



A Guide to Digital Transformation

A Short Guide to Demonstrate a Path to Success in Digital Transformation for Organizations Both Large and Small

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Introduction

Most managers intuitively understand that digital transformation is critical to the long-term success of their organization, but there is a large gap between intuitive understanding and execution of a strategy. In 2016, Appian performed a survey of 120 IT and Business Leaders that states 87% of leaders had digital transformation projects planned for 2017¹. If 84% of organizations fail at digital transformation², how can leaders expect to succeed on their most important priority? The answer is far from simple.

Why People Fail

In order to create a path to success, analysis of how organizations are failing is important. The three primary reasons that organizations fail to transform digitally are:

1. Unrealistic expectations
2. Failure to include all parts of the organization
3. Wrong focus areas

Unrealistic expectations can be seen in many forms. Individuals continuously underestimate the time it takes to complete tasks and overestimate their own ability to deliver. This double-edged sword leads organizations to have unrealistic expectations about the investment required for a successful digital transformation.

In addition, many organizations make assumptions about the feasible outcomes of digital transformation initiatives. Business leaders will assume that IT can solve any problem that blocks the execution of the vision, and IT will make assumptions about business requirements without further investigation.

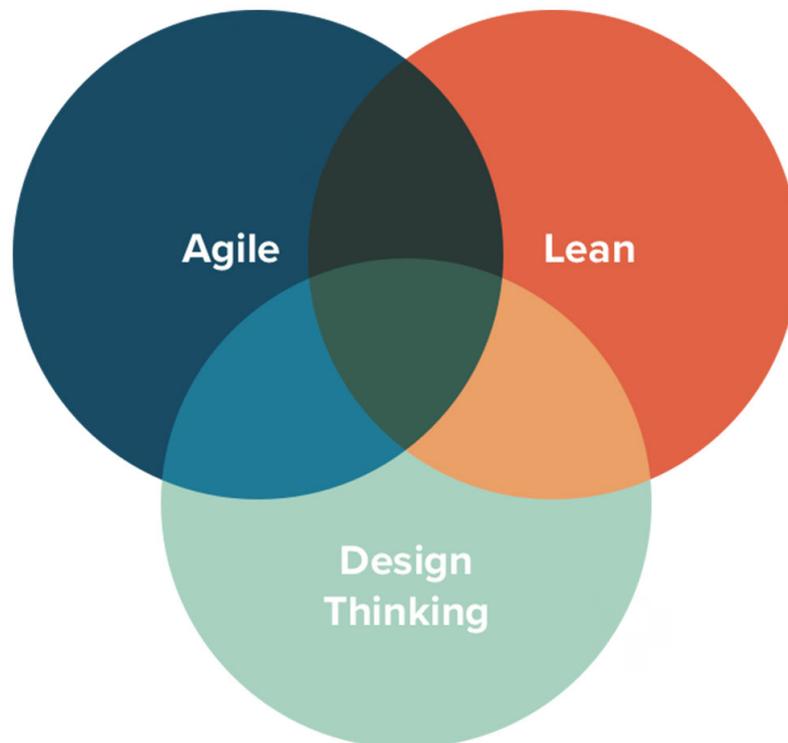
This lack of cohesion within an organization is a symptom of the second failure point: inclusion of all areas of the organization. Creating a digitally native company requires more than C-Suite strategic direction. It requires more than IT

delivery. It requires more than product definition. It requires the inclusion of all members of the organization via a culture shift to think about direct value added to customers.

Finally, organizations embarking on a digital transformation focus on the wrong areas of the business to create a successful transformation. Many organizations assume improving back-end systems and automation of internal processes is the right focus area to reduce costs and will enable a digital transformation. However, digital transformation needs to be focused more holistically on how to add value to customers first. Reducing costs and increasing revenue should be a focus, but it should not be the primary focus.

How to Succeed

There are three components to creating a digitally native organization that will drive transformation: Agile Methodology, Design Thinking, and Lean Processes.



Agile Methodology

The agile methodology is a process that many organizations claim to utilize, but rarely do they follow through. There is a large amount of uncertainty in a pure agile approach, and Levvel does not recommend pure agile for most organizations. However, while some planning is important to organizations, you must be careful not to fall back into pure waterfall either.

Slow development and delivery cycles have traditionally forced businesses into long planning cycles. Unable to respond to change in the short-term and unable to predict market conditions in the long-term, businesses have had no choice but to chart a long-term course and commit to it, even as circumstances change.

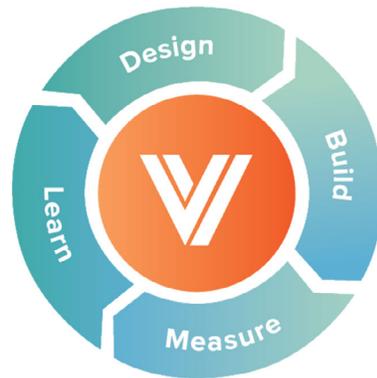
To hedge against the uncertainty of long-term customer and market conditions, businesses have traditionally focused on factors more within their control to drive new products and services. As a result, internal factors, such as existing company resources and organizational competitive advantages, often become the driving force behind innovation, rather than customer needs and market opportunities.

Digital transformation allows businesses to become much more customer-centric. As time horizons shorten, customer needs become clearer, more reliable drivers of business value. Rapid development and deployment of technology allow businesses to make decisions based on current market opportunities and customer demands.

Design Thinking

Design thinking is a practice that focuses on putting the needs of the customers first. Many organizations will assume they understand their customers' needs without conferring with those same customers. Design thinking requires an iterative approach to building solutions that has four primary stages: measure, learn, design, and build.

Measuring and learning require talking to existing users for brownfield digital transformation projects in order to truly understand the problem. After designing and building prototypes, organizations must repeat the process of measuring and learning in order to iterate.



Organizations that focus on customer-centric solutions and follow a design thinking philosophy are more likely to be successful in creating a true digital transformation because the focus on the customer will drive increased revenue.

Lean Processes

Any successful digital transformation must involve a transition in how a business manages its digital customer experiences. Whether software is in active development or is already deployed and functioning well, it needs to be actively managed, or it risks falling behind the ever-changing needs of its users.

The long-term health of a software product is directly related to how efficiently it can move through the software development lifecycle of strategy, design, build, and measurement. The short development timelines made possible by agile development allow business teams to adopt lean product development approaches.

At its core, lean methodology is about the rapid experimentation and measurement of new product ideas. Validated learning is valued over all other metrics, and real customer feedback becomes a central driver. Because digital transformation lowers the cost of experimentation and failure and accelerates this process, businesses can take bigger risks and reap bigger rewards—and do this more often.

Conclusion

Agile methodology, design thinking, and lean processes have all been leveraged by organizations to modify their process and drive customer value. However, many organizations do not invest in the culture shift necessary to perform all three simultaneously. Simply practicing agile development does not increase customer value on its own—organizations must practice design thinking as well.

Creating lean business processes may reduce cost, but without changing your design and development culture, you are not driving new revenue streams or increasing your existing revenue streams. A culture shift must occur from the top down and bottom up within an organization for a true digital transformation to be successful.

This lack of a culture shift on all levels is why most organizations fail in their digital transformations efforts. It is difficult to change a culture, but it is a necessary step to maintain a competitive advantage in an ever-shifting business landscape.

About Level

We are an IT, strategy, and design consulting firm that combines the innovative DNA of a startup with the wisdom, scalability, and process rigor of a Fortune 100 company.

Learn more about how Level can support your Digital Transformation goals by contacting us at hello@level.io.

¹ <https://lb.appian.com/digital-transformation/survey-2017-digital-transformation-initiatives?xs=3283>

² <https://www.forbes.com/sites/brucerogers/2016/01/07/why-84-of-companies-fail-at-digital-transformation/#471f4719397b>