
Insight Report



Transformation Stalemate

Breaking free of the sub-optimal equilibrium that exists when perceived cost and risk of change outweighs the perceived benefits

Introduction

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What is Transformation Stalemate?

Transformation has been a hot-topic for a long time. A search on Google for Digital Transformation returns 458 million results. Searches for the term digital transformation are twice as frequent as searches for business performance.

The drivers for change and transformation are clear. New technologies, rapid change in customer behaviour and rising demand for 'digital' products and services (compounded by greater expectations for speed and experience).



1 in 3 working hours are spent on tasks that can be readily automated today

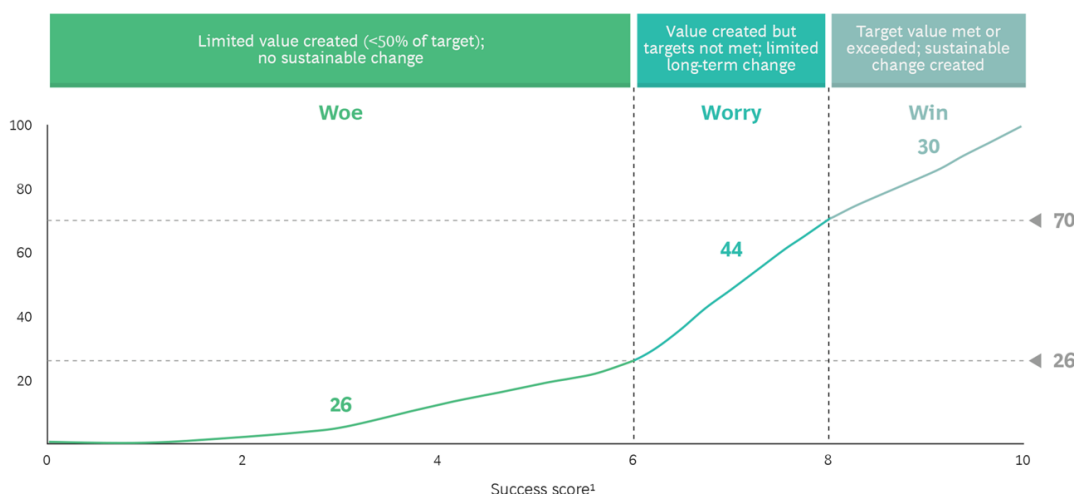
Transformation is necessary to adapt, minimise the risk of being left behind and to seize opportunities that changing conditions present.

But there is a conundrum. Transformations are difficult to execute. They are costly, they can consume enormous amounts of management time and they present great risk.

70% of digital transformations fall short of their objectives, 1 in 4 initiatives create limited value and produce no sustainable change. Everybody has either been involved in (or knows someone who has) a technology transformation that has been painful and fraught with difficulty.

Exhibit 1 - Only 30% of Digital Transformations Are Successful

Share of transformations (%)



Source: BCG analysis.

Note: Based on 895 transformations.

¹The success score is calculated on the basis of the percentage of predetermined targets met and value created, the percentage of targets met and value created on time, the success relative to other transformations, and the success relative to management's aspirations for sustainable change.

Source: [BCG 2020](#)

Delivering change in the face of short-term pressures is a gamble. If the perceived cost and risk outweighs the perceived benefits then the current state – whilst sub-optimal – is the safe equilibrium.

This is Transformation Stalemate. Knowledge that change is required to survive the long-term, but too risky to perform in the short-term.

Why does Transformation Stalemate exist?

With so much at stake, why are so many firms in this state of sub-optimal equilibrium?

Part of the challenge is bound up in the terminology.

A strategy to seize the opportunities presented by the digital revolution and its impact on customer behaviour and expectations will necessarily involve technology.

Which means that Digital Transformation can become all about technology.

Best practice in change and transformation has preached that success is dependent on following a distinct order:

1. **Strategy** – why are we doing this? e.g. becoming more responsive to rapidly shifting customer needs, creating a step-change in productivity, ability to deliver new products and services
2. **People** – creating buy-in to the future vision and engagement in the transformation e.g. creating advocates and organisational momentum, engaging the organisational know-how in designing effective future states
3. **Process** – the operational ‘how?’, the operating model and functional design
4. **Technology** – creating the stable and performant platform / applications that enable delivery

Focusing on the technology loses sight of the ‘why?’ – the reason for the transformation. Lack of understanding of the technology also shrouds the future state in mystery – making the gamble to invest in transformation feel like a shot in the dark.

Lack of clarity makes strategy difficult. It creates a vicious circle where the breakage is at the beginning of the chain:

- Engaging people in transformation requires clarity of vision.
- Defining and designing future process requires involvement and engagement from the people who best understand the challenges of the existing process.
- For technology to work effectively it needs detailed understanding of the processes that it enables

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This compounds the other major contributing factor to Transformation Stalemate – The IT Barrier.

Maintaining a stable and performant IT Platform and changing / extending its function requires skilled resource and investment in technology. With finite resources comes constraints.

The constraint is the ‘change queue’. The list of ‘jobs to be done’ and the availability of skilled resource / technology to deliver them. Each job costs money and takes time. The jobs that are most valuable get prioritised – the rest wait their turn.

Big changes require more money and more resource – and take more time.

Another vicious circle exists:

- The older the platform and applications, the more changes get requested and the longer the ‘change queue’ gets.
- The faster the external environment is changing, the more changes get requested and the longer the ‘change queue’ gets

The IT Barrier is felt with particular intensity in mid-sized firms. They have the legacy systems and established, embedded process in the same way as big firms, but they don’t have the same resources and economies of scale to enable them to remove the resource constraints. Start-ups and digital natives have the benefit of a near blank sheet – their change queue is shorter.

The IT Barrier adds all of cost, risk and management time to the transformation equation – perpetuating the sub-optimal equilibrium.

What does Transformation Stalemate cause?

Transformation Stalemate damages business performance.

'Digital Laggards' tend to fall behind the performance of their competitors who take the plunge.

Firstly they are more likely to be relying on 'Person-o-matic' processes - where humans act as the bridge between separate software applications.

Based on McKinsey & Co research that found that 1 in 3 working hours were spent carrying out manual tasks that could be automated with readily available technology, we estimate that Person-o-matic processing creates a cost of 8% of sales turnover to the typical UK business.

EY's survey of C-Suite and Business Leaders in 2020 found that those organisations who were breaking free of stalemate were:

- 50% more likely to unlock annual EBITDA increases of greater than 15%
- 45% more likely to unlock annual revenue growth of greater than 10%

EY's analysis separated the characteristics of 'leaders' and 'laggards':

- Leaders say their transformation is "fully embedded and optimized across the business" today, or are "making good progress on their transformation journey and are starting to embed this across the business."
- Laggards say they have "no plans to transform" today, "have plans to transform the business and are considering how to do so," or are "making incremental changes, either as a first step toward digital transformation or as we consider transformation to be."

The Transformation imperative in 2021

Economic conditions and adapting to changing customer behaviour create an acute urgency for transformation in 2021.

The Economic Effect

Slow growth going into times of economic uncertainty is never a good thing.

Whilst many forecast recovery to be quick, there will undoubtedly be a period of economic downturn. To stay competitive in this environment means a focus on efficiency and productivity.

There is also a renewed focus on flexibility as organisations have realised the benefit of being able to act fast as circumstances change.

Data – and specifically information to drive decision-making – is at a premium.

Providing visibility of what is happening across markets, operations and supply-chains in as close to real-time as possible creates opportunity, and in some cases competitive advantage.

The Customer Effect

It can be argued that the COVID crisis merely accelerated existing trends as customer interactions and transactions shifted online.

The number of transactions that were completed digitally grew by over 70%.

Providing digital channels comes with increasing expectations of experience from customers. It's not merely a case of meeting customers where they are, they should be treated in the style to which they have become accustomed.

Analysis clearly shows the value of investing in customer experience during a downturn. In the last economic recession, companies that prioritised customer experience realised three times the shareholder returns compared to the companies that did not.

What can be done about Transformation Stalemate?

In 'Flipping the Odds of Digital Transformation Success', BCG pinpoint 6 factors that, if executed correctly, increase the chances of success from 30% to 80%.

1. Craft a clear and integrated strategy
2. Commit to leadership from the top down
3. Put the best people in the right places
4. Adopt an agile governance mindset
5. Monitor and measure process
6. Rethink and modernise your tech stack

This isn't a million miles away from the Strategy, People, Process, Technology mantra.

An integrated strategy is a clear vision backed by a set of strategic imperatives and quantified business outcomes. Where 'digital transformation' is in play it would be linked to the overall business strategy and sustainable competitive advantage – not the strategy in and of itself.

If the vision isn't defined, and clarity of a new 'digital future' doesn't exist then building one becomes a priority.

There needs to be a commitment to building insight – piloting, testing and understanding what works. Identifying the constraints within existing business and operating models that are barriers to productivity, efficiency, customer experience and providing digital products and services.

Engaging people at all levels to harness existing knowledge and involve them in the learning. Start by making changes that create capacity. Changes that release time for the people with the knowledge of how and why a process works to think about how it can be optimised and improved.

Build iteratively with small changes where the business case is clear and that contribute to the direction of travel and inform the vision.

In short, creating positive momentum.
Building a belief that it can be done.

But there's still the technology question to answer. How can you break the IT Barrier?

The Robotic Process Automation (RPA) Opportunity

It is enabling firms to build better customer journeys and bridge gaps between applications without having to wait for expensive, skilled IT development resource to become available. It's accelerating change as firms are not only able to implement / improve processes faster – they're creating positive momentum and engaging people in devising new and better ways of working.

RPA provides firms with flexibility and agility. When so much changes so quickly, traditional approaches to IT change create a barrier – The IT Barrier.

Without RPA, there are 2 options to get work done:

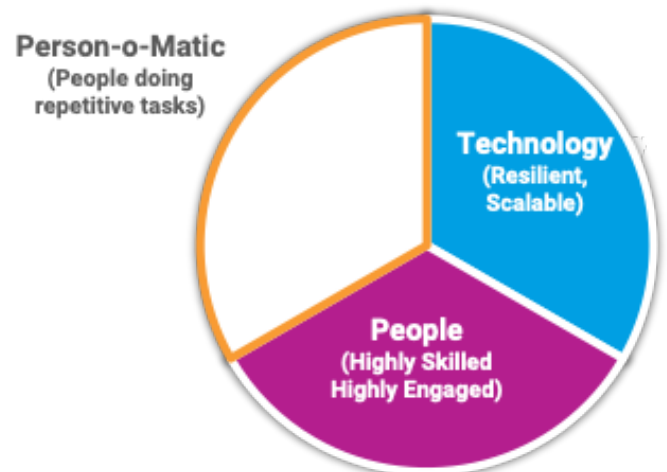
- get software applications to do it
- do it manually with human resource - 'Person-o-matic' processing

Robotic Process Automation (RPA) is the fastest growing segment of the enterprise software market according to Gartner.

Spend on the technology increased by over 60% in both 2018 and 2019. That's a rate of growth of more than 5x that of the overall technology sector.

The excitement surrounding RPA is due to its ability to tackle challenges that exist in almost every organisation and deliver results fast.

RPA is overcoming the IT Barrier and releasing firms from Transformation Stalemate.



Software robots create a new possibility. A Third part. A state where technology is augmenting the humans (as opposed to humans augmenting technology).



A flexible, scalable digital workforce working alongside people and existing applications creates an optimal mix:

- Humans can focus on the work that requires their skills, judgement and innovation.
- The IT team can focus on providing secure, stable and performant software platforms.
- The Digital Workforce of software robots can pick up the repetitive, rule-based tasks.

Software Robots can provide the links between applications that mean make it possible to create new digital journeys.

They can be the interim step before a more permanent development to a software application.

RPA breaks the IT Barrier because it can be deployed quickly and is readily customised.

It releases Transformation Stalemate because it creates rapid positive momentum by allowing for iterative small changes – perfect for involving front-line teams in making change happen.

The benefits of deploying RPA include increased capacity, cost-saving and enhanced customer experience. Potential exists across all business functions.

The traditional deployment approach to RPA has been to licence the software, build the technology infrastructure to host it on and assemble a team of developers, business analysts and project managers to roll out the capability.

Often referred to as the 'RPA Centre of Excellence', this requires significant up-front investment and consequently creates time-to-payback that is a barrier for all but the largest organisations.

How a Fresh Approach is removing the barriers

The excitement surrounding RPA is that it creates the “third third” – the flexible and scalable digital workforce alongside human resources and a stable and performant technology platform.

What if that flexible and scalable digital workforce could be deployed ‘on demand’?

What if that deployment involved no up-front cost and could be accessed by organisations of any size?

The Fresh Approach to Robotic Process Automation provides exactly that capability.

The ability to deploy automation with no up-front investment in a ‘pay for the work the robot does’ model.

The Fresh Approach makes RPA available ‘As a Service’. With no up-front cost and a fixed monthly fee that includes maintenance, change and support.

The RPA-as-a-Service approach allows a firm to identify the opportunity, calculate the benefit of automation and deploy in days and weeks. With minimal disruption to users and existing processes, benefits can be realised immediately.

Creating a flexible and scalable digital workforce alongside existing human operations builds knowledge of capability and involves operational staff in identifying and realising opportunities. This creates its own change momentum.

The Fresh Approach makes it possible to tackle the cost of Person-o-Matic processes, break free of the IT Barrier and release Transformation Stalemate.

About OPTSM

OPTSM is a 'real world' consultancy.

We understand that in the real world you don't just need smart solutions, you need results. In the real world you don't need advice or recommendations - you need action. Ideally today.

We help you tackle challenges around:

- Productivity - getting the job done faster, better and more efficiently
- Sales - attracting and engaging profitable clients more effectively
- Growth - making the right decisions about route-to-market, innovation and strategy

Our Fresh Approach to Robotic Process Automation enables you to tackle 'Person-o-Matic' processing and unlock flexibility, agility and productivity.



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