EPISODE 8

The Digital Capability Framework

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Hi it's Rob Llewellyn here and welcome to episode eight of transformation management. Thank you so much for joining me today. As always, I'm going to do my best to help you get better equipped to manage and lead transformation.

It's common knowledge among authentic transformation leaders that no industry is immune to disruption caused by new business models and ways of working. And that this is enabled by the innovative integration and application of digital technologies.

But only companies with bold transformation strategies to harness new opportunities will be among tomorrow's leaders, who use a combination of offensive and defensive strategies. While the rest that spend all their time on the back-foot being defensive, will falter and fade into the history books.

There's a big difference between people thinking they have a digital enterprise, and digital enterprise thinking. Using digital technology is easily done these days, and in-fact, the smaller the business, the quicker and easier it is to take advantage of, without the bureaucracy and expense that larger firms need to accommodate. But using digital to create a better version of the past is very different to using it to create a new future. Which is the difference between the innovative use of digital, and digital sugar coating.

Using digital technology in a company and being a transformational company are very different. And we've seen that mobile devices and apps can lull leaders into a false sense of transformation security. They feel they're transforming when they touch their tablet or smartphone for some company data, which is a little like someone feeling they're well-travelled because they watch TV travel shows. Real transformation goes beyond simply digitising existing ways of working.

Digital transformation is in-fact business transformation - inspired and enabled by digital, and it deserves the right bold approach, commitment, capability and resources.

Before setting off to create the digital enterprise it's wise to agree a process driven approach to digital transformation. In the way that methodologies are adopted to manage projects and standards such as ITIL are adopted for service management, the same should apply for digital transformation, and the over-arching business transformation. The alternative is often a random, unproven and high-risk approach.

A digital transformation methodology should be based on solid business research with

successful use cases to prove its worth. Anyone in any company can make up a methodology and claim its effectiveness, but unless it has a solid foundations, it's best to steer clear and adopt a proven approach.

The Digital Capability Framework, or DCF for short, is a strategic management toolset designed to help companies innovate and orchestrate digitally enabled business transformation. It helps companies analyse their current situation, and identify new business cases which are enabled by technology.

Addressing both the technical and people side of transformation, the DCF enables transformation leaders to obtain clarity about what maturity level their organisation has in terms of six digital capabilities, what maturity level they wish to achieve, and how they plan to do that. Digital use cases help them develop a clear picture of the processes to be optimised and the technologies to be used, and a tailored plan to transform the organisation can be managed and executed upon.

The DCF consists of four building blocks.

Building block one is digital capabilities. These are the key skills and capabilities a company requires to transform itself into a sustainable and successful business by considering digital technology as the enabling component.

Building block two, is digital capability maturity models. These are the structured assessments used to evaluate the Digital Maturity of an organisation.

Building block three, is about digital use cases, which provide ways of showing how to reach specific goals, which will enhance an organisation's digital capability. They typically show how organisations in specific industries can gain competitive advantages through digital transformation.

Building block four, is the Digital Transformation Roadmap, and this provides six steps towards Digital Transformation. The process of developing a roadmap, lends itself well to a natural collaboration between IT and business leaders and their teams. This results in IT leaders such as the CIO, being seen to take a more business-orientated approach by involving business stakeholders in a process driven approach from the very outset, thereby enhancing the IT-Business relationship.

I want to rewind back to building block one for a few minutes - which is digital capabilities. Because this lives at the very heart of the DCF, and is fundamental to the success or failure of an organisation's ability to become a digital enterprise.

Building block one consists of digital transformation enablers and digital transformation goals. Organisations are encouraged to take a look in the mirror and ask themselves whether they have the capabilities required to undertake business transformation, and whether they've defined the right business orientated goals that can provide an attractive return in investment.

The three digital transformation enablers are, innovation capability, transformation capability, and IT excellence, and an extensive body of knowledge exists within each of these.

And organisations that intend to achieve some of their strategic objectives through business transformation, will struggle, if they don't possess digital transformation enablers of an adequate maturity level.

The three digital transformation goals are, customer centricity, the effective knowledge worker, and operational excellence. It's important that organisations centre their digital transformation efforts around business goals as opposed to the latest and greatest digital solutions. Only when the right business goals and business benefits have been established, should the technology be considered. Remember - the horse needs to go before the cart! But that's not to say that technology can't inspire new ways of working.

Customer Centricity involves the capability of focusing on the most valuable customers by using the latest technologies to deliver to them, incredible new value and experiences.

The Effective Knowledge Worker involves employees, which of course are the main resources for firms to be competitive. Digital technologies can enable knowledge workers to be creative and effective, but it's important to keep in mind that key good managerial practices are needed too.

People are the main resources in an organisation - at every level, and they have the capacity to bring about the success or failure of a business. The most effective knowledge workers are not constrained by corporate policies and procedures. They're free to innovate, and propose ways to create a new future for the business.

Operational Excellence involves managing business processes so that their performance is outstanding. As we know, operations are at the heart of every organisation, because it's what they do. So operational excellence is a prerequisite to transformation success. It's about outperforming competitors by leveraging new technologies such as big data, machine learning, and IoT. It's a world away from the antiquated art of running a business using Excel spreadsheets.

That was a quick look at building block one - digital capabilities.

Building block two, is digital capability maturity models
Building block three, is digital use cases
Building block four, is the digital transformation roadmap

Digital transformation is a specialised type of business transformation, which is enabled by technology, and it's really important that companies focus on the big picture of transformation. While specialists will get down into the detail of technology, it takes big-picture managers and leaders to orchestrate transformation, and they need to do that through a 360 degree lens.

With that in mind, the Digital Capability Framework integrates with the Business Transformation Management Methodology - also known as BTM². Now that needs a separate episode to itself but let me just give you a brief glimpse of what it consists of.

BTM² is a four-phase holistic and integrated business transformation management methodology. The four phases in the of BTM² transformation lifecycle are Envision, Engage, Transform, and Optimise.

To navigate all four phases successfully, this intensely documented approach to holistic business transformation management includes nine management disciplines. Let me briefly introduce each of them.

First and very fundamental to BTM² and the entire transformation undertaking is Meta Management, which provides the overarching frame for a business transformation and the integration of other transformation management disciplines. Meta management addresses elements such as leadership, culture, values, and communication. It's the orchestration of the transformation and everyone who contributes to it.

Next is Strategy Management, which primarily addresses the Envision phase of the transformation life-cycle. This is where a strategy is developed. Strategy Development involves the selection of appropriate team members, and the collection of data. It also involves the analysis of transformation needs and readiness, the design of a business vision, and a business model, and the definition of an integrated transformation plan.

Then we have Value Management, which involves defining the business benefits and changes needed to realise them, evaluating the feasibility of making the changes successfully, and producing an evidence-based, rigorous business case and supporting benefits realisation plan. Value Management relies heavily upon the engagement of stakeholders in the preparation of the business case and benefits plan to create the knowledge and commitment required to realise the benefits that are promised in the business case.

Next is Risk Management, which provides fundamental guidance to the planning, development and effective execution of a business transformation. It's vital that the risks that relate to the process of transforming an organisation are well-managed.

Then we have Business Process Management, which defines the scope of process changes needed for improvements in performance. To make the transformation effort a continuous success, business processes have to be considered from both a strategic and integrated perspective. Let's also not forget that these also make up the business operating model.

Then there's IT Transformation Management, which evaluates the impact of current IT processes, competencies and systems on business transformation. It assesses and enables solution readiness of the business, defines and assesses gaps between the as-is and to-be of IT, deploys IT operations and services, and implements IT governance. It also improves IT operations and services, and manages the IT lifecycle.

Next is Organisational Change Management - or OCM for short - which addresses the human element of business transformation. It deals with the people who need to change their ways of working and its involves setting up a foundation for effective OCM with respect to governance and assessing organisational change readiness. Stakeholder communication strategies need to be defined and implemented, along with performance management strategies, and the other fundamentals of OCM.

Competence and Training Management provides qualification and enablement with respect to the competencies required for business transformation, and the strategic core competences that are vital for the company's future success. Training needs and objectives need to be assessed, so that the right training measures can be taken to close gaps and foster a continuous learning environment. Remember that transformation is a new capability for most people, so there's considerable training to be done if these people are expected to perform well in something they're new at.

Then we have Programme and Project Management, which is designed to support the implementation of the transformation strategy in order to achieve the benefits described in the business case. Programme management focuses on high-level specification and the "why and what" of transformation. It includes stakeholder management, benefit realisation, dependency management, transition management/change acceptance and integration with corporate strategies. While project management focuses on detailed specification and the "how" of implementation, along with day-to-day management of project-level activities.

So that's a very quick introduction to the 350-page BTM² body of knowledge.

The Digital Capability Framework takes full advantage of BTM² and it's designed to integrate all of the nine management disciplines I've just touched upon.

So while we recognise that emerging technologies like machine learning, big data, and the Internet of Things, are increasing both the needs and influence of customers and employees, it's important to remember that technical capability alone just won't make that happen. It's vital for companies to ensure they also have strong transformation management and innovation capabilities - if they want their aspirations to transform to become a reality instead of a disappointment and an uncertain future.

As with any tool-type, there are many flavours to choose from. The Digital Capability Framework and BTM² are just one combination of tools which can support management in analysing the potential and execution of digitally enabled business transformation.

To learn more about the Digital Capability Framework, you might want to pick up a copy of the book, Digital Enterprise Transformation published by Routledge. The accompanying book called "A Handbook of Business Transformation Management Methodology" - also from Routledge - is what covers a BTM².

You can also download a short PDF called Ten Steps to Digitally Enabled Business Transformation from the show-notes at robllewellyn.com/8

I appreciate you listening, and here's a quote to finish off the day from Peter Diamandis.

"True disruption means threatening your existing product line and your past investments. Breakthrough products disrupt current lines of business."

How will you threaten your existing product lines and the investments you made in the past?

I hope you enjoyed this episode. Thanks for listening - Take care and I'll catch you in the next episode of transformation management. Bye.