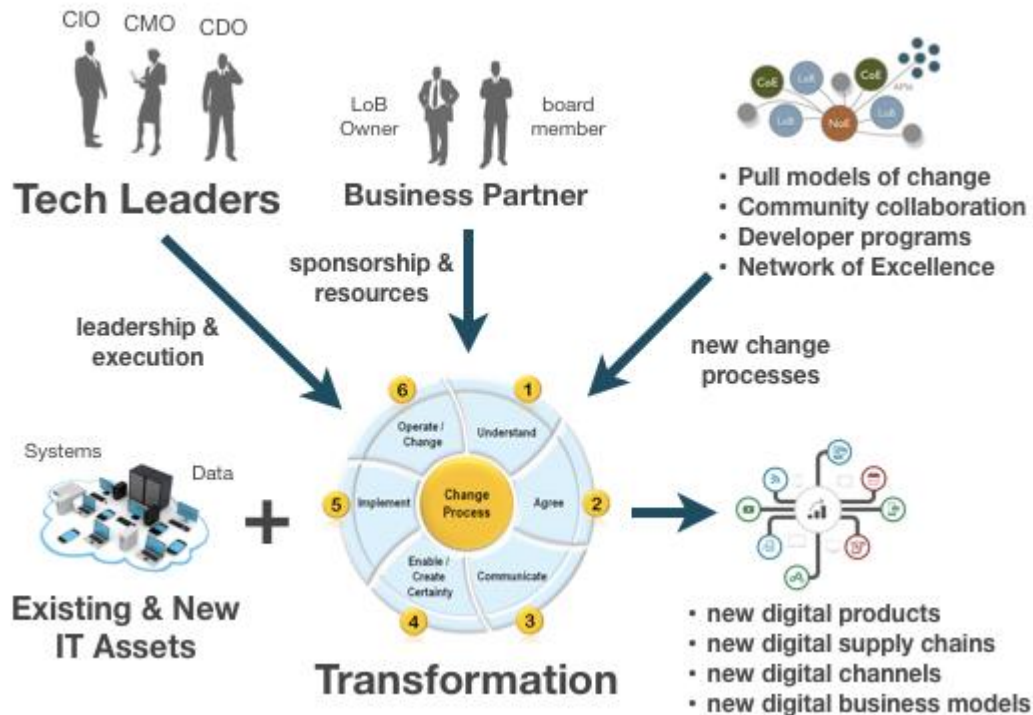


- Continuous Learning
- Rapid Experimentation
- Tolerance for “Eccentric Behavior”
- Digital native thinking (power laws)
- High EQ
- Comfort with Uncertainty
- Unwavering Support from Leadership
- Be the Change You Want to See
- Transdisciplinary
- Data-driven ← *Almost ready*



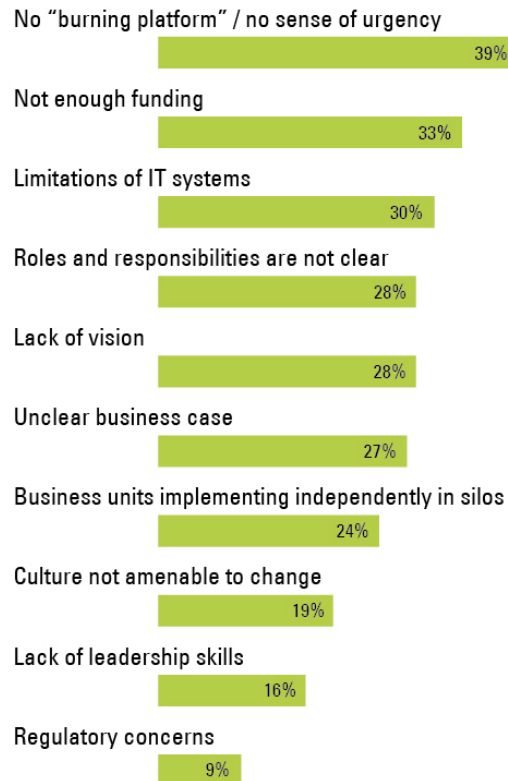
# Key Insight: Moving from Push to Pull Based Models for Tech Change

## Implication: Digital Transformation Must Be Decentralized and Broadly Empowered



# It Takes Engaged Leadership to Overcome Key Barriers to Digital Transformation.

That's Leadership from *Anywhere...*



*What are the most significant organizational barriers to Digital Transformation in your organization as a whole? Select up to 3.*

Source: MIT Digital Transformation Survey

## Leadership attributes driving digital business transformation



EXPERIMENTATION  
MIND-SET



RISK-TAKING  
ATTITUDE



WILLINGNESS TO SPEAK  
OUT; BE CHALLENGING

## CIOs' personal and working attributes



EARLY TECHNOLOGY  
ADOPTERS



RISK  
TOLERANCE



CONFRONTATION  
TOLERANT

Source: 2016–2017 Deloitte Global CIO Survey, N=1,175;  
2017 Digital Business Global Executive Study, N=3,564.

Deloitte Insights | [deloitte.com/insights](https://deloitte.com/insights)

# What Have We Learned About Large Scale Change?

**77% of change initiatives fail...HBR**

**Historically the adoption of emerging tech has left a wake of failed efforts...**

**ERP, CRM, SOA, etc.**

**Digital change programs that use traditional adoption approaches *usually do not work*.**

Most strategic change programs are project-driven and in today's faster world outdated before being fully implemented.

Traditional change programs are static, cascading one time events.

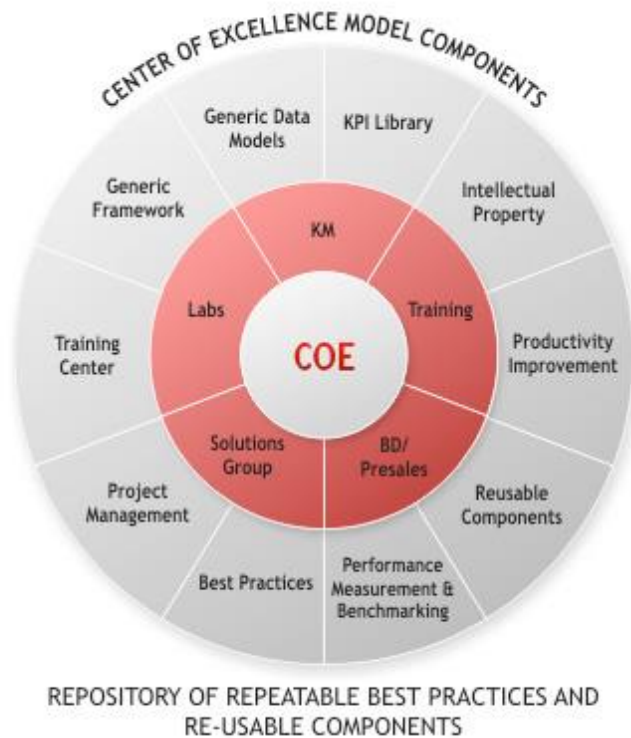
Traditional adoption processes are technology centric while digital adoption requires a human centric lens.



**Digital Change Is An Ongoing Journey So Structure It That Way**

# Centralized Change Has Been Breaking Down for A While

Which the  
Center of  
Excellence  
Model was  
Supposed to Fix



## BENEFITS

Maximize Project Team Success

Reduce IT Cost and  
Time-To-Market by Re-usability

Lesser Complexity

Cost Effective Solutions

World Class Technology

Accurate Estimation of Effort

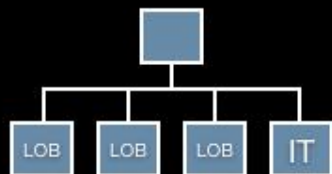
Shorter Implementation Cycles



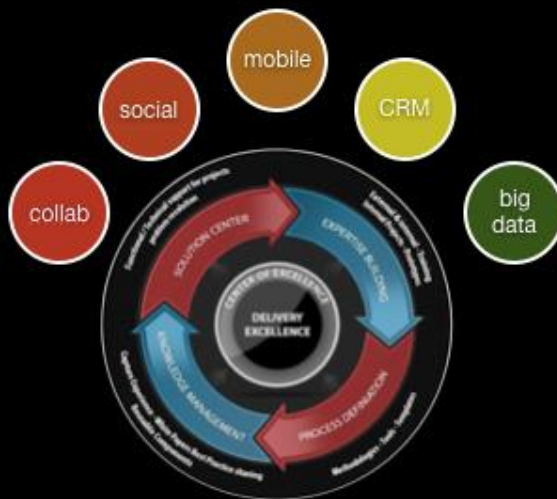
**“How many think your organization has a good model for digital change?”**

**SHOW OF HANDS PLEASE**

# It Was Technology Challenges that Forced Us to Look to New Models in the First Place



IT focused on tech, so CoE  
created to speed up change in an  
area of the business or  
technology for the whole business



centers of excellence  
around technical domains



change champions  
& LOB leaders with  
resources, local expertise,  
and urgency

# With a New Lens: Proof Points

**At the Largest Scale, Industry Has Learned that Open, and Collaborative Driven Approaches Are the Most Effective**

**There has been revolution in how loosely-coupled but well aligned groups of people can drive change**

- Open Source
- Agile, and now Devops
- Open Innovation and APIs
- Social Media
- Crowdfunding
- Disaster Relief
- Network Leadership
- Hackathons

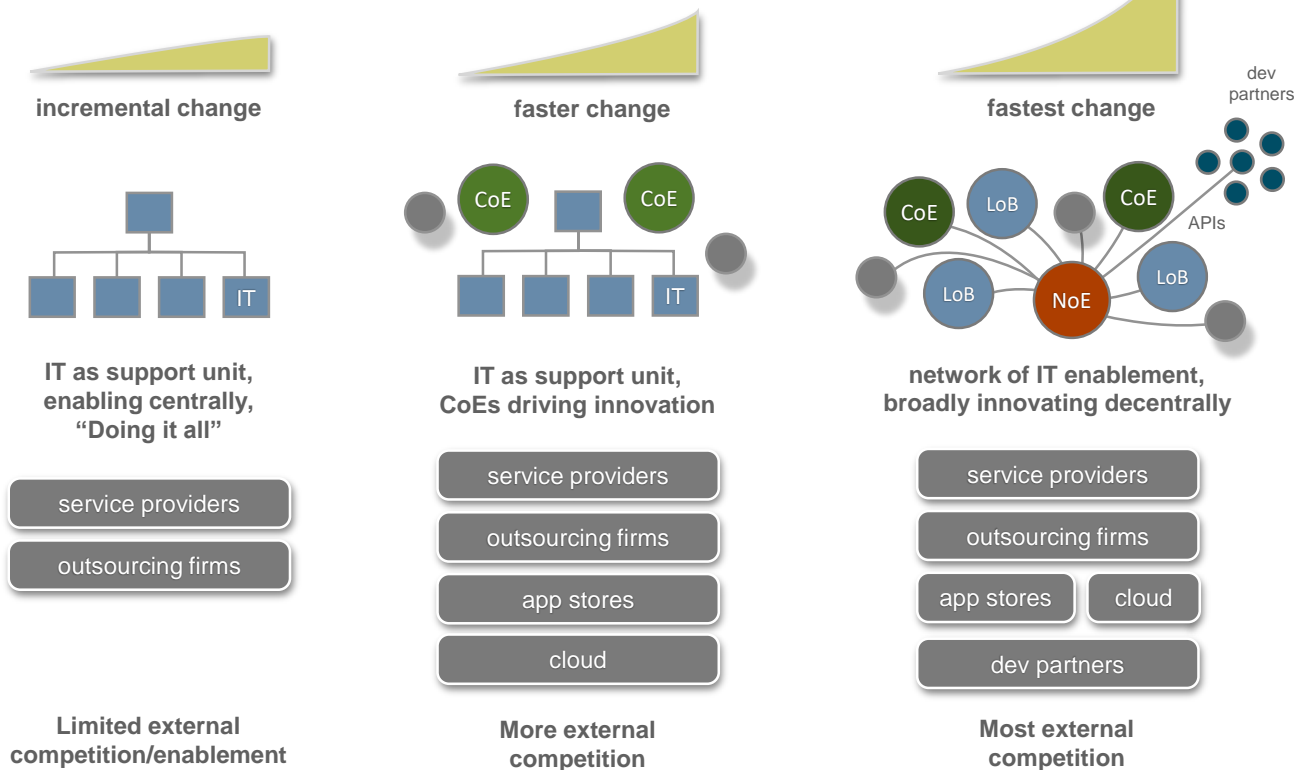




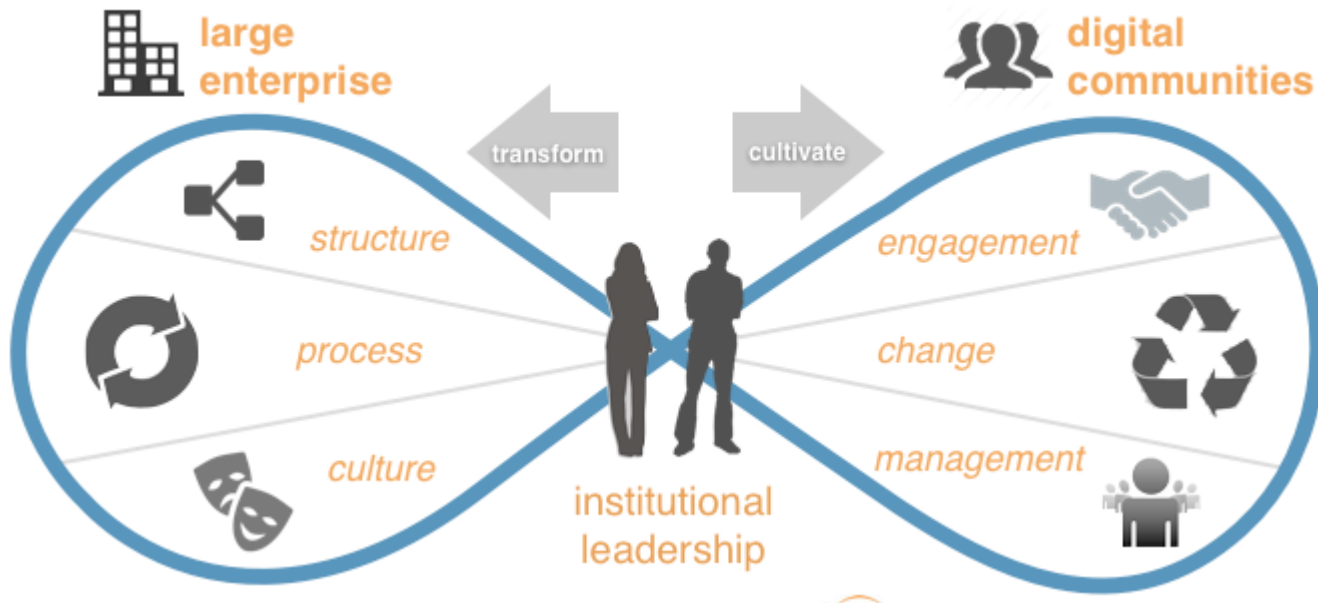
## A TAXONOMY OF MULTI-STAKEHOLDER NETWORKS FOR GLOBAL PROBLEM SOLVING

<b>Watchdog Networks</b>	These networks scrutinize institutions to ensure they behave appropriately. Topics range from human rights, corruption, and the environment to financial services.	<a href="#">Human Rights Watch</a> , <a href="#">The Environmental Working Group</a> , <a href="#">Amnesty International</a> , <a href="#">The Global Reporting Initiative</a>
<b>Platforms</b>	Some networks seek to provide platforms for other networks to organize.	<a href="#">Ushahidi</a> , <a href="#">Challenge Post</a> , <a href="#">Change.org</a> , <a href="#">seToolbelt</a> , <a href="#">Code for America</a> , <a href="#">thesojo.net</a>
<b>Global Standards Networks</b>	Non-state based organizations that develop technical specifications and standards for virtually anything, including standards for the Internet itself.	<a href="#">Internet Engineering Task Force (IETF)</a> , <a href="#">World Wide Web Consortium</a>
<b>Governance Networks</b>	These are multi-stakeholder networks and have achieved or been granted the right and responsibility of non-institutional global governance.	<a href="#">Internet Corporation for Assigned Names and Numbers</a> , <a href="#">International Organization of Securities Commissions</a> , <a href="#">Marine Stewardship Council</a> , <a href="#">Forest Stewardship Council</a> , <a href="#">The Kimberly Process Certification Scheme</a>
<b>Networked Institutions</b>	Some networks provide such a wide range of capabilities they could be described as Networked Institutions. They are not state-based but rather true multi-stakeholder networks. The value they generate can range from knowledge generation, advocacy and policy development to actual delivery of solutions to global problems.	<a href="#">The World Economic Forum</a> , <a href="#">The Clinton Global Initiative</a> , <a href="#">The Global Water Partnership</a>
<b>Diasporas</b>	Diasporas are global communities formed by people dispersed from their ancestral lands but who share a common culture and strong identity with their homeland. Thanks to the Internet these people and their affiliated organizations can now collaborate in multi-stakeholder networks. One of the functions of many of today's diasporas is to address and help solve common, global problems.	<a href="#">OneVietnam Network</a> , <a href="#">International Diaspora Engagement Alliance</a> , <a href="#">African Idea Marketplace</a>

# Back to the CoE. What's Next?



# We Need a Model that Will Scale Up and Move as Fast as Digital Change





# Because Most Organizations Aren't Becoming Digital Nearly Fast Enough

## Top obstacles to digital change

- Lack of skills to enable changeDon't have time
- Disengagement (at all levels)
- Lack of curiosity in new ideas
- Insular management culture
- Unfamiliarity or dislike of technology
- Lack of empathy & caring
- Not-invented here
- Shareholder vs family driven
- Lack of humility
- Fear of looking clumsy
- Commitment, but only superficially

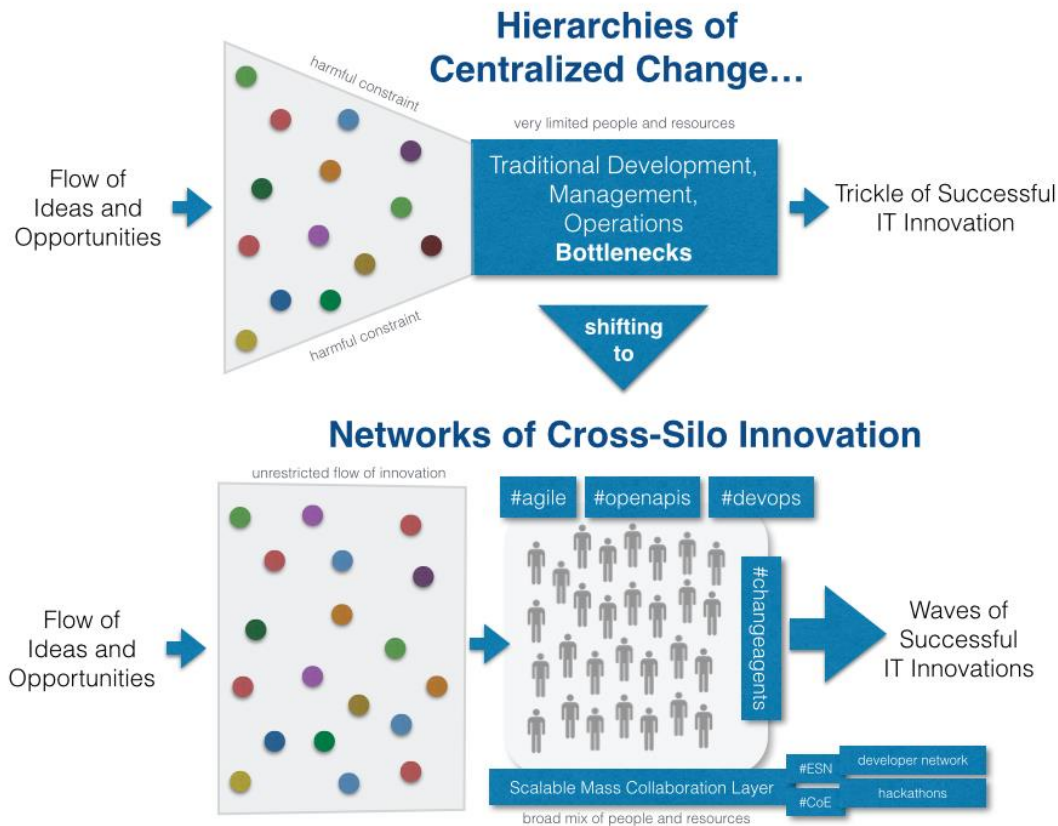


**Source:** Change Agents Worldwide (@chagww) & Dion Hinchcliffe

The Majority of these Challenges are People Issues

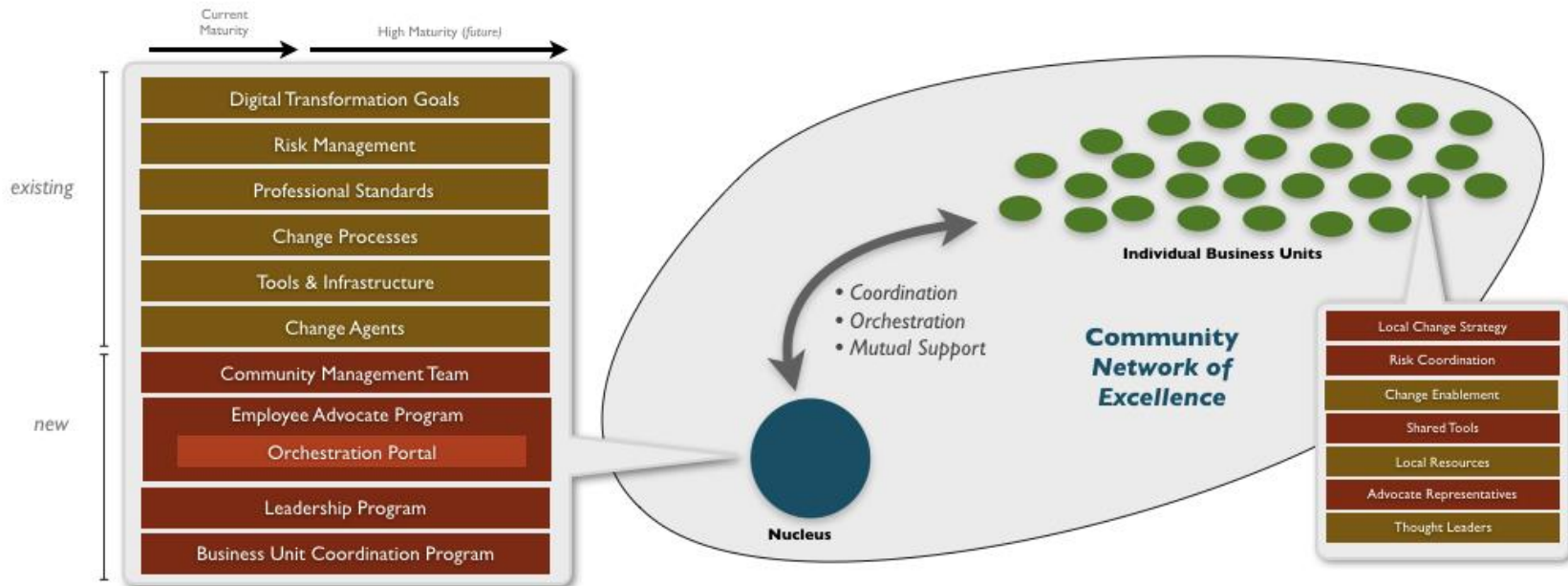
So, a Few Years Ago  
I Began to Notice a  
New Pattern on  
Change Projects...

That Change Teams  
were Becoming  
*Change Networks*



From <http://zdnet.com/blog/hinchcliffe> on **Net.** by Dion Hinchcliffe

# Next-Gen Case Example: Beyond the CoE



Directly Drives ~\$4 Billion in Revenue Yearly

# Another Proof Point for Communities of Change

- Dr. David Bray  
(@chief\_ventures)
- Recently CIO of the Federal Communications Commission
- Faced the Daunting Prospects of Moving 300 LOB Apps to the Cloud to Reduce Rampant Complexity and Cost
- Used Internal and External Change Agents to Accomplish in Less Than One Year with Existing OpEx

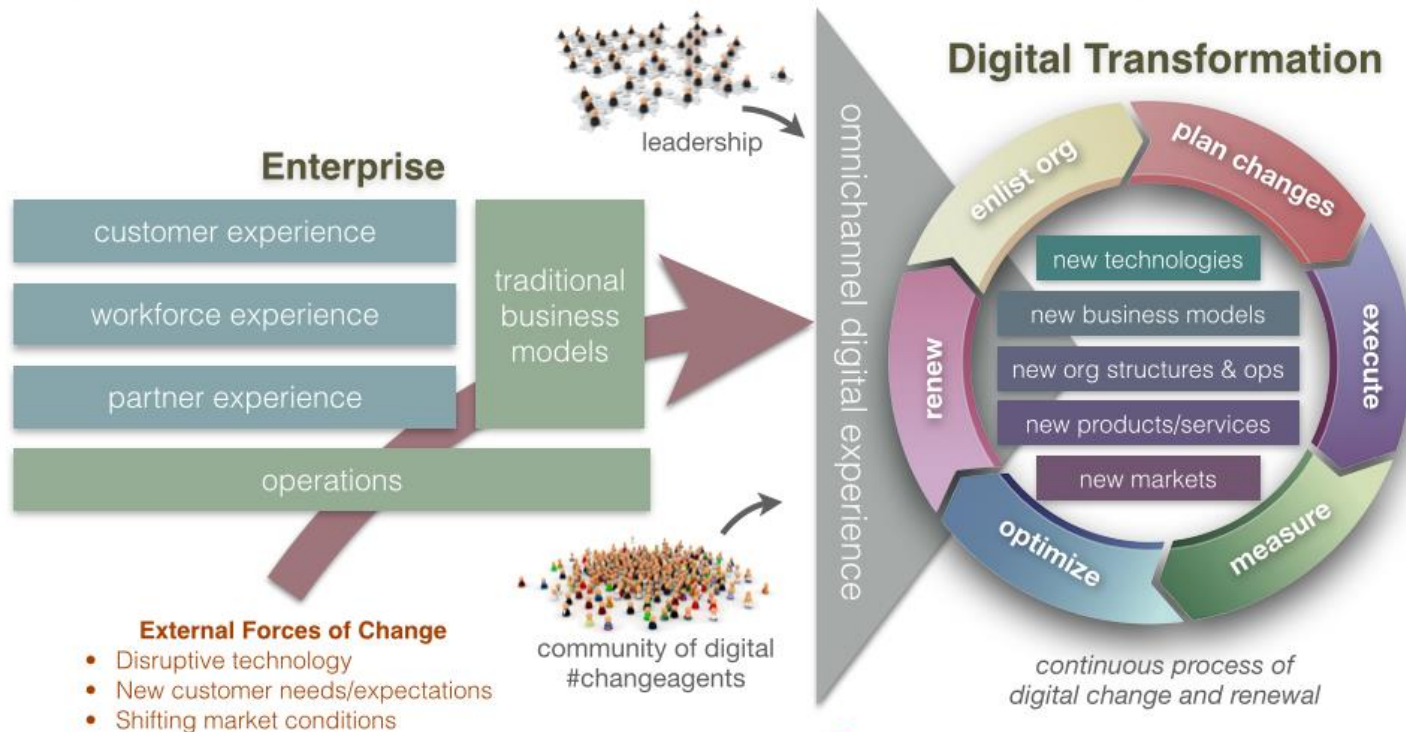


# Further Proof Points of Communities of Change

- Washington Post Company
- AstraZeneca
- Houghton Mifflin Harcourt
- Etlisat
- Travelex
- Tesco



# Organizations Now Seek Methods for Sustainable Digital Evolution



From <http://zdnet.com/blog/hinchcliffe> on **ZDNet**. by Dion Hinchcliffe



# There Was Another Missing Piece to the Puzzle



**Changing Everyone Was Too Hard and Was Going to Fail Under Those Rules**

# The Key Insights Were With Us...

- It's always a people problem. - *Gerald Weinberg*
- Productivity of Digital Teams Varies from 1:10
- Existing Models that Focused on Changing 100% of Everything Themselves Were Doomed to Fail
- *Fast Forward* Past the Blockers to the Actors



What if we could plan a self-growing seed of change?

**We Have a Growing New Audience to Tap into Pent Up Desire for Progress and Improvement:**

**Digital Change Agents**

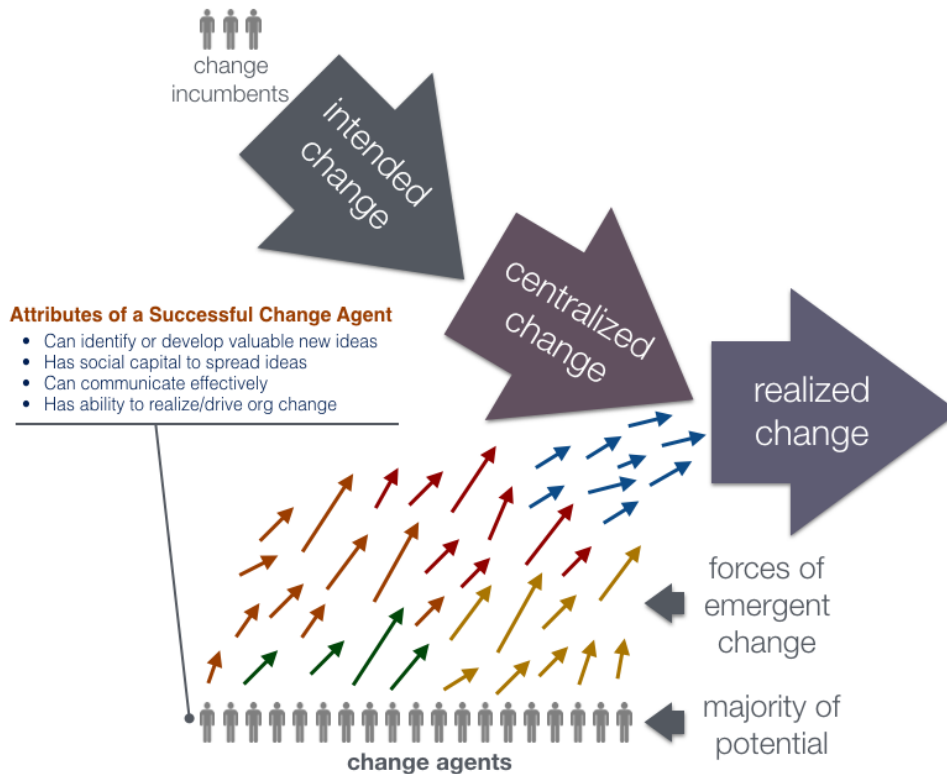
## **SKILLS REQUIRED FOR THE ROLE OF A CHANGE AGENT**

- A sensor of the business environment
- Vertical to horizontal functioning
- Leadership at all levels
- Manager as catalysts
- Shorter time-frame horizon
- Balancing work and personal life
- Maximization of information flow



# Digital Org Structures are the Natural Platform for Change Agents

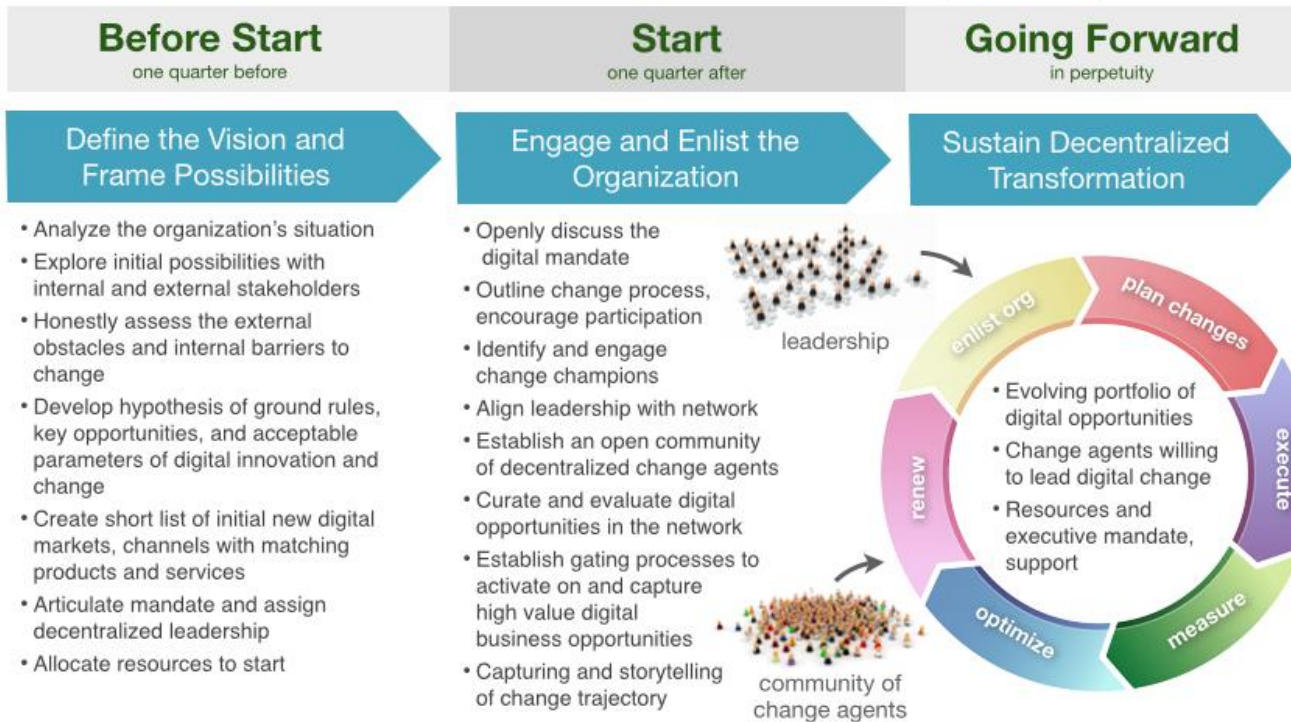
## The Future of Business Transformation: Top-Down Big Change + Bottom-Up Emergent Change



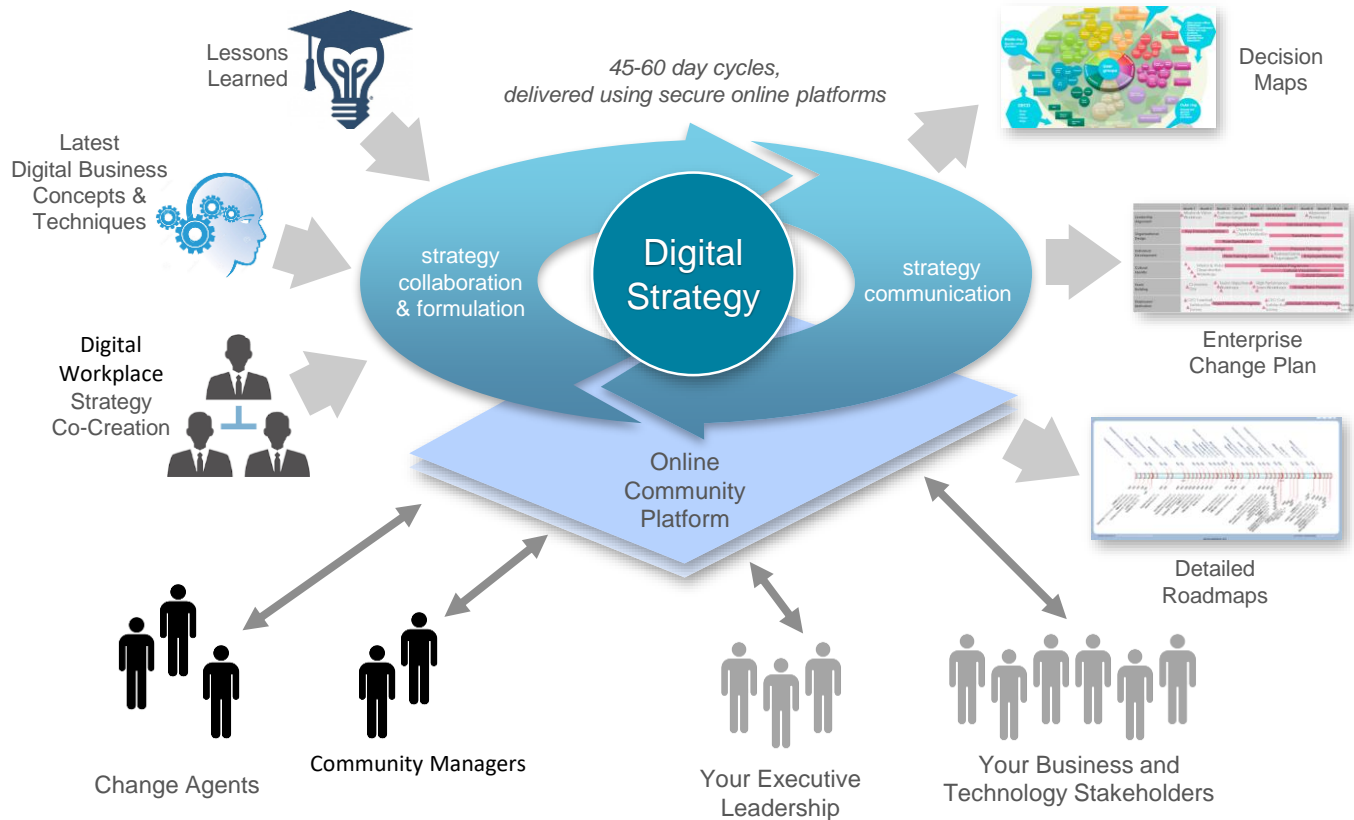
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# Initiating Digital Transformation: The Journey

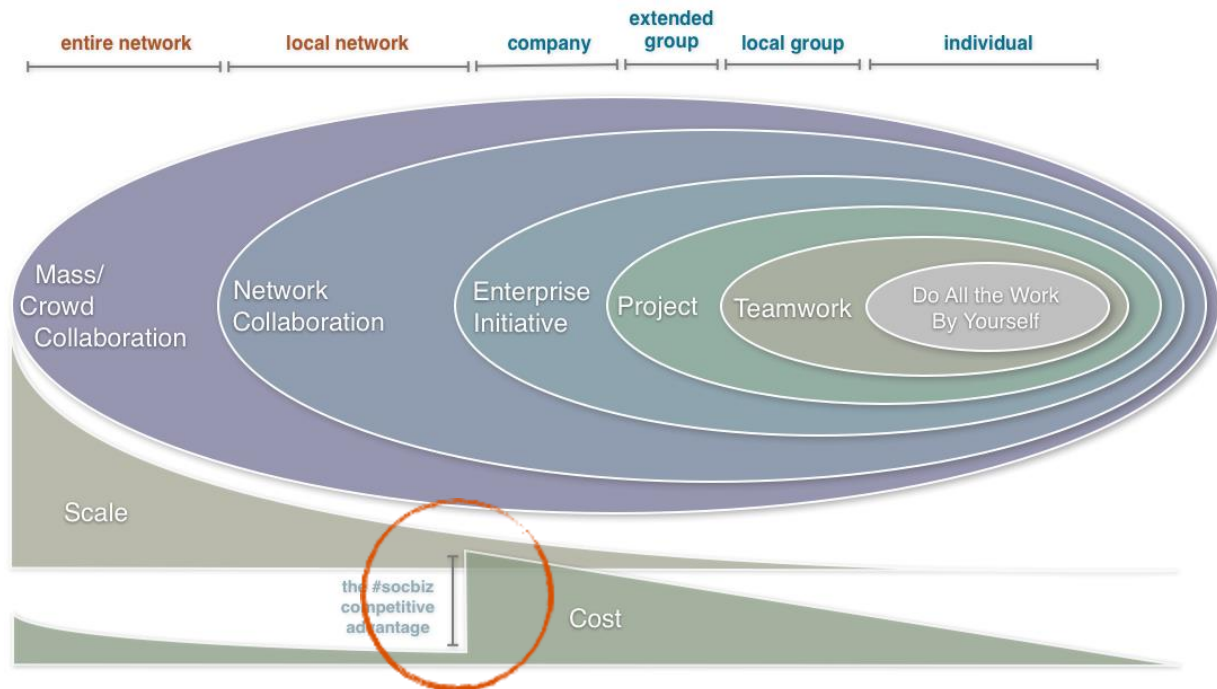
A Roadmap for the Board of Directors, CEO, COO, CFO, CIO, CMO, and CDO  
and the Communities that Will Realize and Sustain the Change and Adaptation



# Using Digital Networks for Transformation of the Enterprise

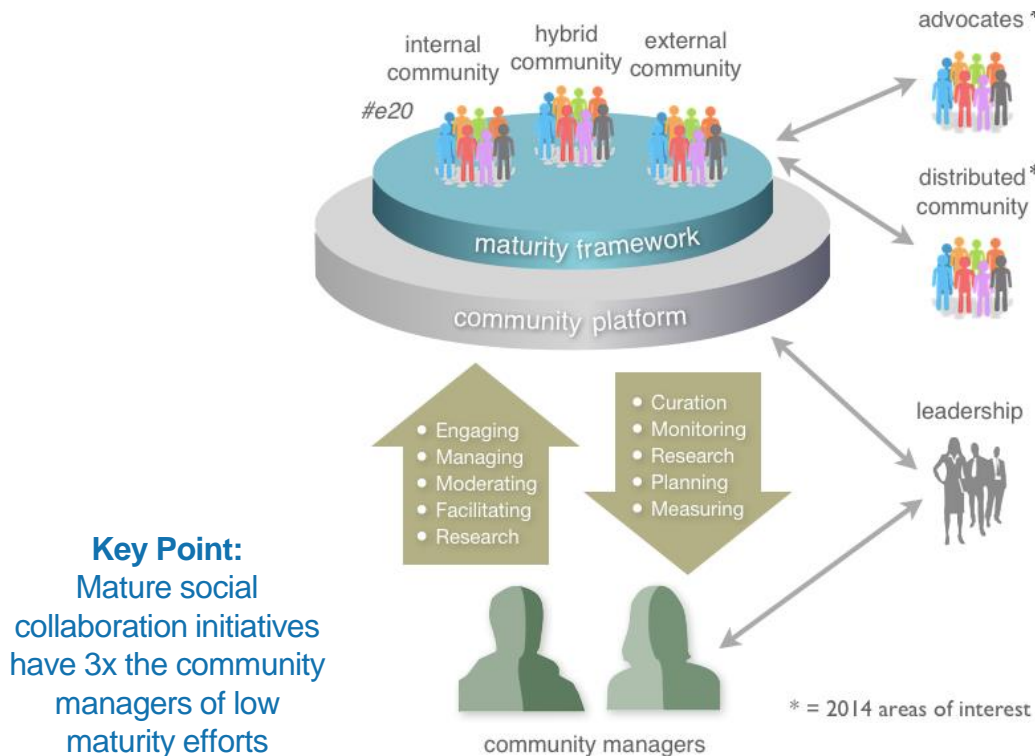


# The Biggest Lesson of Digital Org Structures: Let The Network Do The Work....





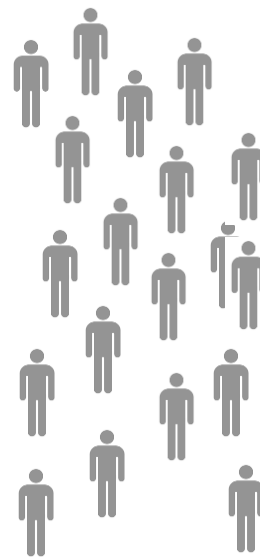
# Network-Based Change Requires New Forms of Management



**Key Point:**  
Mature social collaboration initiatives have 3x the community managers of low maturity efforts

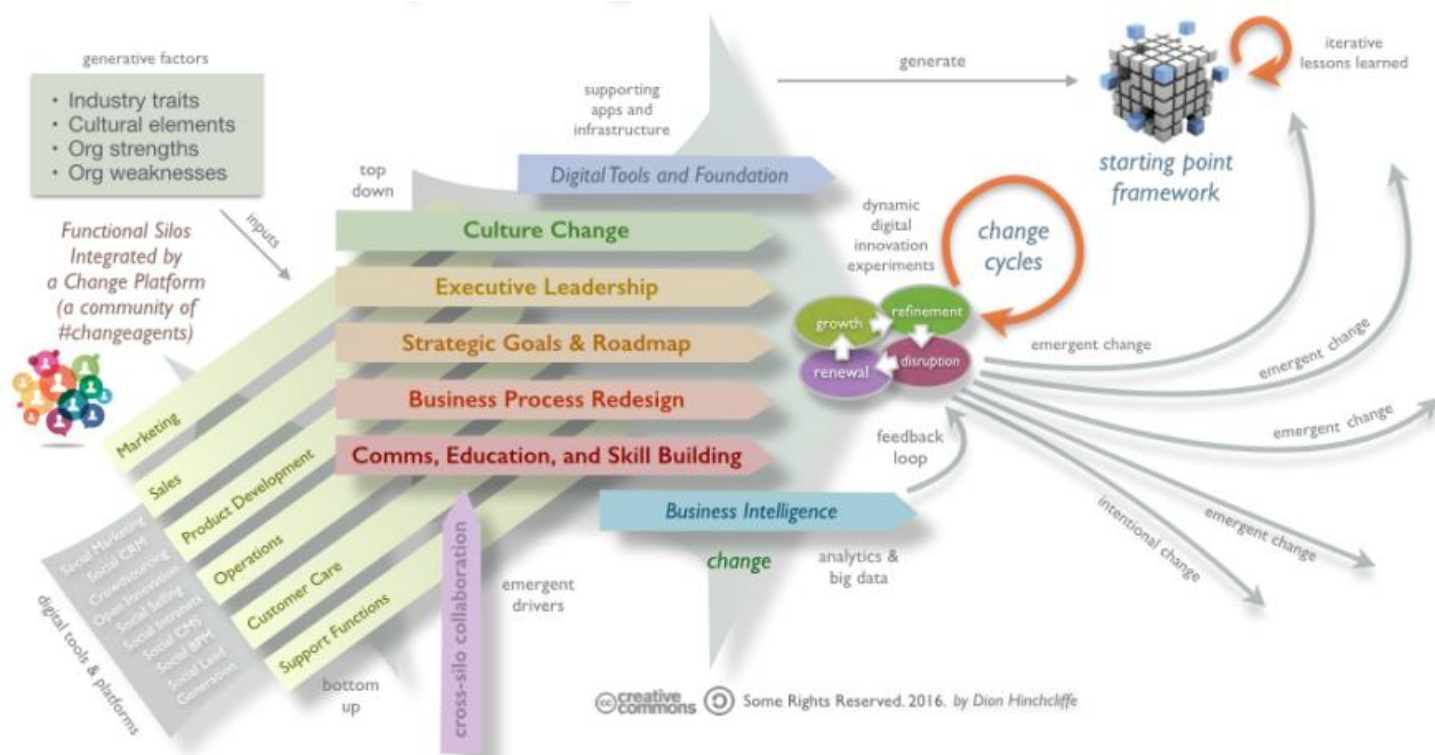
Community Managers Have Always Been Change Enablers at their Core

# Staffing for Collaborative Disruption



Community of  
Change Agents

# WHAT YOU'LL END UP WITH IN THE END (AND IT TAKES TIME TO FIND THE PATH)



# Using Digital Org Structures for Transformation

- We have incredibly powerful assets our workers, customers, and partners
  - If we have vision, we can use them for very ambitious change efforts that scale far better
  - That must go well beyond simple change projects
- Change agents are giving us access to influence, orchestrate, and guide organizations at a mass scale level
- We need to build new change skills and network leadership through communities of transformation
  - Change agents and community managers are the future of sustainable change
- It's a competitive imperative now to find these new models
- I encourage you to explore the possibilities, as it's what we've always intended to do with digital change anyway
  - Truly enable human potential to its fullest





**Questions**

