CHARLIE FELD
with Jon Feld

BLIND SPOT

The Time is NOW

**A Business Leader's Guide
to Digital Transformation**

Executive Summary

The Time Is Now

Introduction

The Feld Group Institute helps large enterprises achieve technology-enabled business transformations. Over several decades, The Feld Group Institute team has led (as operating executives), helped (as advisors to CIOs and CxOs and their teams), and enabled (as teachers and facilitators) dozens of such transformations. Our clients and the transformations we've been a part of have included companies such as Frito-Lay, Burlington Northern Santa Fe Railway, Delta Air Lines, Home Depot, Coca-Cola, Westinghouse/CBS, FedEx, Bank of Montreal, and Southwest Airlines. Over time and across those many companies, we've learned important patterns and leadership principles and developed a cohesive framework. We share our knowledge and guidance with the industry, our clients, and leaders who seek us out for perspective, advice, consulting, leadership development training, and a community of peers.

During this spring and summer of 2020, as I thought about how to best support and advise the leaders and companies in our community, and in the business community in general, I wrote a series of blog posts using the framework of WHY, WHAT, HOW, WHO from my book *Blind Spot: A Leader's Guide To IT-Enabled Business Transformation*. The series and this Executive Summary are meant to help business and IT leaders use simple language, stories, and analogies to gain alignment and lead together. It's critical that leadership teams share common understanding of the best way forward through this most immediate COVID crisis and into a future in which the need for Digital and IT transformation is accelerating.

WHY: The Time is NOW

The pandemic of 2020 has clarified WHY we need to change to become more flexible and "digital", and that the time is NOW. Few senior leaders are still wondering or resisting that premise. The real challenge, for the entire executive team, is how to act on that mandate.

We'll only have one chance to do this "digital" business transformation right. There are no more "mulligans", "do-overs" or "get to it tomorrows". Those who don't get moving now – or move in the wrong way – will find themselves really out of position as the future shows up even sooner and faster than we ever anticipated pre-COVID-19. As leaders, especially CEOs, CIOs, CFOs and other key CxOs, we have a huge opportunity and responsibility.

As we reshape our business models, our technology, our organization, and our investments, those key leaders will need to team up and change the dialogue of the entire leadership team and the enterprise. Instead of every function and every leader having their own language and perspective on "digital", we have to unify our teams with shared mental models, stories, analogies, and a simple common language - like the WHY, WHAT, HOW, WHO. This can help align the team on what it really means to be "digital", what it really means to be "agile", and what victory could and must look like.

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The Slingshot Effect

If we zoom way out to a broader perspective, what has really changed is the nature and speed of change itself. Significant change has always been driven by innovation and invention. From the wheel to the printing press, to the internal combustion engine, to the personal computer, the internet, and the smartphone, we've seen the world evolve. But the pace of change has moved from being measured in centuries to lifetimes to generations to decades to years, and now to months and weeks.
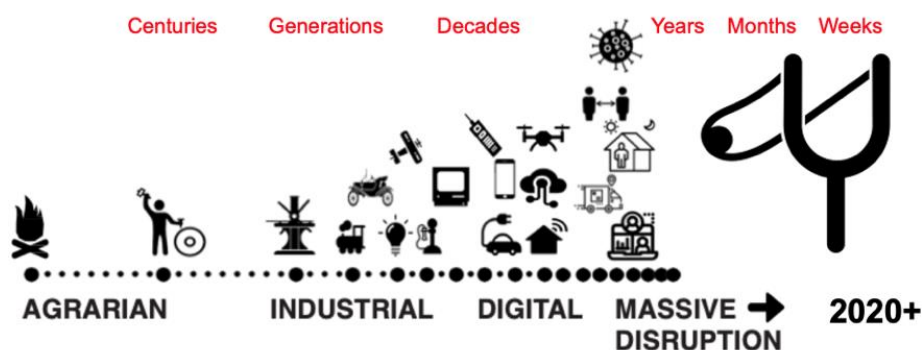
For most of the 20th century, the overall strategic time horizon for an enterprise was generally 5-7 years with updates and adjustments on an annual basis. That horizon and risk framework began to change with the advent of the internet in the late 90's and the smartphone 10+ years ago. And, then, in 2020, with the pandemic, many companies had to temporarily pull back on investments and strategic initiatives – just to survive the crisis in the short-term. Now, as we look forward, it seems like we were all loaded into a "slingshot" and launched into an extremely uncertain future.

We're all bombarded on a daily, or even an hourly cadence, by management consulting and technology firms advocating the latest buzzword laden catchphrases – Cloud, Omnichannel, Artificial Intelligence, Customer Experience, Supply Chain Optimization, Blockchain, Robotics, Innovation Labs, Digital Business, Industry Convergence, Internet of Things, etc. Some of these topics are valid pieces and parts of a business model; some are just names of technology options. If you just look at any one of these in isolation, the picture is incomplete. If you look at them together it's complex and confusing and can be overwhelming.

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This makes it very hard to commit to any specific, long-term strategy or investment. The reaction to the acceleration and growing uncertainty might be "the concept of a multi-year strategy must be dead – we just need to be able to change as the world changes… RIGHT?". That answer is more <u>right</u> than wrong because the need to constantly change <u>should be</u> the multi-year strategy. A business model that is flexible, adaptable or "agile" is what will be required to survive and thrive in the future. Executive teams thinking about modern strategy need to think about WHAT will make us faster, more dynamic and more flexible – as well as HOW to design and build the technology to enable that flexibility. Also, just changing the business processes and the technology to become more "agile" won't achieve real or sustainable outcomes unless the organization – or the WHO – changes too. The technology, if it's truly transformational in its impact on the business model, will create huge shifts in the WHO, WHAT, HOW, WHERE, and WHEN work happens. This is now vividly clear and rapidly accelerating.

Agility Is the Only Strategy

Instead of zooming IN on specific over-hyped topics or heavily-marketed buzz words, it's important for us to zoom OUT and take a broader perspective, recognize the patterns, and use our imaginations to get to the essence of the business, technology and organizational capabilities that are needed to compete in the Modern Era. I believe the big patterns are that (1) change is constant and accelerating and (2) the most important, sustainable capability worth planning for and investing in is the flexibility or "agility" to continuously transform.

The target state that all companies should be striving for is to achieve a true sense-and-respond capability – both at a macro, strategic level over time and at a more micro tactical level in the moment. This is what will create the next round of corporate survival of the fittest. Those business models that have short, fast sense-and-respond OODA loops* (Observe, Orient, Decide, Act) will be the companies that SURVIVE and THRIVE.
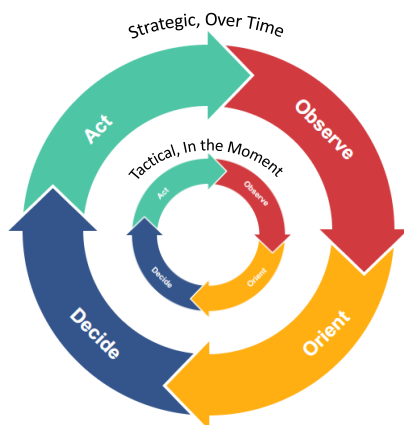
* The OODA loop is the cycle observe–orient–decide–act, developed by military strategist and United States Air Force Colonel John Boyd. Boyd applied the concept to the combat operations process, often at the operational level during military campaigns.

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Those that have long cycle times will be the companies that won't evolve and will eventually become extinct. Victory is achieved by enabling four types of Agility:

- **Strategic Business Agility** is the ability to continuously evolve and scale your business model.
- **Tactical Business Agility** is the ability to dynamically respond to market events and customers.
- **Technology Agility** is the ability to seamlessly renew without disruption.
- **Organizational Agility** is the ability to see and embrace change and to continuously transform.

If we think of overall agility as an engine of ongoing change, then each type of agility mentioned above is a "gear" that is required to make the whole machine work. All four types of agility are complementary. Achieving one or two without the others wouldn't be sustainable. One struggling "gear" that cannot move at speed can grind and quickly strip the others as they try to move quickly. When you achieve all four types of agility, each one amplifies and accelerates the others. This creates a powerful flywheel or perpetual motion effect that thriving businesses must have to sustain themselves in a world where change is the only constant.

WHAT: Business Agility

Strategic Business Agility is the ability to continuously evolve and scale your business model as the market and competitive landscapes change and present new opportunities and threats. Being stuck in a "hard wired" or constrained business model that's based on past organization charts or P&L structures can be treacherous, especially in times of accelerating change. Strategic Agility is the ability to quickly and effectively grow the business and change strategy – requiring expansion of existing capabilities, creation of new or enhanced capabilities, cross-functional or cross-BU integration, and/or connections across company lines in a broader ecosystem. To have the desired overall impact, those strategic or business model innovations that are proven through rapid test-and-learn cycles need to be brought to scale across the entire company. This must be enabled by reusable components and flexible business rules that can be assembled and/or configured without requiring an "IT project" to be the long task in the plan, or the IT investment to be the constraint that prevents timely execution.

Tactical Business Agility is the ability for our business frontline to "sense and respond" in the moment and in shifting contexts. This requires configurable and integrated business capabilities (e.g. customer, pricing, product) that are flexible and dynamic and secure. Tactical Agility is the ability to read situations and respond in the moment. The key to being able to accomplish this is to use a modern data and integration platform to achieve the near perfect real-time alignment of the physical and digital state. This "digital twin" platform can then be applied in human and machine/AI driven analysis to dynamically impact business rules (e.g. a spike in demand that warrants an increase in
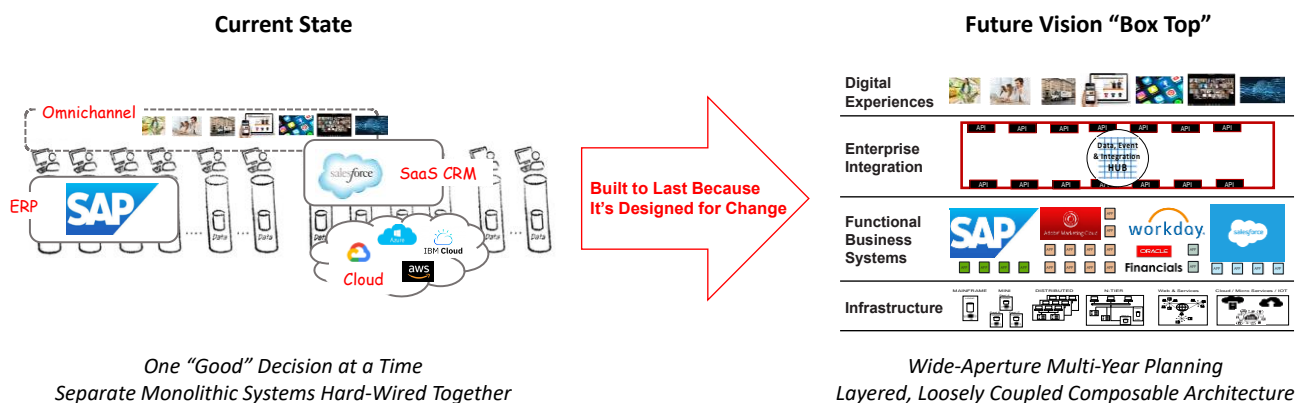
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price – think Uber or Toll Road "surge pricing"). To accomplish that, we need granular, detailed, front-line knowledge plus bigger picture context and perspective to make good, timely, and proactive decisions and to be able to execute Strategic and Tactical adjustments dynamically like a small, entrepreneurial company.

But you can't have Business Agility if you have Technical and Organizational Rigidity.

HOW: Technical Agility

We can build our systems and our technical platforms to last, only if they are designed for change. **Technical Agility** is the ability to continuously and seamlessly keep the technology assets – devices, applications, data platform, infrastructure, etc. – flexible, up to date, high performing, low risk, and cost-efficient without piling up "technical debt" that needs to be paid down with large, distracting, and costly spikes in investment. It's the responsibility of the IT organization to envision, engineer, develop, and maintain the architecture required for this. That architecture should be layered and loosely coupled so that it's engineered to allow changing of each layer to occur at different frequencies and speeds based on technology innovation, without disruption of the business systems that those layers support.

It starts with knowing what the Current State technology landscape looks like and designing and aligning to a picture of the Future Vision for an agile architecture. At the highest level, it doesn't have to be overly complex. Over the years, I've used a simple puzzle "box top" analogy. The puzzle may be made up of thousands of pieces (legacy applications, software packages, many generations of infrastructure, new capabilities, "shiny objects", emerging trends), which can feel complex and be overwhelming. But if we have a box top picture of what the puzzle is supposed to look like when finished, we can confidently put it together from any direction.

Current State

One "Good" Decision at a Time
Separate Monolithic Systems Hard-Wired Together

Future Vision "Box Top"

Wide-Aperture Multi-Year Planning
Layered, Loosely Coupled Composable Architecture

The "box top" is also critical for gaining and maintaining alignment with the CEO, CFO, and entire executive team – even over time as leaders and circumstances change. This clarity of direction and
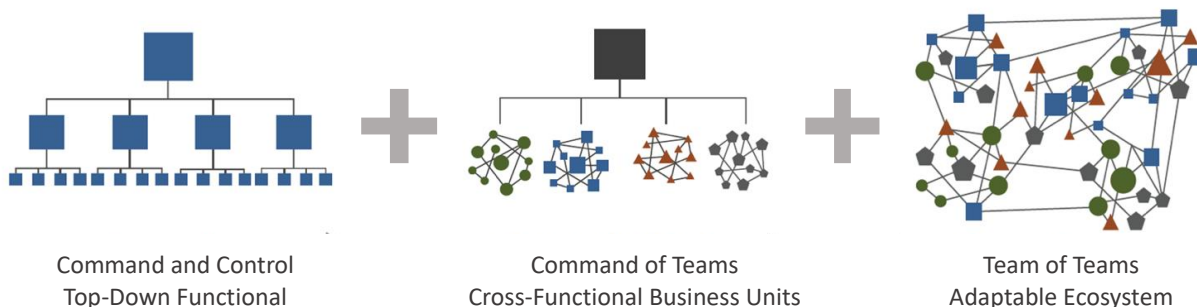
confidence in the HOW big picture is critical to have as business strategies and priorities change – especially when we are in times of crisis like we are now, in 2020. I promise that having this picture and the patience, executive team commitment, and delivery discipline while putting together the puzzle will make it faster, better, and less expensive overall.

WHO: Organizational Agility

There is no more status quo. In the 20th century, the most successful companies were always in a state of "continuous improvement" (Six Sigma, Industrial Engineering, TQM, etc.). In this century, those capabilities alone won't get it done; it's not enough anymore. Going forward, we need to be in a state of "continuous transformation". New business models are at the intersection of imagination, advancing technologies, innovation, public policy, and always evolving customer and employee expectations.

Organizational Agility is the ability of leaders to sense change, and of the organization to embrace and respond to events in the moment and structural changes over time while maintaining BOTH functional excellence AND cross-functional innovation at speed and scale. This requires new organizational approaches, like a process orientation in addition to the traditional and still necessary functional orientation. Also, large legacy companies need to learn lessons of Organizational Agility from upstart technology "product" companies and modern military operations and figure out how to apply and scale those methodologies using frameworks like SAFe (Scaled Agile, Inc.) and Team of Teams (General Stanley McChrystal).

| Command and Control | Command of Teams | Team of Teams |
| Top-Down Functional | Cross-Functional Business Units | Adaptable Ecosystem |

Modern leaders must create the structure, leadership, culture, workforce, and operating model that is deeply committed to continuously learning, leading, and adapting. This is critical in IT, in HQ business functions, and, most importantly, on the frontline where truly being "digital" will have a huge impact on the future of work and the workforce.

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Reshaping talent - building organizational muscle and skill and changing the culture to compete in the future needs to be a Board and Executive Committee imperative. This can feel as daunting as moving the world. "Give me a lever long enough and a fulcrum on which to place it, and I shall move the world," (Archimedes). Leadership is the lever that will either enable the change or keep you stuck in the old, rigid, change-averse culture. Find and continuously invest in and develop your best, well-rounded leaders, and they will enable all four Agilities.

What Got Us HERE Won't Get Us THERE

We also have to change our approach to planning our transformation journeys. The four complementary kinds of agility I've outlined here are impossible to accomplish in a typical annual, departmental project list driven, "IT budgeting" approach. That all-too-common habit creates a vicious cycle because it is designed to optimize isolated efforts but inevitably sub-optimizes the whole and creates more silos, complexity, and rigidity over time.

	BIG	SMALL
Think	✓	
Justify		✓
Plan		✓
Architect		✓
Develop		✓
Implement		✓

Too Many Projects

To create a virtuous cycle, that gives us a chance at true agility, we've got to change the aperture for planning and execution. We need to zoom out to justify, plan, and architect BIG but deliver SMALL value packages in short intervals. This is the approach that we take with most other core investments like aircraft fleets (airlines), tracks and trains (railroads), manufacturing plants (consumer goods), trucks and hubs (transportation, logistics, distribution), new products (consumer goods, high tech, pharma). Technology has now moved from just a function to a core "fabric of the business" and we should be taking the same approach to our digital investments. We need to step back and develop an ENTERPRISE-WIDE, MULTI-YEAR ROADMAP to support the business, technology, and organization transformation. And, like all other investments we need to deliver value that is paced and trackable in small increments.
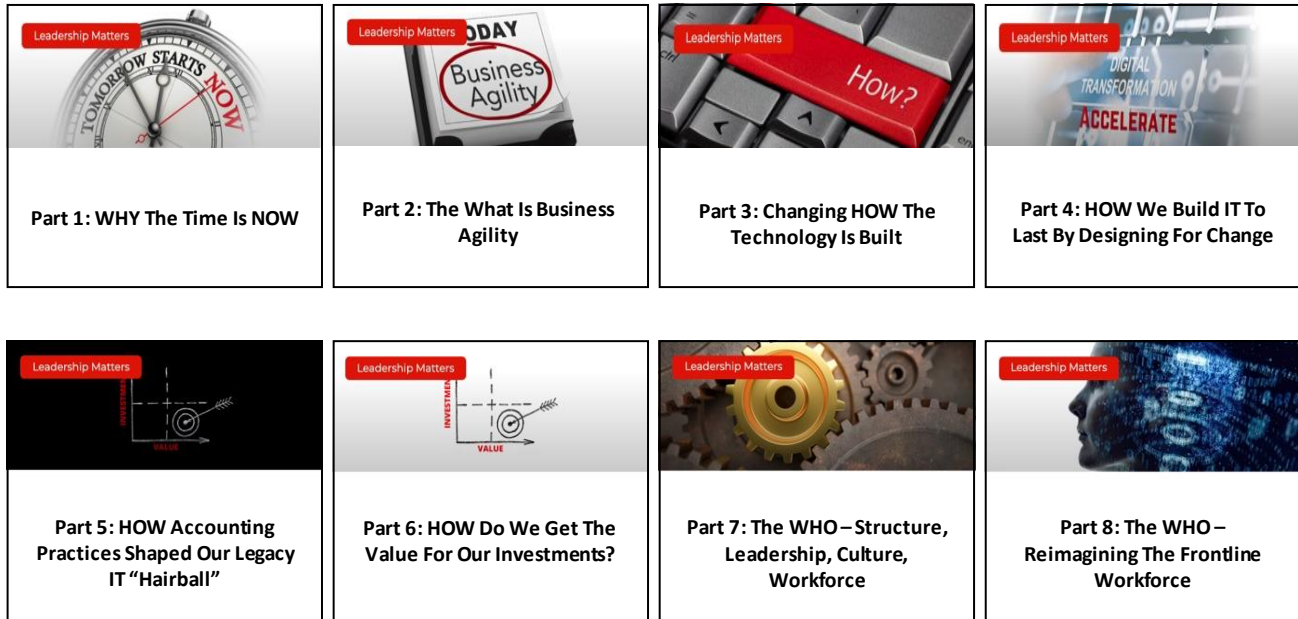
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	BIG	SMALL
Think	✓	
Justify	✓	
Plan	✓	
Architect	✓	
Develop		✓
Implement		✓

Trains and Tracks

Trucks and Hubs

Aircraft

Plants and Equipment

New Products

"Digital" Platform

Call to Action

Those who lead through this crisis and on into the accelerating "digital" future will have a chance of jumping ahead of the curve on the transformational journey. There really isn't a choice anymore. If not now, then when? If not us, the CEOs, CIOs, CFOs, and other key CxOs, then who?

If you are interested in further reading on any of these topics, please use the links below to see any of the blogs in this series.

Part 1: WHY The Time Is NOW

Part 2: The What Is Business Agility

Part 3: Changing HOW The Technology Is Built

Part 4: HOW We Build IT To Last By Designing For Change

Part 5: HOW Accounting Practices Shaped Our Legacy IT "Hairball"

Part 6: HOW Do We Get The Value For Our Investments?

Part 7: The WHO – Structure, Leadership, Culture, Workforce

Part 8: The WHO – Reimagining The Frontline Workforce

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About the Authors

Charlie Feld is one of America's most recognized and successful Chief Information Officers (CIOs) and information-technology consultants. His leadership insights, operational experience, and strategic framework for enterprise success have been developed over his extraordinary 55-year career. Charlie is the author of two books on Leadership: *The Blind Spot: A Leader's Guide to IT-Enabled Business Transformation* and *The Calloway Way: Results & Integrity*. In addition to extensive coverage in the media, Charlie's work has been profiled in case studies by the Harvard Business School, MIT, and McKinsey & Co. To continue his commitment to helping organizations and executives achieve technology-enabled business transformation, Charlie founded The Feld Group Institute in 2009.

Jon Feld is the COO of The Feld Group Institute. Jon is a seasoned startup CEO in the IT, Analytics, Marketing, and Business Consulting industries. With a record that includes having founded and led three successful startups during the past 30 years, Jon brings a perspective that combines entrepreneurial experience with expertise enterprise transformations. He is an accomplished strategist, recognized for his ability to assess business dynamics, create a vision for change, identify growth opportunities, and build and lead teams to achieve exceptional results.

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