



Digital Strategies Roundtable

Diverse Perspectives. Shared Insight.

Digital Transformation Five Years On

Key Insights and Summary

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A Digital Strategies Roundtable

An executive roundtable series of the
SDA Bocconi School of Management at the Università Bocconi

Digital transformation has been a major corporate agenda item for some years. Many companies have made progress, while others are still struggling to define what it means for them and how to execute it. Digital transformation is certainly driven in part by new technological capabilities, but it's also about how to manage and use data, about new ways of connecting to customers, about digital products and services, and about new ways to equip, enable, and manage a workforce. The pandemic has accelerated many of these trends, speeding up an already-stressed system. Executing on digital transformation requires a strategy that delivers value, is operationally executable, fits the culture of the company and engages the workforce.

CIOs and their executive colleagues from the American Bureau of Shipping, Chevron, Conagra Brands, Eaton Corp., EssilorLuxottica, Huntsman Corporation, Nestlé, Owens Corning, and Tenaris joined faculty from the SDA Bocconi School of Management and the Tuck School of Business, as well as an executive fellow of the roundtable from Constellation Research to discuss the state of enterprise digital transformation, its operational challenges, and what directions it might take from here.

Key Insights Discussed in this Article:

- Digital transformation is a journey, not a project.** The journey is already years in progress, and it's not clear when or where the end lies. Leaders need to build agility, resilience, and endurance into their companies and culture, being careful not to sacrifice resilience at the altar of efficiency.**Pages 4, 11, 17-19**
- Many companies have broken digital transformation into a few key pillars (e.g., revenue generation, customer experience, digital workforce, Industry 4.0).** A centralized and standardized IT infrastructure greatly supports achieving success and scale.**Pages 2-5, 10-11**
- The onset of COVID catalyzed digital transformation, but the ongoing pandemic is causing fatigue that's hindering progress.** Devising an adaptable but effective hybrid workplace will be critical to maintaining culture and attracting and retaining talent.**Pages 9, 13-16**
- Successful digital transformation requires new skill sets, possibly from other industries.** Companies need to locate talent for design thinking and business architecture in locales that have been under the radar — and then integrate them into the hybrid workplace.**Pages 5-7, 9, 16**
- IT cannot stand alone: both leadership from the top, and business unit engagement, are critical.** IT provides governance, support, and recommendations to enable change, but full digital business model transformation happens only in pursuit of business outcomes, and without persistent and supportive C-Suites and Boards, it will fail.**Pages 8-10, 12-16**

*“Since 2014, when our article ‘The Nine Elements of Digital Transformation’ appeared in these pages, executive awareness of the powerful and ever-evolving ways in which digital technology can create competitive advantage has become pervasive. But acting on that awareness remains a challenging prospect. It requires that companies become what we call **digital masters**. Digital masters cultivate two capabilities: digital capability, which enables them to use innovative technologies to improve elements of the business, and leadership capability, which enables them to envision and drive organizational change in systematic and profitable ways. Together, these two capabilities allow a company to transform digital technology into business advantage.”*

“This excerpt from Bonnet and Westerman’s 2020 article on digital transformation, captures succinctly what we are here to talk about,” began Hans Brechbühl, Associate Professor of Practice at the SDA Bocconi School of Management.

First, is the why: What is our strategic intent? What pieces of our enterprises are we trying to transform? Second is the how: What do operationalization and implementation look like? And last, what is the path forward? What do we do about transformation fatigue? How do we move to a place beyond transformation, where this just becomes part of how we do business? Since each company is at a different stage in this transformation, let's start by talking about each of your journeys so far. What's at the heart of digital transformation for each of you?

Where We Are Now

“We have defined digital transformation around four pillars,” began Ray Huber, Senior Vice President, Information Technology & Sector CIO for Eaton Corporation.

The first pillar is revenue generation. This is where our Chief Digital Officer spends most of his time. Eaton is a hardware company, but we want to transform ourselves into selling services, selling software and selling data and API's. All the businesses are working on different initiatives for what they can sell with different digital business models.

The second pillar is our digital customer experience: How do we make our customer interactions seamless, and create great experiences for our customers and for our own marketing organizations? Part of this strategy is to reach deeper into the marketplace, and digital allows us to do that cost-effectively. Digital enables us to have more direct interactions with customers who have been historically difficult for us to reach.

The third pillar is Industry 4.0. It's about how we digitize our factories: all the technology that any plant manager and any business leader would want to see.

We call the fourth pillar functional productivity. Every major function — IT, supply chain, finance, HR, legal, operations — is looking at ways to use digital technologies to increase productivity across the company by 10 percent every year for the next five years.

We have a leader for each pillar, and we do quarterly CEO reviews on all four pillars. We've also added criteria to our leadership model that help determine where each leader is on the journey to having a true digital mindset.

"The revenue piece is clearly an actual business model change. In the other three, are you mostly automating or digitizing what you did before, or are you fundamentally re-thinking business processes?" Brechbühl asked.

"It's a bit of both," Huber replied. "For example, in the productivity pillar we have invested in robotic process automation for repetitive tasks. The bots actually get an employee number in our HR system, and they have to log onto the network like any other employee. The benefit is they operate 24-by-7. But in the industry pillar, we're looking at additive manufacturing as a new technology with lots of potential."

Nestlé CIO Chris Wright portrayed a similar approach:

We started eight or nine years ago, mostly focused on consumer engagement: digital media, e-commerce, IoT, etc. Our business was predominately B2B, with only about 5 percent direct-to-consumer (D2C). That area accelerated during COVID — not just e-commerce, but full digital commerce: everything from consumer engagement through content through route-to-market. We're now at 15 percent D2C, and that will reach 25-30 percent quite quickly. This is a genuine transformation because the cost structure is very different. And increasingly our business models include not just physical products and food for people and pets, but associated services as well.

Our second major focus is the whole back office, from factories to supply chains to financials. It's about efficiency, but it's also about resilience. One thing we learned from COVID was that we'd become so efficient we were no longer resilient. So, part of our transformation is adapting our business model to have more agility in it — connected factory, connected supply chain, intelligent finance. Those are not just IT projects. Yes, there's digitization in the factory to improve efficiency, but we're also asking questions like, "What *should* happen in a factory? What happens in the market, beyond the factory? What happens globally, beyond the market?"

The third pillar is the workforce of the future, and how we evolve our workforce to the future. We have 160,000 people working in factories and 140,000 white collar workers. What should that workforce look like in the future? What skills will they have? How many people will we need? How will we attract and retain talent? How do we improve productivity, through mindset change, through skill change, through operating model change?

Fourth is data and data analytics. Becoming more analytical is key, from consumer acquisition to consumer churn to choosing which businesses should be in the portfolio.

Our fifth area is R&D and innovation. We used to do science and then try to connect to our business. We still do science, but now it's connected to the broader ecosystem in

order to move better and faster on improving our products, dealing with packaging and plastic, and with carbon and sustainability.

Our IT has been transforming for many years. We see IT as a strategic enabler, rather than just a service provider. We're not yet fully there, but that's what we are working towards.

"We are also on the early stages of a journey to think differently about technology and digital with respect to platforms and products," noted Mindy Simon, Chief Global Business and Information Officer for Conagra Brands.

Our Office of Transformation is led by one of our co-COOs, with cross-functional leadership from myself and our CHRO, which speaks to the importance of the people and change elements. We also have four main pillars: modern marketing, digital supply chain, modern workplace, and modern ERP — which may not sound transformational, but is driving how we modernize our day-to-day transactions.

We've had success when we've had a business partner who has done this before, or who has self-educated to understand what the art of the possible is with digital. In modern marketing, we went out of our industry to recruit people who had done this in other industries, and we made as much progress in weeks as had previously taken us years. Where we still struggle is trying to educate people on how to apply the possibilities of digital to their business problems. The legacy way of using technology to solve problems is almost a barrier, because unless you've seen how it can work today, you still believe in the old way of doing things.

"Our framework for digital transformation is similar to what's already been described, with specific initiatives around the digital worker, digital manufacturing, and market-facing digital", observed Steve Zerby, CIO of Owens Corning. "We've also spent time discussing what 'transformation' means within the company, and we've defined three stages for it."

Stage One is classic IT augmentation of process, with the same kind of automation and efficiency work we've all been doing for the last 30. Stage Two is the replacement of existing physical processes with digital processes, such that digital becomes the only way that work happens. Stage Three is digital business model transformation.

In IT we don't want a lot of help with Stage One work. It's straightforward work, we know how to do it, and we don't want to be dragging executive teams into it. We really want their muscle behind Stage Two and Stage Three. The Executive Committee itself tends to spend more time on Stage Three items, on business transformation.

We've even set up corporate funding outside of regular budgets for Stage Two / Stage Three work, and it's amazing how many good ideas come up when you fund something from corporate. It's also interesting how incremental things can feel when people have to fund their own initiatives.

“Do projects need to progress from Stage One to Two to Three, or do different initiatives hop in at different points?” Brechbühl asked.

“They’re not necessarily linear,” Zerby answered. “There is a certain competitiveness about our business presidents — when one starts to delve into lots of Stage Two ideas, then there’s interest from the others. Getting them to a common language so they can see where they’re ahead or behind has been a big push.”

“We will always be in all three stages, and we better be,” cautioned Annie Baymiller, VP of IT and Market-Facing Digital Leader. “We have to scale Stage One enterprise capabilities while putting our shoulders behind the tight list of Stage Two-worthy things that we have to build in the next 18 months, while ideating new Stage Three revenue streams and interesting business models. We have to make time and brain space for all three. If we’re missing any one of those stages, then we’re either giving up today for tomorrow, or giving up tomorrow for today.”

“Digital is becoming an important component of our value proposition,” asserted Nigel Worsnop, Vice President of Marketing at Tenaris. “It’s transformed how we interact with customers, it’s strengthened the integration in our supply chain, and it’s improved efficiency for both us and our customers. The power of bringing all the digital systems together is also transforming the way we analyze and manage the business going forward. It gives us completely new insights into decision-making.”

“Like others of you, we’ve organized our efforts around specific areas of digital transformation,” reported Alejandro Lammertyn, Chief Digital and Strategy Officer for Tenaris.

For us, they are industrial, commercial, and process. On the industrial side, we integrated the IT team with the automation team. They created a common platform for all data from both IT and OT, that helps data scientists improve all our processes. We also integrated internal and external tracking, so we now follow each pipe through manufacturing all the way to the customer.

On the commercial side, to support our business model we need to deliver to the rig just in time, at the moment that the customer requires the pipes. This meant investment to improve scheduling, visibility and transparency across the whole supply chain, with our focus on reducing lead time.

Our third element is how to optimize internal processes and integration with our vendors. We have the question of how to build, particularly in the oil and gas industry, a much stronger community — an ecosystem where we can work with other suppliers to create solutions that span exploration to production and innovate in digital transformation.

Clearing the Complexity

Chevron’s Chief Digital Officer Frank Cassulo gave a detailed view of how IT contributes to the broader corporate initiative:

Our digital transformation journey started five years ago. We had two goals: one was cost-driven, to leverage the scale of the enterprise. That's very important in terms of how we are structured. The second goal was to partner with the business to align our resources and efforts with the highest-value opportunities across the enterprise.

Every area of our business is touched by this transformation, and last year we made a significant shift in how we think about digital delivery. We started to re-map our entire digital ecosystem, from an entirely federated model of 40 independent IT organizations into one enterprise digital delivery model. That's more than 3,000 employees moving from individual IT organizations into roles aligned with our enterprise platforms. Big shift.

We now have 12 enterprise digital platforms led by the GMs of the respective business functions, partnered with technology leaders, with product line managers and product owners. There are more than 400 business leaders involved in helping to deliver digital solutions.

They are working in three major areas: First, optimization in how we source, and how we run and maintain our applications. We also have a huge effort on modernization, to streamline and rationalize our operational processes. And we're thinking about innovation — all in service of how we can truly deliver new solutions on an enterprise scale.

"Has the role of the CIO changed as you've gone through this process?" Chris Wiernicki, CEO of the American Bureau of Shipping (ABS), asked.

"My remit has always been to ensure that the corporation is leveraging digital as much as possible," replied Bill Braun, Chevron's CIO.

These changes are going to make that more likely — they clear away a lot of complexity. Our mission is clearer, and I should be able to move faster. IT is now about 90 percent centralized, and we are intentionally blurring the lines between IT and the business. That gives the product owners the ability to move and think differently than they ever had before, but it also carries the potential for confusion if we're not careful. It's all very new for these product owners — "I've got to decide what??" We're inviting a lot of people to enter this domain, and that's a critical part of how we execute. But there are a lot of ways this approach can find a ditch pretty quickly. So, do we have the right safeguards in place, in terms of role clarity and governance?

"Beyond governance and guardrails, we are organizing to achieve our highest-level business strategies, which are lower carbon and higher returns," added Alysia Green, Chevron's General Manager of Information Technology – Upstream.

We had already realized a lot of really good incremental value, but to hit these goals, we were going to have to do something really different in terms of functional transformation. We needed a powerhouse of IT talent — software engineers,

architects, data scientists, data engineers, cyber, cloud. So that's how we've organized, to create a complex system, but not complicated. Much like your brain is complex, and you can't have higher-level thought without that complexity, that's what we are trying to achieve: sophisticated complexity to drive transformation.

We needed innovation at scale, and to get that kind of transformation, you have to unleash the boundaries. And then COVID hit, which accelerated the transformation and encouraged us to go bolder and broader. That's what led us to the operating model of organizing around value streams — which isn't really so much about organization as it is about honing in on various competencies.

"We also started our digital journey about five years ago, as a subset to our overall business strategy of staying relevant and ensuring sustainability," stated ABS' Wiernicki.

Our short game was "ABS for ABS" — we looked at what we could do to increase revenue by additional services and to use technology to drive expenses down. We continue to do that, and now we're also into a phase of "ABS for clients." And the long game is to completely change our business model.

Our business model has always been to send trained people to ships and offshore platforms to verify and certify that the physical assets meet safety standards. It's always been very calendar-based. Now we are looking to take advantage of cloud computing, sensor technology, data and analytics to move to a more condition-based approach, so that we don't continually have to move people and put them on ships. We can take data that's generated from the ship and actually make decisions on safety certification remotely. This also enables us to extend from condition-based certification to condition-based maintenance, which opens new revenue opportunities. And what COVID did these last 18 months was as much of a catalyst and an accelerator as it was a disruptor.

We are progressing from "data aware" to "data-centric" — and at the end of the day, we're going to cannibalize our core business with digital technology. The biggest challenge is how to integrate digitization into the fabric of the business. This is a CEO's best dream and worst nightmare. This is very exciting stuff, but it's very expensive stuff. You don't want to get too far ahead of yourself, but at the same time you don't want to get too far behind, because it's almost impossible to catch up.

Francesco Regali, Global Senior Director, Information Technology – Enterprise Architecture described some of Huntsman's current digital initiatives:

We have had bots deployed since 2019. We've deployed advanced analytics to facilitate data-driven decisions in finance, in manufacturing, in supply chain, in production. We are trialing prescriptive maintenance, a mixed reality proof of concept, IoT, and machine learning.

This all sounds like a lot, but we really are still just starting: all of these initiatives are focused more on business improvement than on real transformation. We are a

chemical company with four divisions running semi-independently, with different ERP systems but a global IT team. These initiatives are bottom-up within the divisions, and it is very difficult to get agreements on platforms that can be used with synergies for everyone. I am encouraged now that one of our divisions has decided to build digital into its strategy.

They have communicated widely and deeply, and are working closely with IT. That process is paying off, and they are starting to move faster and faster. Our new goal is to bring the other three divisions on-board to implement common digital platforms instead of scattered initiatives. Then the next step is to create an enterprise-level vision and roadmap, with clear prioritization to get value and validate synergies.

“We are trying to understand how to use digital transformation to enhance the experience of our customers and consumers,” explained Kamal Fahmy Salama, Head of Digital Tools for EssilorLuxottica.

We essentially have an innovation-focused start-up within the company, that pulls people with different backgrounds together from various functions. We work on the whole customer journey: wholesale, B2B e-commerce, retail — the entire integrated supply chain. We look closely at innovations from other industries in this effort.

We’ve been fortunate first in that we have a centralized and fully-integrated vertical corporate IT model, and second in that we have had a strong digital push from our leadership. Even so, change management is one of our big challenges. We can’t just give an application to a store associate and have him run it the way we want. So we continuously look for innovations that change our business model and give something to our store associates and customers so they can feel more confident in what they do, or do something more than they’ve done before.

Ecosystem Thinking

“To what degree are any of you involving an ecosystem approach in your value chain?” Brechbühl continued. “Are any of you involving companies on either side of you in the chain?”

“The energy industry has a significant partnership called OSDU, which is an ecosystem of all the subsurface data,” Green answered. “We all used to hold this data very close, but we now believe in democratizing the data. What we now hold close is the analytics on the really good, really big data sets.”

“We want to build an ecosystem in the form of a digital marketplace,” Huber contributed. “This hub will be a place for customers, software developers, and systems integrators to learn about our products, sample our software, and make purchases. We will also allow third-party companies to develop and sell their own products based on our technology, similar to the Apple store. Our strategy is to create an environment that will allow open collaboration and transparency with our customers, partners, and software developers.”

“We have also been looking at a marketplace, in our case for chemicals,” Regali stated. “People have become used to having information at their fingertips, without having to travel or meet as the first step of investigation. If they can’t see you online, you don’t exist. So we’ve been working with companies who can do the work of capturing the public information from many of the chemical companies and putting it online.”

Owens-Corning is following a different tack: “Our strategy has been less about creating our own ecosystem and more about figuring out what ecosystems are important to us, and then participating in a winning way,” Zerby said. “For example, we are doubling down in digital engineering, so that when you’re Joe Architect and you sit down with your favorite modeling tool, our products pop out, so you apply one to your design, and before you know it, we’re in a specification.”

Accelerating Digital

“How do you identify value creation in digital transformation?” Brechbühl asked the group. “Are there mechanisms to make sure that ideas come from all areas of the company?”

“The more successful efforts tend to draw on staff from around the organization,” observed Dion Hinchcliffe, Vice President and Principal Analyst at Constellation Research. “Digital affects every corner of the business, so how could an IT department, with four or five percent of the budget, drive large-scale change? You have to find the people who really want to bring digital to their part of the business. They’re eager to do it. Even if they’re not in the ideal position in the organization, they’re still willing to experiment or pilot.”

“We’ve had success with people we call ‘digital accelerators,’” Huber volunteered.

Our CEO set the vision to create a contemporary company that leverages digital technology. But we have to get the businesses to own it and drive it. So we collected about 250 people from different areas and different functions who are really trying to drive transformation. They make sure the messages get heard. We meet with them monthly to scoop up ideas on new things they think we need to consider. It helps to drive more ownership into operational functions, versus just being a central group trying to do it all.

“We host forums where people feel free to go to the future,” Baymiller said.

We tell them, “Forget the rest of today: we’re spending a couple of hours together to take up a problem or an opportunity and evaluate it.” Not to get into action yet, but to get to the next level of evaluation, under the premise of “We don’t want to be surprised.” If we choose not to do something that our competitors choose to do, that’s okay, as long as we make deliberate decisions, so long as we’re looking around all corners. No surprises, that’s our mantra.

“We’ve done something similar that we called ‘tech workshops,’” Green added. “We got all our asset classes — shale, heavy oil, deep water — together to talk about the business drivers in

each asset class, and how technology in general — not just digital, but technology — could move them forward. We are trying to build a true enterprise portfolio, not just a digital portfolio, that supports our business focus areas of lower carbon and higher returns.”

“You really need the businesses to declare the target outcomes,” Baymiller emphasized.

What is the strategy they’re going after? One of our GMs told us he wants an 80 percent market share. I didn’t expect him to say, “I need a PIM solution and I want to syndicate my data.” That’s our job, in IT and digital and marketing, to take his goal and figure out the products and platforms we need to create to help him. Business needs to outline the strategy, then use the technical minds and architects to figure out what that means for investment.

“We have been struggling with business leaders,” Lammertyn lamented. “Many of them help launch the process, and they bring in lots of ideas, but then they don’t participate fully on the adoption side. It’s difficult to move them away from their daily activities to become leaders of the transformation.”

“Sometimes we struggle with them, too,” Salama acknowledged.

Our top management is very passionate about digital, so a lot comes from there. We meet monthly with all key business leaders to collect ideas and information — it’s a continuous and iterative process. And we try to push things that have *global* value — so we say “No” a lot to individual business leaders. And sometimes we close an eye or two when business leaders try their own little thing locally. It’s positive, because those efforts can lead to innovations.

“So people bring these ideas from all over, and you experiment,” Brechbühl summarized. “With all these different initiatives, how do you make investment decisions, what to pursue and what not to? How do you take the good ones to scale?”

“There’s nothing new under the sun,” Regali stated. “It’s the classic cost-benefit scenario: Business case by initiative, and there’s a set of initiatives that are classified as ‘digital.’ In our limited experience, what’s worked is to identify just a couple of areas for focus. These areas get proven out, then we extend to the rest of the business. Having one group use facts to prove that something is working is still the best way to sell it to the rest.”

“At Chevron we look for initiatives that include data science,” Green explained. “Those solutions get implemented, financially verified, and then we don’t book any dollars until we see a product that’s been in use for a while. Then it’s just our normal finance process to say what value or cost avoidance gets recorded.”

“No rocket science,” Wright agreed. “It’s bottom-line value and business case. Often we’ll do an experiment to prove the value before we scale, to demonstrate either genuine profitability or in the worst case cost avoidance — which is where most of our sustainability initiatives lie. We tie everything back to one or the other.”

“We give flexibility and freedom to different countries where we operate,” answered Grégoire Scilipoti, Nestlé’s Head of Global HR Transformation. “One will pilot an idea, and then replicate the pilot in another country until it’s validated at a zone level. To scale, we need budget, and the only way to get budget is with a strong business case. Frequently we go country-by-country for financing before something reaches the level of an enterprise idea and we can sell it to a zone or group CEO.”

“Chevron takes two approaches,” Green added.

There are functions that are commodity, like HR — they are important to our business, and we have to be good at them, but they don’t get more energy out of the ground. And then we have functions that *are* core.

In the commodity areas we’re being strict around common platforms. Without a common platform, you can’t count how many people you have, you can’t manage people. So we’re getting variety out of our systems for HR, for finance, for procurement, for supply chain, even for some of our operational systems. We are going to implement the same foundation from a data perspective and from a workflow perspective, because diversity in systems actually slows the business down. In the core areas, we are trying to get the businesses to make a mindset shift. Instead of the business saying, “We need X in technology,” we’re now asking “What’s the business outcome you’re trying to get to? And what other businesses share that goal?” And then we can figure out what digital solution goes along with that shared business outcome.

“So it all starts with a business change, not a digital change,” Green summarized. “Then digital is an enabler to the business change. That’s how we get to scale and scope.”

Masters of Scale

Hinchcliffe posed a question to the group:

Many companies start a digital transformation. They get the Board excited, they paint a picture of the potential, they put together a plan and a schedule. Then they try to really do it, and they discover challenges. Headwinds tend to look like technical debt, lack of modernization, not being on the cloud. IT isn’t as malleable as it needs to be to create new products and digital services. So another round of investment has to be made to pay down that technical debt, to modernize IT. Has anyone had to make that second wave of investment, in order to move as quickly as you want to?

“We went through that,” acknowledged Maria O’Neill, CIO of ABS. “We were in the middle of transforming our workflow system when we realized it wasn’t going to function with our ERP. So in the middle of this huge workflow investment, we had to make another huge investment to upgrade the ERP.”

“That’s where our pooled funding mechanism has served us well,” Baymiller declared.

It’s an acknowledgement that there is going to be a lot of learning, and there has to be some degree of autonomy to avoid having to go back for money every time. We have set aside a comfortable amount of spend in addition to normal opex that we can apply — within guardrails — because of new insights. This has allowed us to get started, learn a little bit, figure out how close we are, and reassess each year. If we had not approached it this way, we would have had more starts and stops. Instead, we’ve been able to keep momentum going as we learn.

“It hasn’t been so much the technical debt as getting the company past the precision and predictability of what we’ve done over and over for the last 20 years,” Zerby explained. “We’ve known what things cost, plus or minus 5 percent; now we’re building a new platform using new technologies and new talent. All of a sudden, we’re in a realm where experimentation is high, trial and error is high, and predictability of effort is low. So the idea of the pooled funding is to create a bigger aperture in terms of margin of error.”

Cassulo described Chevron’s approach to the same dilemma:

We run a fixed-capacity model. It breaks into three swim lanes. The first is “run & maintain” — gaining efficiencies through rationalization, by using managed service providers and sourcing, for example. We also track modernization, to reduce technical debt, enhance our ecosystem, and thereby free up capacity for innovation and investment in new capabilities. The challenge in this model is that we’re actually constrained on the innovation side in the early years of the transformation. We hope the business has the patience to wait it out, because ultimately the curve gets us to best-in-class for run & maintain, supports a steady modernization effort, and drives innovation at a level that’s competitive.

“This is why getting your boards to be digitally literate so you can manage expectations is a big, big deal,” ABS’ CEO Wiernicki emphasized.

These are significant investments, and they come with levels of expectation. The board has to understand the risks and the timelines, because once you start, it is an almost-continuous investment journey, and the investments change. Once you’ve done the big-ticket items in technology and systems, then it starts to move through the organization: big investments in people, big investments in the way you apply learnings. And the rate of change is so fast that if your board is not on top of this, you really can’t move the organization.

The most important piece is that digital has to be embedded in the business strategy. It cannot be a separate strategy. If you keep it in the overall strategy, then the business moves forward. Everyone has a clear line of sight, and they line themselves up. That’s where top leadership has to weigh in. We’re actively trying to change our operating model — that can’t be a bottoms-up thing. It has to come from the top down. Nor can any CIO or IT organization drive this change. They provide the governance: the bumper

guards, the playing field, consistency. But the objectives have to come from the business.

“Just think about the extent of the changes in business paradigms that we are discussing,” Zerby marveled.

If you assemble all your key executives to talk about online commerce, for example, someone in that room is going to lose. You’re creating channel conflict, you’re creating so much efficiency that there will be a downsizing. You have to create a climate and culture that says, “If you’re good at figuring out why we don’t need you, we’ll give you another job and you can figure out how we don’t need that one either”, as opposed to “You’ve become not-useful.”

But if you go into these meetings and everybody is trying to figure out how to protect their channel, their organization’s size, then you’re not going to transform anything. You need someone at the top of the organization who’s not afraid to talk about these things out loud — not in a way that anything draconian is going to happen, but just as a way of never being surprised if the company takes that route.

A New and Strange Place

“Organizations have become highly decentralized during the pandemic, and they’ve become very good at creating fast feedback loops where communication ripples across the organization,” Hinchcliffe observed. “When some people go back to the office and others stay remote, will information transfer as easily? How do we stay agile as we move into a world of hybrid work?”

“Nuance is important,” Simon declared.

We do fundamentally believe that people *are* working from home, so this is a discussion about a return to the *office*, and not a return to ‘work.’ We still get some feedback that we want employees to come in because we don’t trust them. That’s not even part of the conversation — we’ve been working in this environment for 18 months now.

We started by saying we wanted to be consistent as a company, and we landed on two options: either four days in-person and Fridays remote, or three days in-person, with everyone in on Mondays and Thursdays, so that we could know for town halls and such that everyone would be in. But that policy focused on the consistency, not on the work, and it didn’t even last two months.

The workforce was pulling for a more fully remote model, but when we said that we’d figured out social distancing, that we could be at full density, they changed their minds. They were actually excited to come in, because they knew their teammates and the people they needed to work with would be here.

Where we landed is, *everyone* will be in on Tuesdays plus at least one other day, for collaboration and the informal run-ins that foster spontaneity and creativity. And if there's no reason to come in, then don't come in. Beyond that, we let each functional lead make the policy based on what's best for their function. So there are parts of the company that are in four days a week, parts that are in three days, or two. And a small portion that are fully remote.

We gave up on the consistency part. We had a choice between being consistent — consistently bad — or being great, and we'd rather be great than consistent.

"How did you make the determination on the fully remote?" Braun asked.

"Engineers and developers in particular want to work from home, and there are a lot of competitive markets enabling them to do that," Simon answered. "If we see that's needed to recruit new talent, then we let the entire team have the option. Otherwise we wouldn't have equity and inclusion. If we're going to do it for one, we have to do it for the whole, and then encourage them to come in with whatever frequency we think they need. 'Fully remote' isn't 'Never, ever in the office;' it's once a month or once a quarter, just to have some type of presence."

"It's really hard to hire right now in the US, and even more so in India," O'Neill affirmed. "We've had to go outside of our local markets to find talent, and then allow them to work fully remotely. So people have raised the issue, 'How come they get to work remotely and I have to go to the office?' It's an issue of not being able to find the skills, so we've had to make exceptions and allow more remote workers than we have in the past."

"Nestlé has a starting point of 50 percent in the office and 50 percent remotely," Scilipoti volunteered.

Then we ask the line managers to decide the best approach, since we operate in many countries and the COVID situation varies. We had to put in a framework, but it's impossible to define one solution that will work for the US, for Germany, for Switzerland, for Indonesia. Right now some managers have said one week in/one week out. Others use two or three days in the office; others are fully remote. It's difficult now while we are still in crisis mode; it's really about what will happen when the crisis ends in six or twelve months.

We also have the hiring problem, and so this has raised the question that if we have people working remotely for example in Switzerland or Germany, and they leave, where the position should be located, in the same country or not? The third dimension is that we also have 130,000 blue collar workers, and we are trying to give them flexibility as well. Does it make sense for them all to go to the factory five days a week? Or can we change shifts, to something like three days of 12 hours in one week and four days of 12 hours in the next? We don't yet have the answer.

“And the 50 percent remote is not ‘from anywhere,’ Wright clarified. “‘Remote’ is from the same country, the same state. Otherwise, we would have quite a corporate tax risk. We had to part with some people who were choosing to work from other countries.”

“Chevron had about 35 percent of our workforce onsite throughout the pandemic,” Braun added.

In town halls, that group is very unsympathetic to the group that wants more flexibility. “Stop whining, all you overhead people” comments start to show up. So we may need to look at more flexibility for those workers, just to re-set equity.

But we are driving to minimize the number of people who work long-term remote. It’s okay for a while, but not indefinitely, because you can’t really have a career if you rarely set foot in the office. You don’t know who we are, you don’t know the people. It’s just not the same as when 80 or 90 percent of the organization is meeting in-person. And if you’ve never stepped into a refinery, how can you understand what it’s like to be in that environment, and to create solutions for those workers?

Some things just work better when we are together. We are in the experiment phase, and we are still leaning on relationships from pre-COVID. But those deteriorate over time, and if we don’t have a way to replenish them, we will be in a new and very weird place.

“What does all this mean for the talent we need?” Brechbühl followed up.

“There tend to be three main gaps on digital transformation teams,” Hinchcliffe asserted.

Design thinking, which is intended to have real empathy with the problems of the stakeholders, is a skill that most teams don’t have enough of. They don’t really try to understand the needs of the customer, or the customers themselves, whether they’re internal or external.

Business architects with technology skills. Enterprise architects don’t understand the business, and the digital transformation has to be about business.

And finally, managers who are excellent at working in large organizations who are also good entrepreneurs. They need to be willing to take risks, and defend those risks, and keep trying. They can’t be worried about their careers tanking because of a failed project. In many organizations people still can’t be promoted if they’ve made one big mistake, and that’s a really big problem.

“If we can’t innovate digitally, and transform the workplace, we are going to have lots of problems recruiting those kinds of people, or even sustaining the workforce,” Worsnop warned. “This has to be a strong motivator for transformation.”

“The winners and losers on the talent front are going to be way more extreme than they’ve ever been,” Zerby suggested.

Partly because geography has kind of evaporated. If you were a master recruiter in the Midwest, you’re now unleashed on the world to get any talent you want. If you’re good at that, you’re going to be really, really successful. But if you’ve relied on the fact that you’re the only big company within 100 miles and people work for you because you’ve been there for 100 years, you’re in for a really bad time. Now is a really bad time to be an average CIO, or an average recruiter or talent manager.

“You can put the word ‘average’ in front of a lot of different roles,” Simon noted. “And if any of us are currently average leaders, this is the opportunity to change that. Because if we don’t, we’re going to lose.”

The Two Faces of COVID

“How, or when, do we get to a point where we are in a new world and this is just how we do business, rather than continually talking about transformation?” Brechbühl asked. “If the goalposts keep moving, are we always going to be in transformation? Do we have transformation fatigue, and if so, should we do something about it? *Can* we do something about it?”

“There is fatigue,” Green acknowledged. “The amount of change at work and in the world really plays into it. And it’s dangerous to start to say, ‘The transformation is over,’ because this is more of a journey than a project. People ask, ‘When are we getting back to normal,’ but the answer is, ‘It’s not about getting back to normal.’ We will ultimately get to a steady state, but it’s going to take a while. This is a marathon, not a sprint.”

“It’s even worse in companies where the bottom-up approach is still predominant,” Regali agreed. “Then the fatigue on the technology/IT organization is even higher, because you need many examples to convince the company to move forward, and the effort is mostly on that one team.”

“Most organizations are undergoing transformation because it’s self-evident that the way they work is antiquated,” Hinchcliffe argued. “Their digital workplace is behind what employees have at home; their customer experience doesn’t line up to their peers. Workers don’t want to work there; customers don’t want to buy there. Usually, the writing is on the wall. The fatigue isn’t from transformation, it’s from always being behind, and the need to close that gap.”

“COVID-19 really lit a fire under this transformation,” Huber observed.

It’s amazing how quickly we’ve adopted technologies that we never thought would be possible just a couple of years ago. Unfortunate circumstances have really enabled and accelerated this mindset change.

Yes, we all have COVID fatigue and would like things to get back to a more normal state. But what we're talking about is more change management and alignment — getting people to understand and drive in the same direction. It's not fatigue so much as 'I'm used to doing things in a certain way, and now you're changing how I do things, you're introducing new tools that I'm not familiar with.' That's the challenge for us.

"COVID gave us greater freedom across the organization to act faster than usual," Wright agreed.

Nestlé is conservative, and structured and planned. We are historically a bit cautious, because if we get something wrong, there's a big impact, and a big loss. Unusually for us, we had started on digital transformation before we really had it all figured out. That was deliberate, because the most important aspect for us was to move to a more agile approach: to change our governance, our level of empowerment, our mindset.

In the next couple of years we came a long way. There were experiments that went nowhere. But through these, we began to learn a different way of thinking, and to understand where we were going to gain real business value versus just wasting time.

COVID faced us with a situation where we could lose everything if we didn't act. And we found out that acting faster wasn't a bad thing, yet we never would have done it without COVID. We haven't reached the destination it's evolving all the time, and it's evolved a lot during COVID, because we've seen consumer behavior and patterns change in ways we hadn't anticipated at all. We had no choice, we had to do something, and yet maybe we never would have done it without COVID.

"Part of the struggle is transformation on top of the operational challenges of COVID," Simon suggested. "The fatigue arises from trying to balance the future and the present, because the present hasn't ever taken so much time, focus, and energy. We don't have a lack of energy or aspirations for transformation; we have a lack of understanding of the resources required to navigate current supply chain and customer experience challenges."

"If we are doing this right, we are fundamentally changing the way that people work," Green acknowledged. "Some of our fatigue comes from the frustration of having it as clear as day to us, and yet when we put it out there, others don't get it. But we have to meet people where they are. They have a fear component — are we replacing them? We see cool things; they see existential threats. That's why the change takes so long, and it's as big a part of developing solutions as anything else."

The Murky Road Ahead

"Do we need to get to a point where we're normalizing this?" Brechbühl inquired. "Do we just need to understand that the pace of change has picked up, and is going to keep picking up? It's

always been this way, it's just so much more obvious now because of the pace. Do we just need to build that into the capacity of our organizations to handle?"

"That's the right question," Wright agreed.

How do we get into this agile mindset, this resilience to cope with a level of change that isn't going to slow down, and isn't going to go back to what it was before?" Wright asked. "How do we get the agility, the curiosity, and ultimately the comfort and the resilience to cope? We've talked about the path forward, but that implies a trodden path and a known route. We can all see that there isn't one. We are learning, and we're trying to figure out what steps to take. As long as the general direction is right, we need to keep taking those steps, and accept that occasionally we'll move backwards a step or two.

"As leaders, we do need to find avenues to build, or re-build, resilience in our organizations", Cassulo suggested.

But it's not as if things are going to slow down and we are going to be able to catch up — the rate of change today is as slow as it will ever be. Maybe we need to sunset the term "digital transformation" and evolve to something that's more sustainable in how we think about it and talk about it with our business leaders, because I don't think there's an end to this journey we are on.

"We need the ability to paint the picture of what the future could be, even when it's really uncomfortable and really unknown and has lots of question marks around it," Baymiller confirmed.

"The events of the last 18 months have shown that when push comes to shove, we actually *can* transform," Hinchcliffe pointed out.

We transformed office work and shifted to remote in just a couple of weeks. We did the same thing for customer experience, as our customers now wanted to be serviced at home. What we learned from COVID is the proof point that organizations *can* do it if they really want to. Now they're asking, "Why haven't we?"

"The road is murky everywhere you look," Zerby agreed. "I'm constantly fighting a bias for clarity before we act, to make decisions that we want to last for years, when chances are they're going to be ripped up and changed within months. It's a different time to manage — a lot of the things that made us successful in the past are important, and a lot of them are completely irrelevant. We have to figure out which pile each one goes into."

"We all keep discovering there is more to do," Hinchcliffe summarized.

I polled all of you earlier about where each company is on its digital transformation journey, and most of you answered, 'On the way/gaining traction,' just as most of your peers answer in a broader survey of large corporations. Here's the thing:

I've been doing that survey for the last five years, and we always get the same answer: "On the way/gaining traction."

We *are* gaining traction, but the poll shows the size and the scope of this effort. Digital transformation is a bigger idea, and a longer journey, than anyone thought. It takes a while to understand how deeply it has to permeate. Right now, we tend to be more at the beginning than at the end, because the concepts keep changing. That's okay: we've broken the psychological barrier.

In the end, we have to reach the stage of completely transformed business models. To do that, we have to understand that we're in a marathon, not a sprint. We need to figure out how to make our efforts sustainable, so that we can be braver in our aspirations and our actions in digital transformation, and then we will be able to leave that "gaining traction" box behind.

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