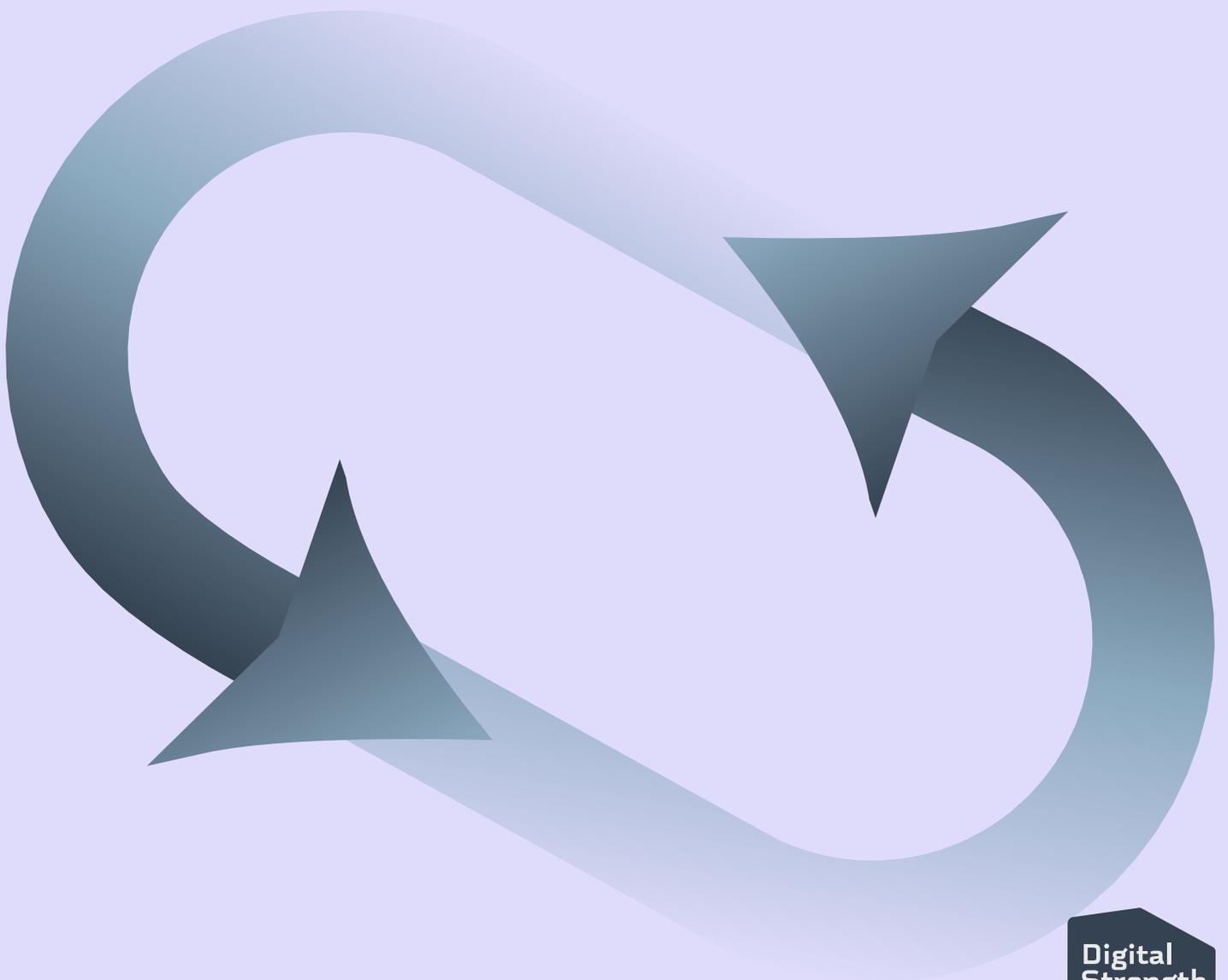


Measuring Your Success & Iterating Your Digital Journey



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I. About the Digital Strength Program

The pace of change is increasing and every organization faces existential threats from new and existing competitors. This program is crafted to give everyone within an organization – from the C-Suite to the production line – an understanding of what digital transformation is and some guidance to begin the digital transformation journey within their own organization.

Over the course of the program we will detail tips and tricks, potential barriers, the ideation approach and the move towards seeing digital as an ongoing process.

No matter whether you are just beginning the journey of transformation or are well on your way, the guidance in this program will be useful to you. Early adopters, those mid-way on the transformation journey, or those yet to begin will all find something of value from this program.

Welcome to the future!

II. Phase III: Continuation

The first three phases of the Digital Strength program were about setting the scene, and starting organizations on their digital transformation journey. With a deeper understanding, and some initial transformation initiatives under our belts, it is time to start iterating our transformation.

This third phase is all about continuing with the journey and strongly references our assertion that digital transformation isn't a "do it once" process, but is rather an ongoing organizational change. Phase three aims to help organizations calibrate their journey, iterate their process, and avoid the common pitfalls and mistakes of digital transformation.

Course IX: Measuring Your Success & Iterating Your Digital Journey

III. Introduction

Digital transformation isn't a "set and forget process" – rather it is a fundamental change to how an organization runs. In this course we discuss digital transformation as a moving target and explain how the most effective organizations embrace a "constant change" mindset.

We discuss how adopting a regular process of reflection can avoid digital transformation going stale, and the feeling that an organization has done everything it needs to do.

We provide some counsel for those involved with the transformation process who feel stressed trying to figure out where to start. We then help guide organizations beyond their initial projects and into spreading the transformation process across the organization.

Finally we remind those involved with transformation that, like other change processes, digital transformation is a continual process.

IV. Measuring the Success of Digital Transformation

A key feature of successful digital organizations is an almost obsessive devotion to analyzing data. These organizations, typified by the likes of Google, Amazon and Facebook, make decisions based almost exclusively on empirical data. Their ethos is one of "measuring everything."

While traditional organizations obviously used metrics to guide their decision making process, it's fair to say that there wasn't much granularity in their use of data. Generally it was the financial metrics – sales, profits, market share and the like – that constituted the bulk of their information inputs.

In the digital age, however, there is a huge reliance on information. Even the most traditional organizations are becoming data-driven. So how should an organization that's early in its digital transformation journey measure the success of its initiatives?

KPIs ARE KING

Organizations have always used metrics to assess performance. These measures, however, were generally limited to financial ones. While Wall Street lives on Earnings per Share, Revenue, Profit and Growth, digital maturity and success rely on a whole host of different, and often less clear, metrics.

Transformation leaders need to develop maturity when it comes to defining and using Key Performance Indicators (KPIs). Gartner analyst Paul Proctor¹, in an interview detailed two specific classes of digital KPIs that organizations should use:

"The first set of KPIs should assess the company's progress in digitizing its current business model by measuring goals in sales, marketing, operations, supply chain, products/services and customer service. Several restaurants, including TGI Fridays and Wingstop, for example, are using chatbots to

¹ <https://www.cio.com/article/3236446/digital-transformation/digital-kpis-your-keys-to-measuring-digital-transformation-success.html>

help digitize order taking and transactions. Starbucks, Target and several other consumer-facing organizations now let consumers pay for goods from their phones instead of cashiers. CIOs should evaluate such digital operations using metrics that assess adoption rates and business impact relative to traditional operating modes.

A second set of KPIs should assess new revenue sources generated from new digital business models. These KPIs should represent growth, revenue, market share and margin metrics that are differentiated from physical assets. Proctor & Gamble acquired Dollar Shave Club, giving it a platform from which to sell razors online. Caterpillar acquired Yard Club to rent heavy machines through an online marketplace. Cleveland Clinic sells algorithms for analyzing cardiology and oncology through Apervita's online marketplace. These new sources of revenue based on digital models should be evaluated separate from analog revenue streams to assess how they impact the bottom line."

In an article² discussing the issues around metrics for digital transformation, Sandeep Raut pointed out that it's critical for the people who will ultimately be measuring the progress of the digital transformation journey to understand the digital and human context within which that transformation takes place. The technology industry has a term "dogfooding" to describe when organizations experiment with using their own products and services. It's amazing how enlightening it can be, for example, for a CIO to interact with her own customer support call center. With this understanding of people and process, a leader is in a better position to create and measure performance metrics.

Raut suggests that one of the ways to achieve measurement is to break the long term plan into small doable projects with specific KPI's. Raut suggests that these projects should be time-bounded and should include both hard and soft metrics. While traditional metrics of revenue, costs, and customer satisfaction should be measured, companies should also move beyond these. We contend that too much focus on quarterly revenue and margin guidance has a tendency to keep pulling organizations back to short term tactical focus. The new metrics have to be added to get the right control and visibility of progress.

² <https://customerthink.com/how-do-you-measure-the-success-of-digital-transformation/>

Raut suggests that some of the new metrics which can be considered when striving for measurement of digital transformation progress are:

- **The percentage of marketing spend that is digital**
- **The brand value in market**
- **The reach of organization in the market**
- **The digital maturity quotient of the employees including board and senior leaders**
- **The percentage of revenue gained through digital channels**
- **The contribution to digital initiatives from each department like purchasing, finance, HR, IT, Sales & Marketing**

Since digital transformation initiatives are often focused on customer-facing parts of organizations, Raut also has suggestions for ways that organizations can measure the progress of their digital transformation within the context of their customers. Examples of possible metrics include:

- **Net promoter score**
- **The rate of new customer acquisition**
- **The number of customer touch points addressed to improve customer experience positively**
- **The percentage increase in customer engagement in digital channels**
- **Reduction in time to market new products to customers**
- **Change in customer behavior over time across channels**

Finally, since digital transformation is about delivering success to the organization, Raut suggests some metrics to measure the return on innovation the organization might be seeing:

- **Percentage of revenue from new products/services introduced**
- **Percentage of the profit from new ideas implemented**

- **Number of innovative ideas reach concept to implementation**
- **Number of new products or services launched in the market**
- **Number of new business models adopted for different class of customers**
- **Rate of new apps and APIs to offer new products/services inside and outside the company**

Rauth is quick to suggest that these metrics should be kept as simple as possible. Digital transformation is, at its heart, a process which should drive for simplicity. Metrics used to measure progress should follow suit.

It's also important to celebrate incremental improvements. In an iterative process it is important to keep people focused on the big prize; The best way to do this is to celebrate the small wins and make everyone aware that even those smaller wins make the big prize more attainable.

Interestingly enough, a Gartner survey suggests that while most companies are at least considering a digital transformation, only about half of the leaders surveyed are using KPIs to measure their success. Gartner analyst, Paul Proctor suggests³ several steps that CIOs can take to measure the value of their digital business. As he sees it, some KPIs will be "transitional," while others will become permanent metrics for business performance as transformation is achieved and digital business becomes standard operating procedure. The example is given of an enterprise that builds a digital ecosystem which would likely add ecosystem metrics to its ongoing business performance KPIs.

Proctor also suggests a robust approach in which KPIs are used to support specific outcome expectations such as, "By reaching our 2020 goal of digitizing ABC, we will benefit from an X increase in these business and financial metrics."

It's important that the overall digital vision and, by extension, the KPIs used success are realistic and pragmatic. Proctor raises a cautionary point when he reiterates the fact that transformation should be in context of the organization's size, opportunity, culture and people. As he says:

³ <https://www.computerworld.com.sg/print-article/114287/>

The digital KPI is all about understanding where you're making money or improving an existing business model, how to measure that and work with your non-IT execs to achieve new business outcomes that you've set based on the fact that you're going digital. Outside of that all that you have is a collection of new projects that are using technology to do new stuff and unfortunately that's where most businesses are today.

With appropriate measurement in place, it is time to develop an understanding of how iteration helps achieve the overarching goals.

V. Developing Muscle Memory, the Iterative Transformation Process

Throughout the Digital Strength program we've reinforced that digital transformation is an iterative process and something that needs to be an ongoing strategy. Traditional views of IT projects were that they were "big hit" initiatives: that is, they would take months and often years to complete, but once complete, would remain in-place and stable for the foreseeable future.

Today's world isn't like that and there is no defined "end goal." Rather there is an aim to change the fundamental way the organization works to make it more agile and innovative.

The reality is that if we view the history of ITs spread into large organizations, there has never been an overwhelming level of success of the end-to-end projects. The idea of a big idea, a large budget and complex plan, and a heavily refined and detailed end goal is somewhat spurious – only a tiny fraction of historical IT projects delivered the end result that was first planned. For the majority, the reality was one of overspending and under delivering. Disillusionment was the sad reality.

As Stuart Mills writes in his essay about iteration⁴

It has always been true that a plan is only good for a minute after completing it but with the speed of digital development it's never been more important to plan to iterate the plan.

As we have mentioned previously, the business and operational landscape within which digital initiatives occur is changing rapidly, as such, a fixed and inflexible plan, while potentially meeting the needs today, almost certainly won't tomorrow. As Mills points out:

⁴ <https://www.linkedin.com/pulse/digital-transformation-importance-iteration-stuart-mills/>

A key element to digital is checking the landscape hasn't completely changed, of course, so it's critical to have a regular blue sky review. Using design thinking, rituals, and agile development help guard against "climbing the wrong mountain" as well as making incremental steps.

Pointing to a surprising case study to advocate for an iterative approach towards creation, Imran Aftab explained in his Forbes essay⁵ the creative process that Leonardo da Vinci took when creating perhaps the most famous painting in the world, the Mona Lisa. The Mona Lisa was not created overnight through the cliched "frenzied creative burst" approach that many might suspect. Rather, da Vinci took an intentionally iterative approach when creating a painting that took over 15 years to complete. As Aftab explains:

He began in 1503, and though the painting was considered "done" after four years and sold to its first owner, it is widely believed that he did not stop working on it until his death in 1519. Leonardo was the first true Agilist. He never stopped iterating. He began with the basics: a primer coat of paint, an undercoat with the colors mixed just so. From there, he added layer upon layer, meticulously toying with the colors and shadows to create depth and mystery. Each iteration was inspired by his research -- as he made discoveries about human anatomy, he tweaked his subject's positioning. His interest in facial muscles eventually led to the layer of paint depicting the famous smile that confounds us all. The end result of this iterating is a masterpiece we now wade through crowds to see in the Louvre.

⁵ <https://www.forbes.com/sites/forbestechcouncil/2018/04/19/to-create-a-digital-masterpiece-iterate-like-leonardo-and-scale-like-michelangelo/#51f49bb44f28>

While it might seem like a somewhat bizarre example to be using to justify a particular approach towards digital initiatives, da Vinci's approach is in fact highly applicable to the digital space. While it can be tempting, and aligns with the generally risk-averse nature of large organizations, to try and plan for a final and complete product, this is more often than not a path to failure.

Instead, organizations should think about applying newer ways of thinking. For example, develop a view of what the "Minimum Viable Product (MVP)" could look like. Leverage tools such as the Lean Canvas to help limit the scope of a project and build in a culture of continually using these tools to encourage iteration and experimentation. Canvass the view of all the stakeholders, determine which are the most critical features and from this develop the smallest scope possible. Then, new features can then be added and iterated intentionally and purposefully.

As Aftab points out:

Trying to include too much in your first version would be the equivalent of Leonardo trying to complete the Mona Lisa in a day.

While the Mona Lisa may be seen as diametrically opposed to a digitally delivered product, the approaches that da Vinci used when creating his masterpiece have some real relevance for organizations mastering their own digital transformation creation.

VI. Key Takeaways

Measure and iterate. If there are only two words that readers wish to use in order to summarize the learnings from this course it is measure and iterate.

We cannot fix what we don't measure is indeed a true one. And, by extension, by measuring engagement we develop an understanding of the iterations that we can, and should make.

We strongly advise leaders involved in digital transformation to invest time in developing the right measures for their particular situation. Once these measures have been developed, regular and honest reflection as to how the organization is progressing against those measures is highly useful.

The other side of measurement is iteration. By reflecting on attainment, or otherwise, of the key metrics, organizations will develop a maturity and an ability to more accurately determine the tweaks and changes which can drive better outcomes. These tweaks and changes are the very iterations that the agile mindset is about.

To truly succeed in transformation, and to make transformation an ongoing process that helps change the fundamental nature of the organization, an embedding of a "measure and iterate" mindset across the organization is critical.

About HelloSign

HelloSign is powering the future of intelligent business. The company's software platform — which includes eSignature, digital workflow and electronic fax solutions — converts process to revenue for over 60,000 companies around the world with HelloSign, HelloFax and HelloWorks.

About Ben Kepes

Ben Kepes is a business leader, a technology evangelist, an entrepreneur, and a commentator. Ben covers the convergence of business and technology. His areas of interest extend to leadership development, startup activity, digital transformation, and enterprise software, as well as articulating technology simply for everyday users.

He is a globally recognized subject matter expert with an extensive following across multiple channels. His commentary has been published on Information Week, Computer World, Forbes, Wired, ReadWriteWeb, GigaOm, The Guardian and a wide variety of publications — both print and online.

Ben's insight into the business of technology, and the technology of business has helped organizations large and small, buy-side and sell-side, to navigate a challenging path to a successful future.

Ben is passionate about technology as an enabler and enjoys exploring that theme in various settings.



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