



Delivering Digital Transformation with Partnerships

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Introduction

The CIO Brief 2.0 is an inter-organizational learning forum of CIOs from leading-edge organizations who meet to exchange best practices concerning IT management strategy. The 2017 CIO Brief is exploring four dimensions of managing IT in a digital age. The first session discussed digital initiatives and factors that make them successful or unsuccessful. This second session examined how organizations can deliver digital transformation with partnerships. Future sessions will explore digital workspaces, and building and managing strategic ecosystems.

The Importance of the Digital Organization

A survey of the membership showed that much of their work is now focused on digital transformation. This has involved changing their teams, their business models, and their platforms. Data and analytics are a significant complementary effort in several companies, while others are stressing customer experience or exploring sensors, AI, and IoT technologies. Most are doing this work in the cloud. Jim noted two overarching themes of all of this work: creating digital experiences; and building a "rainbow" of different types of partnerships that will enable and support these transformation efforts.

Unlocking the Digital Organization

Marc Abergel is the National Leader of Deloitte's Human Capital Practice. He has had broad experience helping many organizations become more digital. "People and culture are often the missing piece in successful digital transformations," he noted. "Nothing is possible without them because culture eats strategy for breakfast." Strategy is important but, if the mindset is not there, transformation will not work. Two essential components of digital transformation are therefore leadership and talent. In 2016, Deloitte's annual survey of organizations' digital readiness found that only 11% of companies believe their current talent pool can compete effectively in the new workplace and that that leaders who are *not* getting new digital skills are six times more likely to leave their organizations in the coming year.

"Companies are taking a number of approaches to becoming digital," said Marc. Some focus only on digital technologies or hope mobile strategies will be all they need; others tell their people to be more agile and innovative or buy digital skills without also training their existing talent; and still others believe that isolated successes or new organization designs mean that they have transformed. "These strategies don't work," said Marc. "Becoming a digital organization means being highly intentional about transformation. It won't happen by accident." He identified a spectrum of digital transformation with four stages:

1. **Exploring Digital.** At this stage, companies leverage traditional technologies to automate their existing capabilities and dabble with digital. This involves no change to the organization.

2. **Doing Digital** where companies leverage digital technologies to extend their capabilities but are still largely focused on their same business, operating, and customer models.
3. **Becoming Digital.** Here, companies leverage digital technologies and become more synchronized and less siloed. They also make significant changes to their existing business, operating, and customer models.
4. **Being Digital** where all models are optimized for digital and are profoundly different from prior business, operating, and customer models.

Marc's research has codified 23 traits and characteristics of being digital. "These are the DNA of a digital organization and what make digital succeed," he said. Examples of these traits are: continuous innovation; fluidity; dynamic skill requirements; flattening and changing hierarchy; and iterative development. To become more digital, organizations should first assess where they are relative to each of these traits, then understand where they are on the digital spectrum, and finally determine where they need to be. From this assessment they can develop a plan for how to truly move up the digital spectrum. Marc recommends infusing these digital DNA traits into each of 12 elements that distinguish an organization: structure; process; technology; talent; leadership; policy; performance management; rewards; governance; geography; physical space; and capabilities.

"You can't change all of these at once," he said. Instead, he recommends identifying a number of critical traits to focus on that will drive the greatest value. "This takes time and ongoing dialogue with an organization and its leadership," Marc acknowledged. He recommends taking a very tactical approach to change, working in sprints of 30-45 days. "Choose two or three things to tackle, do them, reassess and measure, and move on. Don't take two or three years to change." Some organizations have started this process by spinning off a separate digital organization in order to move quickly, but they must still bring these traits back into the whole organization in order to be successful. "Don't accept the *status quo*," he concluded. "Expectations are changing and barriers to entry into your markets are dropping. If you don't change, you *will* become a dinosaur."

Partnerships at CAA Club Group

CAA Club Group (CCG) is the largest CAA club in Canada with 2.3 million members and is one of the top five auto clubs in the CAA/AAA federation. "We are one of eight independent clubs across Canada with 6.2 million members in the whole CAA federation," said Kin Lee-Yow, CAA Club Group's CIO. Kin joined CAA South Central Ontario in 2012 as VP of IT and became CIO when it merged with CAA Manitoba to form the CAA Club Group. CCG is affiliated with AAA in the U.S. and has majority ownership in Club Auto Roadside Services, Orion Travel Insurance Company, and CAA Insurance. In addition, it provides back end IT consolidation services to other clubs.

"We are obsessed with member safety," explained Kin. "This mission statement drives all our efforts to do better." Within CCG, the mission is implemented in five ways: advocacy; alliances and partnerships; growth and optimization of existing business; roadside assistance; and deepening member relationships. He defines partnership as "working together to achieve something that is mutually beneficial."

One partnership that worked well for CCG was with the Alberta Motor Association (AMA). CCG shared its experience with Guidewire so that the AMA was able to implement this insurance software quickly and at a reduced cost. In doing so CCG facilitated a move to a common platform, generated revenue, and showcased its computer services facility. Another positive partnership was undertaken with AAA to implement CAA's Service tracker technology. "This was the first Canadian technology ever adopted by AAA and it was rolled out in one year," said Kin. It tracks CAA roadside service trucks to let customers know where a truck is and when it will arrive. "There was considerable urgency to this app," he said. "Uberized roadside services were attacking the AAA and it had failed to introduce something similar. CAA benefited by creating one platform which AAA and other clubs have bought into, thus creating a common foundation making the clubs look and feel like one club. "This was a catalyst for the entire Federation. It showed them what could be accomplished," Kin said. "In this case, we were able to successfully disrupt ourselves. We're now working on predictive analytics for our trucks and this has already generated 20% efficiencies in the first year. Soon, we'll push these to the Federation as well." This ability to disrupt itself internally has kept CCG on its toes and resulted in many positive experiences.

Unfortunately, not all partnerships are as positive. Kin cited a partnership with a UK organization, Telemco¹, to provide CCG with telematics, which was plagued with problems. "On paper it looked like a good partnership," he said. "They didn't have a Canadian presence and we were looking for telematics experience and technology." However, the company was unable to execute on its promise to deliver new technology. "As well, they were always reverting back to the contract," said Kin. "This led to trust issues between us." Ultimately, the partnership is getting disbanded and CCG found a different way to achieve its telematics goals.

Kin concluded by identifying the skills and capabilities he has learned are needed to manage partnerships effectively:

1. **Relationship Building.** "Relationships are key to partnership success," he said. "Spend the time to grow them and showcase your partner's successes."
2. **Effective Communication.** It is important to clarify the manner and type of communication you want and what your partner expects.
3. **Openness to Constructive Feedback.**
4. **Collaboration.** "Make sure your partner looks good," Kin recommended.

¹ Not its real name.

Positive relationships take time, he stressed. It is always important to focus on the purpose of the partnership and recognize that when people are expected to change they will need more care and feeding than normal. Partnerships should be constructed and managed so that both parties see value and the mutual benefits involved. "Partnerships are the way of the future," he concluded. "We cannot do everything by ourselves." Although legal contracts are a must, they should only be viewed as a safety net. "When our partnership went bad, our contract saved us, but contracts shouldn't be seen as something to fall back on regularly," he said.

CCG is continuing to develop new types of partnerships to promote innovation, speed-to-market, and experimentation, and extend its products and services into ecosystems of value. Its staff is working with exploratory initiatives in the insurance industry, with MARs and Communitex, with technology partners to develop and find new tools, and with Universities and Colleges to enhance its analytic models, and keeping in touch with what others are doing through conferences and connections.

Digital Partnerships at CIBC

Kevin Paget is Vice President of Digital Strategy and User Experience at CIBC and has championed the strategy for CIBC's new client-facing platform. "Digital is a key part of our transformation," he said. "Since the introduction of the iPhone, which changed the world, people now expect winning innovation to be part of every new release of new technology and we have to be ready to adapt accordingly. Listening to our clients and adapting to the new is therefore a key part of our strategy."

In the past, when the major banks accounted for 90% of the market, it was acceptable for new systems to take time, cost a lot of money, and be standardized and inflexible, but this approach doesn't work anymore. "We can't build strong partnerships unless we change how we work," Kevin stated. CIBC's transformation strategy is therefore focused on "simplifying our bank". It consists of six programs:

1. **Digitization.** This will continue to adapt CIBC's technology roadmap in order to expand digitally.
2. **Process Simplification** to make it easier to work and change and eliminate expensive activities.
3. **Workforce** to enable a collaborative culture, and provide the right tools and a great environment.
4. **Data.** "Good data is paramount to a good client experience," said Kevin. This initiative is therefore creating an enterprise data hub.
5. **Demand Management** to ensure that the company's business units can support demand for their services.
6. **Suppliers.** This builds right-sized relationships to allow for faster engagements.

"Partnerships are needed in all of these programs," said Kevin.

"When undertaking digital initiatives, the starting point for us is focusing on our client," Kevin explained. Not all clients are digitally-savvy, so the needs of different types of clients drive the type and timing of new technology initiatives. "You can think about our digital clients as having four levels of capability," said Kevin. "Some are digitally-absent and use little or no technology; others are digitally-ready but lack trust in using technology to do banking and are concerned about the pitfalls of the wired world; still others are digitally-savvy and are more willing to try new technologies. Finally, there is the core group of customers who are digitally-engaged with CIBC. These are our typical mobile and online clients." Each type of client requires a different type of attention. "Our long-term goal is to make things easier for our clients and gradually introduce them to our digital capabilities."

He stressed that banking is "not one size fits all" anymore. Therefore, new digital initiatives cannot cost a lot because they won't be reaching all customers. "We 'gorilla test' concepts with people on the street using a whiteboard and ask them, Does this idea make sense? Would you buy it? Our goal is to build winning apps by partnering with companies to learn, adapt, and test the idea. For example, we were able to quickly develop a global money transfer app in this way." Kevin sees the value of partnerships as being able to solve problems for the bank's digital customers very quickly. Successful apps may or may not be brought in-house in the future and re-developed for mainstream customers.

"It's very rewarding to work with these small Fintech companies," he said. "But we have to be careful. Because of our size we can negatively influence these smaller organizations. I always stress that *we must* listen and adapt, not the other way around." Some of the key issues related to working in these types of partnerships are: building strong relationships that will drive the partnership; prioritizing issues so no one gets distracted; and listening for cries for help. "Contracts are important but they should always be in the background," he said. Fintech partners bring fresh ideas and capabilities to the bank and the bank provides them with reach to a broad range of customers. "Trust is key in our partnerships," said Kevin. "Mutual adaptation is ideal but the bank, in particular, needs to adapt its practices to deliver more quickly." One way it is doing this is with its Live Lab, a partnership with MARs. "We need to gather innovative ideas," explained Kevin. "Our C-Suite team is constantly pushing to bring new insights and partners to the bank. Our Live Lab validates ideas and helps the bank learn."

The bank's partnerships have evolved over time. Today, the bank's number one priority is to manage data effectively. "If someone else holds our data, they must understand its value and encrypt and protect it. We embed this in all our contracts," said Kevin. "We never lose ownership and we can't let it go wild." This focus on data is different from that of a start-up company, which tends to focus on its intellectual property. Data is also key to doing more with the rest of the bank. "We need to ask if we are using data well and if we can leverage it better. Digital plus data is a winning combination but we need to use our insights well."

Discussion

Do your Fintech partners have a fee-for-service relationship with the bank? "Every partnership is a different relationship," said Kevin. "We fund new ways of doing things and like to invest in our partnerships. They're not just about one thing. We are seeking long-term relationships where there's better value for both of us." That said, not all Fintechs can manage a partnership with the bank. "They must have some industrial strength. We usually provide the template contract and then adapt it with our partners. We won't budge in some areas – like brand, data, and clients. We want to make sure these parts are good up front. But we also want their DNA. There's value to us that they maintain it and that our developers can learn from them."

Do You Need a Supportive Boss to Have Successful Partnerships? A supportive boss who can empower teams, help people understand what transformation is all about, and who provides passion and energy around change is an important component of any digital initiative. "It is much harder to transform without this," said Kevin. "However it is possible. All change is difficult and managers should not stop at the first 'no'. Simplify and visualize for others," he recommended. "They're not living what you're talking about. Taking business partners to innovation labs is a good way to help them see what transformation can look like."

What about multiple-partner relationships? These are more challenging because it is important to ensure collaboration. Meeting regularly and full transparency are essential to making these partnerships succeed.

How can we motivate our staff during transformation? Kin recommends ongoing communication. "Keep talking to them. And train them well enough so that they *can* leave, but treat them well enough so they don't *want* to leave." Open concept, agile environments support the feeling that something new is happening. Kin also suggests providing food. Flat organization structures support both innovation and motivation. "When every employee can talk to the CEO and everyone works on the front line at times, you stay focused on what is important," he added.

Will your whole organization eventually become digital? "Not everyone has to be digital at the bank," said Kevin. "There will always be a need for personal contact and many areas have only minor digital needs. So it is important to pick your spots. Core banking may never need to be digital. Kin agreed that a whole organization need not become digital. "It's important to prioritize and pick where to invest," he said.

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Will there eventually be two classes of IT workers – the digitally-skilled and those that are not? CCG does not have two classes of staff. "We stress understanding our objectives and always exploring how to do things better," said Kin. "With our innovation partnerships, we want to train our staff and will invest in this. However, people also need to be willing to learn and sometimes they're too busy. We also stress the importance of quality of working life." Kevin emphasized understanding how difficult it is to learn to do things differently. He gave an example of how it took an engineer eight months to learn to ride a backwards bicycle while it only took his young son a couple of weeks (see: <https://www.youtube.com/watch?v=MFzDaBzBIL0>). "We all learn differently," he said, "so we need many different approaches to facilitating change but we *must* change."

How can we move faster? "At CIBC, we stress that everyone must support failure and that we shouldn't wait for perfection. We want to go for good or great but not perfect," said Kevin. Kin added that CCG focuses on developing adaptable people.

Gordon concluded this session by noting that digital transformation involves engaging people differently and moving much more quickly. "Improving speed is about identifying potential bumps in the road and getting rid of them," he said. "These could include: people, processes, infrastructure, and skills." With the latter he recommends taking a whole-organization approach. "With such massive change, you need to unlock the whole organization," he stated. "Everyone needs to develop sensing capabilities to identify new opportunities and you need discipline to blow up the traditional SDLC mindset." Finally, speed is not appropriate for everything. It's important to choose the right speed for a particular initiative.



Concept

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