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BUSINESS TRANSFORMATION

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STRATEGY

Downturn upsides: treating recession as an opportunity

Companies may be tempted to defer planned transformations when the economy is faltering. But could pressing ahead with change and investing boldly for growth be the better strategy?

Jonathan Weinberg

As the unwelcome return of stagflation looks ever more likely in several economies, businesses with transformation plans may well be encouraged to shelve them to secure short-term cost savings and protect their cash flow. But what if they were to go the opposite way, flying straight into the economic headwinds with radical ideas and gutsy investments?

Hakan Bulgurlu is CEO of Arçelik, the Turkish company that owns household appliances brand Beko. He believes that, while conventional wisdom might suggest that focusing on cost control is the most prudent approach during a downturn, there are always new investment opportunities to be seized when times are getting tough. Last year he invested €93m (£80m) in R&D, spotting potential for profit as the seeds of the UK's cost-of-living crisis were being sown.

"There has always been demand for energy-efficient products as a more sustainable option for households," he says. "But, with energy prices rising, there is a renewed appetite for efficient, high-performing products that are likely to shape the future of product development."

Bulgurlu advocates harnessing robust data on every aspect of the business to make the best transformation choices, as well as maintaining a detailed understanding of how markets are developing.

Arçelik had also spent heavily on upgrading its IT infrastructure in early 2020 while the global economy was reeling from the shock of the unfolding Covid crisis. And, despite the current uncertainty, the firm is investing in improving the digital capabilities of its workforce.

Bulgurlu says that the purpose is "to reimagine our future. We have found that robust technological transformation can lead to significant operational improvements and higher productivity. There's a tendency to shy away from major investments during periods of economic uncertainty. But, as we have seen during the pandemic, it can be a strategic risk worth taking."

Noam Toister, co-founder and CEO of Israeli company Bookaway Group, is another business leader who has retained the courage of his convictions in a crisis. In early 2020, the firm, which aims to "revolutionise the ground transportation industry by digitising outdated

Christina @ wocintechchat.com via Unsplash

methods", had raised more than \$80m (£66m), including a series-A funding round that had been signed off only days before the pandemic was officially declared.

The company's belief that there were still "tens of billions of dollars' worth" of bus and ferry bookings ready to move online in emerging markets enabled it to stick to its guns. Today, having completed four acquisitions in eight months to achieve "market dominance and the right technologies", Toister claims that Bookaway has taken less than a year to become the world's largest ground transport aggregator.

He adds: "Starting to build a business when demand is constrained by external factors is not for everyone, but the extremity of the situation intensified our resolve. Anyone operating at the sharp entrepreneurial end of an industry must be flexible enough to negotiate the inevitable headwinds. But that flexibility must exist in a context of steadfastness and the belief that your idea can rise above adversity and flourish."

Ella Goldner, co-founder and general manager of venture capital provider Zinc, agrees. Despite the gloomy economic outlook, she highlights how her business will fund a range of 500 "mission-driven entrepreneurs" over the next three years. Goldner believes that this will equip the startups that Zinc is backing to tackle big societal problems over the long term, irrespective of short-lived fluctuations in their markets.

"We think this is the ideal time to double down and invest in talents who want to build companies from scratch," she says. "Those that start today will be getting into their stride in a few years. By that time, the economy will have moved on from the challenges it's facing."

Her advice to longer-established firms would be to "invest in innovation; rethink your supply chains; streamline operations to reduce complexity; spend on training and retention; and build strong digital infrastructure. All this will create a competitive advantage and enable a much faster bounce-back when the economy picks up again. Investment in innovation, coupled with rigorous, well-executed cost management, will separate the winners and losers in this downturn."

Pressing on with a transformation when times are tough will also "shine a spotlight on the long-term viability" of your company. That's the view of Ema Linaker, managing director of strategic consultancy BIB. This, she argues, should enable "far-sighted leaders" to ensure that any change efforts are sufficiently ambitious.

Linaker worked at Google as manager of corporate communications and public affairs for five years, a period that coincided with the global financial crisis of 2007-08. She points out that the company kept making substantial investments in R&D rather than dialling back as economic growth in many regions ground to a halt.

"We focused on understanding what end users really wanted from us and then improved their experience by making it simpler and more personalised," Linaker recalls.

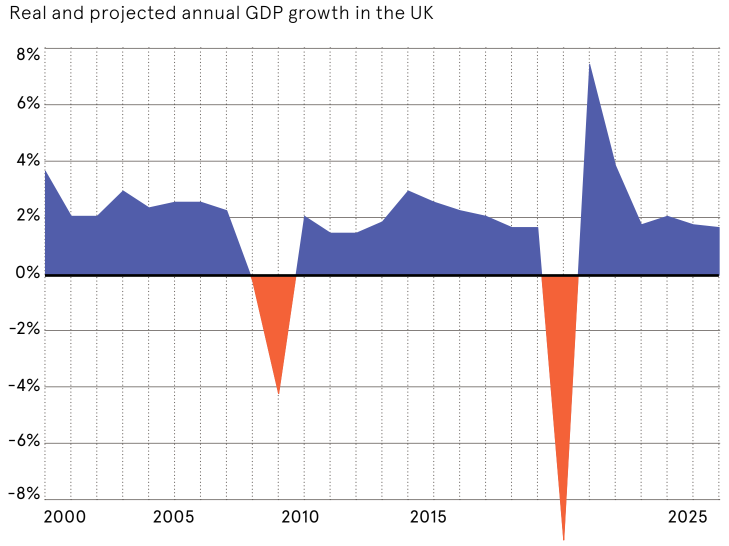
She believes that today's corporate leaders should "ramp things up a notch" and implement "ways of radically transforming the business", suggesting that downturns can provide a great opportunity to capture a larger market share.

"It may sound risky, but it is also necessary," Linaker argues. "During difficult economic times, outperformers anticipate the potential for impact and make the first moves. They pay attention to the early warning signals of disruption, then prioritise, refine their focus and act early."

Warning that "stasis equals death", she advises business leaders to heed the words of Walmart's founder, Sam Walton. When asked for his views on the US recession of 1990-91, he is reputed to have quipped: "I thought about it and decided not to take part."

A SLUGGISH GROWTH FORECAST Office for Budget Responsibility, 2022

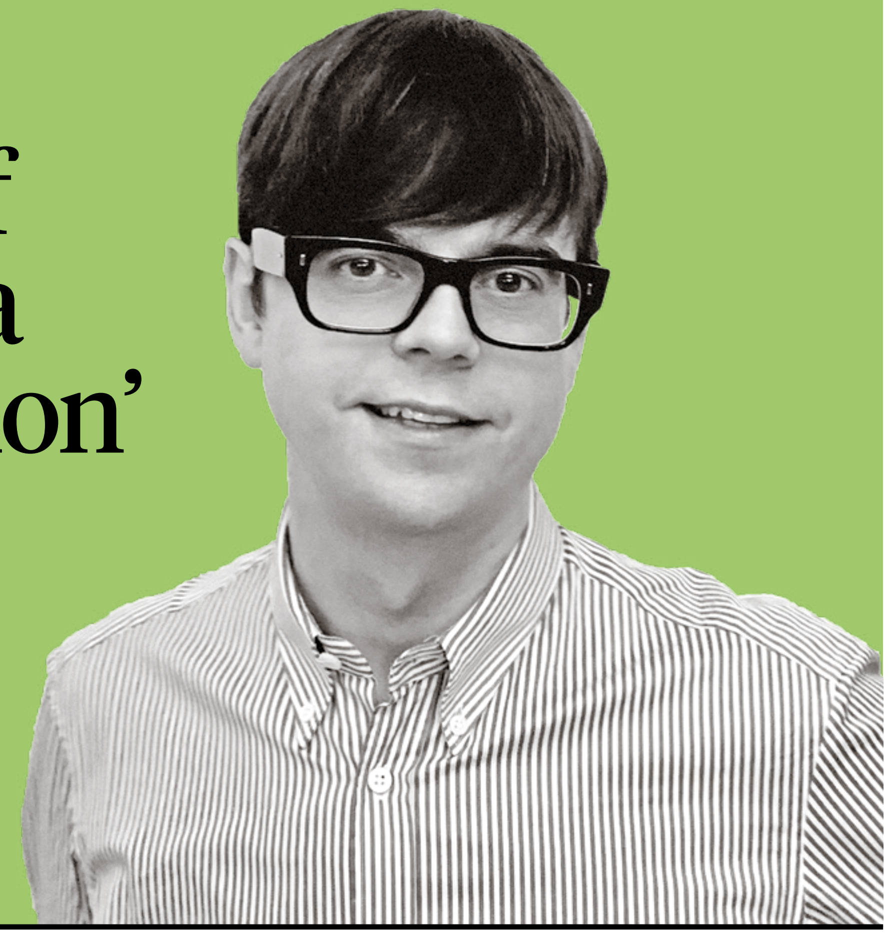
Real and projected annual GDP growth in the UK



INTERVIEW

'To transform yourself as a brand, you need a unique value proposition'

Avon Products' new chief marketing officer, **Kristof Neirynck**, explains how the firm is trying to retreat from door-to-door selling without losing the personal touch that distinguishes the brand from its rivals



Sam Forsdick

When he became the global marketing chief of Avon Products' in March, the first thing that Kristof Neirynck did was scour the archives of the business, which started life as the California Perfume Company back in 1886. The main object of that exercise was to find out which factors had made the company unique in its market.

He has concluded that there are about 5 million key differentiators, in the shape of the self-employed beauty advisers who work as the firm's sales representatives.

"We have amazing products and a great R&D function, but there are other companies that have those too," Neirynck says. "It's our reps – and the personal relationships they build when selling – that give us our unique offering in this market. We need to stay true to that."

Back in the 1950s, 250,000 so-called Avon ladies represented the largest female direct sales force in the world. Their door-to-door methods were celebrated by the famous "Ding-dong – Avon calling!" advertising campaign. This brigade of micro-entrepreneurs is 20 times larger today, but it's become increasingly difficult for the firm to stay true to its proud heritage.

> At a time when people can order everything from Amazon, trying to do everything door to door is probably not the right model

Customers in many of its territories have been turning away from this traditional channel as buying goods online becomes ever more convenient. The Covid crisis has also been a key disruptive force – the idea of going door to door with paper brochures suddenly loses its appeal as a sales method when a pandemic strikes.

Avon's ecommerce sales have benefited as a result. In the first half of 2020, the value of its digital turnover was triple that of H1 2019.

1.15%

Avon Products' share of the global beauty and cosmetics market in the 12 months ending Q1 2022

CSIMarket, 2022

Neirynck expects that this trend "will continue to evolve, so that is why we need to reinvent ourselves. At a time when people can order everything from Amazon, trying to do everything door to door is probably not the right model."

For many businesses, the answer would be obvious: go straight for where the market is growing strongly and convert the business into a wholly etail concern. But, while he recognises that Avon's approach to sales must be "modernised and digitised", Neirynck is keen not to throw the baby out with the bathwater.

He explains: "The unique thing about Avon is the relationships. Our representatives build personal ties with their customers, meaning that they can advise them in a much more individualised way. That personal element is hard to replicate at scale by any other business selling consumer packaged goods. The moment you start forgetting that while pursuing some quick sales, you start losing the essence of the brand."

Neirynck argues that a simple decision to sell more goods via the shelves of Boots or the web pages of Amazon, say, would end up destroying the brand's image, which has been painstakingly built on the personal touch over the past 136 years.

Instead, the company must work out the best method of moving to multichannel selling while preserving the "Avon way", he says, adding that, "to transform yourself as a brand, you need a unique value proposition".

Avon is focusing its transformation efforts on three key areas. The first concerns making it more profitable for people to become Avon representatives. As part of the new strategy, reps will be able to earn more commission (which is typically about 25%), the more they sell. Avon is also planning to improve the signing-up process as part of a drive to enhance the whole rep experience.

The second area is the company's branding, which is in need of a "revamp", according to Neirynck. This exercise will involve updating Avon's visual identity, packaging and communications.

The third area concerns improving the firm's digital capabilities. As Neirynck reports: "We're transforming from a predominantly paper-based catalogue business into a much more digitised, omnichannel concern."

All of these activities are being supported by work to reduce the complexity that has crept into the organisation's processes and systems over the years.

"When you're trying to digitise your company and transform your brand, working to a simpler model is really helpful," he explains. "It's very difficult to do successfully if your products are not complementary and if your IT infrastructure is not consistent."

The firm has recently introduced a mobile app for reps called Avon On. Neirynck says that this innovation "provides representatives with new ways to sell while still keeping the personal touch".

Using Avon On, reps can connect their own social media accounts to the company's digital asset management tool. This gives them access to template posts for products, beauty tips and offers or images that they can personalise and share with their customers.

The app also offers simple ecommerce features, making it easier for users to keep track of their stock levels, order new products and share digital brochures.

"A customer won't always want a rep to come to their home with new products," Neirynck says. "This is about providing more opportunities for consumers to shop the way they want."

As part of its digital transformation, the company is exploring new channels through which to offer customers the personalised beauty advice they have come to expect. This has included a foray on to TikTok last year.

One recent social campaign targeting consumers in Brazil attracted 2.5 billion views, according to Neirynck. He adds that having so many reps who are avid social networkers has amplified Avon's messaging on these platforms, helping the brand to achieve "a massive boom in views".

Gaining the capacity to collect large amounts of data and crunch it into useful information is key to any successful digital transformation. Neirynck has several ideas for creating value for the business using such tech, many of which he worked on during lengthy tenures with Walgreens Boots Alliance and, before that, Procter & Gamble. These include personalising web pages and tracking customers' preferences and purchasing journeys through the site.

He suggests that such enhanced data-handling power could enable Avon to, say, send a reminder to a rep when one of their customers is likely to have run out of lipstick. But one tricky question in this respect is: who holds the data on that customer: the rep or the brand?

"There is always a worry among representatives that you might use such data to start selling directly and cut them out," Neirynck says. "But that's not the purpose of this company. We want to provide earnings opportunities to women."

To provide reassurance, he plans to use data on the purchasing habits of its reps – many of whom act in a similar manner to its customers – to demonstrate the benefits of sharing such information. He hopes that this will show them why giving Avon this data "will help them run their businesses".

"Once we get that right, the amount of data we will have access to is pretty much unlimited," Neirynck says. "That will put us in a very strong position."

$3.4bn

Avon Products' global revenue in 2021

$2.35bn

Net sales of Avon beauty products

$1.04bn

Net sales of Avon skincare products

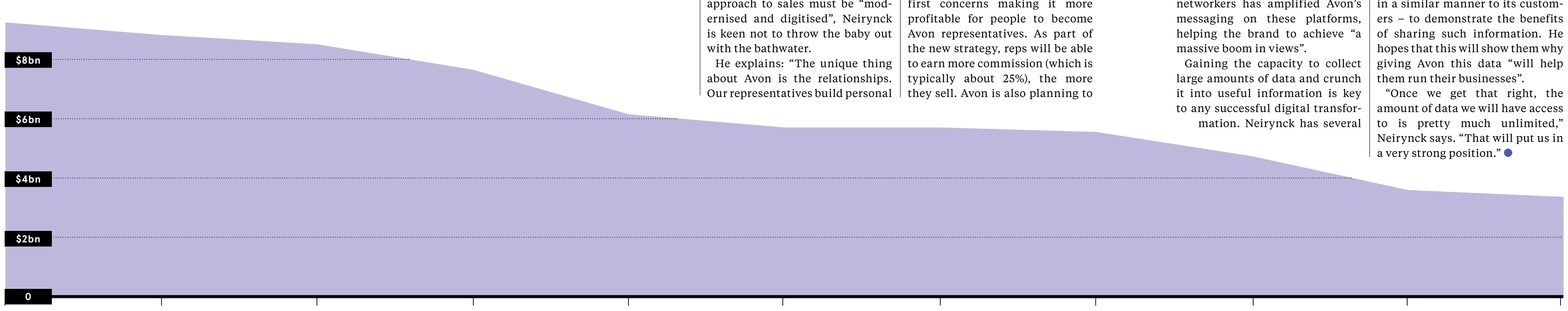
$67.8m

Avon's expenditure on advertising

Avon Products, 2022

WILL A NEW VALUE PROPOSITION HELP TO ARREST THE LONG-TERM DECLINE IN AVON'S REVENUES?

Annual revenues of Avon Products from 2011 to 2021 ($bn)



Avon, 2022

Q&A

The four-day week is the smarter way to work

Fred Krieger, CEO and founder of work management software platform Scoro, explains why his firm is embracing the four-day work week, and offers business leaders advice on measuring its benefits to productivity and profitability

Q Why have you decided to move Scoro to a four-day work week?

A As a concept, the five-day work week is rather outdated. It's been the norm for a century and hasn't been questioned since. Massive productivity gains from new technology have been largely diluted by an always-on mentality, multitasking, and inefficiencies in communication. We're on a mission to fix that. We believe this is the better and smarter way to work.

We have a wealth of data from our 20,000 users. From this we discovered that Fridays saw all system usage of the Scoro platform drop by 23%. We also know that our own email activity decreased 15% and Slack usage was down by 24% on Fridays.

Q How do you believe a four-day work week will change business for the better?

A A focus on organisational and individual efficiency improvements has allowed companies to achieve more in less time, with teams becoming more productive and happier inside and outside of work. A four-day work week takes this up a few levels, ensuring every process and task is carried out most efficiently. All of our 140 colleagues – working worldwide across the UK, the US, and the Baltics – will over the next 12 months allow us to measure the results of this four-day work week mission and share them publicly alongside our learnings.

It may not be the ideal format for everyone, but we believe everyone can benefit from our framework and become more efficient in their work to increase margins and allow for shorter workdays or weeks.

Q In what ways do you see Scoro achieving measurable change?

A We've set ourselves a series of benchmarks and goals. For example, we aim to reduce the time spent in meetings by 25% and shrink the number of interruptions from communication channels by 18% – plus save one hour per week per person through improved planning and time management, and another 30 minutes by increasing automation. The team will experience no change in salary.

> Leaders must start with a foundation of clear and critical data to understand what should be changed and when

Q What advice would you give other leaders who are fearful of taking this step?

A Tracking data and regular optimisation via continuous learning will be key to success. It's why software tools such as Scoro are important in organisational change and business transformation. Just switching to fewer hours won't get the job done. Quick wins designed simply to improve employee wellbeing will only be successful in the short term.

To reap the full benefits of a four-day work week, and to minimise all associated risks, leaders must start from a strong position, with a foundation of clear and critical data to understand what should be changed and when; using insight to monitor progress, stay agile and make changes for ongoing success.

Q What are the main barriers for leaders in adopting this process?

A Organisations rarely commit to overhauling their whole operations for ideas such as this. They just fiddle around the edges. But you must be brave and open, while accepting it won't all be plain sailing.

This is about 'reinventing Fridays'; it's not just an extra day off. This additional free time can change our lives and the lives of others.

Q Are you not afraid of the risks of a four-day week?

A We're prepared for the fact that we might encounter issues, but I'm confident that we're adaptive enough to fix them. Gathering feedback and making improvements is all part of the process, and that's what's so exciting – we have the opportunity to learn and then share our learnings; good and bad. We want it to inspire and encourage other companies to be comfortable and confident enough to start this journey.

To find out more, visit scoro.com

PROJECT MANAGEMENT

Alarms and excursions

Many unsuccessful transformations were derailed well before completion. Are there any early red flags that, if spotted and acted upon quickly enough, might save a project from going disastrously off track?

Emma Woollacott

Mint Images via Getty Images

There can be few companies embarking on a business transformation that aren't painfully aware that most such projects fail to meet their objectives.

According to a forecast by the International Data Corporation, $2.8tn (£2.3tn) will be spent on digital transformations worldwide in 2025 – more than double the amount invested in 2020 – which indicates that well over $1tn is likely to be wasted on such processes this year.

Waiting until the end of the project with fingers crossed clearly isn't a viable strategy for success. So how can a company spot the early signals that a transformation may be starting to go awry soon enough to correct matters?

"It goes on my worry list when an organisation says that a transformation is easily achievable. That probably points to the fact that it hasn't been ambitious enough and isn't pushing hard enough," observes Karen Thomas-Bland, founder and director of the Seven Transformation consultancy.

In such cases, the project may be perfectly successful on its own terms but fail to make any meaningful difference to the business, falling short of a transformation.

One early sign that this may end up being the outcome, she says, is if the process is not being led from the top of the organisation.

"Right away, I want to know who the sponsor is. If it isn't the CEO, I'll worry how much a priority the organisation is making it, because a real transformation will touch every part of the business, from people to processes to technology," Thomas-Bland says. "So, if the project is CFO-sponsored or CHRO-sponsored, it probably won't be sufficiently all-encompassing."

Even worse, says Jaco Vermeulen, chief technology officer at the BML Digital consultancy, is when a project has no single leader and simply comprises a collection of independent projects, usually involving tech implementations.

"The clincher is that weeks – possibly even months – will pass before leaders of the various teams meet each other to discuss the strategic programme and the metrics they each report on, based solely on the progress of implementation rather than the changes realised," he says.

Research by Fujitsu has found a lack of leadership to be one of the four biggest problems at the planning stage, along with a shortage of sufficiently skilled staff, a lack of funds and an undefined return on investment. Other studies have placed even more importance on leadership. For instance, two-thirds of respondents to a recent GlobalData survey covering the pharma sector cited it as the most important prerequisite for a successful digital transformation.

Vermeulen reports that, in cases where there's no single leader, it's not unusual for him to see other activities in the business working against the transformation.

"The early warning signs here will be poor internal communications and a lack of clearly defined outcomes for the transformation. This leaves it wide open for competing initiatives," he says. "The clincher will be occasions where the programme is put on hold for something else to be handled first."

Another early red flag, says Mike Potter, chief strategy officer at digital consultancy Tecknuovo, is an excessive focus on technology, as opposed to the outcomes expected from its implementation.

As an example, he cites the implementation of a new organ-donation system, in Wales, on which he worked while serving as a director with NHS Blood and Transplant. When ministers pushed for iPads to be supplied to GPs as part of the programme, he had to explain to them that this would not represent good value for money.

"Gartner conducted a study that concluded that a project named after the tech it's implementing is twice as likely than average to fail," he says. "If people are buying in technology as a product to solve their business problems, they are probably missing some foundational steps – involving processes and people – that should be completed before they get to that part."

Indeed, it's widely agreed that one of the most significant early signs that a transformation is doomed is a lack of support from employees. Research conducted last year by the Everest Group found that just over two-thirds of firms that had attempted a digital transformation had failed to achieve their desired outcomes. Of these, 58% blamed internal resistance to change as a major cause.

And, while there are change management practices that can help to counter such resistance (see the article on p10), these often aren't applied until the transformation is well under way. By that time, the rot may well have set in already.

Unfortunately, resistance in the workforce isn't always easy to spot in its early stages. People often seem perfectly supportive – or at least acquiescent – in meetings, but rather less so when talking informally with their colleagues in private. Managers may therefore need to stay alert, warns Giorgia Prestento, a behavioural scientist and independent consultant specialising in change management.

"The first signs that staff aren't on board can be summarised as noise – the chatter by the coffee machine, the whispers in the corridors or on the online chat groups," she says. "The best way to learn about the mood of an organisation is to hang around the common areas of an office and observe people's interactions and body language. In a virtual environment, this is more challenging, but signs of disengagement would be people staying off camera during group video calls or a lack of questions from them."

Research by McKinsey indicates that two-way, face-to-face communication is key to keeping people on board. In a survey of organisations whose transformations were successful, 65% of respondents cited line managers' briefings as crucial in improving engagement.

Thomas-Bland stresses that it's particularly important for firms to strike the right tone with their communications from the start. This was something that one client she worked with failed to do. It focused on the financial benefits of the transformation rather than what it might mean for employees.

"Really good launch communications talk about purpose. They would answer questions such as what the transformation would mean for front-line workers and why would it get them out of bed in the morning," she says. "To really get people to buy into it and make that extraordinary effort you need from them, communications have to be emotional as well as rational."

According to McKinsey, getting the earliest stages of a transformation right can make a big difference. Its research indicates that 22% of the value lost by the average failed transformation occurs at the target-setting stage and 23% occurs at the planning stage. That's nearly half gone before any changes have got under way.

And, unfortunately, the widely quoted Gartner statistic from 2019 that two-thirds of transformations fail still seems to hold true, with McKinsey's research coming up with much the same proportion.

Potter says: "Someone once asked me: 'How is it that, if we get better at doing this all the time, we never seem to reduce the number of programmes that fail?' I don't know whether that is true, but I would argue that we tend to take up more complex challenges as we become more competent. This is not necessarily a bad thing."

> "If people are buying in technology as a product to solve their business problems, they are probably missing some foundational steps

> "If the project is CFO- or CHRO-sponsored, it probably won't be sufficiently all-encompassing

PROBLEMS THAT COME WITH CHANGING A COMPANY'S TECHNOLOGY OPERATING MODELS

Percentage of IT chiefs citing the following factors as significant challenges

McKinsey, 2021

Skills gaps and/or cultural differences have arisen as we change the way we work	37%
It has been hard to shift our project-focused approach to one that is more product-focused	36%
It has been hard to find people to fill new jobs that have been created	31%
Traditional teams have struggled to keep up with the pace at which digital teams work	30%
Integrating new tech into our core architecture has been harder than we'd expected	26%
The risk of cyber attacks and security breaches has increased	23%
The business has found it hard to keep up with the high speed of digital delivery and releases	22%
The business's needs have outpaced the speed of IT delivery	17%
Newer ways of working have limited our ability to manage demand and/or track delivery	15%
Newer ways of working have reduced valuable governance over teams' work	12%

THE TWO AREAS THAT HAVE THE MOST ROOM FOR IMPROVEMENT ARE DATA AND GOVERNANCE

BearingPoint's benchmarking of best practice resilient organisations

More resilient — Less resilient

	Customer	People	Data	Technology	Governance	Average
Government	6.67	5.85	5.32	6.01	5.23	5.8
Private *unlisted*	7.37	7.02	6.19	7.42	6.30	6.86
Public *listed*	7.34	6.91	6.30	6.96	5.45	6.59
Grand Total	7.13	6.59	5.94	6.78	5.63	6.41

* Based on BearingPoint's proprietary benchmarking tool of 150 best-practice organisations who have delivered each aspect of the five elements of resilience

Can your company withstand the next crisis?

Here are the five key components of building a resilient business transformation strategy

In challenging times, resilient organisations succeed by doing more than just splashing out on new technology or sending an action plan from the boardroom and hoping for the best. Proactive businesses should be looking to transform by combining these five key elements – after all, one-off events happen more often than you think.

1. Know your customers' ecosystem

If it is not a pandemic, it's inflation causing chaos. Crises happen but resilient companies understand their customers and the robustness of their supply chain, says Emile Naus, partner at BearingPoint, a multinational consultancy.

Fully responding to customers is key. In BearingPoint's 'Tune Your Delivery' survey of 3,000 European customers, delivery price was responsible for 70% of customers' decisions, but some customers were prepared to pay a premium for speedy delivery on certain items. "Fully understanding the balance can save 20% on costs and 15% on your carbon footprint," says Naus.

"One automotive manufacturer had looked at their supply chain but not in enough detail. When the Fukushima nuclear disaster happened, they discovered all of their gearbox suppliers used the same tiny component that came from the one place in Fukushima. Having gone to all the trouble of splitting risk by sourcing across multiple suppliers, they were still 100% exposed when that sub-component supplier went down."

2. Turn data centricity into a competitive advantage

Have useful, easy-to-access, uniform data that assists the whole company and ensures its rules are rigorously adhered to, says Tony Farnfield, partner at BearingPoint.

"Often, organisations have multiple customer data points across many legacy systems, resulting in fragmented and inconsistent views of a customer, making it very difficult to have one clean, consistent and useable record. Successful organisations will have a single, well-governed data of a customer, allowing the organisation to personalise customer engagement"

3. Empower your people

By the time a complaint reaches senior management, you have often already lost that customer. Ensure people on the front line are fully empowered to respond, says Naus.

"There is so much data you carry on customers – why can't your frontline customer services see it too? What if a complainant is a long-term valued customer and you fail to swap a problem product instantly and lose their business? Or, if a serial returner is able to simply return used goods all the time?"

Successful companies always aim to repair relationships, not just products, and good data can help you gain more custom and loyalty after a complaint.

4. Use technology to improve agility

Technology should be integrated into your overarching strategy, but understand that innovation isn't just about IT – it's a chance for collaboration. Create joined-up responses by investing in new technologies that can gather sentiment analysis and predictive analytics from online behaviours to create a richer data set, says Farnfield.

"For example, for an insurance company, understanding customers' demographics and characteristics poses questions:-do they have children about to start driving and need a group discount? Are the family about to go on holiday or do they need pet insurance? Marry up offers to give a better product and even offer bonus content – i.e. sending 'securing your home' articles to those buying home insurance – to add extra value, personalise and drive loyalty."

5. Simplify governance

Companies expect their staff to use initiative in a crisis – so why not let them make decisions that way regularly? As the pandemic hit Europe, one luxury goods company had already seen the impact of the virus on their business in China and was able to redeploy resources at speed by having flexible governance.

"European local leaders saw the impact in China, moved quickly and utilised digital tools to a provide customers with a bespoke service via online remote interaction to great effect," says Naus.

> "Successful organisations will have a single, well-governed data of a customer, allowing the organisation to personalise customer engagement

To find out more, visit bearingpoint.com

Controlling the cloud – cost, innovation, value

A robust FinOps strategy is key to gaining better oversight and accountability of all aspects of cloud

Businesses' adoption of the cloud has been accelerated by the Covid-19 pandemic. As working remotely has become the new normal, the need for digital transformation has never been greater.

Despite the benefits the cloud can offer IT in terms of flexibility, performance and innovation, it also presents a host of new challenges. One of the biggest is managing related spend and business value, mainly due to a lack of a clear cloud migration strategy, usage and financial oversight.

That's evidenced by the fact that organisations on average waste more than 30% of their cloud spend, according to the Flexera 2022 State of the Cloud report. Potentially anyone across an organisation can subscribe to new cloud services, often leading to a large, unplanned overspend – a problem which is exacerbated by the use of a multi-cloud strategy.

That visibility allows a FinOps team, including stakeholders from across an organisation, to manage and maximise the value of their future cloud spend.

"FinOps provides a complete overview of all cloud workloads through a single pane of glass, what is actually being utilised or is available, and what is actually being spent and importantly by whom," says Darryl Sackett, global managing director at SoftwareONE. "This allows decision-makers to identify optimisation opportunities and make real cost savings. These can then be reinvested in driving innovation that supports an organisation's strategic goals. I like to call this 'self-funded innovation'."

By encouraging stakeholders to take ownership of their cloud usage, through applying best practices and working collaboratively to align IT, finance and procurement to business outcomes, FinOps ensures businesses get the most out of their cloud spend. This holistic approach and set of best practices also ensures shareholders get the best possible return on their investment.

So, why do companies need the cloud? How can they develop a robust FinOps strategy? How can they ensure that their culture is ready for the cloud? How can they harness cloud technology's power and maximise their spend? What are the key barriers to adoption? And how can they be overcome?

In today's increasingly digitally-enabled world, being in the cloud is a non-negotiable for almost all organisations. It enables them to operate more efficiently, cost-effectively and at scale, thus making them more competitive.

When choosing a cloud platform, it is critical to take into account the application it's going to be used for, the technology required and associated costs. A further consideration is how it fits within a company's overall environmental, social and corporate governance strategy, and in terms of achieving its sustainability goals.

To achieve this, firms need to have an effective FinOps strategy that is delivered in three clear phases. The first is 'inform', which includes gathering the relevant cloud data, which is then analysed to understand where the money is being spent, by whom and what value it's generating.

In the 'optimise' phase, unnecessary cloud resources are identified and then removed in order to realise cost savings of up to 40%, while maintaining the same high level of speed of delivery and performance in services delivered to end users.

The final FinOps phase is 'operate', during which the organisation will measure how it is tracking against defined key performance indicators (KPIs) and business objectives to drive continuous improvements in performance. An organisation needs to develop a cloud centre of excellence with clearly defined governance policies and operating models, while a FinOps team must focus on building a culture across the organisation that drives change.

"The best way to achieve cultural change is through training and education, but also by getting all the various stakeholders in the same room," says Sackett. "That includes the relevant decision-makers from procurement, finance, IT, engineering, security, operations, development and the executive, and get them talking about what the move to the cloud means to them, why they are doing it, how it will be used and then measuring that against the business' agreed set of key performance indicators."

FinOps is not a one-off process, it is a journey. It's ever-evolving and needs to be developed over time to ensure it continues to deliver improvements and benefits to the business.

By adopting this smart approach to cloud selection, usage and governance through data-driven decision-making, businesses can significantly improve their performance and results. Not only will it help them reduce their costs, but also optimise the value from their cloud investments.

The two biggest barriers to FinOps adoption are a lack of skills and budget. Given the surge in demand for IT professionals with the right expertise and the shortfall caused by the great resignation of 2021, there's a huge war for talent right now.

Organisations are increasingly turning to partners like SoftwareONE with certified FinOps practitioners, services and platforms to deliver the significant cost savings and business value that FinOps promises.

30%

Organisations waste more than 30% of their cloud spending

Flexera, 2022

The best way to achieve cultural change is through training and education, but also by getting all the various stakeholders in the same room

For more information about how SoftwareONE can help you with your FinOps needs visit softwareone.com/finops

softwareONE

Tim Graham via Getty Images

CLIMATE ADAPTATION

Adjust in time

While climate mitigation has been a high priority for many firms, experts are urging them not to neglect the equally important business of climate adaptation

Jonathan Weinberg

Governments and industries have focused on climate mitigation measures such as using less fossil fuel in recent years, but there are growing calls for them to devote more attention to climate adaptation activities. Nasa defines the latter as adjusting to "reduce our vulnerability to the harmful effects of climate change… and making the most of any potential beneficial opportunities".

The Climate Change Committee is an independent statutory body that advises Westminster and the UK's devolved governments. Dr Swenja Surminski is a member of its adaptation committee, leading on the role the private sector can play. While acknowledging that climate mitigation is "the best defence", she stresses that it's also "essential" to take adaptation measures.

The UK's goal of reaching net-zero greenhouse gas emissions by 2050 is unachievable without them, she argues, but "there is an adaptation gap: a difference between ambition and action. Far too often we are stuck on processes such as assessing risks and raising awareness. Concrete action is lacking. There is also a big adaptation finance gap: commitments made at the UN's COP26 conference on climate change last year are nowhere near met."

Surminski, who is head of adaptation research at the LSE's Grantham Research Institute on Climate Change and the Environment, admits that we can't expect to adapt to any level of climate change. But she explains that a targeted investment in adaptation will bring "multiple benefits beyond cost-effectiveness" in the shape of the so-called triple dividend of resilience.

"It can reduce future losses and damage. It can create economic benefits – for example, by reducing risk, increasing productivity and promoting innovation. And it can bring about a range of social and environmental benefits," she says. "These dividends can develop regardless of whether shocks relating to climate change occur or not."

Many potential adaptation measures exist. Adjustments to physical infrastructure are the most tangible of these. Surminski offers examples such as improving irrigation systems in drought-prone areas, landscaping to aid fire management and upgrading road surfaces so that they can withstand higher temperatures. But more straightforward behavioural shifts are important too, she adds, including cutting water consumption and buying more insurance against climate-related risks.

Surminski, who was recently appointed MD, climate and sustainability, at US insurance broker Marsh McLennan, says that every pound spent on adaptation now will save at least five pounds' worth of loss in future, adding: "Adaptation is not a cost; it is an investment."

Climate change is a "threat multiplier that amplifies existing vulnerabilities", she stresses, noting that governments, businesses and investors are still making decisions with no regard for climate risks.

"Some encouraging examples do exist, but adaptation investment is still lagging overall and climate risks are either ignored or seen as something in the distant future," Surminski says. "This is a bad strategy. We have enough knowledge to inform decisions now."

In August last year, the UN's Intergovernmental Panel on Climate Change published a report entitled *Climate Change 2021*, which suggested that the climate crisis was "inevitable and irreversible".

One expert who concurs with that assessment is Francesca Johnson, head of sustainability of Treepoints, a social enterprise working to help companies tackle climate change. Adaptation has become "paramount for every business", she argues.

"Businesses need to move quickly, because planning can take time," Johnson advises. "Strategies and change management must first be implemented from the top, so that a culture of forward thinking and personal resilience can be integrated across the enterprise. New systems and training will be required to help it cope with climate change."

The *2021 Infrastructure for Climate Action* report by the UN Office for Project Services estimates that infrastructure will account for 88% of the world's climate adaptation costs to 2050, more than half of which involve the water sector. According to its head of strategic initiatives, infrastructure and project management, Samantha Stratton-Short, business has to play a key role in climate adaptation because governments "simply can't afford" the cost of taking on everything required.

Stratton-Short suggests that business leaders should treat climate mitigation and adaptation strategies as part of an overall plan of "prevention and preparedness" for their companies.

While this will differ in emphasis from sector to sector, an effective adaptation strategy should include six key actions, she says. These are: conserve local environments using "nature-based solutions"; map critical supply chains; practice continuous learning about climate risks, as you would with health and safety; invest in education and support for staff and local communities; prioritise continuous improvement over the total prevention of disruption; and "look at redundancy, flexibility, resourcefulness and integration to build in resilience".

Stratton-Short adds: "Risks can be addressed more cost-effectively when potential service disruptions are planned for. Understand what levels of disruption are acceptable under different circumstances."

Surminski believes that an adaptation strategy will work only if taken as part of a holistic approach under which it's integrated into key commercial decisions, such as where to build new offices, which suppliers to choose and what design standards to apply to products.

"Adaptation is often seen as something that is relevant only in the future," she says. "But disregarding climate risks now will lock a business in – reversing decisions later is likely to be expensive."

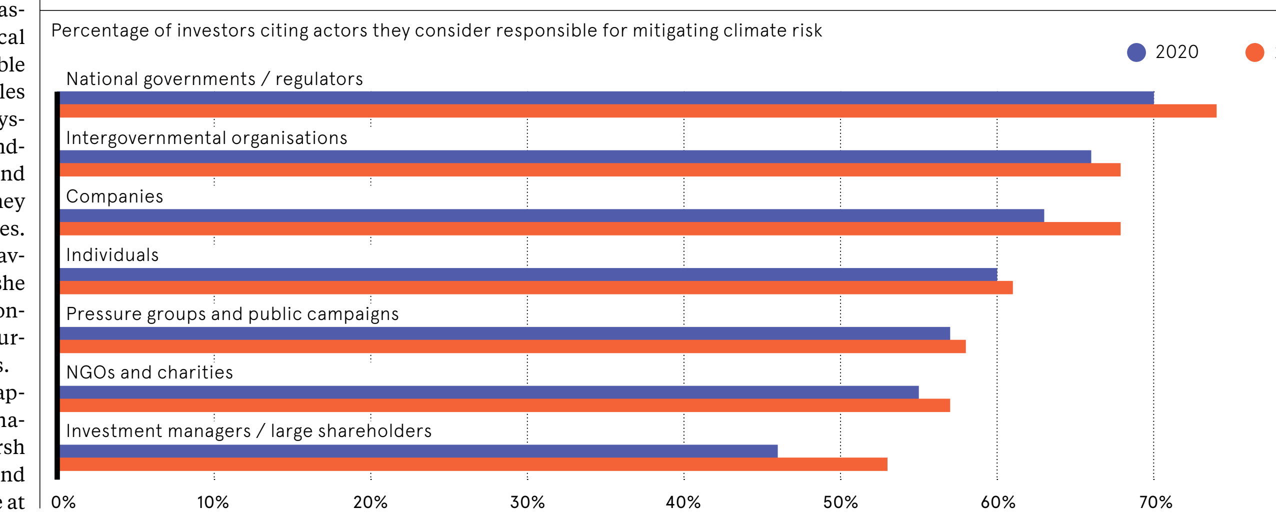
However strong an adaptation plan appears to be, Stratton-Short would still advise business leaders to "expect the unexpected". She warns: "Adapting to our changing climate will be expensive, both for governments and for businesses. But the price we will pay later if we fail to address this now will be far more than the pound in our pockets."

Some encouraging examples do exist, but adaptation investment is still lagging overall

WHO'S ACCOUNTABLE FOR TAKING CLIMATE ACTION?

Schroders, 2021

Percentage of investors citing actors they consider responsible for mitigating climate risk



HR MANAGEMENT

The golden rules of employee engagement

Strategic decision-makers devote much attention to planning new business models, processes and systems, but they must never forget that employees have the power to make or break a transformation

Joy Persaud

The phrase 'our people are our most important asset' has been trotted out for decades in the corporate world, even though they have yet to appear on a balance sheet. But, like any cliché, there is truth behind it. Without the overwhelming support of its employees, a company is likely to fail, particularly when it's trying to make fundamental changes.

It's vital for any firm seeking to transform its business to ensure that its people comprehend its strategy and know how to turn it into action, stresses Adaora Geiger, a partner at the Maitland/AMO consultancy.

Business leaders must explain the rationale for change "in a way that's clear and accessible", she advises, noting that their language can be heavy on jargon. Using buzzwords such as 'leveraging', 'synergistic' and 'pivot' can be alienating to anyone who isn't fond of management-speak, which makes it harder for leaders to 'gain employee buy-in'. One of the more meaningful pieces of corporate-ese, this means winning enough support for, and commitment to, the planned changes at all levels of the workforce.

"It is important to communicate the strategy in a way that crystallises value beyond the shareholders' perspective," Geiger says. "Employees want to understand what's in it for them. Why should they want to be part of this change, especially if it will come with a certain level of uncertainty and discomfort?"

If they are to buy into a transformation, they have to be convinced that it's crucial to their organisation's future, says Emma Loizidis, head of people at B2B marketing firm Fox Agency. She adds that, while it isn't necessary for everyone to agree with everything in the plan, the whole process must be managed transparently and empathically, rewarding people's acceptance. This can lead to improvements in motivation, loyalty and team cohesion, which should ultimately result in better performance.

Like Geiger, she stresses the importance of clear messaging, but adds that communication must also be a two-way process that "should, ideally, begin during the planning stage. It's important to talk *with* people rather than *at* people. This will allow them to feel part of the change, engendering respect and support from the outset."

Loizidis continues: "Employees are likely to have many concerns about issues such as a potential increase in workload, a loss of control or a change of culture, so effective communication really is key in helping to manage these."

Another potential problem is a fear of failure, which manifests itself when employees lack confidence in their own adaptability. It's therefore vital to provide the right tools and training to give them enough scope to develop new skills before any significant changes occur. This will help to alleviate people's fears and increase the level of buy-in.

Unsurprisingly, the HR department has a central role to play in business transformations. Giorgia Prestento, an independent consultant specialising in change management, believes that HR needs to have developed a deep understanding of the firm's cultural make-up.

"Any transformation must account for the company's culture. Otherwise, it could fail on kick-off. A change that conflicts with its culture simply won't work," Prestento warns. "The challenge for the HR department, therefore, is to assess the likely impact of the change on the organisation and work with the C suite to adjust the scope of the change and how it's to be implemented, if that's required."

She adds: "In my experience, HR isn't really involved in transformations at the grass-roots level, but it does play an important role in setting the tone and strategic direction. The C-level decision-makers have a larger role to play here. The problem is that they often forget to focus on the employee experience when planning a transformation. They tend to prioritise implementing new systems, streamlining operations, cutting costs and so on. They don't consider employee buy-in until too late in the programme, which can create resistance."

Sophie Austin, HR partner at accountancy firm Monahans, suggests that HR chiefs should school their C-suite colleagues on why buy-in is vital by designing a business case illustrating the problems caused by a failure to engage people. Once the importance of gaining buy-in has been demonstrated, the next step is to create a structure that enables the desired changes, and, again, to communicate effectively.

"It's important to send a unified message across management. HR may need to liaise with the company's communications specialists to implement this," Austin says. "You will win engagement by being clear – about what you're trying to achieve, what scope there is for employees to give feedback and what they have to gain from the process."

Keep track of buy-in levels by seeking people's views on the transformation through user-friendly pulse surveys and focus groups, she suggests. Also look at some of the company's key performance indicators to get an idea of how things are going. Austin recommends looking at trends in staff turnover, absence rates and the number of grievance cases, as well as the firm's financial performance. "From there, you can gauge whether your strategy is delivering what it set out to do or adjustments need to be made."

Zara Whysall, research and impact director at management consultancy Kiddy & Partners, offers a caveat to those seeking feedback from employees. They would do well to heed the words of David Ogilvy, the advertising tycoon who once said of consumers: "People don't always think how they feel. They don't say what they think and they don't do what they say."

Whysall stresses that it's "important to observe people's actual behaviour. Are they operating in ways that are consistent with the direction of travel? Is their behaviour taking you towards or away from the desired transformation state?"

Lastly, remember that new beginnings often require an ending to happen first, advises Beth Pope, the founder of brand consultancy Firehaus. She explains that, as soon as changes start, the organisation will go into a transitional phase known as the neutral zone.

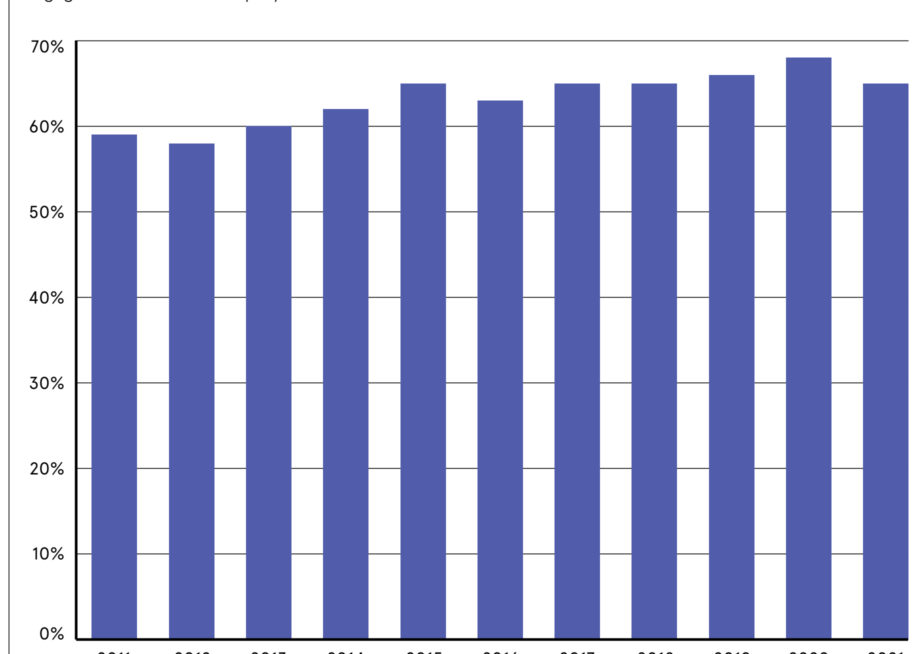
During this period, "people will need time to disengage from existing ways of thinking and behaving, so that they can reorient themselves", Pope explains. "If the organisation handles this in the right way – by acknowledging its existence and providing 'guard rails' – this can be a positive period of opportunity and creativity. As people wrestle with new ways of doing things, they make them their own. It's where the secret to a true transformation lies."

> Any transformation must account for the company's culture. Otherwise, it could fail on kick-off

GLOBAL EMPLOYEE ENGAGEMENT OVER THE PAST DECADE

Kincentric, 2021

Engagement scores of employees worldwide



Commercial feature

Internal alignment is crucial for a sustainable business

Corporate objectives are in place to introduce a sustainability-led strategy, but work needs to be done in order for businesses to successfully transform

Forward-looking businesses are taking the first steps on the journey to becoming sustainability-led organisations. Whether they are cutting carbon emissions, promoting workforce diversity or helping to build resilient communities, they are looking to play their part in creating a more liveable world.

But getting everyone in the organisation to share the same vision on how to carry out this sustainability strategy is proving tricky and could hold back progress.

A survey commissioned by strategy firm L.E.K. Consulting found that the number one barrier to realising the ambition for long-term sustainability in organisations is a lack of alignment among key stakeholders. L.E.K. commissioned researchers from Longitude to quiz 400 senior business executives in six countries about their companies' progress in adopting environmental, social and governance (ESG) strategies.

Some 34% of respondents said a lack of alignment among managers was a key challenge to achieving sustainability goals and 33% said that leadership lacked alignment on what their ESG ambition should be.

"One of the biggest tasks in creating strong ESG goals is getting everyone in the organisation on the same page," says John Goddard, vice-chair for sustainability at L.E.K. "That means making sure everyone has a basic understanding of the important concepts in ESG by offering third-party support through advisors and educational programmes. Companies need to establish a common language around sustainability and develop goals and targets which everyone can share in. They must understand the strategic choices made to achieve those goals. Once your business is aligned behind a common vision, progress towards hitting sustainability targets becomes much faster."

L.E.K.'s secondary research revealed significant momentum behind ESG strategies, especially on cutting carbon emissions. Some 60% of FTSE 100 companies are committed to reaching net-zero carbon emissions by 2050, while two thirds of S&P 500 companies have emissions reduction targets. Meanwhile, around 720 of the 2,000 largest publicly traded companies claim net-zero goals.

But while many businesses have good intentions, they are struggling to put them into practice. Only 36 of the FTSE 100 companies meet the standards of the Science Based Targets Initiative, a global organisation that offers companies a scientific basis for their emissions targets. And very few companies are tracking their Scope 3 emissions – those by third parties, such as providers of purchased goods and services, as well as areas such as employee commuting and business travel. L.E.K. warns in its report that current climate commitments are insufficient to limit global warming to 1.5°C by 2050, a goal of the Paris Agreement.

To reach the commitments on climate and sustainability that they have made, businesses need to create coherent policies to set credible goals. These strategies depend on comprehensive data gathering and reporting about the company's emissions and other activities. And businesses must avoid engendering scepticism and allegations of greenwashing by making sure their commitments are realistic and achievable.

These requirements demand a shared vision across the business, but many executives and managers may struggle to see how environmental targets can fit in with their tasks of selling more goods or increasing profitability. Some executives may find it hard to grasp the role of their business in, for example, keeping global temperature rises below 1.5°C, particularly when balancing this against other objectives.

However, newer employees within businesses have grown up with sustainability and equality issues and are well-placed to help drive these strategies. The move to sustainability is a good opportunity for empowering employees and putting them at the heart of corporate strategy.

One of the big questions managers and executives need to agree on is the extent to which the company should trade-off between short-term gains and the longer-term vision of sustainability.

A company may decide that investments in plant and new technology can pay back more gradually if they also believe these investments – for instance in renewable technologies – will help achieve sustainability goals.

L.E.K.'s survey found that 58% of organisations feel that there are "significant differences of opinion within the leadership team" on balancing short-term priorities with long-term ESG goals. Ultimately, it is down to the chief executive to drive through these policies. But encouraging buy-in from across management is vital to making those goals a reality.

Meanwhile, 79% of executives said their organisation had more to do to put the required skills and capabilities in place to deliver sustainable goals. This strategy may help companies succeed in the growing war for talent, in which sustainability can act as a major competitive advantage.

Overall, ESG issues are seen as a way of driving growth by many organisations – 51% of organisations are focused on ESG as a growth driver, while a further 20% are taking an innovation-led approach, which involves putting sustainability at the heart of their innovation strategy to create new products and services offering environmental and social benefits. Taken together, some 71% of companies see sustainability as a way of driving growth. And many are prepared to prioritise long-term goals over short-term benefits; 51% of respondents said companies should address ESG issues even if it means a short-term sacrifice.

Transforming company activities to hit sustainability goals requires a new set of incentives for managers and directors. This could involve making bonuses dependent on cutting carbon emissions and reducing waste or educating employees on how to minimise emissions. So, when training drivers in transport businesses, companies can educate employees on fuel usage or improve understanding of electric vehicles as a means to reduce emissions.

But incentives can only be implemented when there are clear measurements of the company's performance. Businesses must carefully choose the relevant key performance indicators which show evidence of the journey to sustainability. Determining the right processes for data collection and tracking can help align the company behind its ESG objectives. According to L.E.K.'s survey, only a quarter of organisations have any enterprise-level KPIs related to the ESG agenda.

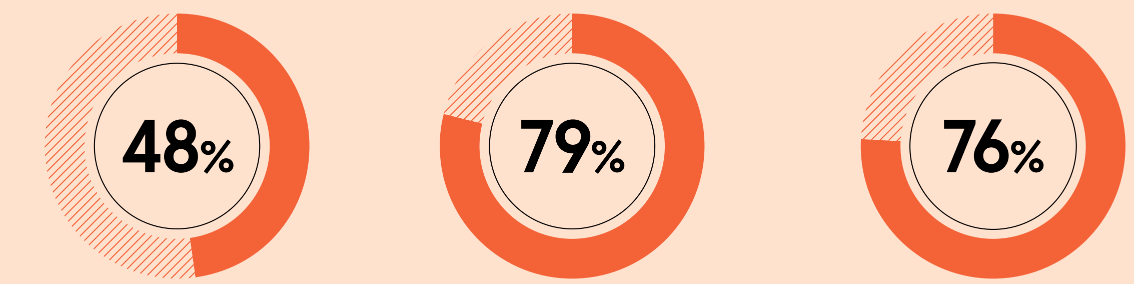
As Goddard says: "More needs to be done to establish accountability for delivering against ESG goals, including aligning executive remuneration to ESG targets. To make progress, businesses need to measure things that matter and reward good performance against these metrics".

Moving a business to a sustainable platform is a massive, super tanker of a task for large companies. Making sure the whole business shares a common vision is vital to keep the organisation heading in the right direction.

> More needs to be done to establish accountability for delivering against ESG goals

MEETING SUSTAINABILITY OBJECTIVES REQUIRES AN ALIGNMENT WITHIN THE C-SUITE

There are operational challenges regarding ESG ambitions



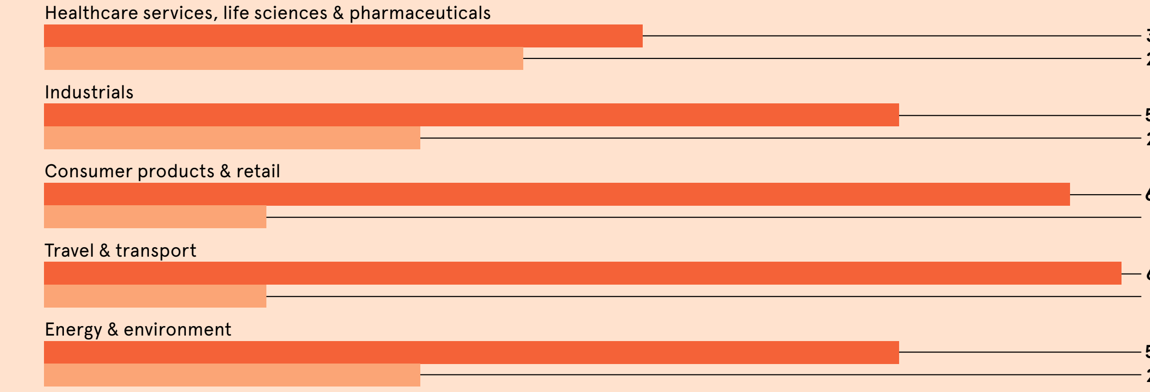
48% of senior execs say their current portfolios don't meet the needs of a sustainable future

79% say their teams do not have the skills needed to deliver on their sustainability goals

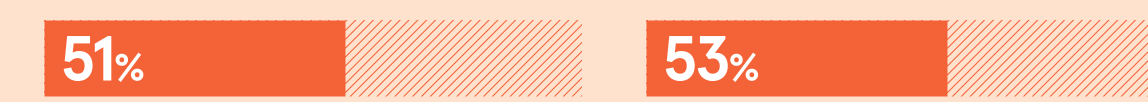
76% say they lack the necessary agile organisational structure to do so

Sustainability is still serving corporate strategy, rather than acting as its driver

Integrating sustainability into corporate strategy / Using sustainability as a strategic driver



But corporate leaders stand by ESG and its long-term value to companies



51% say their company should address ESG even if doing so reduces short-term financial performance and profitability

53% say their organisation should divest a currently profitable part of the business if it undermines the company's overall sustainability goals

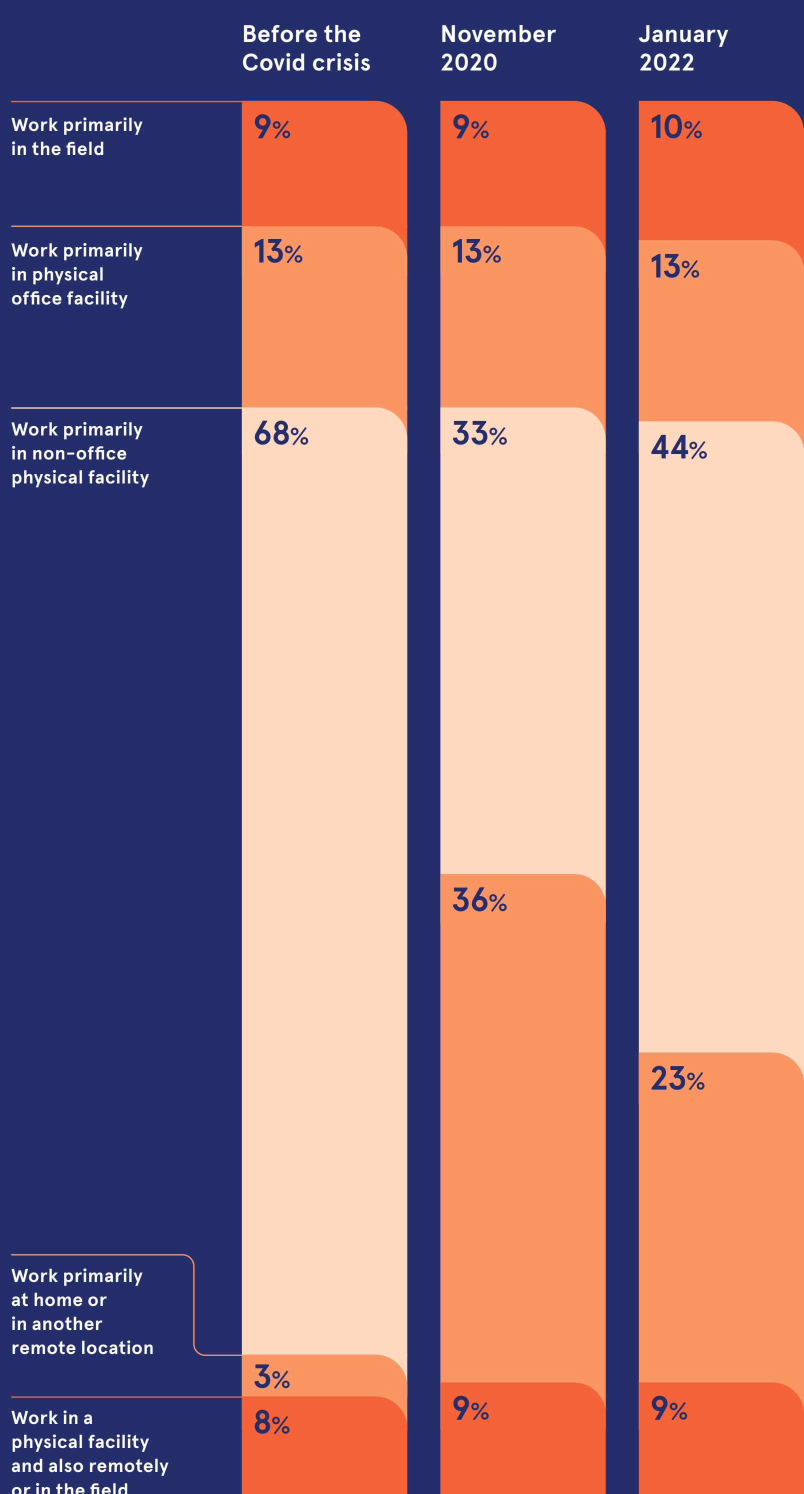
L.E.K. Consulting, 2022

THE FOUNDATIONS OF TRANSFORMATION

Many business leaders have learnt through bitter experience what it takes to successfully transform an organisation. Building a modern enterprise necessitates constant, holistic change. Leaders need to be in it for the long haul and remember that technology is only one essential consideration

WORKPLACE TRANSFORMATION

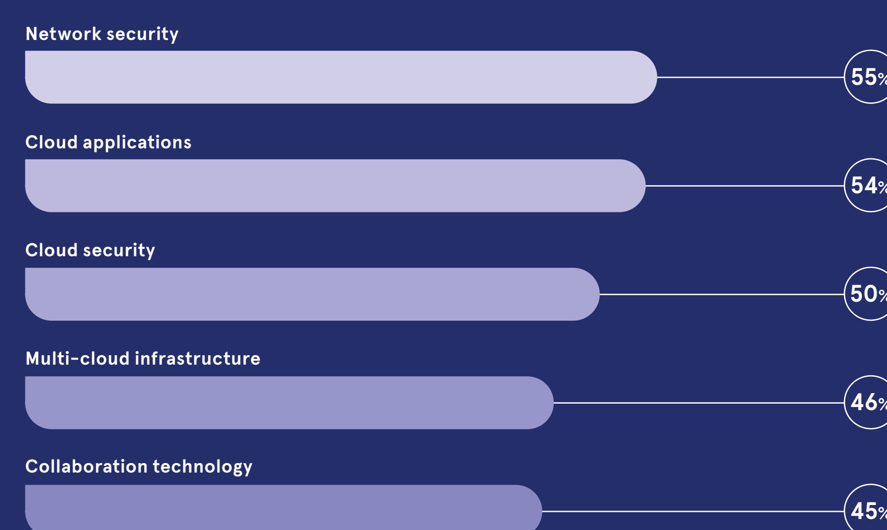
Share of global workforce working, or expected to work, in the following locations (all industries)



International Data Corporation, 2021

TECH TRANSFORMATION

Share of global IT chiefs citing areas they are investing in to improve business resilience in 2021-22



Cisco Systems, 2021

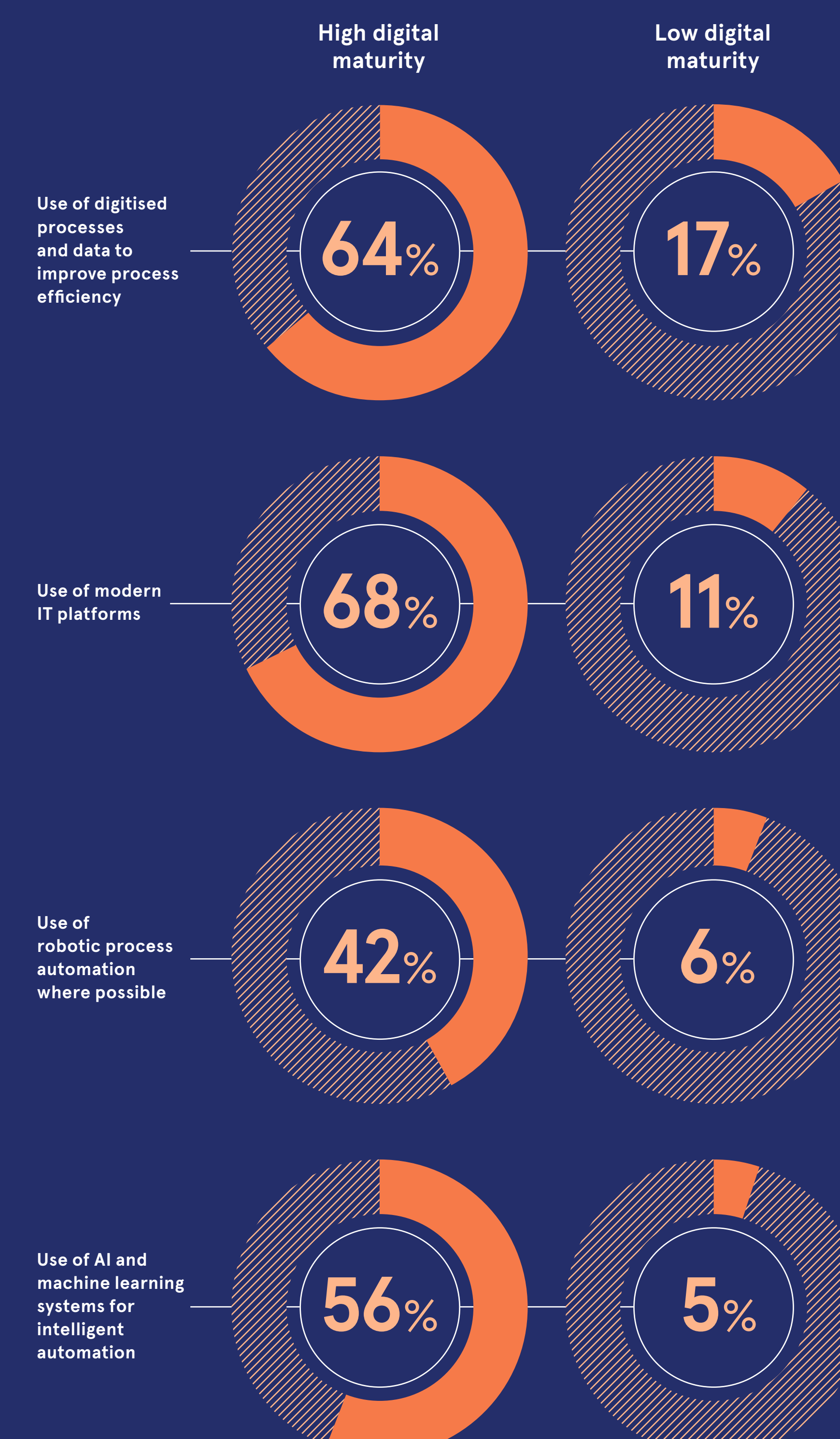
CULTURAL TRANSFORMATION

Share of SME leaders citing benefits to be gained from building a cohesive company culture

Breathe, 2021

PROCESS AND WORKFLOW TRANSFORMATION

Share of firms in the advanced stages of tech implementation reporting significant progress in the following areas, by digital maturity



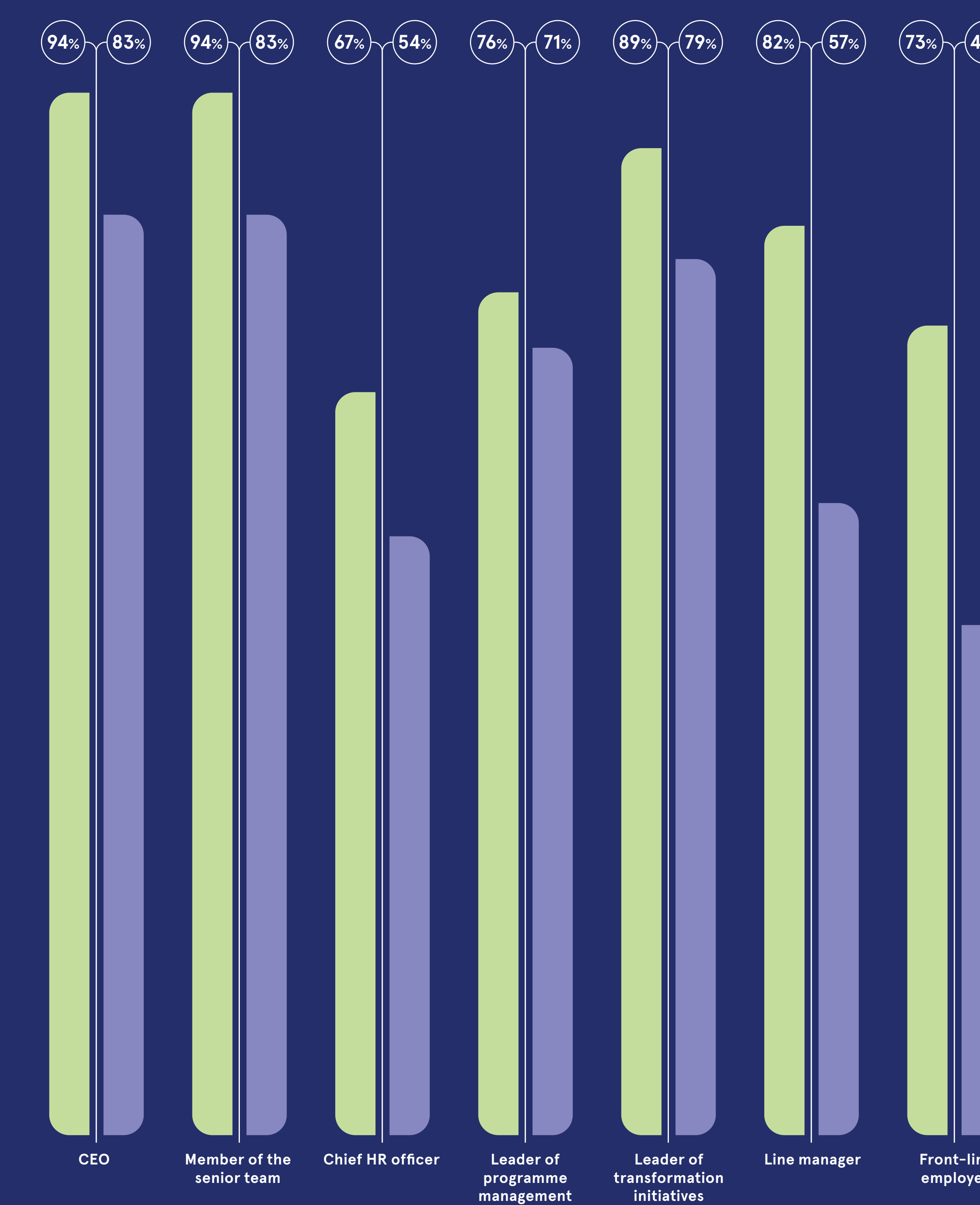
Broadridge, 2021

MANAGEMENT TRANSFORMATION

Share of companies reporting involvement of key actors in their business transformations

Companies reporting successful transformation

All other companies



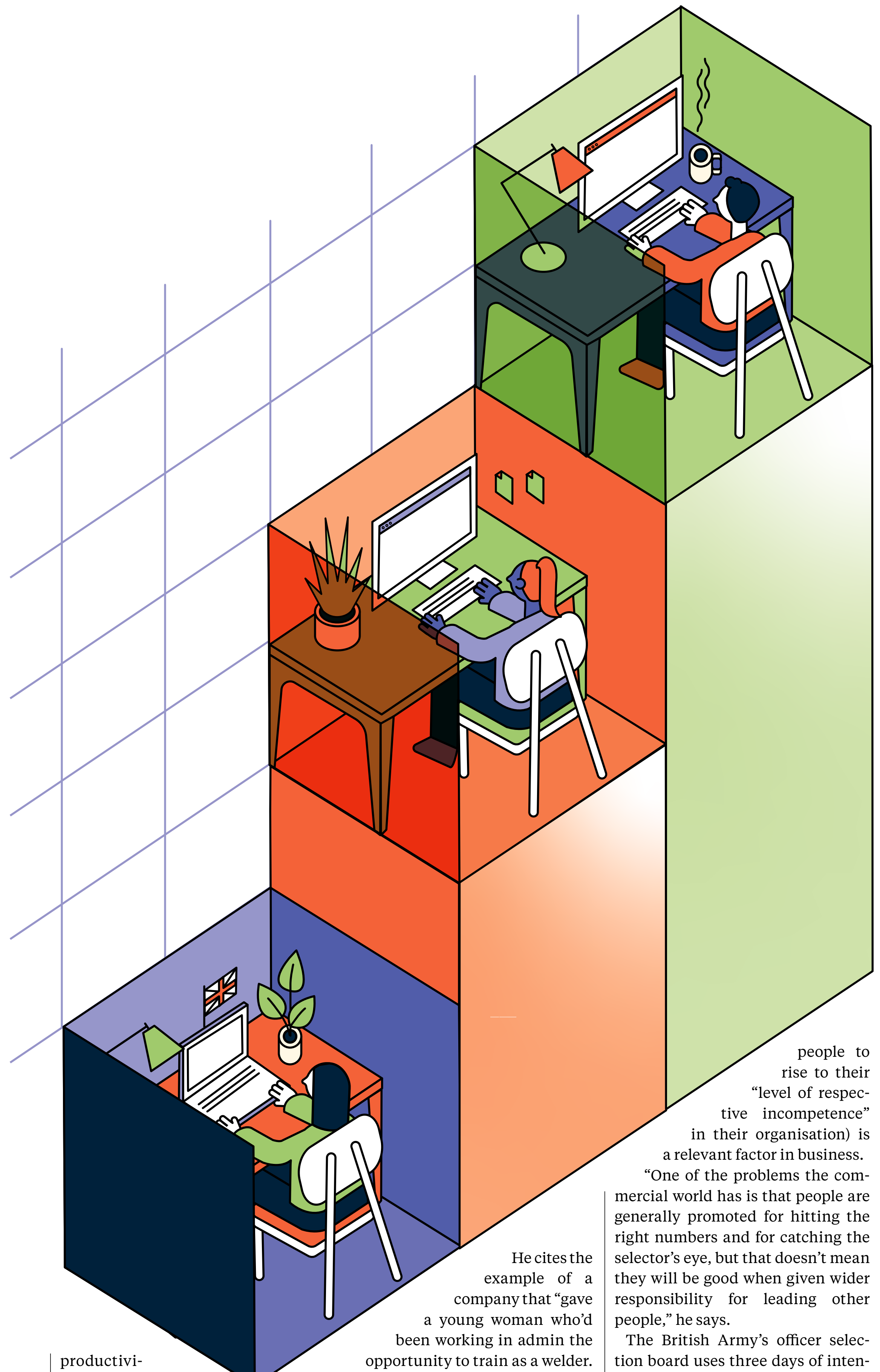
McKinsey, 2021

PRODUCTIVITY

Running up that skill

UK plc's recent productivity figures have been disappointing yet again. Bolder investments in training and more enlightened talent management practices will be needed if the gap is ever to close

Ouida Taaffe



The UK has a productivity problem. Its GDP per hour worked in 2020 was only 55% that of Ireland, the EU leader, according to the Organisation for Economic Co-operation and Development. Why is it so far behind? The government's *Levelling Up* white paper of the same year pointed to the nation's "long tail of low-productivity businesses and places".

In his foreword, the prime minister wrote of the urgent need to "close the productivity gap". He added, with atypical understatement, that this would be "no small task".

One of the many difficulties of solving the problem is that "economic definitions of productivity, such as gross value added per employee, are too narrow". So says Professor Mark Hart, deputy director of Aston Business School's Enterprise Research Centre and a research associate at The Productivity Institute.

"When I talk to the SMEs that I work with, we discuss how to do things better in their business to create more profit," he says.

But even an objective as apparently straightforward as "doing things better to create more profit" may not be applicable in significant sections of the economy. Michael Mankins, global leader of organisation design, corporate strategy and transformation at Bain & Co, observes that "there aren't very good measures of productivity for white-collar and knowledge workers". But he is clear about the key factor that can change the fortunes of a business and, in some cases, boost the wider economy: "The targeted deployment and leadership of great talent has the most impact on productivity."

Mankins – who co-wrote the 2017 book *Time, Talent, Energy: overcome organizational drag and unleash your team's productive power* – cites the tale of two operating systems as an example: iOS 10 and Windows Vista. At Apple, 600 engineers took less than two years to get iOS 10 up and running. At Microsoft, 10,000 engineers spent more than five years developing Vista, which won few fans when it was finally released.

What Apple did was ask its best engineers to work together on a specific endeavour. Its leaders "pointed at the map, said to them: 'Take that hill – how you do it is down to you,' and rewarded their performance as a team," Mankins explains.

Microsoft adopted the opposite approach by operating a so-called forced ranking – a controversial performance management system in which people are rated against each other and certain quotas of the workforce will always be classed as high, medium or low performers, even if everyone is equally productive.

"This meant that no engineer on an A ranking wanted to work with anyone at the same high level," he says. "They knew that most people would be ranked and rewarded at less than A, however well they might have performed."

As this example illustrates, even at high-achieving hi-tech firms, not everyone is a star performer. Having studied about 600 companies of varying types, Mankins and his colleagues were "surprised to find that the proportion of high-quality talent they have does not usually vary much. On average, it's about 15% of the workforce. What really mattered was how that talent was trained, deployed and led."

The training element could prove decisive for the UK economy, according to Hart. "We're missing a trick in not nudging the tens of thousands of small companies that are lagging in productivity to be just a bit better," he says.

Companies will often complain about skills shortages and a lack of suitable candidates in the recruitment market, but Hart says that the talent they require may be in their business already – if they're prepared to invest in developing it.

> We're missing a trick in not nudging the tens of thousands of small companies that are lagging in productivity to be just a bit better

He cites the example of a company that "gave a young woman who'd been working in admin the opportunity to train as a welder. She became one of the most skilled on the team and is hugely loyal to the business."

Having employees who feel highly engaged is also great for productivity, whether those people are considered star material or not. Research suggests that staff who feel 'engaged' are 44% more productive than those who are merely 'satisfied' with their jobs, according to Mankins, who adds that those who feel 'inspired' by their work beat the 'engaged' by another 55%.

That naturally leads on to the question of where to find leaders and managers who can engender the highest possible levels of engagement in their teams.

Stuart Tootal, the founder of Matero Consulting and a former British Army colonel, believes that the Peter principle (the tendency for people to rise to their "level of respective incompetence" in their organisation) is a relevant factor in business.

"One of the problems the commercial world has is that people are generally promoted for hitting the right numbers and for catching the selector's eye, but that doesn't mean they will be good when given wider responsibility for leading other people," he says.

The British Army's officer selection board uses three days of intensive testing to determine whether a candidate has the potential to become a leader after they have had another 18 months of training, he explains, adding: "Businesses can never replicate that, but they can apply what has been learnt from it."

Tootal argues that, just as in the army, highly productive organisations work well across functions and their employees have the permission and psychological safety to constructively challenge their leaders.

Hart confirms that he has seen this dynamic in the successful SMEs he has worked with.

"In a good firm, there are no barriers," he says. "The CEO doesn't sit apart from the rest of the staff."

But even though, by definition, most of us are middling performers, there are some employers that want only star players on their teams. Fintech firm Revolut is one of them, as its global head of HR, Alexandra Loi, explains: "We recruit from the top 3% of talent in the world. We source people, first by identifying companies that are leaders in the relevant field and second by measuring the candidate's pace of progression and contribution. We ask: are they achieving industry firsts? This ensures that we pick A players who can work together in a highly focused and productive team."

Revolut's reputation took a dent a few years ago when it was criticised for using unethical recruitment practices, setting unachievable targets and causing widespread burnout. It rejected those accusations at the time. More recently – without referencing the culture – its founder and CEO, Nick Storonsky, admitted that his firm had made "every mistake possible" and learnt from them.

Revolut doesn't pretend to be cuddly. Loi says: "We are like a professional sports team. We hire, develop and retain elite athletes only and place them in the right spots to win."

That also means working its employees hard. The company notes: "People who consistently put in more smart hours greatly outperform their peers in the long run. We think about committed hours the same way as compound interest."

What does it mean by smart and committed hours? It's all about using time efficiently, prioritising what's important and using the best tools to optimise output, Loi explains.

"These fundamentals could be in place in any organisation," she adds. "What makes the difference is our inclusive culture, which empowers people to succeed, along with the talent and values of our A players."

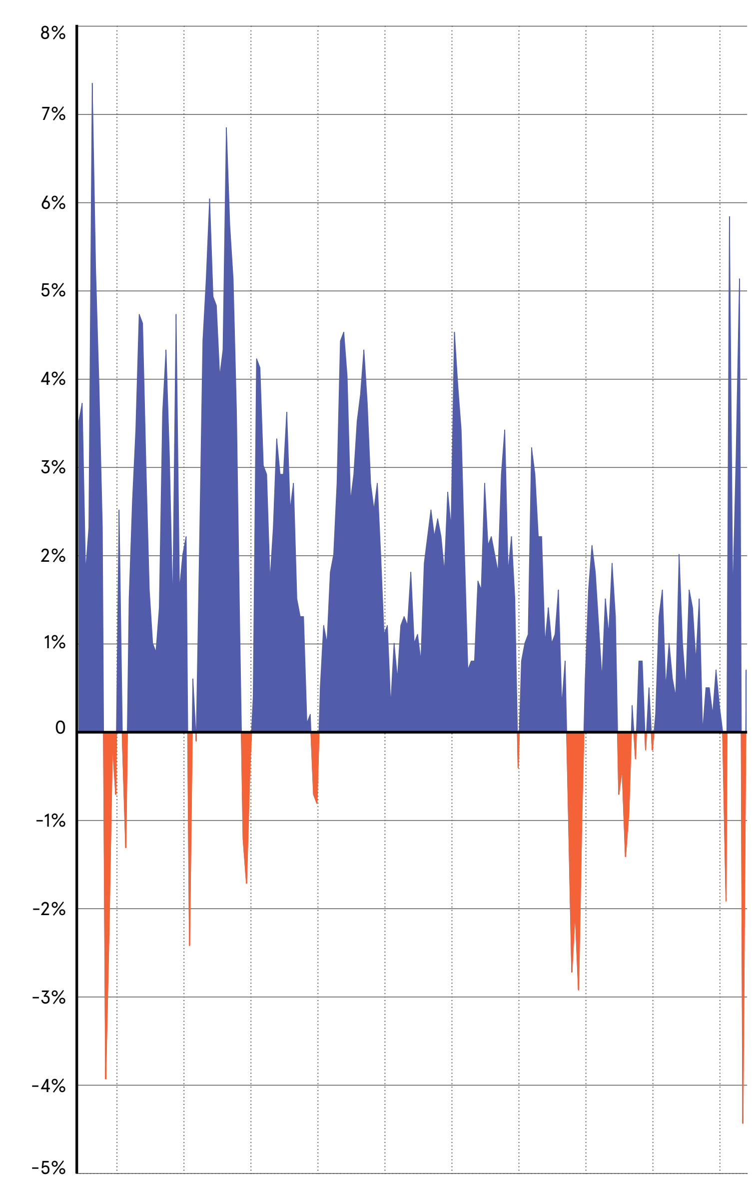
A cynic might wonder if it's realistic for a firm to function like an elite sports team. After all, even Apple – the first company to achieve a market cap of $3tn (£2.45tn) – doesn't expect everyone to be a star. Google is another high-performing business that has a nuanced approach to hiring. Exam grades aren't everything for instance.

"Making a degree a prerequisite for a given job means losing a big talent opportunity," Tootal notes. "What you need to select for is how people collaborate, communicate and lead, and for how quickly they learn."

That approach should encourage a change in how companies are led – which appears to be a significant barrier to productivity.

"Do we see cross-pollination, where people take good ideas with them when they go to a new employer? Not really," Hart says. "The tone of a firm usually comes from the top." ●

ANNUAL CHANGE IN THE UK'S ECONOMIC OUTPUT PER HOUR WORKED OVER THE PAST 50 YEARS



Office for National Statistics, 2022

People, process and tech: The keys to business transformation

Business and digital transformation is shifting the skills that the global workforce needs. This is why organisations must re-evaluate their investment in training

Businesses around the globe are transforming at an incredible rate. They are becoming increasingly digital and data-led, deploying technology, tools, processes, and people to demonstrate business agility and organisational resilience. Yet, the most challenging element in this evolution is the human element. New skills, training, qualifications, and frameworks are needed, along with greater digital literacy.

With the pandemic acting as a catalyst, corporations are also facing a talent shortage, as workers quit their jobs revaluate careers. This phenomenon, known as the 'Great Resignation', has impacted the US more than UK businesses. This shift presents the perfect storm of new challenges. If companies are to turn the dial on innovation, make the most of disruptive business models, and stay competitive, they need a workforce that's certified and equipped to deal with the pace of change.

Globally, the implications are critical - 1.1 billion jobs could be transformed by technology in the next decade, states the OECD. In England, it is estimated that five million adults with low basic skills function in the workplace, and 1.5 million of these jobs will be automated in the future. Organisations need to future proof themselves today by focusing on human capital.

"Skills investments is one of the most important solutions for organisations if they want to thrive. They need to invest in training their workforce, as well as upskilling employees," explains Byron Nicolaides, CEO of PeopleCert, an Edutech company and global leader in the assessment and certification of professional skills.

"Business and digital transformation is shifting the skills base and type of education that the global workforce needs. We must close this gap. If employees have the right capabilities, they can capitalise on the massive upheavals that are going on. Many sectors are now in transition. We must focus on people, processes, and technology, but people first."

According to the World Economic Forum (WEF), 50% of all employees will require reskilling by 2025. Employers surveyed in their Future of Jobs report expect to offer reskilling and upskilling to more than 70% of their employees by this date, while almost two-thirds expect to see a return on investment within one year.

> Corporations that invest significantly in their workforce will also win in the market for talent

Digital-literacy, problem-solving, and project management skills are vital as organisations transform. Axelos - once a joint venture between the UK government and Capita and now owned by PeopleCert - develops and delivers a range of best practice frameworks and certification programmes from the likes of PRINCE2, a world-leading project management method, to ITIL, one of the most important IT certifications globally that is used by 825% of Fortune 500 companies to provide a common language for technology delivery, helping businesses and professionals stay ahead.

"If businesses invest in best practice certifications their employees are better able to spearhead the transformation process. Upskilling and career pathways are an issue in tight labour markets. If you want employees to be motivated, stay with your organisation, while delivering change, investing in skills and lifelong learning is crucial," explains Nicolaides, who speaks from deep industry experience. PeopleCert has been certifying talent globally using state-of-the-art assessment technology for over 20 years, and its methodologies are widely adopted by private and public sectors in more than 200 countries and 25 languages worldwide.

"Corporations that investment significantly in their workforce will also win in the market for talent," he adds.

Reskilling revolution is a win-win – when the optimum framework is implemented

Increasingly businesses need to deliver with speed and agility to stay ahead of competitors. There is only so much that new tech, IT systems and processes can offer even in a digital-first operation.

Articulating organisational velocity requires the right people, with the right foundation skills, built on the right frameworks. There is also a need for greater standardisation in expertise for companies that operate across multiple sites, countries, and with staff working from home or with contractors. Everyone needs to speak a common language when delivering change.

"Business transformation involves making the right investments, delivering consistent results, improving efficiencies, and providing the next level of customer satisfaction. Corporations must also innovate and stay ahead of competitors. The knowledge to articulate this change needs to be hardwired into an organisation. The good thing is that this can be taught and learnt, boosting people's careers, and helping businesses achieve better outcomes," states Nicolaides.

As businesses have invested in technology and shift to a digital-first model they're realising that what's lacking is greater investment in human skills, as well as putting best practice in place. These are all about implementing the proper frameworks in the optimum manner. This is what these methodologies dictate: how to put to action this knowledge by combining all available tools out there.

Successful companies are now moving back to a 'build model' for talent. This gives them more control, they can also tap into the human capital of their existing employees and nurture careers from within. Remote learning and assessment, as well as greater familiarity with online courses also makes it easier to deliver upskilling at a distance.

Those that invest in recognised professional certification and training will experience better engagement and productivity, growth, and better wages for upskilled employees. Investing in the skills of the future could add US$ 8.3 trillion in increased productivity to the global economy by 2030, according to the WEF. As Nicolaides explains:

"It's a win-win situation for both organisations and people. There is power in professional certification and demonstrating that your employees have expertise, as well as skills in certain areas. Investment in training also increases employees' opportunities. Organisations can target learning investment far more effectively to those areas with greatest return on investment (ROI) and on areas of business that need improvement"

He elaborates further: "The potential is huge. Many employees are crying out for access to the right tools to navigate the evolution that is going on across global industries right now. Given the right training, the right frameworks and the right skill sets people can drive success and navigate these uncertain times. Certifying people is a worthwhile investment."

For more go to peoplecert.com

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INTERVIEW

Ready for the rebound

Dean Forbes has become a specialist in transforming the fortunes of struggling businesses. Having shown great resilience in his his own life, the former footballer has much wisdom to share about bouncebackability

Francesca Cassidy

To say that Dean Forbes is no stranger to adversity would be an understatement. The south Londoner spent his youth as a carer for his mother and siblings, experiencing several bouts of homelessness. When discussing his brief spell on the books of Crystal Palace FC, he describes himself as having "failed football". And he jokes that he must hold the speed record for dropping out of university, having managed a single day.

Since those unpromising beginnings, he's become a CEO who has turned around the fortunes of four companies, spearheaded exit deals worth well over $1bn (£820m) and twice featured on the *Powerlist* – a ranking of the 100 most influential people of African, Afro-Caribbean and African-American heritage in the UK.

Forbes believes that his formative experiences of hardship have helped to make him an effective leader when the going gets tough.

"As a transformational CEO, I'll be walking into a scenario that's going badly," he says. "Maybe the company will have only a short lifespan unless we can revive it. This is where I'll have a distinct edge. I might have an educational disadvantage, but I do have incredible conditioning to failure and difficult circumstances."

So how did Forbes get to where he is today? After Crystal Palace let him go, his football agent found him a telesales job and "a degree of pride kicked in shortly after I started". He discovered that he had a talent for selling, aided by the innate competitive drive that had helped him to become a pro footballer.

"Every situation I found myself in, I wanted to be the best," Forbes says. "Seven or eight years later, I was running the international arm of Primavera Systems."

Having become vice-president and general manager of the US software firm's business outside the Americas at the age of 29, he played a key role in its eventual sale to Oracle for a reported $550m.

He landed his first CEO appointment in 2011 with KDS. The French software company was acquired in 2016 by American Express Global Business Travel in the largest tech deal in the latter's history at the time. He then worked his magic with CoreHR, which was acquired by The Access Group, before he took the reins at B2B tech company Forterro in February 2021. Just over a year later, he oversaw its sale to Partners Group for €1bn (£860m).

In each case, he arrived at firms that had lost their way to varying degrees and set about putting them back on course. From these experiences, Forbes has come to believe that there's no need for any business leader, turnaround specialist or not, to have functional knowledge across the board.

"When I started out, I thought that CEOs needed to be balanced in all areas – great at finance, great at product development, great at sales and marketing – but that just isn't true," he says, adding that it's not even necessary to have a background in the company's industry. "It is helpful to have some sector knowledge, but not critical. This job is more about understanding the 'anchors' of the company: what's preventing the business from elevating itself."

An effective turnaround CEO has to be able to identify these anchors and work out the best way to unchain the enterprise from them.

When Forbes was at secondary school, English was his favourite subject. He thought he might have a future as a marketing copywriter if football didn't work out as a career.

"I liked coming up with clever ways to explain things. That talent has served me well," he says, stressing that communication – written and verbal; online and in person – is a crucial skill for any business leader seeking to motivate a workforce that may well be low on confidence.

"You have to be multi-handed at communicating. That skill is the number-one attribute for a CEO in a pronounced turnaround situation," he says.

This is because you're arriving at a time of great uncertainty, so employees are looking to you for reassurance that the business is in safe hands. "You won't have this feeling of Google-like success. You won't see a place with great morale and people making tons of money," Forbes says. "So you must constantly remind everyone why they should keep swinging the bat and celebrate any time they hit a home run."

What are the other important things that a transformative CEO must bring to a struggling business? For Forbes, it's "quality, balance and diversity of the team".

He explains that he will structure a leadership team so that it blends people who've been at the company for some time with people who've worked with him before elsewhere.

> You must constantly remind everyone why they should keep swinging the bat and celebrate any time they hit a home run

He is also unafraid of changing the line-up, even when things are going well.

"I have watched the impact on my teams when we change someone after we have just achieved something brilliant," says Forbes, explaining that it's a sure-fire way of encouraging each member to keep their eye on the ball. "Ordinary teams never achieve extraordinary things. I've always had better teams than I deserve."

Last on the Forbes list of essentials for the transformative CEO, but certainly not least, is robust planning, particularly when it comes to managing the many risks affecting a firm whose future may be in jeopardy.

"I am very particular and very detailed in my planning," he says. "This isn't because I expect everything to go to plan. It's because I don't want any latency between things not going to plan and me considering the implications."

Given that there were nearly 101,000 business closures in the UK in the third quarter of 2021 alone, according to the Office for National Statistics, it's unlikely that an aspiring turnaround CEO will ever be short of job offers. How does Forbes go about targeting a business that he can be confident of saving from the scrapheap?

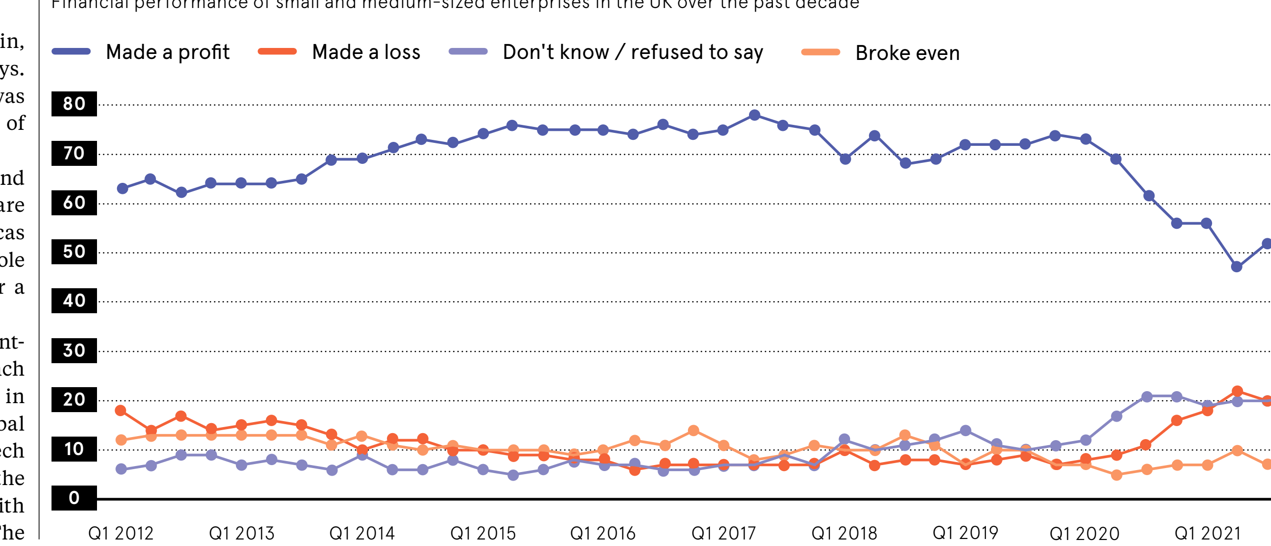
For him, it's a matter of finding firms that still have plenty of vital signs, as there is little virtue in trying to resuscitate those that are beyond redemption.

"If we'd need to change 100% of what's available to a company to be successful, I wouldn't like that. If it's less than 15%, I'll be able to find a path to success," he says. "But I won't need 10 possible routes – I'll just need the one."

GAUGING THE PERFORMANCE OF SMALLER BUSINESSES

BDRC Continental, 2022

Financial performance of small and medium-sized enterprises in the UK over the past decade



TECHNOLOGY

Five key technologies to power a transformation

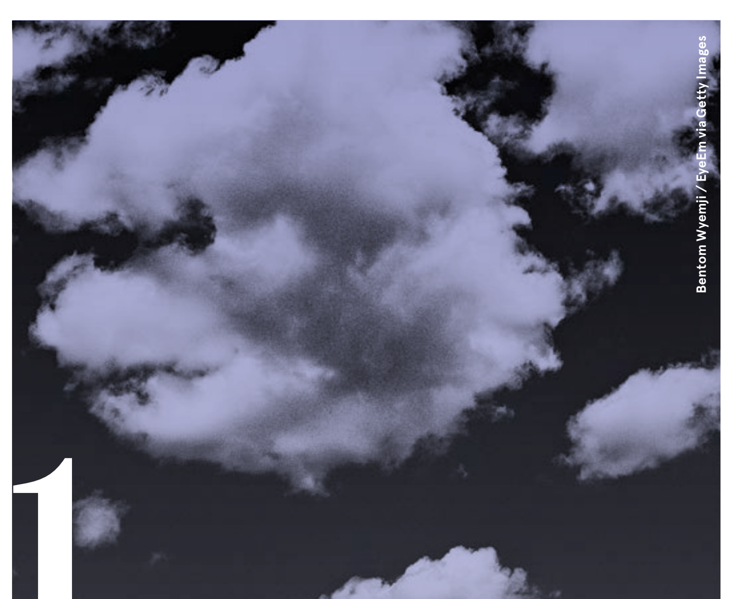
Although business transformations are about far more than the tech, the importance of making the most considered IT investments for the organisation's needs cannot be overstated

Sally Whittle

While it's important for business leaders to focus on the operational and cultural aspects of a planned transformation, selecting and implementing the most appropriate new IT will, in most cases, be central to the whole exercise.

Andrew Rivers is a co-founder and director of the 345 Technology consultancy. He observes that "transformations are continually evolving and so is their underlying technology. They often seem like a gargantuan undertaking, but a chief information officer can, by breaking down functional elements into smaller tasks that use proven technologies, create a clear 'road map'. This will help their organisation to overcome the fear that can stifle big projects."

Rivers and other experts in the field consider the following five technologies to be the most crucial to the success of a transformation.



Bentom Wyemji / EyeEm via Getty Images

Cloud services

The cloud is probably still the single most important technology in a transformation. The global market for public cloud services will be worth more than £650bn by 2025, according to an estimate by Cision.

This technology is crucial, Rivers says, because it has made large-scale transformation projects feasible for smaller organisations by making the entire process more cost-effective. In addition, cloud platforms increase storage capabilities and provide broad coverage with low latency and high speed. As a result, they have made it easier than ever for medium-sized companies to deploy effective networking, storage and data centres.

"Traditionally, if you had wanted to move a process online, you'd have needed to provision for peak capacity. So, if you were processing a million direct-debit transactions in three hours on the first day of each month, say, you would need that capacity for the whole month," he explains. "What the cloud has done is enable you to scale up your resources quickly, allowing the entire process to become more accessible and cost-effective."

Enterprise resource planning software

The chances are that your company already has an ERP system, so why is it so important in digital transformations in 2022?

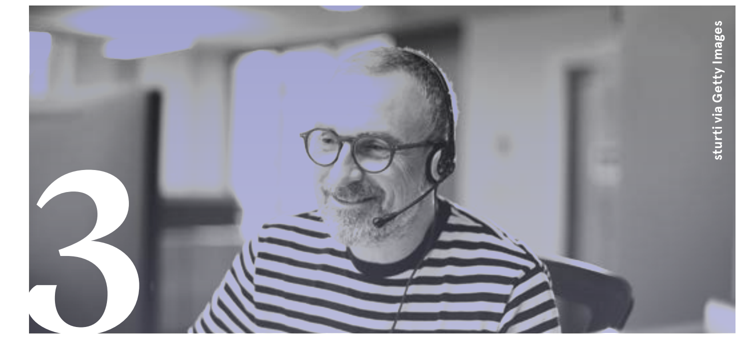
It has become a high priority because many organisations are working with ageing ERP systems that they have customised extensively over many years, according to Ola Chowning, a partner at global tech research firm ISG.

"This makes any sort of meaningful upgrade almost impossible," she says. "What's more, the chances are that your business model and channels have changed and become more distributed since you implemented that system."

Organisations are using ERP systems such as Microsoft Dynamics 365 Business Central to help create a "single version of the truth", adds Dean Carroll, general manager of the Xpedition consultancy.

"Ultimately, businesses want to reach a point where they have unified data – that's a critical measure of success for a transformation project," he explains. "ERP systems can provide reliable data that enables organisations to make better choices about sales and revenue transformations, for example."

Tara Moore via Getty Images



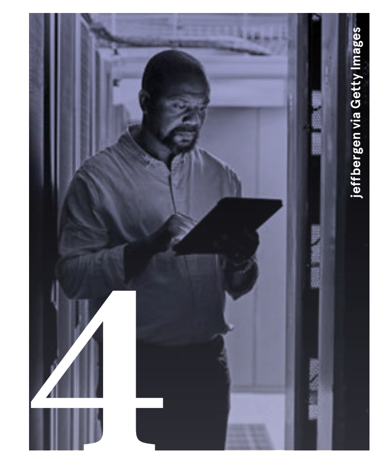
sturti via Getty Images

Customer relationship management platforms

The ultimate goal of many transformation projects is to improve the customer experience, which has made CRM software a crucial technology, according to Carroll.

He reports that Xpedition's clients are "prioritising CRM and ERP systems because these help to improve the customer experience and manage the margin squeeze" that many companies have experienced since the unwelcome return of high inflation to the UK.

CRM platforms enable their users to anticipate "the next action", Carroll notes. For example, in a financial services business it's vital to know what has been done with a given account, how that account compares with others and what is most likely to benefit the holder, he says, adding: "Customer information systems are critical in conferring the ability to offer customers the best possible digital services."



jeffbergen via Getty Images

Data lakes

One of the most exciting recent developments in digital tech has been the emergence of AI systems such as machine learning. These have the potential to help an organisation to sift through the enormous volume of raw data at its disposal and extract useful insights that could grant it a competitive advantage.

But Rivers points out that this is possible only if an organisation understands what data it has and can bring that material together to be analysed. The good news is that advances in cloud storage have made it possible to stockpile vast volumes at a relatively low cost.

"We're at a point where we're talking about pennies to store terabytes of data, so you've been granted the ability to bring data together into lakes, where it is accessible to AI-based analytics tools," Rivers says.

His firm recently helped a mining company to implement a lake holding data shared by mechanical devices around the world. By analysing this material using processes built into Microsoft's Azure Data Factory, the company has been able to predict with greater accuracy when its equipment is likely to need repairs.

"Gaining the ability to choose when to turn off an appliance rather than wait for something to break has represented a huge cost saving to that business," Rivers says.

HR management tools

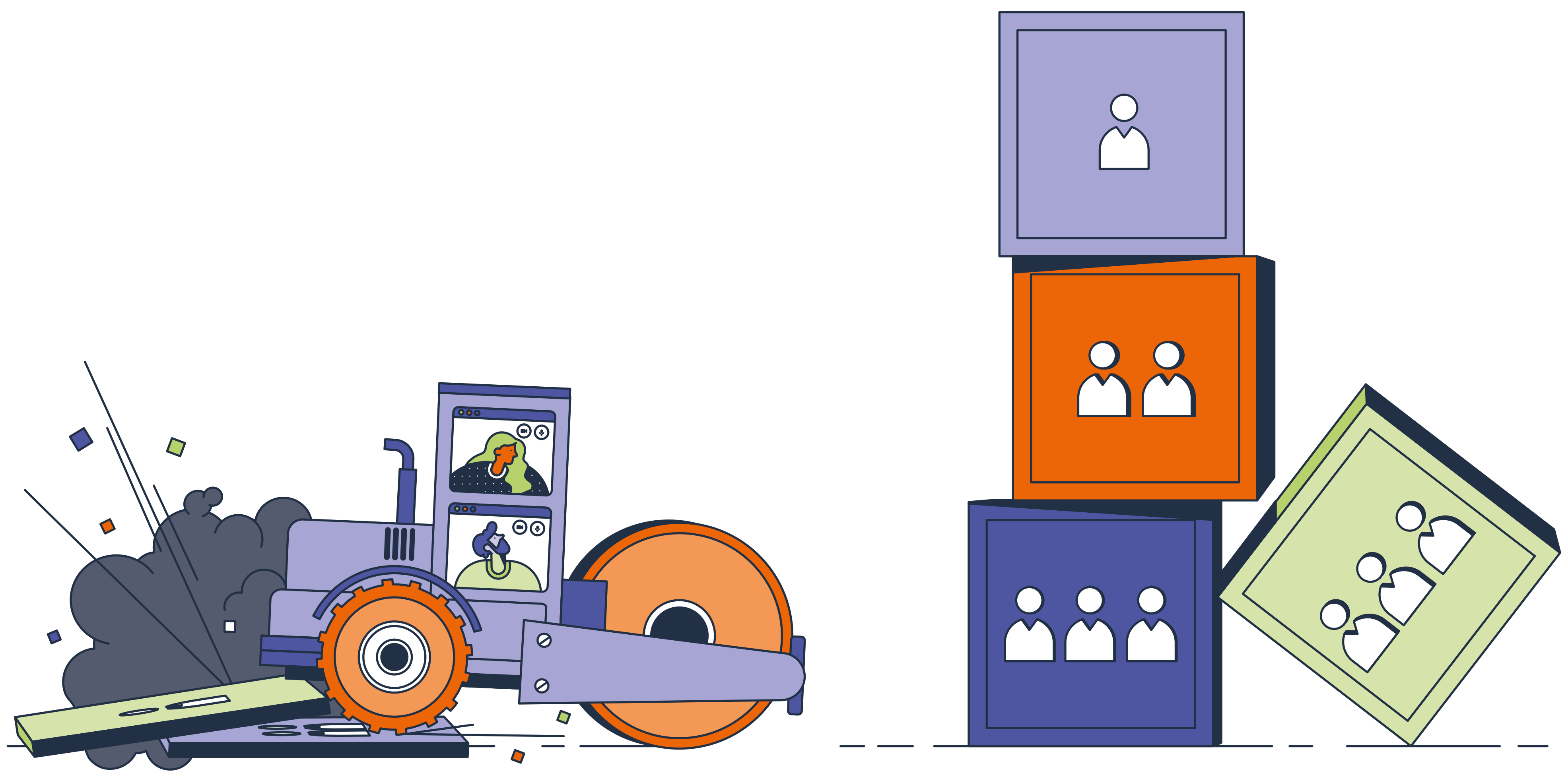
HR software can serve as a valuable transformation tool by tracking employees' roles and identifying skills gaps as new processes are implemented. It can also engender stronger teamwork during transformations, according to Chowning. Applications such as Asana, Trello, Basecamp and Monday.com can improve cooperation within and between functions, while helping project managers to keep everything on track.

"If you can put tech in place that strengthens the experience of employees, you'll have a strong platform to deliver a transformation," she says. "Alongside conventional HR software, this means investing in employee enablement tools."

Ultimately, choosing the right technology for a transformation hinges on what exactly needs to be changed. "Are you seeking to get closer to consumers, transform the

VioletaStoimenova via Getty Images

supply chain for greater resilience or automate tasks in manufacturing for better efficiency? There will never be a one-size-fits-all solution," Chowning stresses. "Organisations must choose their tech based on what will enable the business results they're after. These – and the tech needed to deliver them – are going to continue evolving over time." ●



ORGANISATIONAL STRUCTURE

Delayering tactics

Several enterprises have demolished long-standing organisational boundaries – horizontal and vertical, formal and informal – over the past two years. What have they learnt so far from going more 'open plan'?

Mark Frary

One of the more unexpected effects of the pandemic has been that it has steamrollered organisational hierarchies. Many companies have emerged from the Covid crisis far flatter – culturally, at least – because of their adoption of remote working.

Their retreat from HQ has removed several of the physical symbols of seniority – the CEO's well-appointed corner office, for instance. In the era of online collaboration software such as Teams and Zoom, the person leading the meeting no longer sits at the head of the table.

Meanwhile, many enterprises, particularly those whose sales revenues have been decimated by Covid, have sought to adopt a so-called revenue operations (RevOps) structure. In this set-up, the traditional silos of sales, marketing and customer success are combined, either under a new overall head of RevOps or a revenue board making the leaders of those three teams cooperate more closely. They will share technology, data and, crucially, targets.

Hierarchies have also been under pressure from a dramatic growth in mergers and acquisitions since the start of the pandemic. According to the *EY 2022 CEO Outlook Survey*, last year was the strongest on record in M&A terms, with £4.5tn of deals announced. The poll of more than 2,000 business leaders in 51 countries found that 59% were planning further M&A activity this year.

EY concluded from their responses that "the pandemic has been a wake-up call for many CEOs. The transformation imperative is clearer than ever."

One company that has been growing strongly through acquisition is Babble Cloud, a specialist in telecoms technology. Its director of RevOps is Alex Williams.

"Babble is an acquisitive company," he says. "That brings success, but the speed at which we're growing also creates challenges across the organisation, operationally and culturally. As with any business that's undergoing rapid change, silos are being generated."

One of the arguments at the heart of the RevOps movement is that "silos separating a firm's go-to-market teams (sales, marketing and customer success) – and silos separating the go-to-market teams from the ops/engineering teams – are potentially losing the company revenue. As the business grows, the silo challenges become even greater," Williams adds. "In many cases, you'll have very few people at the top of a business who can get a good flow of information from across the organisation, but you won't have the same flow below that level."

Signal.ai is a company that's transformed itself after having grasped the problems that silos in certain key departments can cause. Kirsty Charlton is vice-president of RevOps at the firm, which provides AI-powered decision-making tools. She says that, when organisations are working in silos, "team leaders all have their own priorities, which tend to concern their own team's efficiency. This structure does not enable a whole-company perspective. You might have the vice-president of sales and all they get all day from their reps are fights over leads, whether they've come from marketing or sales."

She cites the case of one company where the marketing team was celebrating hitting its target for lead generation while the sales team's morale was poor, having missed its target by 50%.

Changing such a dysfunctional arrangement still isn't easy, Charlton notes. "People are suddenly working towards a different goal. They love the sound of RevOps. But, if you were to tell the sales team and they are busy managing their pipeline, that would sound like a lot of work to them."

But companies that have made the effort to transform are seeing handsome returns on their investment. Research by the Boston Consulting Group indicates that such businesses have enjoyed productivity and profitability increases of about 15%.

> The gap between leadership and entry level has shrunk massively. Part of this is down to the technology, but the calibre of entry-level staff has also increased

Charlton believes that the Covid crisis has served to flatten hierarchies. "The gap between leadership and entry level has shrunk massively. Part of this is down to the technology," she argues. "But the calibre of entry-level staff, in terms of both skills and ambitions, has also increased."

A shortage of skilled candidates on the employment market, particularly in the tech sector, has meant that employers are having to spend more on getting new recruits up and running at full competence as soon as possible.

"The investment that employers have made in onboarding and upskilling people has increased," Charlton says. "We are making a massive investment in enablement. To be successful, we must get our people ready within a year. Given the great resignation, those firms that can get their teams up to speed the quickest will win."

Dr Gianvito Lanzolla is professor of strategy at the Bayes Business School at City University of London. He has observed that a growing number of enterprises have been engaging in transformative partnerships. Notable examples include Apple working with app developers and the Met Office offering data services to airlines.

"Operational models become more open and integrated in ecosystems whereby value is co-created and co-delivered by different companies," Lanzolla says.

He adds that partners need to be able to manage potentially large power imbalances in their relationships and, possibly, integrate their technologies to an extent.

"Another aspect of technology-enabled business transformations that's often overlooked is the issue of organisational controls," he says. "The use of digital technology in transformations often triggers employees into trying to 'game' that technology. This behaviour can lead to the production of biased data and, potentially, a deterioration in the organisation's culture."

> The use of digital technology in transformations often triggers employees into trying to 'game' that technology

Hierarchies in even the most conservative of industries haven't escaped a shake-up over the past couple of years.

While formal structures in the legal profession haven't changed, informal ones certainly have been, according to Jonathan Bond, director of HR and learning at law firm Pinsent Masons.

"Senior people seem more accessible now, owing to the insight into their home lives that the use of video meetings has brought, the more informal dress codes that have been adopted and the general break-up of traditional working styles and norms," he says.

Bond reports that, while the time it takes to reach partnership level in law firms has generally lengthened in recent years, "the route to being involved in more strategic work has become shorter. This is partly because we're better at recognising talent and less reliant on the old-fashioned maxim that 'you can do X only if you have Y years of post-qualification experience'."

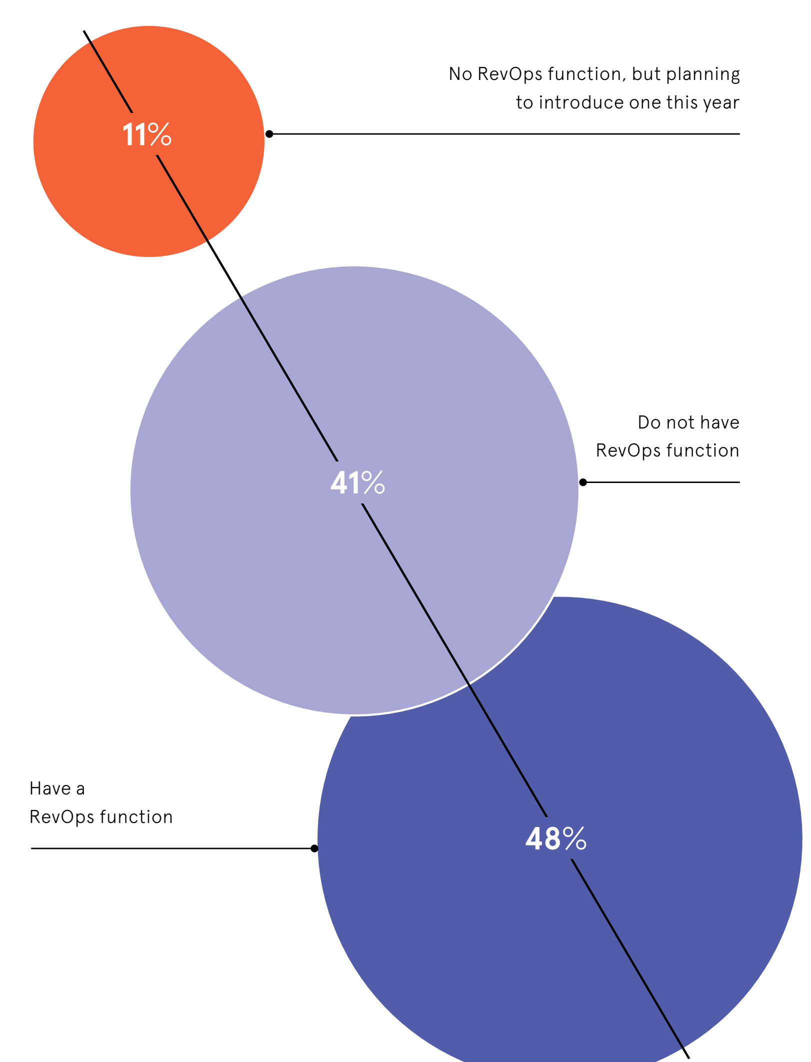
Mark Jenkins, emeritus professor of business strategy at Cranfield School of Management, is an expert in innovation, competitive strategy and high-performing cultures. He would advise any company that's "serious about reformatting its business around new tech that this should have some pretty fundamental impacts, particularly on hierarchies and the whole nature of management. The idea of managers as facilitators, rather than controllers, may be one change that would have a significant effect."

He notes that some firms have not yet had the chance to consider such matters. "They are still operating in crisis mode rather than taking stock on how to advance in the longer term. A colleague of mine uses the phrase 'never normal', which I think is how some people are feeling at the moment."

That said, in a never-normal world, few structures exist that are so sacred that they can't be reshaped into something more fit for purpose in these uncertain times.

IS REVOPS IS TAKING OFF?

Percentage of companies that have introduced, or are planning to introduce, a RevOps function



Revenue.io, 2022

Responsible AI – not sentience – is crucial for today's business transformation

With AI playing such an important role in digital transformation, ensuring it is used in smart and safe ways is critical

Digital and data-led advancement is at the heart of today's business transformation, and AI technology, increasingly helping organisations deliver innovative services, is the key to this evolution. So, when Google made headlines recently after an engineer claimed an AI chatbot had become sentient, shockwaves rippled through the global business community.

Whether sentient AI truly exists or not is a distraction. What this hyped news story highlights is the increasing need for responsible guardrails around artificial intelligence to ensure the technology successfully drives business transformation. If there are any questions looming over trust in the use of AI, then corporations will find it difficult to offer the next level of digital-first services and get customer buy-in.

"The debate over a self-conscious AI shows there are still many anxieties about the use of artificial intelligence. If we want AI to synthesise large amounts of data, identify patterns, make decisions and continuously improve, then it has to be ethical, accountable and fully understood by all," says Caroline O'Brien, chief data officer and head of product at Afiniti, which provides AI that pairs customers and contact centre agents based on how well they are likely to interact.

"Every business now needs a responsible AI practice. Good governance is vital, not only for an organisation, but for its vendors, partners and suppliers. Anyone who is using AI needs to have best practices embedded into their enterprise as it transforms. This is the only way to promote trust in the use of artificial intelligence in business."

As more companies become digital-first, the challenge is likely to grow. Industry-wide funding for AI is expected to increase in 2022. A third of technology and service provider organisations with plans for AI aim to invest US1m or more into this technology in the next two years, according to Gartner, a business technology research and consulting firm. Such funding is increasing at a moderate to fast pace, as organisations create new products and services, expand their customer base and generate new revenue streams.

"We are increasingly seeing AI used in call centres to connect callers with agents. It is also being used to provide prompts to agents that help them have better conversations with customers. More intelligent chatbots are coming to the fore as well. We will see many more business processes and human decision-making complemented with intelligent machine-based services," says the CDO of Afiniti, whose technology serves several of the largest Fortune 100 companies across industries, including telecoms, healthcare, and insurance.

"As AI's use grows organically, it is harder for organisations to get a handle on the extent to which artificial intelligence is influencing business decision-making. Managing risk and promoting accountability is therefore becoming more important, especially as AI is increasingly used not just for frontline customer engagement, but throughout the customer journey. Having a clear understanding of how AI is being leveraged and what the impacts are in their own businesses is a huge priority for our clients right now."

With more regulation on the horizon, the need to act now is crucial. The EU is proposing legislation to address AI systems specifically that will include a universal obligation to inform customers that they are dealing with an AI. In the UK, policies in this field are under development with the Artificial Intelligence Act, while a patchwork of federal and state-level proposals are being embedded in the US.

The core aim is to foster trust in AI and avoid a consumer backlash. Those enterprises, especially ones with operations in multiple jurisdictions, that don't start building out a robust approach to responsible AI are likely to risk costs to their reputations and bottom line if issues do come to light in this arena.

This increase in regulation comes as artificial intelligence is being further embedded into the enterprise, with many more organizational tasks. For example, customer insights, user experience and process improvement are three ways AI will increasingly benefit customer service organisations in the near future, according to research from Gartner.

"We measure how our AI affects customers and employees, enabling us to understand both the business value that AI creates and its impact on people. Using AI responsibly should include testing for potential bias and correcting it where it is found," says O'Brien from Afiniti, which has more than 400 patents and whose AI has, to date, been involved in more than 1 billion conversations between customers and call centre agents.

"From a responsible AI perspective, it's important to make sure that we have these protections in place. Context also matters. AI is being used in many different parts of the customer journey, so knowing where it is being used, when to use it, when not to use it, and where it is going to have the most impact in a positive way is extremely important."

Many businesses, especially large enterprises, have also implemented AI across multiple business units from marketing and sales, to logistics and business development. Having a cohesive picture on the use of AI and how it can be leveraged responsibly across the whole organisation is challenging. Yet companies will need to have a 'single pane of glass' view of their AI if they are to comply with new regulations.

"From conversational bots to intelligent recommendations for customer service agents, the list of how AI can be used grows longer by the day. We increasingly need to account for all these use cases, how they influence decisions and the impact they have, or the industry will start to see rising distrust from consumers," says O'Brien. "Having a holistic, responsible AI practice in place addresses this issue of trust. As businesses transform, we need observability, accountability and explainability for all AI uses, all of which drive customer trust. This is what Google's sentient AI story is really highlighting."

> Every business now needs a responsible AI practice. Good governance is vital, not only for an organisation, but for their vendors, partners and suppliers

PRACTICE

Metamorphosis versus mere modification

Companies have become so fond of referring to any change they make as a 'business transformation' that the term is losing its meaning. What are the hallmarks of the genuine article?

Chris Stokel-Walker

It's becoming ever more difficult to avoid the phrase 'business transformation' in corporate comms. Firms of all sizes sprinkle it liberally through their reports, while executives find it hard to resist dropping it into their presentations to convince potential clients and investors of their flexibility and dynamism.

But does the reality match up to the rhetoric? The more that people talk about business transformation, the harder it is to define. As a result of its ubiquity in so many different contexts, the concept could end up meaning nothing much at all.

"In practice, business transformation is so much more than a buzzword," stresses Sarah Austin, founder and director of the Lloyds Bank British Business Excellence Awards. "Although the term has been misused, misappropriated and, consequently, weakened, business transformation provides value beyond mere linguistics."

Stuart Smith agrees – as well he might, given that he specialises in business transformations in his work as managing partner at the Tessiant consultancy.

"Business transformation is critical to firms seeking to gain benefits from disruptive tech and shifts in consumer behaviour. It brings those benefits to customers and colleagues, and it enables businesses to compete, survive and thrive as market conditions evolve," he says.

The process can take numerous forms, but it will always require an enterprise to think deeply about its current position and where it wants to be after it has transformed itself. That includes gathering intelligence on what competitors are doing and how they've managed to differentiate themselves. Only then will it be possible to come up with an effective transformation strategy, Smith says.

"Once your vision is clear, the next stage is to look at your people, processes and systems to understand what needs to be improved or replaced," he adds. "A successful business transformation will involve setting up a programme that identifies that vision, sets clear goals and works through them to achieve the desired changes."

The goal-setting process is crucial – it's hard to enact a change if you don't have a thorough understanding of all the goals you're trying to achieve with it. Improving operational processes is usually a minimum requirement, as is enhancing the company's capacity to adjust quickly to changes in its markets.

Such work demands "strong leadership and the alignment of the leadership team to work towards a common purpose". So says Una Keeshan, transformation leader for western Europe at SoftwareONE, a Swiss-based firm that has recently converted itself from a software reseller to a cloud service provider.

It's important to differentiate between the natural development of a business, including the tweaks it will make along the way to stay competitive, and the series of wholesale changes imposed by a meaningful transformation. For instance, companies may regularly update their IT capabilities by purchasing new hardware, but moving from traditional server-based network architecture to a cloud-based set-up would be a far more radical move.

Ezra Bailey via Getty Images

"While a company will be adapting constantly to keep pace with customer demand and gains made by its competitors, it is important to set parameters around what the business is trying to achieve from its transformation," Smith says.

It can therefore be beneficial to seek views from outside the enterprise about how it might need to modify its approach, ensuring that what's billed as a business transformation isn't actually a case of business as usual. He believes that there is "a strong argument for working with consultants who've actually been there and led transformation programmes for organisations of a similar scale to your own, rather than taking a playbook approach".

Smith takes what he has learnt throughout his career working for large retailers – including Tesco, Morrisons and Australian supermarket giant Coles – into the transformation work he does with his clients. "The consultant's role here", he adds, "is to make this process as simple and accessible as possible."

> Business transformation is critical to gaining the benefits of disruptive technologies and shifts in consumer behaviour

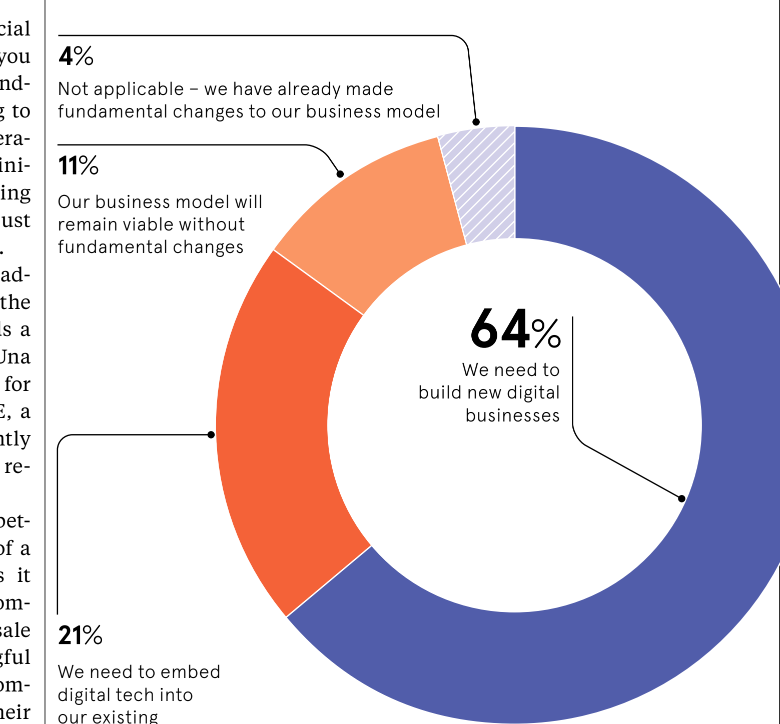
£2.3tn

Projected global expenditure on transformation technologies and services in 2025

International Data Corporation, 2021

CHANGES THAT COMPANIES NEED TO MAKE BY 2023 FOR THEIR BUSINESS MODELS TO REMAIN VIABLE

Share of leaders citing the following measures as the top priority



McKinsey, 2021

Keeshan cites Amazon as an example of a hugely successful business transformation. "It started out selling books online and then moved to selling *everything* online," she says. "And now it's become an 'everything company'. Its business ranges from ecommerce and physical retail (through its acquisition of Whole Foods) to cloud service provision with AWS and on-demand content provision with Prime Video."

Whatever the scope of the transformation may be, it's something that requires the understanding and support of the whole workforce, not least because the prospect of significant changes will often lead to concerns about job security.

"You need constant communication of the benefits and good change management practices to ensure that there's a desire in the organisation to be better," Keeshan says.

She adds that the project leaders need to identify problems and work out viable solutions before taking concrete action. One key factor in a successful transformation, in her view, is to gain an understanding of all the relevant "interdependencies inconsistencies and 'pain points' before venturing into changing systems, altering the organisation's structure or implementing new ways of doing business".

It's also crucial to keep a constant watch over the organisation to monitor what elements could be changed for the better, Austin advises. To do this, leaders must use "data-driven insights and an information-led foundation", she says, adding: "With sustainability comes growth – and with growth comes change."

Simply saying that you're undertaking a business transformation, making a big change and then doing nothing for the next few years simply won't cut it anymore. Change is constant in business – as it should be in yours.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