Have You Got the Digital Brownfield Blues?

Dave Aron, Global Research Director, dave.aron@leadingedgeforum.com

We are busy preparing for the November 21st *LEF EMEA Forum* here in sunny London. As well as LEF content, outside speakers will tell their stories: Paul Clarke, CTO of Ocado, will talk about his experiences and perspective, and Pete Goss, round-the-world sailor and adventurer, will share his insights on being an authentic leader. Both will talk about experiences in the real world – a world that is messy, complex, volatile and sometimes political. A world that is *brownfield*. Originally used in urban planning to denote land that has been previously used (as opposed to 'greenfield' – land that has never been built on), 'brownfield' is used metaphorically to denote business contexts where there is history, legacy and existing business – maybe even some toxicity. This is in distinct contrast to a start-up or scale-up context, where there is no existing business to keep going, no legacy assets to integrate with/ work around, no established process and no ingrained culture to challenge.

My colleagues at LEF and I are lucky enough to spend time with digital leaders in many large organizations with plenty of legacy, plenty of process, plenty of customers, plenty of regulations. Many are tasked with leading digital transformation and innovation in this context, which they are finding a significant challenge. You might say they are "*singing the Brownfield Blues*". The lyrics of this song, written by Johnny Bitcoin (the Digital version of Johnny Cash) include lines like:

- **How can we transform whilst keeping the company going?**
- **How can we create a culture of innovation?**
- **How can we upskill our people/get the talent we need?**
- **How can we innovate in ways that can scale?**

Not quite as catchy as Folsom Prison Blues perhaps, but equally poignant.

First, we should recognize that this is something of a systemic and unavoidable issue – big organizations, like armies, companies or governments, are designed to align a large number of individuals in one direction. That is somewhat counter to empowering individuals, or even teams, to be creative and innovative. Most organizations are set up for about 90 percent stasis, 10 percent change (and we may be over-estimating the change capability). Also, just like in the urban planning context, people often have a *beginningist* bias, focusing on the shiny, new opportunities, and often under-estimating the extent of toxicity/legacy of the brownfield to be addressed.

Second, we should realize that being an agile and innovative organization is not one capability; it is the coming together of many aspects of strategy and planning, structure and process, governance and measurement, culture, incentives and behaviour. And all of those things are connected in a logical 'AND' relationship, not an 'OR'. In other words, we have to have a whole bunch of things all lined up to give innovation a chance; and even then, by its very nature innovation is still not guaranteed, certainly not every time.

Third, we must recognize that every successful innovation and transformation will later become part of the legacy that needs innovating and transforming. So, we must design not to achieve one-off success, but sustainable transformation.

We plan to conduct lots of case studies of brownfield digital transformations in the next year, both successful and unsuccessful ones. If you would like to be one of them, please let us know. But in the meantime, here are eight observations about things you need to get right:

1. **Clarity of strategic focus.** Any organization of any size has to have a strategic focus to win. Its brand must stand for something; there must be some front-end or back-end synergies between the things it does. In order to compete, an organization must understand what are its tickets to the game, and what are its order winners – otherwise there is no reason for it to be together as an organization and it would be better off splitting up into pieces that do have strategic focus. Hence, there must be some clarity about the company's strategic focus, and how it is evolving, in order to focus the efforts of innovation and transformation. (For example, if you are a soft drinks company and your focus is on getting such powerful distribution that your soft drinks are available on every street corner in the world, that can and should powerfully influence your innovation focus. In that context, drone delivery and refrigerators that can make your own soft drink might be fruitful avenues of exploration, but gourmet soft drink bars less so. Completely unrelated innovations like quantum cryptography are probably even less useful.) Because companies get into strategic ruts, we shouldn't be 100 percent religious about this, so a goal of 90 percent strategic innovation, 10 percent unstrategic innovation is probably a good target. But even to know if we are close to that, we need clarity about our strategic

focus – where the company will play and how it will win. And that doesn't mean just clarity in the boardroom; it means clarity diffused throughout the ecosystem of employees, partners and other stakeholders. We don't have a strategic focus unless the majority of stakeholders know what it is, and roughly agree.

2. **Clarity of digital transformation focus and appetite.** In our recent paper *WT* is a Digital Transformation?* we discussed how the words 'digital' and 'transformation' are unclear individually, but when put together as 'digital transformation' the meaning is even less clear. We suggested thinking about four levels of digital transformation: transforming the underlying technical capabilities, transforming the operating model, transforming the business model, and transforming the business strategy. Whatever model or definition you use, it is essential that the stakeholders understand and agree on what level of transformation you have the appetite for and are shooting for. This is not a one-off agreement; it has to be continually reinforced, especially when there are outside stakeholders (such as big vendors) involved.

3. **Structure.** For successful transformation and continual innovation, we need to make sure that the organization's structure doesn't get in the way. At the very least, this must mean that innovation and deep transformation activities must not get in the way of deploying multidisciplinary teams, small teams and self-managed teams. Bimodal approaches, including the Pioneer, Settler, Town Planner model that Simon Wardley will share during our Forum, help with this.

4. **People.** We need to be smart when thinking who will be engaged in innovation and transformation activities, and who in business-as-usual activities. For example, we have to make sure innovator roles are not used as a reward for successful execution staff; that innovation teams are not all blue-sky thinkers/idea generators, but also team players, resource investigators and relationship people; that transformation teams have the necessary resilience to make difficult changes; and that we have the right content areas in our teams – for example new AI, big data and digital anthropology capabilities.

5. **Tools and work practices.** The tools and practices we need for high-scale business-as-usual, deep transformation and innovation are not necessarily the same. We must think carefully about where people need to use the same tools to keep cohesive and integrated, and where they must be allowed to use appropriate tools for their focus areas.

6. **Bringing the outside in.** We need the ability, where appropriate, to consider crowdsourcing, acquihires and techquisitions, and maybe use non-executives on digital transformation and innovation steering groups.

7. **Metrics.** The measures that apply to everyone in the organization need to encourage the right behaviours. For example, when conducting a digital transformation, use dual metrics for those involved in the transformation and those not involved. Those involved in the transformation should be incentivized both to deliver the transformation and not disturb business-as-usual unnecessarily. Those involved in keeping business-as-usual going should be targeted on normal business performance and support for the transformation. Similarly for innovation, senior leaders should be incentivized by balanced overall measures (such as 'in the next 2 years, 30 percent of our revenues will come from new products/digital revenue streams'). Innovation teams should be incentivized both for innovating and for diffusing the innovation/handing over successful innovations to the rest of the business.

8. **Culture,** and specifically a culture of collaboration. It is pretty well documented that both transformation and innovation normally require powerful collaboration. As we stated in our Report *Who Shares Wins*, collaboration doesn't come by installing new tools like Sharepoint or Slack, and certainly not only by doing that. Instead it comes from addressing the reasons why people do and don't collaborate, and creating a positive cycle of triggers and rewards to change behaviour. Also well documented is the need to support a low-blame, failure-tolerant culture in order to innovate and transform fast.

It's possible to do none of the above, and just get lucky – or to do all of the above and not generate great innovations or successful transformations. But we suggest that by addressing all of these areas, you maximize your organization's chances of escaping the Brownfield Blues.

We look forward to seeing you at the Forum.

About Leading Edge Forum

Leading Edge Forum (LEF) is a global research and thought leadership programme dedicated to helping clients reimagine their organizations and leadership for a tech-driven future. We serve as a strategic touchpoint for CXO teams to provoke and challenge their thinking to help them win in the 21st century.

We believe that as business and IT become inseparable, virtually every aspect of work and the modern firm will need to be reimagined, and this creates exciting new digital opportunities.

Through an annual membership programme of research, events, onsite workshops and advisory services, we support senior leaders in areas such as strategy, organizational change, executive education, talent development and the future of the IT function. Members enjoy personalized access to our global network of thought leaders, clients and leading practitioners.

Leading Edge Forum is part of DXC Technology. For more information, visit leadingedgeforum.com.

LEADING EDGE FORUM