

EPISODE 21

The Outcome of Fake Transformation

SEE THE SHOW NOTES AT: roblllewellyn.com/21

Hi, it's Rob Llewellyn here and welcome to episode 21 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.

In the early years after 2010 I remember writing about transformation and, aside from a small number of peers and the people I learned from, few people were talking about the transformation of business. But now the words digital and transformation appear joined at the hip as together they've become an over-used and misused term.

And when I hear my 78-year-old mother who doesn't use a mobile phone or tablet utter the "digital transformation" words, that's when I really know that things have got out of hand!

But joking aside, if you walked into 10 organisations tomorrow that claim to have digital transformation underway and ask to see evidence of their innovation process, how their operating model is being re-engineered and what their new business model looks like, you'll discover that some of what's claimed to be transformation is rather fake.

Most companies take finance, HR and IT, and other core functions very seriously in terms of investment, processes and the trained people that are running those departments. But when you ask to see how innovation and transformation are being treated with similar importance, you'll discover that often they're not. Because investment in real innovation and real transformation is grossly undermined.

Of course, no one likes to be told that their organisation has fake transformation underway - or that they're not taking transformation seriously. Because the truth hurts doesn't it. The important question is, whether managers and leaders have the courage to face up to reality. To snap themselves out of any delusions they're under and steer their organisations into the world of legitimate transformation.

Instead of continuing to tinker with digital projects, deluding themselves that they're transforming their company, when all they're doing is installing some new technology and making small changes to how things have been done in the past.

Remember that change fixes the past, while transformation creates a new future. And many people listening will have already heard George Westerman's quote about; "When digital transformation is done right, it's like a caterpillar turning into a butterfly, but when done wrong, all you have is a really fast caterpillar."

The Transformation Management Podcast Transcript

While some people recognise fake transformation when they see it, it takes courage to help the CEO and their leadership team understand the risks associated with allowing fake transformation to continue at the expense of legitimate transformation - which could create a new future for the company they're responsible for steering towards digital economy success.

So as some of the world has been sucked into fake news, now some companies have fallen prey to fake transformation, as they've become lost in the hype around the word digital and the meaning of business transformation.

Leaders need to clarify to their workforces, the difference between change and transformation, and the difference between digital sugar coating and digital transformation. They need to cleanse their company of ambiguity, then create and communicate a clear and legitimate transformation vision. Because if they don't, there's a risk that their companies will become increasingly vulnerable.

And for those that remain vulnerable, it'll only be a matter of time before new business models impact their industry, and customers opt for alternative products and services.

On the one hand, it's understandable that some leaders want to stick to what they know their company does well. After all, that's what got them to where they are today. But in the same way we as individuals know we need to step outside of our comfort zone to become better people, companies also need to do the same - instead of getting stuck in the comfortable and complacent safety of their own comfort zone.

Because the digital economy won't be sympathetic to those who simply want to hang on to the past - regardless of their reputation and previous achievements. And an increasing number of business models that have been successful in the past, are becoming less relevant to the world we live in, and therefore less profitable for the companies that rely on them.

The problem for many companies is that when they're caught up in the day-to-day challenges and hopes of success, with their eye on the next quarter's profits, it's easy for leaders to lose sight of what could happen to their business model in the longer term, if they fail to truly transform.

We only have to look at the media to see the consequences of fake transformation. Just a week before I recorded this podcast, the British retailer Debenhams went into administration and into the hands of its lenders. It's quite sad to see a company that was founded in London's West End in 1778 selling expensive fabrics, bonnets, gloves and parasols, become a victim of the new economy we live in.

But just last year Debenhams' leaders were boldly speaking of the transformation their company was undergoing. This my friends, is an example of fake transformation. It's almost like telling your family and friends that you're undergoing a personal transformation by going to the gym, when all you do is put your kit on, eat a protein bar and shake your arms and legs around.

The Transformation Management Podcast Transcript

You'll spend your money and time, and even fool your family and friends for a while, but eventually it'll be clear that you were never really doing anything to transform yourself. And a similar delusion exists for many companies that talk about transformation.

It's where the fashionable use of the words digital and transformation results in nothing in the way of business success. And this delusion of transformation and failure to undergo legitimate transformation, is what's seen a company that by 1950 had become the largest department store group in the UK, owning 84 companies and 110 stores - finally enter administration.

But if you read the press, you'll see that just seven months ago Debenhams leaders were telling the world that they had redesigned strategy to reinvent the shopping experience for customers. Not to mention the so-called digital transformation consultants that were supposedly helping Debenhams write their digital economy success story.

Six months before going into administration the company's preliminary results and strategic update was headlined with "Transformation gaining traction in volatile markets, taking decisive action to strengthen base". The 33-page document continued its up-beat tone with statements such as; "we have seen the first positive signs of results in our Debenhams Redesigned strategy that show our transformation is gaining traction" and "new strategy designed to drive more choice and digital innovation".

Then an example of digital sugar coating with Debenhams statement; "Our 1.3m BeautyClub members and c.0.5m beauty followers across Instagram and Facebook are highly engaged with social media and the Community will transform our relationship with customers and demonstrate digital leadership in the category."

Two years before going into administration, the company was announcing "Digitisation is key for Debenhams in its new strategy, as a mobile-first approach aims to broaden the reach both in the UK and internationally." This is exactly the kind of cliché talk that so many companies are being lulled into a false sense of transformation security by. Deluding themselves that they're transforming, when the reality is that they're not.

Regardless of who believed the Debenhams so-called transformation would achieve very much, when the goal of transformation is to create a new future, the reality is that this particular transformation was fake. Because while it had the labels of digital and transformation all over it, the effort did nothing to secure the future of a British institution that had been in existence for over 240 years.

I've got no reason to pick on Debenhams - heck I shopped there for years. But it serves as a good example in the here and now, of how fake transformation and digital sugar coating are very real, and how thousands of other companies are currently wrapped up in a very similar delusion.

This is also an example of how brutal the digital economy can be. And that it couldn't care less about what any company has achieved in the past.

The Transformation Management Podcast Transcript

Then there was Britain's entire chain of Toys R Us stores which collapsed into administration in early 2018. A year earlier its leaders were announcing that they expect a positive impact on their marketing programs and an ability to connect with today's consumers.

Toys "R" Us was another global brand - founded in 1948 - that sugar coated itself with cool sounding initiatives such as experiential elements, technology initiatives and digital ads. And its "TRU Transformation" strategy was designed to address the known shift in shopper experience expectation. While all this made the workforce and stakeholders feel they were part of something transformational - something digital - all it achieved was a place on the growing list digital economy victims.

In the United States, jeans company Diesel USA filed for Chapter 11 protection in the U.S. Bankruptcy Court in March 2019 and Italian luxury house Roberto Cavalli also filed for Chapter 7 bankruptcy in April 2019.

And they're not the only ones losing sleep as more traditional companies hang on to old business models, because American producers of bedding have been living a nightmare of disruption. Much of the industry has been losing out to innovative start-ups like Casper, which completely undermine the tired old business models of traditional store-based mattress companies.

Of course, all the people involved in Debenhams, Toys "R" Us, and so many other companies that are deluded by the words digital and transformation mean well. They have good intentions, but often they don't know what they don't know, and they remain naive about transformation. The trouble is, the past success in business is no guarantee of success in the digital economy. Because while the world is now a very different place, many companies are still relying on business models and operating models that were developed long before our digital economy was born.

Meanwhile companies such as Netflix in America, Ocado in the UK and Bosche in Germany serve as great examples of what legitimate transformation really looks like.

So, what companies do you know that informing their workforce and stakeholders how they are proud to be transforming their business, and that they are leaders in their industry in using digital to do this? But in reality, are simply making faster caterpillars?

And who in your company has the courage to speak up and expose any digital sugar coating and fake transformation?

While some in your firm might be talking about emerging technologies, who are actually they using them to reinvent the business model?

Because that's what will determine success in the digital economy. Not a pretty mobile app. Not a 5% reduction in costs. Not bean bags and flexible working time. Not a million Facebook likes. Not a pretty new logo. Not a ton of data. And certainly not another technology system.

The Transformation Management Podcast Transcript

Then there's the operating model, which also needs to be fit for running a very different kind of organisation. Because the one that was built 20 years ago, or more is almost certainly incompatible with what's required to thrive in the digital economy.

So, what's happening in your company to create new business models and to reinvent the operating model? What safe pair of hands is responsible for managing that? How is the workforce being engaged in those projects and programmes? To what extent has the board made the CEO accountable for creating the new future their company needs?

Let me close by saying that while fast caterpillars might increase efficiencies, cut costs, and be necessary, there are often no butterflies being created and no sign of transformation taking place. And there are some dangerous downsides to being seduced into the transformation illusion, while being caught up with digital sugar coating and fake transformation. Three of them include:

The fact that companies become so busy and preoccupied with creating fast caterpillars, that they stand still in the transformation stakes and increasingly vulnerable to the disruption that they can't see coming.

Secondly companies devote their limited time, effort and resources to creating fast caterpillars, because key “change” initiatives have become their priority. They have no time or resources to do anything else, other than create their fast caterpillars and maintain business as-usual.

And third, companies are lulled into a false sense of security, because they have fallen prey to the digital transformation illusion. They might be doing extremely well creating with multiple digital solutions, but there's often no vision of a butterfly in sight.

Leaders need to remove any illusion their companies might be under about their transformation, because no industry or company is immune from disruption. They need to remove all ambiguity that exists between transformation and change, then envision, enable and orchestrate legitimate business transformation.

They need to ask question such as:

How is our transformation going to disrupt the market or protect against disruption?

Will our transformation eliminate our industry's customer pain-points and complexity?

Will it cut our prices by at least 70% and still enable us to make money?

Will it make our dumb products and services smart?

Will it introduce a platform where buyers, sellers and innovators (including our competitors) can do business together?

Will it transform our physical products and services into digital offerings?

The Transformation Management Podcast Transcript

And for every answer of “yes” you need to ask Why? When and How?

If the CEO can't get the right answers to those questions, that's a good sign that their leadership team either needs help or some new blood.

There's nothing wrong at all with digital change projects, because they bring about much needed small change, which is enabled by technology. They often save some cash and introduce improvements, so companies really need these projects. But don't mislead people into believing that all digital projects represent transformation.

I appreciate you listening, and here's a quote to finish off the day from Brian Chesky - the Co-Founder and CEO of AirBnb.

“Never assume you can't do something. Push yourself to redefine the boundaries.”

What boundaries are being redefined for your organisation?

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