An Executive Guide to Digital Transformation

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Introduction

Many organisations are embarking on digital transformation programmes. Whether the driver is post-Covid or a desire to be more competitive, it is important that executives understand digital transformations and their role in a successful transformation.

In this guide, we will give an overview of digital transformation and describe the role executives can play to make it a success.

Why is Digital Transformation Important?

It is likely that an organisation will run many programmes in a year. While all of these are likely to be important initiatives, transformation and digital transformations can be critical to the ongoing viability of an organisation. If this is not true, then the programme probably isn't transformational.

There are many examples of these types of 'transform or die' programmes. Netflix used new technology to transform its business from a physical rental model to an online streaming service. This was a great example of successful transformation resulting not only in survival but in killing its competition at the time, Blockbuster.

There are many drivers for transformation programmes, and these include:

- New competitors
- New Technology
- Change in customer behaviours, e.g. move to online shopping
- Mergers
- De-mergers
- External events forcing a change in business model – for example the Covid pandemic or Brexit

Transformation can therefore be critical to the ongoing survival of an organisation; this is why transformations need to be properly managed, sponsored and challenged.

These days most transformations are digital transformations, i.e. transforming an organisation by, wherever possible, replacing manual or labour-intensive processes with efficient digital technologies and systems.

Some Definitions

The words project, programme and portfolio are often used interchangeably, and they mean different things. It is important for senior managers and executives to understand the differences in order to sponsor and challenge these initiatives.

Project Definition

A non-recurring, temporary endeavour undertaken to produce deliverables with desired business outcomes and so realize desired business benefits.

Programme Definition

A collection of projects that seek to achieve a common overarching outcome. A programme may be cross departmental whereas a project often isn't.

Portfolio Definition

A collection of programmes or projects grouped together (typically for reporting purposes) based on certain organisational, business, cost, benefit, risk, time or technical criteria.

Transformation Programmes

As transformation Programmes are large, they may have sub-programmes and projects within these sub-programmes.

Governance Structure

A transformation will typically consume significant resources, time and money. As alluded to earlier, a transformation programme may be existential, so it is imperative that the programme is controlled, managed and a close eye is kept on its expected outcomes. To achieve this, there needs to be a strong sponsor and the right governance structure in place. It is outside the scope of this guide to describe governance arrangements for a transformation programme but below we include some basic programme governance structures, I.e. Steering Committee and Quality Gates.

Steering Committee

All digital transformations should form a steering committee. This group is a key governance committee that, as it says, steers the programme.
There is no hard and fast rule of how often the steering committee should meet, but once a month is probably the correct frequency. Once a quarter is, in my opinion, too long a time interval to review and steer the programme. It can go seriously off the rails in three months!

The Steering Committee should comprise:

- Sponsor
- Senior Stakeholders
- Senior person from the key contractor(s) who is involved in delivering the programme Directors or senior members of the department(s) most affected by the transformation
- Change Director
- Finance Controller / Director (transformation programmes are costly endeavours and budgets need to be controlled

Steering Committee Role

The Steering Committee has a number of roles to perform:

- Resolve Issues. Every Programme will encounter issues. Big issues requiring big decisions need to be taken by the Steering Committee
- Understand risks. The steering committee needs to understand the key programme risks and agree the mitigation and avoidance actions that have been implemented
- Support the Programme. This support can take a number of forms but typically it is helping the
- programme team unblock blockers to the programme's success
- Agree changes to scope. Not every scope change needs to be raised at the steering group but big changes to scope that may increase the budget significantly or delay the programme, need to be agreed at the Steering Committee.
- Make Big Decisions. Key decisions that could adversely affect the programme or improve the programme's success need to be taken by the Steering Committee. For example, this could include replacing a key supplier or contractor
- Approving changes to the programme budget. The scale of the transformation will require a large budget and as the programme evolves this budget needs to be increased. This is a decision for the steering committee.
- Checking the on-going viability of the programme

Quality Gates

Quality Gates is the other key governance process that a digital transformation programme should use. Put simply, Quality Gates ask the question:

> *"Should we still do this programme and, if so, is the programme being run in the correct way?"*

It is obviously a little more complex than that. But this is the essence. You need to define a set of criteria at each stage gate.

In some digital transformation programmes, the programme must pass a quality gate to receive funding for the next stage of the programme. These gates are a check that the programme is still a viable initiative, and it is being delivered to an agreed set of standards.

Without a quality gate process there is the danger that the programme continues even when the transformation is no longer viable or is being delivered in such a way to make the end deliverables sub-optimal or not fit for purpose.

Figure1: Quality Gate Screen from PM3 showing quality gate and criteria needed to pass the quality gate

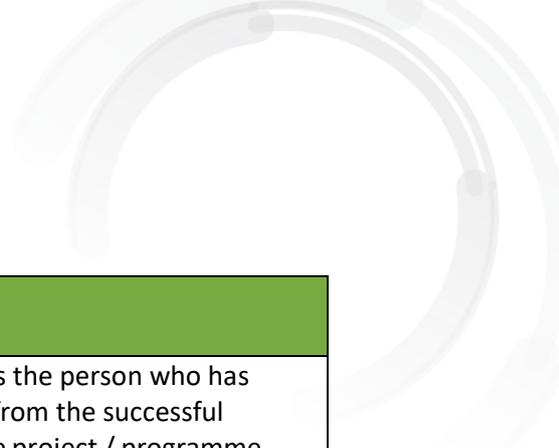## Role of the Programme Sponsor

An effective sponsor is critical to the successful delivery of any programme or project and is key to good governance. Many surveys cite ineffective sponsorship as one of the top causes of programme and project failures. The following section explains the role of the programme or project sponsor and explains steps on how to ensure your sponsor is effective.

The Sponsor is typically a senior executive who is accountable for the outcomes of the programme or project being delivered by the organisation. He or she has the vision and the understanding of what success looks like in terms of a successful delivery of a project or programme.

The programme sponsor will often be the originator or approver of the transformation programme. They will be responsible for formulating the business case for the digital transformation programme. The sponsor would typically lead the presentation of the business case to the governance committee.

What is often not understood is the fact that the programme sponsor is accountable for expected outcomes and benefits of the transformation programme.

The table below describes the role and the attributes to succeed as a sponsor.

Role Specification	
Description	• The sponsor is the person who has most to gain from the successful delivery of the project / programme
Purpose	• To ensure that the programme or project delivers the expected outcomes • To own the overall business change resulting from the delivery of the project or programme
Overall Responsibilities	• To deliver the outcomes • To influence • To overcome or remove blockers
Core Behaviours	• Strong Decision Maker • Astute Politician • Leadership Skills • People Influencer • Strong Inter-personal Skills
Responsible for:	• Successful Delivery of the programme / project and the organisational change • Managing the ongoing business case • Ensuring outcomes of the project and programme are communicated. • Ensuring benefits and outcomes are delivered • Confirming on-going viability of project or programme • Chairing the Steering Group • Actively manage the benefits delivery • Support the project / programme manager
Experience / Core Competencies	• A senior manager or Director preferably a C- Level • Knowledge of programme / project risk management • Knowledge of financial control in a programme or project environment
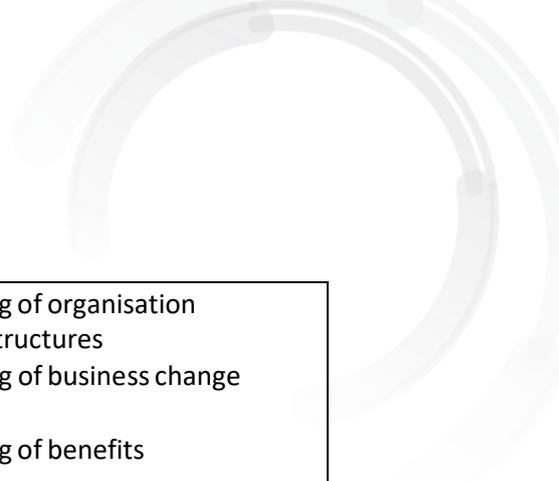
	• Understanding of organisation governance structures • Understanding of business change management • Understanding of benefits management

Transformation Programmes - Reporting

To monitor and control the transformation programme, there needs to be an agreed reporting model in place. This will vary by programme, but as a rule of thumb, each project should run a team / progress meeting ion a weekly basis. A project highlight report should be produced for the Programme Management Office.

A programme highlight report should also be produced on a weekly basis and sent to the PMO, senior stakeholders and sponsor. Supplementary reports, e.g., milestone plan, risk and issue register and benefits realisation plan should also be produced. An example of a good highlight report from PM3 is shown below:

Status Dashboard - with Financials

Status Dashboard - with Financials			Produced: 22-03-2021	Owner: David WaltonA Sponsor: Mr Big	Plan: 3196 Procurement 2021 (DW)
Current	Previous	Delivery — Project	Planned Start: 21-12-2020	Planned End: 31-12-2021	Revised End:

Delivery Status / Goal / Financial Status

Goal: Goal is to have a one size fits all global procurement system that is used by our global procurement professionals to reduce our procurement costs

Period Ending Date: 27-03-2021

Period Ending Date: 31-03-2021

Current	Previous	Factor
Red	Red	Budget
Red	Red	Time
Green	Green	Benefits
Green	Green	Scope
Green	Green	Team
Amber	Amber	Risks
Green	Green	Issues
Green	Green	Stakeholder
Red	Red	Process
Red	Red	Overall

Financial Status

	Capital £k	Revenue £k	Total £k
Budget To End	899.00	420.00	1,319.00
Actual To Date	92.00	33.00	125.00
Forecast To Date	552.00	225.00	777.00
Variance	-807.00	-387.00	-1,194.00

Delivery Status Summary

Overall status is Amber as costs are in excess of budget by 22%. There is alos a concern that the key processes are not defined. Next action is to review the budget and recruit a BA to document key processes.

Key Achievements This Period

Ideas have been generated and the first pass of our requirements have been gathered. Budgets have been submitted and a financial reporting process has been initiated.

Financial Commentary

The project is proceeding within the original project budget. There are, at this stage, no causes of concern re the the project budget either capex or opex. We are carefully monitoring the budget on a monthly basis.

Key Targets Next Period

- Key processes are defined
- Sponsor briefed
- Stakeholders have also been briefed
- Budget review

Topics for Management Escalation / Discussion

Budget is a concern

Next 5 Milestones To Be Completed

Code	Milestone Name	Owner	Planned Date	Revised Date	Explanation
IT02	Requirements Identified	David WaltonA	01-02-2021		
GW-2	Ideation	David WaltonA	04-02-2021	15-02-2021	
IT05	Architecture Requirements Agreed	Joginder Pandha	26-02-2021		
GW-1	Scope, Value & Plan & Budget	David WaltonA	31-03-2021		
GW00	Project Architecture Board (PAB)	David WaltonA	17-06-2021		

Top 3 Delivery Risks

Risk ID	Top 3 Delivery Risks	Mitigation Plan	Risk Owner	By When
AS002	Sponsor is not engaged	Train sponsor as to his role and actions that are needed	David WaltonA	18-02-2021
AS014	A new risk for March 17	Mitigation actons	David Waltonpm	31-03-2021

Top 3 Delivery Issues

Issue ID	Top 3 Delivery Issues	Mitigation Plan	Issue Owner	By When
AS003	Key Vendor has ceased to trade	Recruit vendor's staff directly	David WaltonA	06-01-2021
AS005	Budget is not realistic	Seek extra budget	David WaltonA	26-02-2021
AS006	Covid lockdown	None identified	David WaltonA	29-01-2021

Server: INST-001F81A6   Service: PM3DemoBestoutcome2017   Report Code: DD

Figure 2: PM3 example highlight report
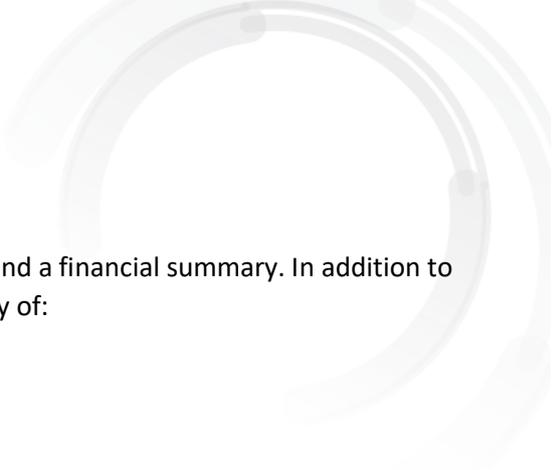
This report shows key traffic lights and the trend from the previous week and a financial summary. In addition to the commentary on progress and activities next period, there is a summary of:

- Milestones;
- Risks; and
- Issues

This summary gives a good summary health check of the project or programme. This highlight report will need to be supplemented by other reports including for example:

- Risk and issue register
- Gantt Chart or Milestone plan
- Financial tracker
- Benefits Realisation Plan
- Gateway Check (Is the project or programme still viable?)

There is no one size fits all for the set of reports that is needed for each period. Sometimes, a summary is all that is needed supplemented by a detailed report by exception. For example, if there are some red risks, then a risk register showing these red risks, mitigations and progress may be required.

Transformation Plans

The Transformation Sponsor and the senior stakeholders need to review the progress of the programme on a regular basis. There will be a number of Gantt charts and hopefully milestone plans that the projects and the overall programme are using to manage progress. The senior stakeholders need to review, on a regular basis, the progress of the programme. It is important that the review of progress is 'top-down', I.e. a programme review should use a high-level milestone plan to review progress. What is not required is a detailed Gantt chart of hundreds of activities. If there is significant slippage of a key milestone, then the stakeholders may need to see a more detailed set of activities to understand why a milestone has slipped. Too often, however, a detailed Gantt chart is presented to a transformation governance board. There will be too much detail here and a Gantt chart can be very hard to understand for someone who is not a Microsoft Project expert.
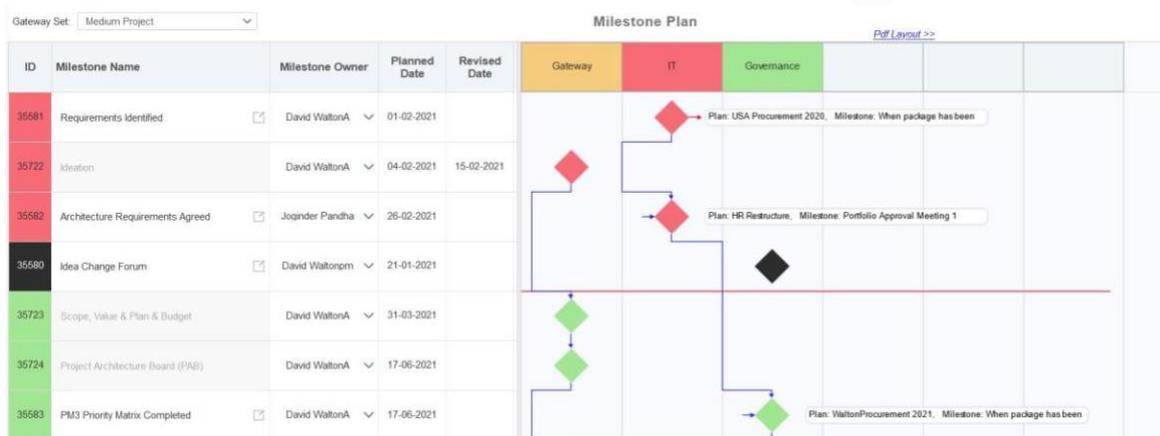
Figure 3: a high-level milestone plan from PM3, PPM tool

This milestone plan depicted above has time going vertically and not horizontally as in a Gantt chart. This type of plan is a very good visual for senior managers and executives to see progress. The red line is today's date and if a milestone is not complete (black) then it is Red, I.e. late!

Why is Change Difficult?

It is a generally accepted fact that people are resistant to change. There has been a whole body of knowledge produced on change management. Change management processes are outside the scope of this paper, but we will seek to explain some key concepts on change management as pertaining to transformation programmes.

If people are resistant to change then there is a high probability that they will be *very* resistant to a change that is transformational. A transformation change, by definition, is likely to be major not minor. This can lead to uncertainty, fear and a high level of resistance. Managing change needs, therefore, to be a key component of any transformation programme.

The sponsor and other senior executives have a key role in developing the change vision and championing the change. To help deliver the transformational change, a change vision needs to be developed supported by a compelling need to change. The transformation programme is the path and plan to deliver part or all the change vision. The compelling need to change needs to be articulated and communicated so that all stakeholders realise that the status quo cannot continue. It is possible that the transformation is critical to the ongoing viability of the organisation which needs to be part of the messaging to stakeholders.

To help convey the 'compelling need to change' and get all people on board a stakeholder map should be developed. Each stakeholder needs to be assessed in terms of their readiness to support the change or their resistance and level of resistance to the change. Barriers to change need to be identified and strategies to overcome these barriers developed. Most transformational programmes that we have run have included a workstream that is responsible for the communication and change management activities.

The other aspect of change that is important to recognise is that people can only absorb so much change in a given period. If too much change is attempted at any one time then there is a high probability that the change will fail. If possible, change needs to be spread so that people have the capacity and 'brain space' to absorb the change.
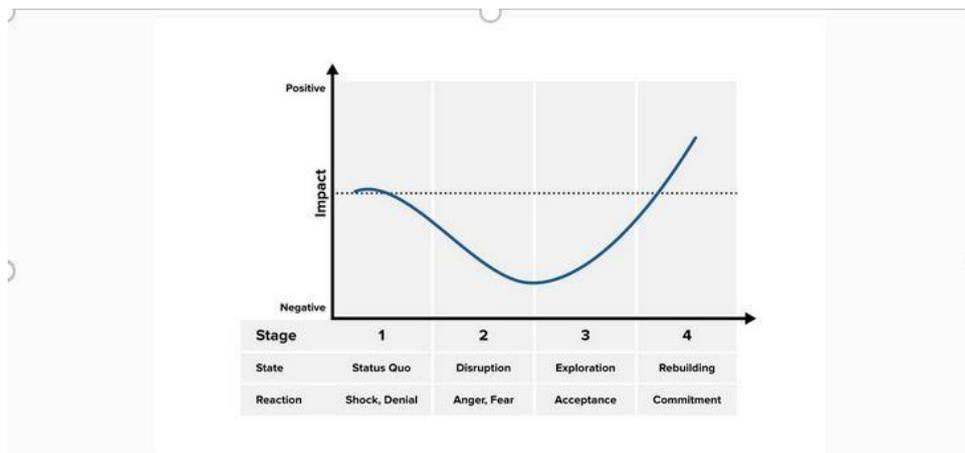
From: On Death and Dying by Dr Elisabeth Kubler-Ross Figure 4: The Change Curve

To explain people's resistance to change, change management professionals use the four stages above to describe people's behaviour when confronted by change. This curve was formulated originally by Dr. Elisabeth Kubler- Ross and was based on her research into people who were in bereavement.

Although based on interviews and research on people who were grieving, it has also been found to mirror people's attitude to change.

Stage 1: Shock and Denial
The first stage is shock and denial where individuals or groups resist the change and believe that the change is not real or unnecessary. To overcome this, you need to communicate effectively so people understand what is happening and why it is happening.

Stage 2: Anger / Fear

As the change sinks in people may resort to blaming someone or some group for the change. This could be management. In this stage it is important to work with individuals to mitigate problems they may face with change. This may not always be possible as some of the anger may be rooted in emotion.

Stage 3: Acceptance

At this point the positive impact of the change increases and the organisation is likely to make a success out of the change. In some programmes, of course, this stage is never reached, and the change is likely to be unsuccessful. In this stage it is important to use learning and training techniques so that the impact of the change is reduced, and the individual looks for positive outcomes as a result of the change,

Stage 4: Commitment

At this point the change becomes embedded and people accept and even embrace the change. Benefits of the change can start to accrue as people and the organisation become more productive or efficient.

Symptoms of a failing Transformation Programme

For a transformation, it is essential that executives and senior management 'keep the programme team honest' and really understand the health of the programme. As explained above, the transformation will have a governance board where various updates and reports will be presented.

It is important that questions are asked so that the executive team can be sure that the programme is on track to deliver the desired outcomes or, if not, early intervention occurs to bring the programme back on track.

Key to uncovering the true health of the transformation programme is to recognise the symptoms of a failing programme. Here is our list of symptoms for a programme that appears healthy but may be in real trouble.

- Programme Status is always green.
- Steering group meetings keep being postponed or cancelled.
- Programme manager constantly says he/ she will make up the schedule slippage.
- Sponsor does not know they are the sponsor.
- Programme plan is constantly changing.
- Programme plan never changes from the baseline.
- No issues exist.
- No risks exist.
- Programme Manager is eternally optimistic.

Of course, some of these symptoms may reflect a brilliantly managed programme. But it is important that executives have a healthy sceptical view of the programme and ask pertinent questions. The transformation is often too important not to deliver so executives need to be armed with a supportive but challenging approach to the programme.

Questions to ask your Programme Manager

Below is a list of 'good' questions to ask your programme team when they present at the next transformation steering committee.

- Does the business case still stack up?
- What are the top 5 risks and how are you mitigating these?
  What are the top 5 issues and how are you mitigating these?
  How much contingency Is left?
- Is your sponsor active?
- How are you managing the change impact of the programme?
  Is there a communications strategy and plan?
- What is the biggest threat to the success of the programme?
  Do you have the right team in place?
- Do you have the right number of resources with the right skills?

Summary

Transformation Programmes can be critical to the ongoing viability of an organisation. They are, by definition, critical and large undertakings. It is important that executives understand their role in these programmes. Whether their role is as sponsor or as a senior stakeholder, they have important roles to fulfil.

In this guide we have defined digital transformation and provided information on how an executive can help deliver a successful transformation.