

BEST IDEAS 2020

DRIVING DIGITAL TRANSFORMATION

The mission? Change before change takes you under. Some tips.

EVEN BEFORE THE COVID CRISIS, CEOs were being hounded and haunted by the imperative of digital transformation. But heeding the call still leaves many chiefs asking at least two big questions: What is it—*really*? And how do I go about leading the digital remaking of my company?

Digital approaches are in the DNA of most companies started in the last few years. But knowing how to embark upon and execute digital transformation can be more difficult for operators in legacy industries. The distraction of the current crisis makes it even more so.

“What we are trying to achieve is a fundamental change in our thinking,” says Dan Knotts, CEO of RRD, a Chicago-based integrated-communications giant that began business 164 years ago as the commercial printer RR Donnelley & Sons. Today’s transformation requires RRD “to fundamentally rethink our business model. Our digital revolution is a key enabler of our path forward.”

While for some CEOs a digital path becomes obvious and simply must be embraced, for other companies a promising approach to transformation isn’t apparent, is too far a reach or just isn’t possible.

“It’s a matter of getting Uber-ed before you get Kodak-ed,” says Jim Ryan, CEO and president of Flexera, an IT-management software company based in Itasca, Illinois. “Every single company in the market-

place is a tech company that is now being powered by software and the cloud. That represents great opportunities to go and disrupt markets—and to be disrupted.”

One big reason so many CEOs can get gobsmacked boils down to the new speed of innovation. “The scale and pace of change across almost any industry is almost exponential now,” says Peter Dahlstrom, a senior partner at McKinsey and co-author of the new book, *Fast Times: How Digital Winners Set Direction, Learn and Adapt*. “It isn’t just five to 10 percent a year—it’s 10X, 100X, maybe even 10,000X over the course of a couple of years.”

To avoid being victimized by this tsunami of change, Dahlstrom recommends focusing on three things. Accelerate digital transformation, but only after “taking a bit of time to think through what you want to do.” Scale the process by moving it to the center of the company instead of keeping it in “a handful of agile tribes for testing.” And, finally, sustain change by attracting and keeping talent, insourcing IT functions that have been sent overseas and “reskilling” legacy employees.

Some CEOs figure they’ll slide in behind the industry leaders in digital transformation in a “fast-follower” strategy. “But that doesn’t work anymore,” Dahlstrom warns. “You have to be first; moving slow isn’t really an option. If you’re not fast and first, you’ll really struggle. You can’t miss the beat and fall behind in the innovation cycle.”



INSURANCE

DON'T SETTLE FOR MERE 'DIGITIZATION'

**ROGER CRANDALL, CEO
Mass Mutual, Springfield, MA**

You have to tear up the playbook and build a real, end-to-end digital company. And that’s different than just digitizing what you do today. For us, if you take an application on paper and just put it in a digital format, so an advisor can sit with you with an iPad, it’s not really transforming anything. It ultimately kicks back to the same stack you had; it’s just easier.

So we have to imagine applications that are built as digital apps so now, when you’re filling them out, they feed back into our underwriting algorithms and directly into our administrative platforms and tie all the way back to claims. That’s different than taking pieces and digitizing them or even optimizing an existing process. And that’s the approach that you’re ultimately going to compete against: someone who said, “I’m going to go after this problem or this opportunity and build a modern technology platform to do it.”

HR OUTSOURCING

SET UP SKUNK WORKS

**CHRIS MICHALAK, FORMER CEO
Alight Solutions, Lincolnshire, IL**

Our carve-out in 2017 from Aon Hewitt gave us the potential to evolve to maintain our leadership position in the industry, particularly as it related to digital transformation. We needed to create a vision for the company around being more tech-driven and consumer-centric.

We knew innovation would be important. So we took some really practical steps such as taking our top 100 leaders to a two-day offsite focused on innovation. Then we went much further by joining the 1871 innovation lab and creating an internal innovation lab called Spark Tank.

At 1871, we’ve joined more than 100 other companies and other entities in the Chicago area to tap into the knowledge, energy and experience of some of the area’s most forward-thinking entrepreneurs to create new solutions. Our people can interact with others working on consumer-facing applications.

I also felt having a presence there sent a message about where we were going and what was crucial to us. We wanted to put cultural stakes in the ground that would communicate a message about who we want to be and what’s important about making our digital transition.

Spark Tank is an effort to make sure we’re listening to our 15,000 employees and creating opportunities for them to contribute to our digital transformation. We have done it twice so far, running it as a competition that has involved more than 80 teams from around the world so that the best ideas bubble up throughout the company. We actually funded an initiative of the winning team and sent them to 1871 so they could take that idea to the next step. Now it has the potential to produce an actual result that could come to Alight while engaging people in innovation and digital transformation in ways that affect the company.