

# Avoiding Extinction: A Behind-the-Scenes View of Companies' Digital Transformation Journeys



“If you do not have [digital transformation], you are out of the game. Out. It is just a matter of time. Start counting. Start counting, because you will be dead very quickly because there is no way to compete today.”

- Vice President, Manufacturing

## Digital Transformation Everywhere

Type in keywords “digital transformation” on the Web today and you will find thousands of articles discussing how companies are navigating their digital transformation journeys.

From Internet of Things to artificial intelligence, blockchain to 3D printing, virtual and augmented reality to robotics, companies across industries are experimenting with disruptive technologies, exploring use cases, collaborating with their IT partners, startups, and peers, immersing themselves in the ecosystem, learning, failing, and finding successes.

Disruptive technologies are shaking up industries. Hundreds of startup companies with niche value propositions are picking apart industry value chains. As a result, incumbent companies are being forced to re-examine their very foundations. Digital transformation is their response, simply an umbrella term describing the process through which industry incumbents are continually responding to the disruption around them and harnessing disruptive technologies to reinvent themselves.

## Eight Common Practices

Industry pundits far and wide have been writing about these digital transformation journeys. From consulting firms to market analysts to industry bloggers, there is no shortage of perspectives and frameworks that describe the steps companies are taking as they transform.

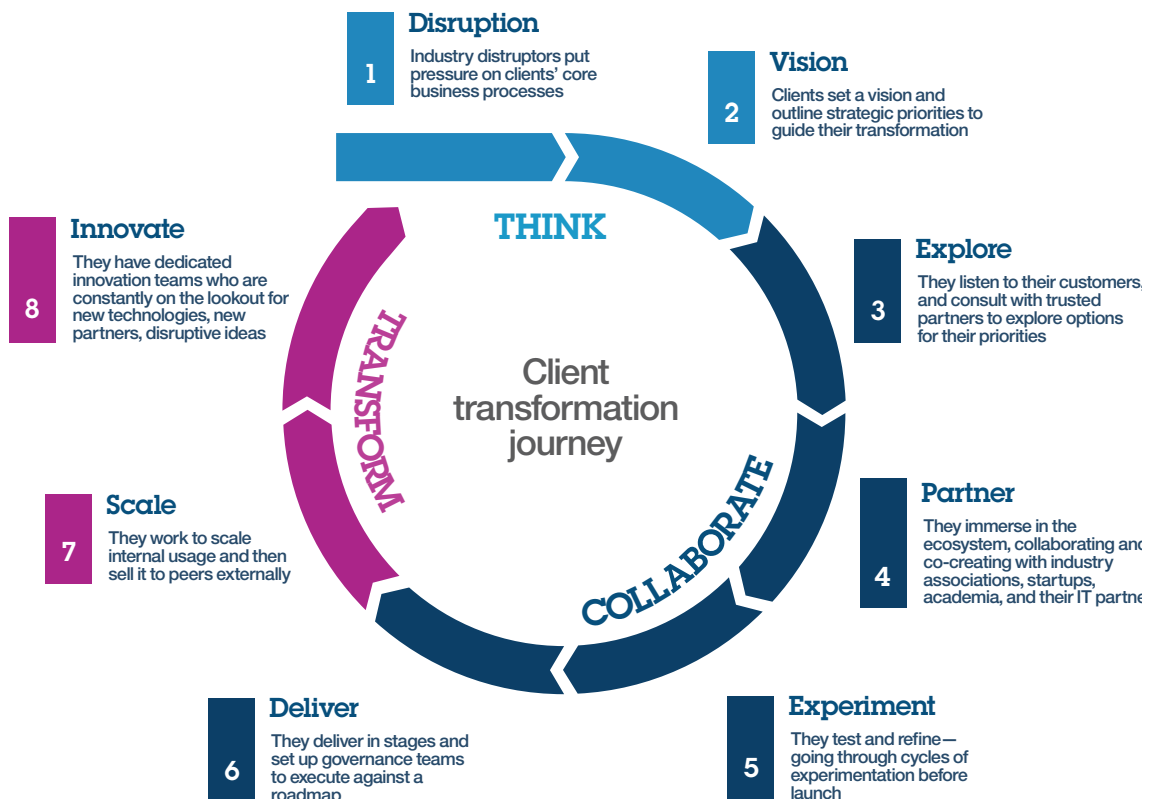
We studied the digital transformation initiatives of over 50 leading companies across financial services, healthcare, life sciences, retail, industrial, automotive, energy, and manufacturing industries. Pouring through articles, reports, press releases, webinars, conference presentations, blog posts, social media feeds, and other publicly available material about these companies' initiatives, we pieced together eight common practices companies are taking to navigate their digital transformation journeys.

We were intrigued to find such consistency across companies in how they navigate their journeys. However, our study of these companies also found that these

practices are by no means sequential. There were no clearly defined beginning or end points. There were as many flavors of these journeys as the number of companies studied. Companies move through these practices in a continuous, iterative, dynamic, and non-linear manner. The practices applied to individual transformation projects, as they did to overall company transformation initiatives.

What the publicly available material did not tell us was how these companies were actually implementing these eight practices. What goes on behind the scenes? Who drives these journeys? What skills are required? What determines success? What challenges are faced? With these questions in mind, we embarked on a set of in-depth interviews with digital transformation leaders across 11 companies<sup>1</sup>. Through these interviews, we sought to understand how much of these companies' processes aligned with the eight practices.

Figure 1: Digital Transformation Journey - Eight Common Practices



# Creative Chaos

A knee-jerk reaction to a competitor’s press release, a portfolio rationalization process, a divestiture, a legacy environment upgrade, or a brand new competitor vying for business with existing clients – these are all ways in which companies first start their digital transformation. Ideas come from individuals, just as they are pushed forward from marketing teams who are constantly “seeing the writing on the wall” at external events.

*“I think innovation just gets short shrift at many companies and ends up being ostensibly part of everyone’s job, which means it’s actually no one’s job.”*

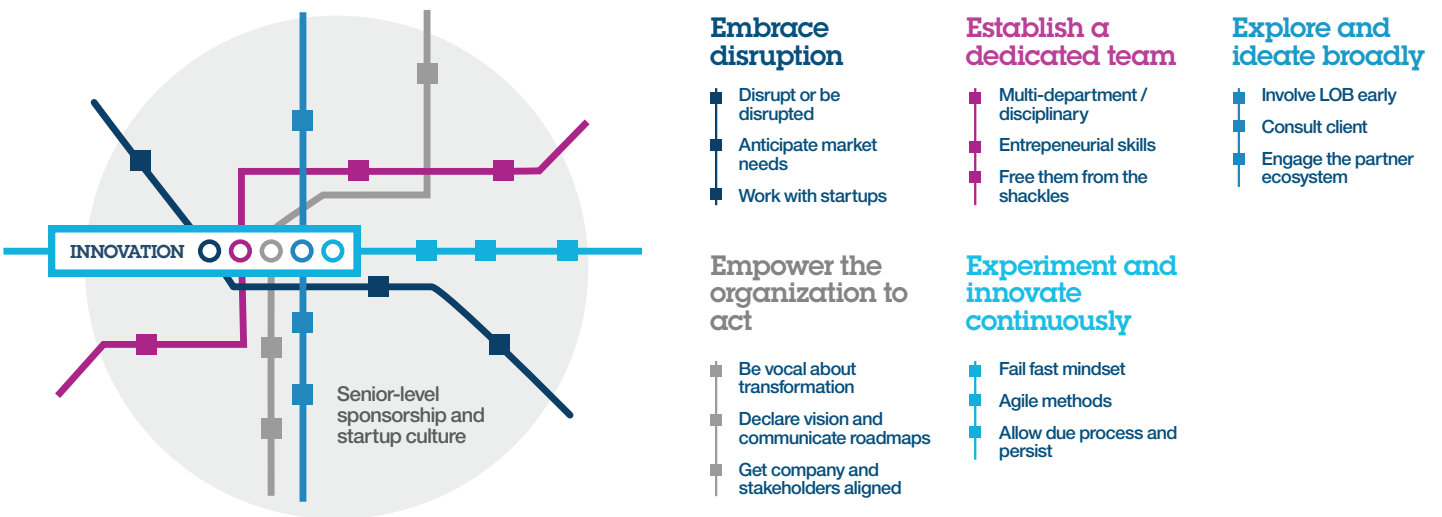
— Head of Social Media, Automotive

*“A lot of corporations tend to think of their process as being structured, but there is a certain amount of, what I would call, creative chaos, particularly at the outset. Everybody has a different perspective as to what they need and what they expect to be delivered. They come in with blinders and have to go through a discovery process of finding where their requirements are.”*

— SVP, Financial Services

Teams are loosely formed in the early days, pulling individuals to partake in a digital initiative on top of their day jobs. Despite this lack of structure at the outset, different starting points, and loosely formed teams, respondents collectively conveyed five factors that unfold over time and help companies organize for successful continuous digital transformation journeys. Their candid comments provide helpful guidance on issues ranging from challenges faced, how companies are continually working to overcome them, and how teams and organizations set up for success in continuous transformation.

Figure 2: Executing Digital Transformation - The Five E's



## Embrace disruption

Companies understand that they are being disrupted and that digital transformation is not optional. As they embark on their own journeys, they look around and see big disruptors like Uber and Airbnb and realize they must move quickly past reactionary initiatives to become industry disruptors themselves.

**Disrupt or be disrupted.** Find innovative ways to change the way business is done, otherwise, other industry players will eventually leave you scrambling to adapt.

**Anticipate market needs.** Be proactive in staying at the bleeding-edge of technology and immerse in the ecosystem to systematically think through and identify ways to change the status quo, and bring new ideas to market quickly.

**Work with startups.** Successful startups inherently offer

something new and different and are not tied to the same bureaucratic hurdles. Oftentimes, their ideas are so novel that even the regulatory environment may not have caught up with them. By working with them, you'll be better able to tap into and experiment with different ideas faster.

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*“A lot of companies are investing in startups and trying to figure out that they’ve got to try and disrupt themselves from within. They’ve got to try to partner with companies and bring them in to help them – disrupt faster and go into digital faster.”*

— CIO, Financial Services

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## Empower the organization to act

Embracing disruption is one thing, but resetting the organization to act as a disruptor is a different thing altogether. Companies are at various stages of getting the participation and buy-in of the entire organization. A clear vision must be developed and perpetually echoed throughout the company to inspire change, while publicly communicating this message develops a layer of external responsibility.

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*“People tend to operate in a vacuum on a day-to-day basis. Executives who run the business want to move fast. They want everything yesterday and that slows everything down. There is a lot of jockeying that takes place in the initial stages until everybody gets some kind of alignment.”*

— SVP, Financial Services

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**Be vocal about transformation.** Persistent top-down communication and enablement are necessary to get employees on board and inspired to act.

**Declare the vision and communicate roadmaps.**

Senior executives should publicly broadcast the commitment to innovation and digital transformation of their business. Internal messaging will help guide employees' mindsets and external messaging will keep the company accountable.

**Get company and stakeholder aligned.**

Transformation must occur in alignment with the varying needs that exist throughout the company to ensure that all parties are invested in and benefit from the process.

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*“One of the things that’s really important is to get out in the organization and talk about it and communicate so that people understand why it’s happening, what’s happening, when it’ll happen, and have the tools to make the transition.”*

— CIO, Transportation

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## Establish a dedicated team

A transformational vision requires a culture of risk-taking and a multi-disciplinary team of disruptive thinkers empowered to bring it to life.

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*“It is essential that they understand that it’s a multi-functional, multi-departmental effort and journey and that it’s not only going to take on a scale of years to accomplish, but it’s a never-ending process.”*

— Head of Social Media, Automotive

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## Explore and ideate broadly

Involving external partners, leveraging your external ecosystem of partners, and co-creating with industry experts, IT vendors, startups, academia, and even customers, is an essential part of the digital transformation journey. Having this well-rounded point of view can both facilitate and accelerate this process, and eliminate any biases occurring within the organization.

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*“Have processes that get ideas from customers – a community of customers pushing ideas on a daily basis for better products, better features, better process. Have a process to accelerate those best ideas into implementation, leveraging more flexible budget mechanism, etc.”*

— CIO, Financial Services

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**Involve LOB early.** Ultimately, for any innovation to become more than a pilot initiative, the internal operational functions need to grant their approval. Therefore, line of business (LOB) should be involved from the preliminary stages of transformation.

**Institute a multi-departmental approach.** Once the vision for transformation is aligned with interdepartmental needs, representatives from each area of the organization should be jointly involved in organization-wide innovation.

**Encourage risk-taking.** Having a separate project, team, or function that is granted flexibility to fail and the freedom to take risks fosters innovation. It is the learning that comes from failing that propels companies to breakthroughs and eventual success.

**Find the entrepreneurs.** Recruit and retain employees who aren’t afraid to ask questions, take risks, challenge the status, and do things differently. Add them into teams to act as change agents and to provoke new thinking.

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**Consult clients.** Including clients in the ideation and experimentation processes enables a company to accelerate client adoption of new disruptive initiatives. In addition, co-creating with clients allows a company to better align future offerings and solutions to clients’ needs.

**Engage the partner ecosystem.** Working with a wide range of partners allows for people or groups from disparate backgrounds and experiences to come together to achieve a common goal. Expanding ideation to this larger group allows for the best innovations to sprout.

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*“Get their fingerprints on it early because what you don’t want to do is set and move so far down the path without any operational people being involved. Number one, they can teach you things and it works much better. Number two, they need to see that it’s helping them.”*

— CTO, Aerospace & Defense

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## Experiment and innovate continuously

Embrace and learn from failures, move quickly, and be persistent. Innovation is a perpetual and fluid process that is nurtured by unbounded support and an agile culture.

**Adopt the startup mindset.** Fearlessly launch ideas, experiment, and pivot with each phase of learning. Stay away from unnecessary process, reduce layers of approval, and eliminate other red tape.

**Implement agile methodology.** Be agile, nimble, and flexible. Iteratively pilot new ideas and conduct trials.

**Allow due process and persist.** Digital transformation is a long process that requires a sustained effort, continuous self-reflection, and the will to let go of business as usual.

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*“Act like a startup and don’t put financial controls in. The emphasis is on learning, not on margin. The emphasis is on how many prototypes or trials did you get into the marketplace, not what was your margin or your ROI.”*

—Head of Innovation, Energy & Utilities

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## Two Foundational Pillars

Like any new structure that is being put in place, what goes into the foundation is critical. There are some very visible examples like G.E., where its leadership is out in the open declaring the vision for change and discussing in great detail how the company is transforming and navigating its journey. Stories like this give us hope that industry incumbents, deeply rooted in their ways and cultures, are capable of being leaders of change. At the heart of these stories, we see two pillars of success – senior leaders driving change and a complete reset of the company’s culture and operating mechanisms.

Respondents of our study highlighted the same two factors and provided words of advice on how companies should think about these foundational pillars.

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*“It’s imperative to have a leader in place who’s not satisfied with the status quo. Obviously, they need to be able to run the business day to day but they still need to be looking out one, three, five years to see exactly what’s driving them, what’s driving their industry, what’s driving the world around them.”*

— Head of Social Media, Automotive

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### Senior level sponsorship

A top-down, senior-leader driven approach is essential for companies to be in a state of continuous change. Successful leaders are those who are always looking ahead, challenging their teams to think differently and be provocative in their ideas, presenting to the world, their vision and aspirations, and then driving the company to execute with the five “Es” described above.

Executives who are best at leading their companies through change embody certain characteristics. They are open to change, they understand that there are many, many layers to transformation, that ideas come from a wide base of constituents, both inside and outside the company, and they are adept at listening picking up on good ideas, and creating an enabling and empowering environment that helps these ideas flourish.

### Culture reset

Underpinning everything, respondents spoke extensively to the need to change the very mindset and culture of how the company operates, introducing new operating mechanisms that allow the company to be nimble in how it approaches innovation, and to act like a startup. In the process of this reset, companies are doing a variety of things like breaking down siloes that prevent collaborative exploration, shielding innovation teams from bureaucratic approval processes, establishing new metrics for how success is measured for these initiatives, and fostering an environment where people feel free to think out loud, outside the box.

## Navigating your digital transformation journey

As you move forward with your digital transformation initiatives, be sure your plans address these key questions.

*How will you collaborate with the ecosystem of partners to co-create solutions and outcomes?*

*What operating models must you put in place to empower a culture of continuous ideation and experimentation?*

*How might you employ design thinking principles to progressing your digital transformation agenda and roadmaps?*

*How do you stay on the edge of disruptive technologies and ideas, while balancing the need to progress your existing business?*

*What skills do you need to expand on to mobilize and sustain an environment of continuous innovation and proactively challenging the status quo?*

“[Digital transformation] needs to be part of a company’s way of doing business going forward. It’s not something that you can take on for three years and then set aside and then say whew, we’re done innovating now. We did it.”

- Head of Social Media, Automotive



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## Notes and sources

<sup>1</sup> Single-blind interviews with executives from 11 companies covering 7 industries (Aerospace & Defense, Automotive, Energy & Utilities, Financial Services, Manufacturing, Retail, Transportation)



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