

ISSUE 7 / 03.2024

thread

Transforming the
language of innovation

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Uncharted

The new landscape of digital transformation

KIN+CARTA

Hello – welcome to issue 7 of

thread



The concept of digital transformation has changed. Once, it described the process of upgrading analog systems and technology with digital replacements. Now, the term describes a far-reaching force that impacts everyone and everything inside an organization.

In this edition of Thread, we'll explore the impact of this shift on the ways we interact with our colleagues and customers. While technology plays a crucial role, a successful digital transformation strategy (and execution of the same) is equally about people and culture. It's a mindset that embraces change and innovation as a constant, rather than a one-time destination.

Today, digital transformation must create systematic flexibility that enables leaders and organizations to meet current and future needs. However, "digital transformation"

continues to be a source of anxiety. Artificial intelligence (AI), cybersecurity, and data compliance are all quickly reshaping our vocabulary around innovation, so we're sharing a quick glossary on some of the emerging concepts and strategies that are driving organizational change.

We'll also explore techniques that leaders can use to build a culture of experimentation by making calculated risk-taking more enjoyable, motivating, and rewarding for employees. (Heads up: You'll have to model this behavior yourself with open communication and transparency.)

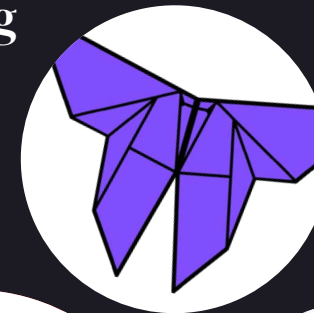
And while ongoing digital transformation might lack a clear end date, organizations must still define and communicate measurable targets that align with overall business objectives. We'll walk through some key metrics for digital transformation to add to your dashboard to measure the success of your innovation initiatives.

Where will your digital transformation journey take you next?

Katie Franzen
VP of Financial Services, Kin + Carta

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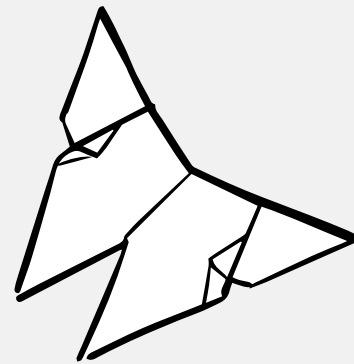
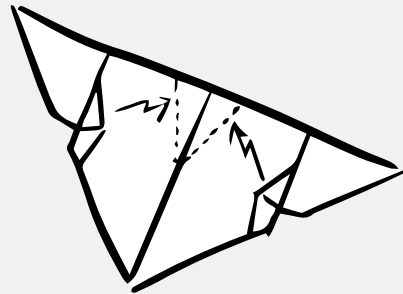
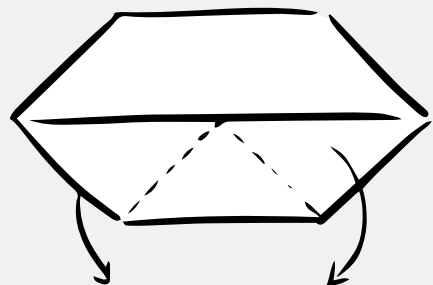
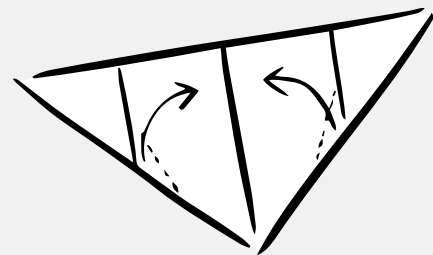
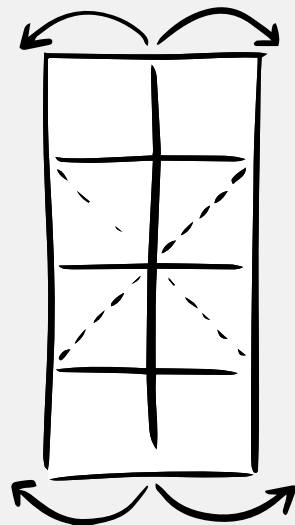
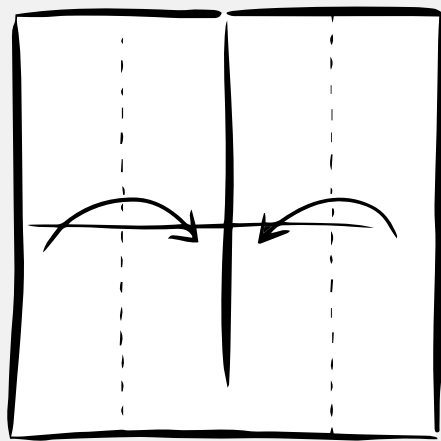
⑫ Measuring what matters



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Transforming the shape of innovation

As innovation models evolve and emerging technology developments accelerate, we've developed a new vocabulary to describe this shifting environment.



4IR

The Fourth Industrial Revolution, also known as Industry 4.0 and 4IR, combines tech, data, and human capabilities to reimagine manufacturing, analytics, predictive maintenance, and customer responsiveness. This ongoing transformation of manufacturing is powered by advanced technologies, such as AI, robotics, Internet of Things (IoT), and automation.

Intelligent experiences

Meaningful moments in the customer journey, created by using data-driven insights as well as well-crafted and sustainable design principles. These moments deliver personalized, omnichannel experiences that foster customer loyalty, advocacy, and increased profitability.

Hyperautomation

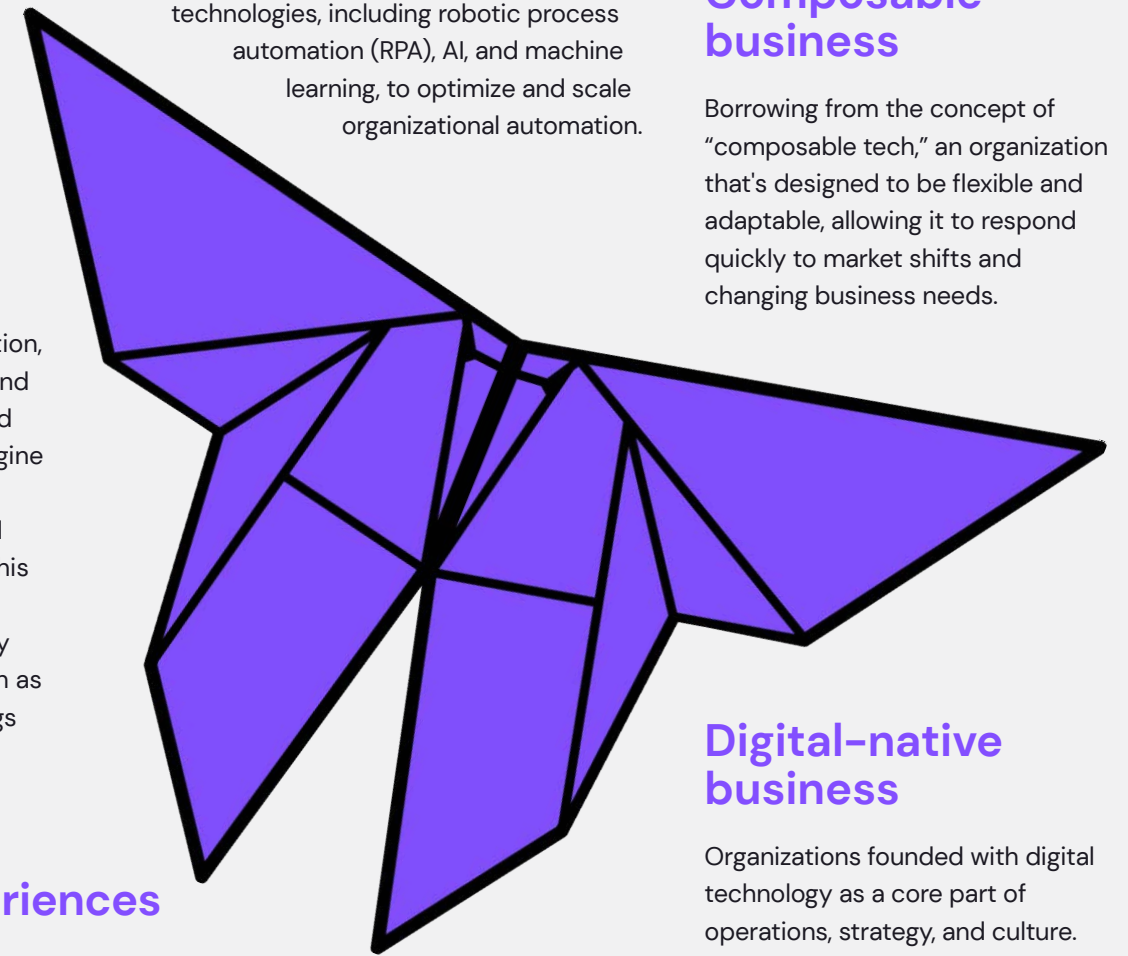
The combination of automation technologies, including robotic process automation (RPA), AI, and machine learning, to optimize and scale organizational automation.

Composable business

Borrowing from the concept of "composable tech," an organization that's designed to be flexible and adaptable, allowing it to respond quickly to market shifts and changing business needs.

Digital-native business

Organizations founded with digital technology as a core part of operations, strategy, and culture. These companies are comfortable with digital transformation and agile and adaptable in the face of rapid technological progress.



Uncharted

Navigating the new landscape of digital transformation

By Mary Ellen Slayter

75% of leaders surveyed for Kin + Carta's 2024 Leadership Priorities in Tech report believe investment in digital transformation initiatives is necessary within the next 12 months. But it's a process that's raising stress levels; 94% of organizations report tech anxiety among senior leaders.

Rising anxiety is linked to the changing face of digital transformation. It's no longer about flipping a switch from analog to digital. Or a journey with a clear start and end point. It's about refining and

evolving existing processes, focusing on key areas, and creating a unique transformation pathway (or pathways) that adapts to meet organizational challenges or technology opportunities.

“There’s no three-year transformation program—you’re either continuously transforming and evolving, or you’ve lost.”

Businesses can’t afford to stop transforming. It’s a constant, iterative process. As Josh McNally, FinServ Portfolio Delivery Partner at Kin + Carta explains, “There’s no three-year transformation program—you’re either continuously transforming and evolving, or you’ve lost.”

In the new age of digital transformation, change is a constant, and leaders have to think differently about everything—fueling measurable, meaningful transformation that’s flexible enough to move with shifting market conditions or evolving organizational needs.

Heading toward your North Star

Perhaps the biggest shift for many organizations is from thinking of

digital transformation projects as rigid programs with a start and end date. Instead, businesses must orient toward practical, experimental models that allow for constant exploration and adaptation so they can stay ahead of changing markets and technologies.

Ruth Wooderson, CIO Fraud, Santander UK, echoed this sentiment, and noted that the bank aims to balance longer-term planning with flexibility to adapt to changing customer demands and market conditions. “I don’t think there will be an end state for Santander. We’ve created a strategic blueprint, and within that three- to five-year plan, we’ve got some iconic deliveries that we need to do. But I very much think that will then ebb and flow into

another digital transformation, because the demands of the world will need us to do so.”

A slow-and-steady approach to innovation comes with an additional benefit for large, established brands, Ruth Wooderson notes. It helps maintain customer trust and keeps you from straying too far from your brand promise: “You have to know where your North Star is, and you need to remain on track of what your values are, and what your mission statement is.”

Another upside to a continuous innovation model? It can help reduce the temptation to fixate on a single transformation initiative. “The danger is that organizations will optimize for a very specific

thing that becomes quickly out of date,” notes Ben Pitman, Director of Engineering Consultancy at Kin + Carta. “And the business will be so optimized and tied to that way of working, it becomes calcified and unable to further adapt to the next change.”

While ongoing digital transformation might lack a clear end date, organizations must still define metrics and targets that align with overall business objectives. You still need a compass to guide your efforts, measure progress, and communicate what you’re doing—and what you hope to achieve—to stakeholders inside and outside the organization.

Embarking toward new destinations

Old-style digital transformation could be laborious, lengthy, and costly, but it often had a clear need—digitizing the business. As nearly every business becomes digital-first and adopts a continuous improvement model of digital transformation, companies need a new way to prioritize digital efforts.

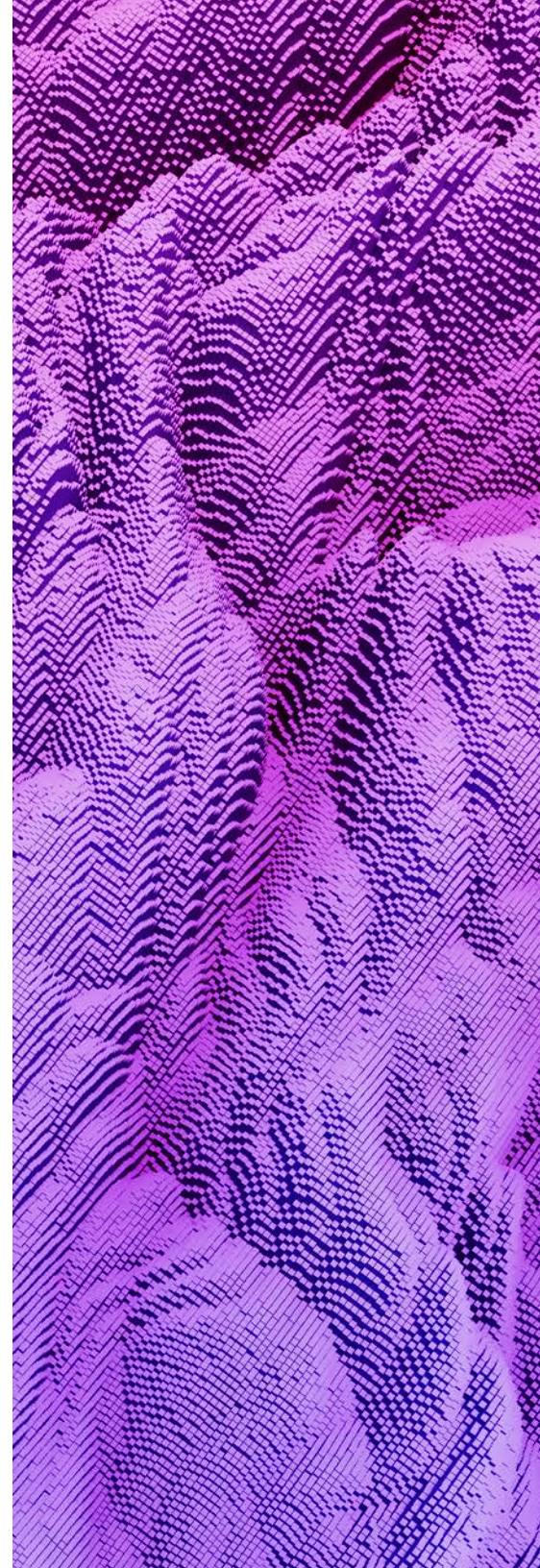
They need to be specific about what business problems they’re solving.

The challenge here is that the problems are much smaller—or at least, they feel smaller. Drumming up enthusiasm for digital change can be difficult when it’s always happening and the stakes are lower.

This is where the legacy of the term “digital transformation” can help, says Stephanie Shine, Strategy Principal at Kin + Carta. The term itself “gives a shared signal to all of those involved that there is an urgency and opportunity to fundamentally change—not necessarily the way that you do business altogether, but to improve what might not be working.”

Shine advises companies to go beyond a specific project, such as building an app, to investigate the problem and proposed solution. “By talking to key stakeholders who are involved in the adjacent departments’ processes, you can get deeper into what’s really broken or has friction that needs to be addressed as a part of whatever this theoretical technological build will be,” she says.

ALL IMAGES: FLAVIO COELHO/GETTY



The key is to define what digital transformation means in your organization at that particular moment, says Virginia Venable, Client Partner at Kin + Carta. "This helps demystify it and determine what specific problems and opportunities exist."

Who leads the way?

While digital transformation is clearly a priority, who owns this process isn't always defined.

And while executives might be tempted to make this an entirely top-down exercise, it's clear that modern digital transformation shouldn't be confined to a department or role. It must be integrated into the organizational fabric. Every department and employee is responsible for digital transformation as an ongoing practice of continuous improvement.

This type of collaborative, all-hands approach is what Katie Franzen, VP of Financial Services at Kin + Carta, has in mind. She believes digital transformation isn't just about tech; it's a broader transformation that requires strategic alignment.

"I think that digital transformation really is just a transformation, and it's a combination of leaders within an organization agreeing on what the value is that they're trying to generate," she explains.

Both top-down leadership and bottom-up participation are needed for successful digital transformation, Pitman says. Leaders need to provide vision and goals while also understanding the pain points of the people implementing changes. "A lot of failures in transformation result when people who don't understand how the work gets done start telling people how to do the work better. When that happens,

the good part of what comes down from leadership is lost because it's shrouded in this autocratic point of view."

Embracing a wider perspective

"You've got to have the imagination to envision a better future for your business," says David Maren, Head of New Business, Americas at Kin + Carta. "You have to have the empathy to make sure that you're building the right thing, and doing it the right way. And then the engineering to build the thing. If you have those things together, you can achieve successful outcomes."

Digital transformation is often associated with adopting new technologies, but it's really about driving behavior change to create new mindsets and culture, says Dan Riley, co-founder at RADICL, an employee experience platform. The focus must be on "building human-

“One of the root problems with transformation is it's everything and nothing.”

centric workplaces and solving for what we want to become."

Changing mindsets and behaviors isn't easy, and any leader that thinks otherwise will struggle. "Humility is recognizing that you don't always have to have all the answers, that you don't have to be right the first time," says Dave Clark, VP of Experience Design at Kin + Carta.

Another practical component of change is getting your people to take a wider perspective and "become more and more cross-functional," says Çelik Nimani, Managing Director

for Southeast Europe at Kin + Carta. "That person doesn't necessarily need to have a deep understanding of a specific area, but they at least should be knowledgeable across different areas." This breadth of knowledge can help them see multi-directionally—forward into the future, as well as all around them.

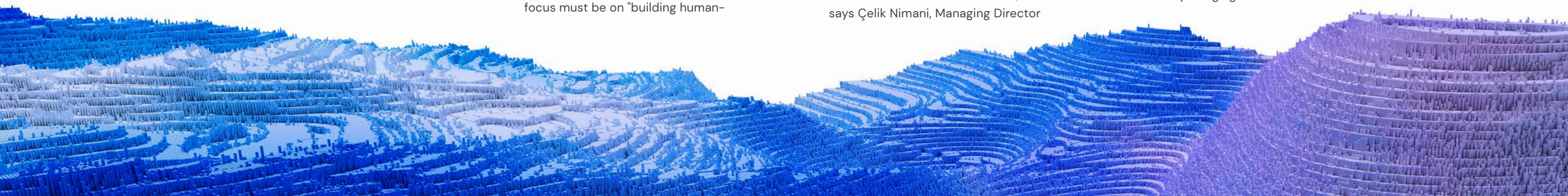
Santander's Ruth Wooderson emphasized the importance of gaining input from the broader team and bringing them into decision-making as part of any digital innovation effort. "By bringing the

team into the planning, we're bringing the team into the decision making so that it's not given to them."

For Riley, companies that excel in transformation "keep it simple, focused, intentional." They ensure "alignment and consistency" across functions so the effort is coherent. Most importantly, they "celebrate the small successes" to inspire continued progress.

A look toward the horizon

People don't have to be afraid of change when they understand what it looks like, why it's happening, and what their role is—and can be. When you help your people reimagine digital transformation, you can win the kind of buy-in that leads to innovation, growth, and better experiences for employees and customers. □



Measuring what matters

What does it mean to succeed at digital transformation? Traditional metrics like adoption rates and return on investment are still helpful but don't necessarily tell the whole story.

Here are five alternative metrics to consider:



Speed of adaptability

How fast could you react to a change in the market or a new piece of technology for your teams? A lot of our transformation conversations are about the ability to adapt and the speed to deliver, and so that's what I would measure.

Ben Pitman
Director of Engineering Consultancy, Kin + Carta



Customer lifetime value (CLV)

If you have highly engaged employees and you have high customer lifetime value, you should have a very high-value organization. It's never easy, and at times it can be quite complex. But if you understand your CLV, you're going to be able to effectively measure if you're successful in your pursuit of continuous improvement.

Dave Clark
VP, Experience Design, Kin + Carta



Employee Net Promoter Score (eNPS)

Empowered, happy employees deliver better experiences for customers. They understand that every role in the organization—whether it's customer-facing or not—has a direct impact on customers! When employees are aligned around goals, that's magic. Customers feel that. And employees are more likely to stay at an organization that has happier customers. It's literally a win-win! It's a winning combination of more customer and employee retention, more efficient workflows, and happier environments for all.

Jeannie Walters, CCXP
CEO & Chief Experience Investigator, Experience Investigators



Open rate of internal comms

The C-suite needs to be engaged, and they need to filter this communication from the top down. Measuring employee engagement with internal communications and the effect of it within organizations is something that can be quite key.

Kathleen Carter
Director of Marketing Europe, Kin + Carta



Change in company value

Do we think we made the company more valuable? The market might not have that perfect view of us, but do we think we did that in this engagement?

David Maren
VP, Head of New Business, Americas, Kin + Carta



Employee turnover

Behind the scenes of that ideally seamless omnichannel experience, you're also ideally creating a situation where you've opened up the arena to allow employees to upskill themselves. They no longer have to spend time on more mundane, rote tasks.

Stephanie Shine
Strategy and Innovation Principal, Kin + Carta



Building a culture of experimentation

Embracing small failures for big gains

By Jacob Beauchamp

The saying “innovate or die” might be a cliché, but companies that don’t change and evolve will invariably suffer. Of course, trying new things can be difficult or even scary, especially if your organization punishes failure. What’s needed is a mindset change—one that embraces calculated risks and gives employees permission to learn through failure.

This change starts by rethinking innovation as a series of small experiments in the pursuit of big gains. To instill this in your culture, leaders need to understand the problems they face, how to break those problems down, and how to help employees be excited about experimentation rather than fearful.

Identifying the right problems to solve

It’s essential for organizations to identify and address the right problems before diving into solutions, says Stephanie Shine, Strategy Principal at Kin + Carta. Get beneath the surface and understand

why these problems exist—and what your solutions would accomplish. “If someone comes to us and says, ‘We need to build this app,’ I’m going to push a little bit and start to ask why,” Shine says. “You can get a little deeper into what’s really broken or has friction that needs to be addressed.”

Successful experimentation invariably requires data to identify the specific problems and inform effective decision-making. "When people are talking about digital transformation, they're really talking about decision science," Shine claims. "What data do they already have? Or what data do they need to gather to improve the problems that they're seeing in their organization on a daily basis?"

Look for low-risk tests

Big problems can feel insurmountable, which makes innovation difficult to imagine, much less fund. Break complex problems into smaller tasks, or experiments, so your employees can home in on specific aspects and test foundational hypotheses. "You have to challenge yourself to see if there's an opportunity to realize value upfront," says Josh McNally, FinServ Portfolio Delivery Partner at Kin + Carta. "If you can create value based on smaller chunks and you can realize that value sooner, than you should."

McNally highlights the significance of iteration in conjunction with agile frameworks, as quick iterations reduce the impact of failure and allow for

continuous improvement. Teams can quickly course-correct before they get too far afield.

Josh Linkner, the New York Times best-selling author of *Big Little Breakthroughs*, recommends keeping what he calls a "to test" list next to your "to do" list. "Anytime some idea pops in your head: big, small, ugly, weird, crazy... it doesn't matter. Stick it on the list. It doesn't hurt. It doesn't cost any money. And just the mere existence of the list will boost your creative output, because now it's front and center. You're thinking about it all the time."

This technique becomes especially powerful once you open it up to your team, he says. "Let everybody add to the "to test" list at the weekly staff meeting. It will absolutely drive business commercial value and it will drive intrinsic human value."

Engaging employees and fostering collaboration

Employees need a signal that it's OK for them to take reasonable risks and even fail. Without that support, they'll avoid experimenting because it

doesn't feel safe and familiar. "How leaders show up impacts everybody else. Employees need to feel psychologically safe to experiment... and fail. Look for ways to enable experimentation, and look even harder at your response when things go wrong," McNally says.

Leaders can model this behavior with open communication and transparency. When they discuss their experiences with trying new things (and occasionally failing), employees feel like they have permission to propose ideas and take ownership of the results. As teams become more comfortable taking chances, silos break down, and people begin collaborating across functions. Suddenly, that culture of experimentation enters into view.

Karim Nehdi, CEO of Herrmann International, the creator of the [Whole Brain® Thinking model](#) and HBDI®

IMAGES: ROMAN STUDIO/GETTY; CERBEREZ/GETTY

assessments based on it, emphasizes that building a culture of experimentation requires creating psychological safety, which doesn't happen overnight. "Psychological safety is the result of many small interactions in which a leader has shown an openness to viewing a situation from somebody else's perspective, of not immediately judging something as right or wrong, but with an openness to experimentation or an openness to a person solving the problem through their own lens and learning something."

Gamifying experimentation and innovation

An authentic and playful environment can further encourage employees to explore new ideas and take risks. Gamification is one way for organizations to make experimentation more enjoyable, motivating, and rewarding.

Hackathons and innovation challenges can help to gamify experimentation. These events provide a structured platform for employees to come together and work on creative projects or solve specific problems. While gamification can be fun, make sure it ties back to project and company goals. "You have to make sure that you as leadership are taking those ideas to production or finding a way to create value within the organization," McNally says.

Again, leaders should set the example and celebrate colleagues who experiment. "How do your leaders show up?" McNally adds. "How are they exuding that playfulness themselves so that other people know they can mimic it and go do that within the organization?"

He urges leaders to cultivate cultures where employees look forward to showing up. "I want people to feel like they don't go to work," he adds. "They just do what they love, and then they get paid for it." □

"People need to feel psychologically safe in order to experiment and fail."



The way FWD

Ben Pitman →

Director of Engineering Consultancy,
Kin + Carta

As new technologies emerge and customer expectations shift practically overnight, organizations must be prepared to experiment, learn, and modify their strategies faster than they ever imagined.

To keep pace, leaders need to build organizational cultures that reward agile experimentation and learning. We must plan for constant change rather than static optimization. And we must measure ourselves not by whether we've "transformed," but by how quickly we can adapt.

Speed and adaptability are the key measures of every organization's transformation capabilities. How rapidly can you deliver a new idea into the hands of customers? How quickly can you pivot based on customer feedback? How fast can you adapt your business structure and processes to adopt a new technology or adapt to market forces?

This agile approach requires courageous, empathetic leadership. Transformation can feel uncomfortable and chaotic. It demands that leaders check their egos, listen to

stakeholders, and make decisions based on input from across the organization. Top-down mandates alone won't cut it. Though transformation often starts with visionary leadership, collaboration and grassroots participation will encourage better, decentralized decision making and total business empowerment. Diverse, multidisciplinary teams combining business, technology, and human behavior expertise will guide changes from within, drawing on perspectives from their collective expertise.

Finally, designing your system architecture and business structure together will ensure Conway's law becomes a business advantage, rather than a disadvantage. Techniques such as domain driven design, service design and value stream mapping can help design an adaptable and high-performing organization.

In the new digital era, adaptability is key to survival. By embracing continuous transformation, collaboration, and aligning operations with customer value, businesses can stay one step ahead of disruption. Those who view change as a feature rather than a bug will be best positioned to thrive, no matter what comes next. □

About Thread

Thread is produced by Kin + Carta—a global digital transformation consultancy building a world that works better for everyone.

We support forward-thinking businesses with a focus on growth, inclusivity, and sustainability. We do this by creating Intelligent Experiences, powered by data and built in the cloud.

Our 2,000 consultants, engineers, and data scientists bring the power of technology, data, and experience to the world's most influential companies. Together, we help organizations accelerate their digital roadmaps, rapidly innovate, modernize systems, empower teams, and optimize for continued growth.

Our triple-bottom-line focus on performance, people, and planet drives our success, and we were the first certified B Corp on the London Stock Exchange.

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