

# Navigating change in your digital transformation journey:

Change management insights from leading enterprises

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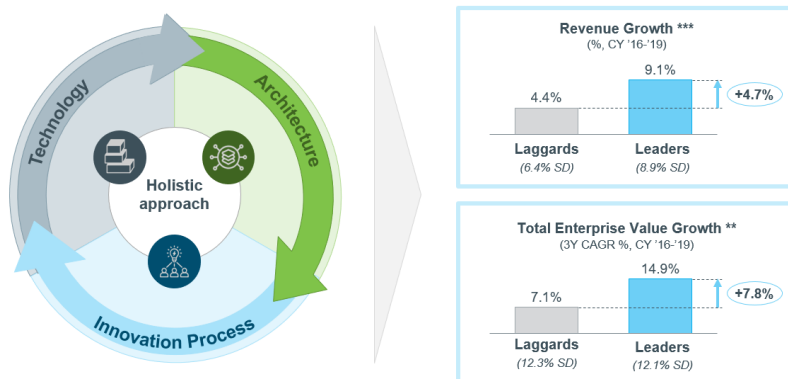
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# Introduction

Digital transformation has been widely embraced in recent years as organizations seek to adopt the latest technologies and leverage data to remain competitive and create better business outcomes. A critical part of these transformations is change management; in addition to managing technology changes, leaders of transformations must effectively drive changes in both behaviors and mindsets, on both the technical and business sides of the organization.

Keystone's research has shown that enterprises which holistically address technology adoption, architecture, and the innovation process outperform laggard industry peers (Figure 1).<sup>1</sup> These organizations typically promote cultures open to taking risks and driving change.<sup>2</sup> Keystone has found that such cultures often lead to successful "change" organizations as well; organizations that approach change with a holistic perspective and learning mindset tend to be the most successful in driving digital transformations.



*Figure 1. Keystone prior research demonstrates that enterprises which have successfully transformed address technology, architecture, and the innovation process holistically and have better business outcomes than enterprises with siloed approaches.*

This paper explores strategies and approaches that enable successful change management for organizations undergoing significant digital transformations. We present insights based on conversations with change leaders at large enterprises, that have undergone a major digital transformation in the past five years, across a range of digital maturities. Based on these conversations, we've identified three key factors contributing to the success of digital transformation efforts:

- **Design:** Co-designing the digital transformation with both business and technology stakeholders so that the transformation resolves to improved business performance.
- **Implementation:** Recognizing the natural resistance that those impacted by change will have and investing early in communication, processes, and resources to bring employees along.
- **Adaptation:** Adopting a test and learn approach to execution so that efforts are resilient to the "unexpected" challenges that inevitably impact even the most carefully thought through plans.

<sup>1</sup> [Rethinking the Enterprise White Paper, May 2021](#)

<sup>2</sup> [Culture of Data Leaders White Paper, February 2021](#)

## Design

### Communicating a clear “why”

Successful organizations define and communicate a clear “why” for the transformation from the start, ensuring that the initiative is sufficiently understood by stakeholders. A well-articulated and consistently-communicated reason for the transformation fosters a shared understanding and connection with why the organization is launching the digital transformation. In contrast, organizations that do not provide sufficient detail underlying the transformation and its goals are less likely to identify the right problem to solve, gain buy-in from employees, and ultimately realize a successful implementation of their strategy.

In a successful transformation, the reason for transforming is often connected to the organization’s core values and key cultural tenets. When the reasoning for a transformation effort aligns with the organization’s values and culture, employees feel connected to the effort and are more motivated to adopt and drive the change. Why an organization transforms is particularly important as it serves as a consistent North Star, while other aspects of the transformation effort – the specifics of what transforms and the tactical implementation steps – may evolve significantly (Figure 2).

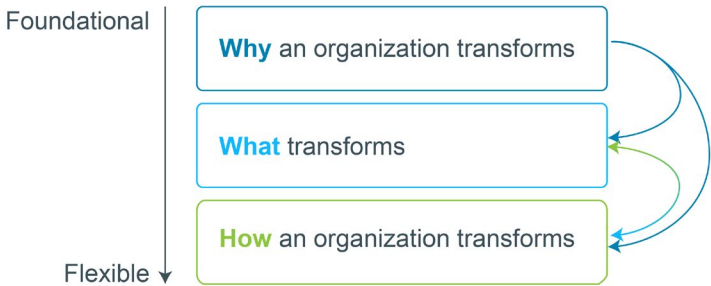


Figure 2. The reason for change (“Why”) provides the foundation and acts as the guiding influence for “What” changes as well as the steps taken to transform (“How”).

#### Strategy in action

*“We are an organization that has very deep roots in working with our customers. We were not seeing the impact for our customer with our business-as-usual approach, so we needed to transform from a company that designs and builds products to a subscription model with predictive data at the core of the customer experience.”*

– VP of Enterprise Transformation at a Manufacturing Company

One successful industrial manufacturing organization explicitly connected the “why” for their digital transformation with their deeply rooted cultural tenet of customer-centricity. As part of their digital transformation effort, which involved leveraging predictive maintenance in their products, the organization prioritized communicating to employees how the effort would allow for faster and more precise customer service. **Framing the impact around one of their strong existing core values was extremely effective at bringing business partners on board and ensuring a clear collective vision of success.**

In contrast, a medical device organization set a goal to digitally transform over a five-year period, but never clearly communicated the goals or expected end result of the change. The digital transformation effort was neither made part of the organization’s core strategy, nor was it well-matched to the historically risk-averse organizational culture. **Without a clear agenda or vision, employees did not understand the rationale for the change and, because of the significant effort required, quickly soured on the initiative.** The initiative was eventually deprioritized with employees viewing it as “an easy thing to shave off.”

Implications for an organization undergoing transformation

- 1) Consistently reiterate the reasons for and goals of transformation to employees
- 2) Align transformation goals and approach with organizational goals and values where possible

Design

## Engaging and empowering the business

Organizations that are successful in digital transformation efforts bring the relevant business units into the technology design and planning processes. At successful organizations, business and technology teams co-design use cases to ensure that the digital transformation effort addresses business priorities. This collaboration creates solutions which serve direct business objectives and also have technical integrity. Less successful organizations begin the transformation process almost entirely from a technology perspective and generally encounter more challenges when implementing and sustaining change. These exclusively technology-driven efforts often lead to product features and use cases that are not valuable to business counterparts, which results in low adoption and poor performance.

In addition to incorporating business needs into the design process, successful organizations define transformation key performance indicators (KPIs) so they are directly linked to business goals and give business units ownership of parts of the transformation. Tracking these KPIs provides tangible evidence of progress that can be crucial (especially early on) for keeping business and technology teams motivated as they work through the inevitable challenges associated with significant change.

### Strategy in action

*"For stakeholders, the best outcome is to make their lives easier and reach their goals. When your project is part of their goals, there is tangible motivation to adopt the change."*

– Global Head of Data Science at a Luxury Fashion Retail Company

A luxury fashion retailer improved its demand forecasting capabilities to enable better allocation of raw materials and designer resources to make the process quicker, more efficient, and lower cost. The data team leading the effort **interviewed employees of all levels involved in the demand planning workstream to understand their pain-points and, in particular, the most amenable use cases to driving forecast improvements.** Although the interviews were a considerable time investment, the process allowed the data team to pinpoint use cases for their predictive platforms to both ensure stakeholder adoption and drive cost savings and efficiencies. They built a data platform and were able to successfully leverage AI to better predict demand of products. In addition, **involving the business in the design process fostered a sense of shared ownership of the initiative and, as a result, the transformation was met with far less resistance than anticipated.**

In contrast, a manufacturing organization that failed to involve business partners in the design process faced significant challenges in developing valuable use cases and proving the value of the initiative to business units. This organization aimed to build a data lake to connect and share data across business units. However, they relied on a primarily technology-driven approach, where the technology teams built the platform and the people on the ground were told to use it. **Without business partners' involvement in the design of the new systems, there was considerable misalignment between the vision of the effort and a lack of valuable use cases for end users.** The organization met resistance from people on the ground, faced significant difficulty moving people off of legacy systems, and saw high rates of employee churn.

Implications for an organization undergoing transformation

1) Bring leaders and users from the business side to co-design solutions with the technology team

2) Tie the goals of the digital transformation to business goals and KPIs to create shared ownership



## Implementation Researching and planning for the people side

Organizations that have undergone a successful digital transformation are finely attuned to the impact – both positive and negative – the change has on their employees. These organizations view the people side of change as critical and are willing to spend significant upfront effort designing a strategy to ensure employees are on board and prepared for the transformation. It is difficult for any organization to anticipate and plan for the people challenges in digital transformations. As a result, successful organizations do a considerable amount of research to plan for the predicted needs of their employees, such as developing the most effective communication strategy, balancing workloads, and providing necessary upskilling. They also ensure that there are feedback mechanisms in place to quickly identify and mitigate unanticipated challenges throughout the digital transformation process. In addition, traditional enterprises typically have to build their internal technical capabilities to support the transformation and do so by hiring new talent, providing extensive training to existing employees, bringing on external consultants or vendors, or a combination of all three.

More traditional enterprises often find that veteran employees are cynical about future success of digital transformation efforts. The cynicism is exacerbated if the enterprise has previously failed at a digital transformation effort. Smart organizations recognize past failures and frame the previous experience as a learning opportunity; they prioritize ensuring employees see that the organization is learning and growing from past experiences.

### Strategy in action

*“We knew we had to prioritize shifting the mindset of our people, so we incorporated organizational psychologists as part of the change management team to understand change drivers, change blockers, and innovators. We also developed a training toolkit where employees could go and learn about what the digital transformation means, what is upcoming, what to do, what not to do, and so on.”*

– Global Director, Digital Enterprise Architecture at a Pharmaceutical Company

One pharmaceutical organization emphasized that the focus on bringing along their employees was critical to the success of their digital transformation. The digital transformation effort involved overhauling their traditional B2B model and building capabilities to leverage data and analytics to serve patients directly. Before beginning the transformation, the company partnered with organizational psychologists to interview employees and analyze key cultural tenets and individual mindsets. The company was able to identify change drivers and change blockers, and enlisted external consultants to develop educational workshops and provide direct support for employees who were most resistant to change. **By ensuring that the right resources and support mechanisms were in place for employees throughout the transformation process, they were able to mitigate resistance to, and fear of, change.**

Organizations that are insufficiently aware of the impact of change on individuals often face an unanticipated amount of resistance during the change process, which negatively impacts the transformation’s success. One manufacturing organization aimed to transform their entire design and manufacturing process from end-to-end over a multiyear period to be more efficient, precise, and automated. **When the transformation began, leaders focused on bringing in external support to fulfill the technology needs without addressing the impact the transformation had on existing employees and overall organizational culture.** Hiring additional staff and providing training for existing employees were an afterthought. **Five years into the transformation, employees are burned out, the organization faces low morale, and the digital transformation effort has failed to show tangible results.**

Implications for an organization undergoing transformation

1) Acknowledge the positive and negative impacts of change on employees’ work and psyche

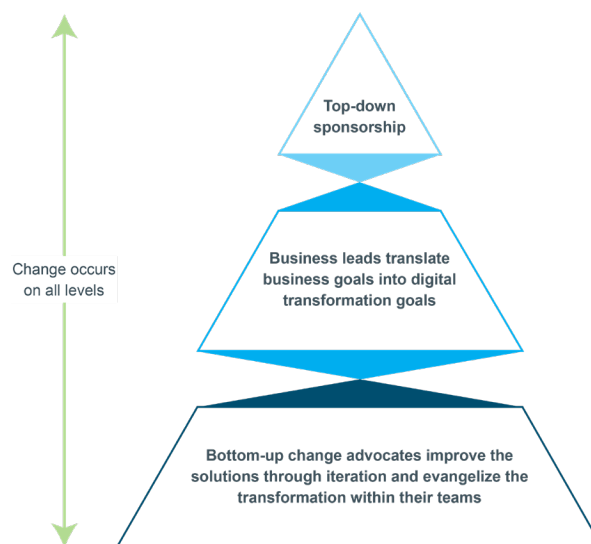
2) Plan to invest significant time and resources to educate and empower employees to embrace change

## Implementation

### Identifying and enlisting change advocates

An effective strategy for driving change is identifying and deliberately enlisting change advocates within business units early on to champion the change effort to their peers. Internal change advocates are often more effective at bringing their peers on board than efforts from outside groups or top-down directives, which may face more skepticism and resistance. Change advocates vocalize the initiative's goals and agenda, support formal and informal training, and present success stories within their business unit. Organizations often incentivize employees to be change advocates through providing greater ownership of the transformation, offering financial benefits, creating professional mobility, and/or recognizing their involvement organization-wide.

"Bottom-up" change is particularly effective when accompanied by clear top-down support from senior technology and business leaders. Figure 3 illustrates the different types of support that are crucial for many digital transformations: top-down sponsorship, business and technology collaboration in transformation design, and bottom-up change advocates drive culture change and technology adoption.



*Figure 3. For a successful digital transformation, organizations need buy-in at all levels: top-down sponsorship, business leaders connecting transformation goals to business outcomes, and bottom-up change advocates.*

#### Strategy in action

*"Having a core group of change advocates and agile leaders that were able to really vocalize and drive the support necessary across the organization was critical to helping people understand why this change is so important for the company."*

– VP & CIO at a Financial Services Company

One financial services organization enlisted change advocates to vocalize and spread success stories of their transformation effort across the organization. The organization's goal was to apply agile methodology to customer-facing business units so they could increase speed-to-market for their app and web-based services. As part of their strategy to drive change, they identified change advocates to test and adopt agile tools who had already shown interest in the initiative. These early adopters worked closely with the technology group to understand the tools and troubleshoot the process while also sharing success stories to garner excitement and buy-in amongst their peers. **The change advocates played a pivotal role in driving the necessary support and culture shift to help the next wave of transformation efforts at the organization to succeed. Because support for change was coming from their peers, employees accepted the change more readily.** This type of scaling can often be more effective than an "all at once" approach to transformation.

An insurance organization aiming to automate their automobile customer claim intake process relied on executive sponsorship and mandates alone to promote change and faced an unanticipated amount of resistance from frontline employees. The organization assumed a CEO mandate and board approval would be sufficient for motivating employees to adopt the initiative. However, the organization struggled to gain buy-in from employees and convince them to engage in training, which meant that employees failed to receive the upskilling required to support the new claim process. Mid-way through the effort, the organization recognized the need to pivot their strategy, and shifted to a “buy-in model” where they identified change advocates across products that championed the new claim process within their own team. **The pivot from relying on a top-down mandate to enlisting change advocates directly led to accelerated employee buy-in and adoption of the digital transformation effort.** In addition, the company was able to move forward with automating other elements of their business.

Implications for an organization undergoing transformation

- 1) Incentivize change advocates to be involved in the change process
- 2) Provide ownership to change advocates so they can evangelize the solution to their respective teams

## Adaptation

# Building short-term MVPs towards a target state

Successful organizations adopt a modern product design mindset in executing digital transformations. These organizations set and work towards a long-term vision for the transformation, but also develop short-term objectives and discrete minimum viable product (MVP) style use cases. Breaking down the digital transformation into achievable and measurable short-term goals helps organizations maintain momentum and continuously build towards a full platform over many incremental launches. Having the clear long-term vision in mind while building MVPs prevents organizations from stalling in pilots. This process also helps to identify required changes and refinements as companies continuously integrate feedback from those who are involved in the transformation. Organizations that focus on complete implementation instead of short-term goals risk building use cases or features that aren't valuable and rejected by end users.

Organizations build flexibility into their short-term transformation processes while working towards the long-term transformation goal. Accounting for flexibility in "how" the organization transforms in the short-term allows organizations to address inevitable challenges quickly to keep the change moving despite roadblocks.

### Strategy in action

*"We deploy aspects of the program and give capabilities to the users long before we would be able to if we built the platform at once using business requirements. Our [digital transformation] effort has been hugely successful because of our MVP approach.*

– Sr. Director, Global IT at a Healthcare Equipment Company

One healthcare equipment organization described how their transformation process involved sub-initiatives with short-term milestones to show immediate impact. Although their overarching goal of using data to drive targeted patient interactions would take many years, they created a sub-initiative of standardizing web-hosting platforms across all brands. In the process, they were able to improve the workflow of many business teams, identify inefficiencies, and cut expenses of several external ad agencies running the websites. **Deploying technology incrementally not only resulted in better customer experience and reduced costs, but also showed employees and leaders success in the short-term that helped to win greater buy-in for the long-term and kept momentum moving forward.**

In contrast, one insurance organization shared a failed digital initiative where they attempted to launch a country-wide digital platform to offer insurance direct-to-consumer. The company approached the initiative using traditional waterfall methodology where the platform was designed and implemented entirely at corporate headquarters. **Only after the platform's launch did the organization realize that the platform did not meet end user requirements or preferences.** As a result, they began a long and expensive process of fixing the platform to meet business needs and customer preferences. **Updating the platform cost nearly the entire project budget, added significant time, and created infighting and finger pointing among the different functional units.** Once the new platform was ready for release, the organization had no budget left to market the platform, resulting in low customer awareness and adoption. **After two years, the platform was completely shut down.** Transformation leaders learned from this failure and in subsequent transformations utilized a MVP-style approach to test features quicker.

Implications for organizations undergoing transformation

1) Break down the initiative into sub-stages which can be accomplished relatively quickly

2) Demonstrate compelling intermediate results towards the larger goal and share with the organization



## Adaptation Iterating and creating feedback loops

Successful transformations utilize a “test-and-learn” approach that allows organizations to quickly test, measure, and adapt processes. These organizations understand and expect that aspects of the transformation effort will require refinements and as a result recognize the need to measure processes and quickly fix issues. These change efforts are more similar to modern agile methods of software development than traditional waterfall approaches. Organizations that fail to leverage feedback loops lack the ability to measure use cases, processes, employee morale, and/or customer satisfaction. Without this feedback, organizations cannot make informed decisions on how to improve or iterate on their digital transformation process.

In addition, successful organizations empower teams of “superusers,” or technology-minded individuals from relevant business units, to test and provide regular feedback on process experiments and successes or failures. Superusers also help assess the value of existing features and identify any potential missing elements. Allowing space for superusers to take risks, fail fast, and iterate not only improves the technology, but also improves the transformation process and leads to greater digital transformation success. In addition, superusers can play the role of the previously discussed change advocates, sharing the benefits of adoption to their more change-averse peers.

### Strategy in action

*“Building in an iterative fashion not only makes solutions better, but it also brings the right level of business engagement so the business has a connection to it. Giving everyone a voice and creating this feedback loop allowed for the change to go smoothly.”*

– Global CIO at a CPG Company

A CPG organization launched a global initiative to implement predictive algorithms in their ecommerce business so they could better serve customer needs and control inventory levels. Before launching the platform globally, the organization involved both business and technology stakeholders in the design and testing process. Pilots involving these stakeholders served as feedback loops to improve and eventually launch the platform. **The business users tested the platform and were able to troubleshoot data availability, data quality, and user experience issues in real-time with the technology stakeholders.** The process allowed the organization to build the right internal capabilities to deploy the technology, fine-tune the user experience, and ensure delivery of the desired outcomes.

Alternatively, a global pharmacy prioritized implementation of the technology in their digital transformation effort without building in feedback loops to monitor processes. The organization set out to transform their marketing strategy to better reach and retain customers. However, **their focus on speed and efficiency led the organization to pushing a new digital marketing product out to customers through consulting partners, without building a feedback loop in the process. The organization was neither able to gather user or customer feedback nor improve the product’s efficiency until all functionalities had been released.** Without leveraging feedback loops during the process that could provide insights to product and employee performance, **the organization faced significant roadblocks to measuring improvements and upskilling employees.** As a result, the time to return on investment and employee morale were negatively impacted.

Implications for an organization undergoing transformation

1) Set up transparent and regular feedback mechanisms to which employees contribute and see changes as a result

2) Identify superusers who can test out products and provide feedback on the tool before it is fully deployed

## Conclusion

*“To get [the digital transformation] done smoothly the first time is very hard. The technology, organizational context, ways of working, and partner strategy – these are all variables that are hard to execute on their own. We take the learnings from the first time and apply them to our next transformation effort to build the capacity for change, so the next time it will be easier.”*

– Global CIO at a CPG Company

The strategies described in this paper reflect lessons learned by enterprise digital transformation leaders for effective change management in a digital transformation effort. Throughout our conversations with digital transformation leaders, a few overarching themes emerged which underlie the strategies discussed in this paper. First, executive leaders must be bought in to the initiative or the transformation is a nonstarter; all interviewees emphasized the need for consistently-articulated top-down sponsorship. Second, putting people at the center of the change management strategy is paramount. Anticipating and planning for resistance, creating shared ownership of the effort, and generally involving people who are affected along every step of the transformation journey leads to more effective change management strategies and greater digital transformation success. Lastly, our interviewees emphasized that change is ongoing; even “successful” transformations are typically only the beginning as organizations continue to face an evolving set of challenges and opportunities. The digital transformation process serves as a learning opportunity for building the “muscle” for change in an organization; the process helps organizations foster a growth mindset, continuously adapt to change, and enable subsequent transformation success. These overarching themes and the six strategies discussed in this paper work together to build a culture that embraces change (Figure 4).



*Figure 4. Successful digital transformation strategies align the business and their people upfront, work to bring individuals along, and build adaptability into execution.*

In practice, many organizations engage strategic partners in the transformation process to augment their existing team and bring expertise on change management and digital transformation. While successful organizations leverage partners to fill in their internal gaps, they also make sure to simultaneously build internal capabilities and have a transition plan for when the partners roll off.

On the next page, we highlight one luxury fashion retailer that was able to prioritize and incorporate all six of the strategies in their successful digital transformation effort to become operationally data-driven. By incorporating these six strategies into their transformation effort, the company was able to drive the necessary mindset shift to get people on board with the transformation, develop valuable and scalable solutions, and bring tangible results to the business. In the process, they unlocked organization-wide excitement for future digital transformation efforts.


**Communicate a clear why**

Once executive leadership was bought in, they consistently communicated the need to transform the organization into one which is data-driven and efficient at delivering high quality products to customers when and where they want them.


**Engage business in design**

They interviewed business users and designed use cases upfront to understand where data could improve outcomes and identified demand planning as a big opportunity to transform an existing process with a sizable financial outcome.


**Research and plan for people side**

They acknowledged that change is hard in a long-standing enterprise, so they prioritized working with influential leaders and generating quick results. *"We focused on generating success stories, showing tangible value, and measuring real impact. We worked hands on with everyone, down to the senior analyst level. Little by little, momentum for the initiative grew."*


**Identify and enlist change advocates**

In addition to generating top-down support, they involved change advocates from the early design process and throughout the transformation. *"They are part of the process, they grow with it, and then they help spread the change to their team. When change comes internally, it's easier."*


**Build short term MVPs**

They operated in an agile environment and deployed solutions along the way. *"We have deployed many smaller changes along the way that were being used successfully. This initiative is changing mindsets because people can see tangible results."*


**Iterate and create feedback loops**

They set up experiments and A/B tests to deploy pilots and measure feedback. *"We had test and control (business-as-usual) groups and used statistical methodology to compare usage and outcomes to measure value."*

While the lessons shared may seem intuitive, our conversations reiterated that it is difficult to properly plan for and prioritize these strategies when change is occurring. As demonstrated in the example above, when all six strategies are executed thoughtfully, organizations are able to change engrained organizational mindsets and successfully transform.

## About Keystone Strategy

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