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thinking.



Digital Transformation

An Interview with Howard Tiersky, CEO of FROM

Howard Tiersky:

Howard Tiersky is a leading authority on digital transformation and the author of the best-selling book "Winning Digital Customers".



There are many legacy companies today sleep walking toward their grave. They are about to be engulfed by a fast approaching wave of momentous change which they are totally unprepared to face. It is no longer a question of whether market disruption will happen to their business - it is only a question of when. There will be no safe place to hide. No sector will be spared. Many companies will be simply swept away.

Some refer to it as the Fourth Industrial Revolution. Others call it the Age of Upheaval. Whatever you call it, the change will be so radical, so disruptive, so extensive that it will demand completely revolutionary thinking in order to avoid extinction. And revolution is just not in the vocabulary of most businesses. Companies much prefer the calm and predictability of business as usual.

For years now digitization has been on the corporate agenda as an operational necessity. The principal motivation has been modernization of the company's operating model – how work actually gets done. Seeing no special urgency, companies have tended to move at a leisurely pace, satisfied with incremental

gains in productivity and efficiency. Even then many of these modest transformation initiatives fail. In fact, it is estimated that just 30% of digital change initiatives ever succeed. Poor governance, lack of executive fortitude, pushback from internal naysayers, inadequate funding, thinly spread resources, competing priorities - all of these factors and more can sap the will of the project champions.

Now consider the even tougher odds of achieving profound transformation that calls for divergent thinking to succeed. This is the exact type of transformative change that will be essential in the years ahead as big data, AI, IoT, augmented reality, the metaverse and robotics converge to rock the world. Companies will need to prepare for various possible scenarios that are entirely speculative at this point. They will need to adopt a start-up mindset. And they will need to have the courage to give up what they know has worked in the past for what they are guessing will work in the future.

The penalty for failure to adapt is so fatal that John Chambers, the former CEO of Cisco, is famously quoted as predicting that 40% of businesses will not exist in a meaningful way in ten years. And he said that eight years ago. Maybe he was being a bit melodramatic, but the truth is that most companies are simply not built to reinvent themselves. They are certainly not prepared to leap into the unknown. And they absolutely do not want to risk jeopardizing their current cash flows and upset their shareholders.

So how can businesses gird themselves for the future instead of continuing to move in slow motion? How can they be more innovative? Agile? Bold? How can they be better at change management? In short, how can they make themselves invincible?

Howard Tiersky has many of the answers which can be found in his best-selling book *Winning Digital Customers*. His company,

FROM, has led many successful digital transformation projects for a wide range of enterprise clients and in the book he shares his methodology for success. Howard has himself spent most of his career spearheading digital change from the earliest days of the commercial Internet.

SS

Stephen Shaw (SS): Your undergraduate degree was in fine arts, and then you went on to get an MFA in cinematic arts. Did you have early ambitions to be a theater or film director?

HT

Howard Tiersky (HT): You're right, my original career trajectory was in theater and film and video. But then I started to work in this new area called multimedia, applying some of the same principles I learned to things like CD-ROMs. And so, I just started to move away from traditional media to work in digital media and I've been on that track ever since.

SS

Were the skills you acquired in your fine arts training transferrable to a digital career?

HT

Oh my gosh, I mean so much. First of all, yeah, I think training in the arts in general is wildly valuable for people, in whatever career. As a theater director, one of the things you have to do is bring together both creative and technical talent, because productions have substantial technical and performance components. And so, if you're doing digital work, you have similar issues. Also, in theater or film, you're creating an experience for an audience – a journey - that has different stages. You're trying to influence a person in some way. If it's an artistic influence, it may be a message or a moral, or something that you want them to think about. Sometimes it's just pure entertainment. But even then, you're trying to influence them. You're trying to put them in a good mood. You're trying to get them to laugh, right? So, if you think about digital experiences, you have to bring together creative and technical people in the same way. You also have to understand who your audience is. You have to create an experience that works well for them. You're trying to have an impact on that audience.

SS

Something else they might share in common is empathy, seeing the world through somebody else's eyes.

HT

Yes. And ideation. I talk about that extensively in the book: how do you come up with ideas?

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You went on to lead Capgemini's digital transformation practice. How would you compare the challenges that clients faced back then to the challenges they're facing today?

HT

We weren't using the term digital transformation back then, but that is essentially what we were doing. I was running the creative side of Capgemini's digital practice in the early days when it was a relatively new thing. Of course, there's a lot that's different now. When we started, there was no iPhone, right? You didn't have the mobility component that is so important today. And, of course, that has allowed us to embed digital into every moment of someone's life, instead of just something they did when they were at their computer. Bandwidth is so much more available. And the technologies that we have to work with are so much more advanced now than they were back then. So, there are some substantial differences. Having said that, I think the fundamental challenge is the exact same, which is what is the impact on the business? Why should we invest in it? You don't just spend money on something because someone says you should. So, I think what's similar is that the question is the same, which is, how do we maximize the business benefit?

SS

The big difference, it seems to me, is in those earlier years the focus was on how do we use this technology to sell versus today when we're thinking much more proactively about how we use it to serve.

HT

It actually started with how do we use it just to communicate. Because in the mid-1990s, if you wanted to buy a book from Amazon, you could see the book on their website, but then you had to email them. I remember having conversations with companies who felt that e-commerce was not secure enough. The Internet was just a communications platform. The web site was a digital brochure, a place to get information. And then you're right, of course, the next big phase was e-commerce: how do we connect our business in a way that allows people to use digital channels as an alternative to going into a store or calling us on the phone? And now it goes beyond sales and service to the fundamental business model. You see businesses that are simply designed and engineered and built for this extremely hyper-connected world.

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The other interesting aspect of this is the fact that most businesses really haven't changed how they operate

from 20 or 30 years ago. They may think about business differently today, but for the most part they don't really do business differently.

HT

You're 100% right. There definitely are companies still trying to do business the way they were 20, 30 years ago. But that number continues to decline. And I can point to many businesses that are what you would call legacy brands that are really killing it. I'll mention two just to prove my point. One is Starbucks. In the beginning Starbucks was all about walking in to a shop and ordering your espresso, or whatever. And now, Starbucks has a huge percentage of their business coming through their app, people pre-ordering. They have really transformed the business through digital, making it more profitable, enabling each location to generate a lot more money because they can process a lot more orders because of the efficiency of digital. And they use AI in all kinds of ways to run their supply chain. But also, their whole payment model: you can use Starbucks cash to recharge your account and pay for your order at Starbucks. At this time, Apple Pay is the largest digital currency in the United States, but Starbucks is number two, ahead of Google, ahead of Samsung. So, here you have a traditional coffee company that's now one of the leaders in digital payments. The other one I'll mention is Walmart. Now obviously, Amazon is a pure-play company that has been wildly successful, and one could argue, why didn't more companies that were already big retailers become more like Amazon? But Walmart, a very classic meat and potatoes legacy retailer, is now the number two largest digital retailer in the United States. So, these are companies that really are thriving in a digital world.

SS

Cisco's John Chambers said in a keynote speech in 2015 that 70% of companies will embrace digital transformation, but only 30% will succeed. Does that sound about right to you?

HT

Digital transformation is very challenging, and there's a lot of failure along the way. It is not an easy path. But the reality is that in order for companies to be successful, they must transform. Why? Because digital transformation is something that's happening in the lives of customers: the way a customer buys, uses your product, makes decisions, everything has dramatically transformed and is continuing to transform. So, when the customer is changing that much, and their needs are changing that much, if you stay the same, it's almost sure death. So, you have to transform because the

world is transforming. But you can't think of transformation like a caterpillar turning into a butterfly because the goalposts keep moving. Rather, we need to think of it more as continuous evolution.

Every business is in a race, and very often there are many competitors that are ahead of us. And up there with the top competitors is our customer whose expectations are being set by them. They're being set by Amazon, they're being set by Uber, they're being set by whatever is the most delightful, convenient, elegant digital experience they have in their life, whether it's in your industry or not. That's whose setting their expectations. And so, we're just running to try to keep up with that customer. And customer expectations keep changing. And now we have AI and that's just going to mean a whole new level of great customer experiences, which are even smarter, even more convenient, and it's going to mean everybody needs to run even harder to make sure that we don't fall so far behind that we wind up where Bed Bath & Beyond is, that we wind up where Toys R Us wound up, and so many other companies that just couldn't keep up.

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You do state in your book that not all businesses are built to transform. Blockbuster is a notorious example. In fact, you were working with them at the time as a consultant. You even admit in the book, that's one failure you regret.

HT

You're getting me down, man. Do we have to talk about this? I'm just joking. So, as I say in the book, I was a digital strategy consultant hired by Blockbuster right around the time when Netflix was on the rise. Blockbuster was still a giant, and our goal was to create a digital strategy for the future of Blockbuster. And to this day, I think we did a pretty good job because we created a strategy that looks not entirely unlike what we see with Netflix today, with a lot of streaming video and different kinds of user interfaces to allow people to browse in different ways. And we prototyped those things, and we tested them with users, and we had a great vision, I think. And it wasn't just my team and myself, also the people at Blockbuster, right? There were executives there who were super sharp and saw the future, and that's why they brought us in. But we did not succeed in getting Blockbuster to wholeheartedly implement our ideas. There was too much resistance within the organization. And ultimately, that was certainly one of the things that led to their downfall.

You know, one of my favorite quotes is from Bill Gates, who said, “Success is a lousy teacher.” And Blockbuster had been wildly successful for decades. But they failed to see that their model was not going to be sustainable. They were always wanting to innovate, all the way to the end: “How can we make the store better?” It was just the wrong question because it doesn’t matter how good the store is when people can just push a button and watch a video in their home.

You started by saying some companies aren’t built for transformation. I’m not sure people are built for transformation. People get set in their ways, they get certain mindsets, they get certain beliefs. And one of the things that was core to Blockbuster, and I heard people say this over and over, people would say, “You don’t understand. We are a retailer. That is our business. We are a store-based company. That is who we are. So, when you talk about all this streaming stuff, that’s not who we are. That’s not how we do business here”. I think that’s the problem that companies have. They sometimes get too focused on who they believe they are, and they don’t make the change that’s necessary when the world is changing.

SS

In your book you use the term politics of subversion. I love that phrase. How do you deal with the inevitable reactionary forces who resist change of any kind?

HT

The answer is actually something you mentioned earlier which is empathy. If we look back at what happened at Blockbuster, it’s easy to say, “Oh my God, those guys were idiots!” But they were not dummies. They were very, very smart people who had conviction, who had a vision, they were people who’d been successful, right?

One of the reasons Blockbuster was very resistant to streaming was that they weren’t making a lot of money on the video rentals because the studios took such a big cut. Where they made a lot of their profit was actually on the extra stuff you’d buy. You go to Blockbuster, you rent 3 videos, they might only make a dollar on that, but then you’d buy a big box of M&Ms for \$4 that cost them 20 cents, right? And that’s where they made all their money, on these extra things you’d buy when you were in the store. The thing I heard over and over from people with Blockbuster is “You can’t stream candy”.

In the car rental industry, where I’ve worked with multiple companies, here’s their challenge: You want to use digital to make it easier for people to get right to their car, create a better experience so they don’t have to wait in line. That makes sense. That’s what customers want. But wait a minute, those customers in line, that’s where the car rental companies do a lot of their upselling. That’s where they convince you to take the insurance, which, by the way, you might need. And by the way, that’s where a lot of their profit comes from. What you have to recognize is that very often the people that are fighting against you, they’ve got their reasons, and it doesn’t mean that they’re good reasons, but you want to make sure that you really try to understand their reasons and you approach it with empathy. You really want to understand where they’re coming from and not just have a mindset of, “They’re standing in the way of progress.” That is maybe what they’re doing, but there’s a reason. And once you understand the reason, you’re at least halfway to figuring out what to do about it.

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You spend at least a third of the book on the importance of understanding customer needs, pain points, and how to address them. Is that ultimately the way companies can ensure that there is full buy-in to the depth and extent of transformation that’s required for an organization?

HT

There’s no question in my mind that the thing that drives the success of digital transformation is a focus on the customer. And the reason is because that’s where the money comes from. If you get the customer formula right, it will cover a multitude of sins in other areas of the organization. I think it is certainly true that when you are improving the value proposition for the customer, that gets people excited. People don’t like to work for a company that customers don’t like. And as employees start to feel that changes are being made that are improving the experience of the customer, that tends to be motivating. And so, I think the answer is to recognize that when you’re driving a transformation, influencing the behavior of employees is the key thing. And so, you need to understand what’s important to these employees. What kind of fears does transformation create? You can’t win over everybody, but at least it’s helpful to know that. And then you have to figure out how to deal with it. But don’t kid yourself that if I just give a good enough speech, I can convince all these people that it’s great for them if it’s really not.

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Is transformation synonymous with innovation, or does it tend to be piecemeal change?

HT

To argue about whether something is or is not truly innovative or truly transformative is missing the point. Here's the real question: Is the company doing what it needs to do to succeed? Is the company doing what it needs to do to make their customers happy? That's the question. And this is what you may be really asking: are most companies moving fast enough? But as I mentioned earlier, they're doing better than they were. There's plenty of digitally savvy people working with and at most major brands. But it's tough to move fast. When you're small, you have the ability to be more nimble and agile. A well-funded company with 100 employees in Silicon Valley can run circles around you because they're a small speedboat and you're an aircraft carrier. But there are advantages to being an aircraft carrier. Even though it can't turn fast, there's other stuff it can do a heck of a lot better than a speedboat. Most big companies are not really, like you said earlier, designed to transform. In fact, they're designed for the opposite. They're designed to systematize. They've not been built to be upended every couple of years.

SS

When you are brought in, are you seen as an accelerant to an existing transformation initiative, or is a big part of your work actually developing the vision and roadmap?

HT

People bring us in for different reasons at different stages of the transformation lifecycle. In all cases, we're brought in by smart people who are thinking about how to drive transformation. Our job is to help support and make them even more successful. Sometimes that means helping with more structured customer research, making sure they have the data necessary to make the right decisions around how to focus the transformation, what features and capabilities to focus on, which channels to focus on, which markets to focus on, customer segments to focus on, etc. Sometimes it's actually building something. "We're going to create the world's easiest-to-use e-commerce app for ordering books." It's rare that we come into a company where they have no idea what to do.

SS

Are there situations you encounter where you see warning signals of a project doomed to fail?

HT

We're not there to try to tell them their ideas are bad, but to ensure that it's been thought through in the right way because our success is not getting paid to build something; our success is having the client say after a year or two years, "Holy cow, that was the best money we ever spent. They delivered for us and this has made a massive impact." And I'm really proud to say we have a lot of clients who say that sort of thing, and then they come back to us year after year. Our business strategy is: make sure we get results.

SS

In the book, you really emphasize the need to find superheroes who will lead the transformation. My experience working with companies is those folks are unicorns. Is that a bit of an obstacle finding the right people to lead the transformation teams?

HT

We have a little bit of a tongue-in-cheek section of the book, which you're referring to, where we create an image of a superhero and say that, "In order to lead digital transformation, you need this amazing combination of skills." As we've been discussing, it's challenging. It's much harder to lead a company through transformation than to lead it at a time when you're just keeping things going, making incremental improvements. It requires a lot of skill, a lot of talent, and as you've pointed out, it's prone to failure. And the people who are successful, therefore, are extraordinary because it's difficult. And we point out all the different skills that someone needs to have in order to be successful. But look, if someone doesn't have every single one of those skills, then you build a team around them.

SS

I read this phrase the other day where we're in an "age of upheaval" referring to the immensity of change ahead of us and the urgency to embrace the need for transformation. Is that how you see it?

HT

I want to respectfully disagree about that phrase. I don't like that phrase at all, that we're in an age of upheaval. That sounds horrible. I wouldn't want to live in an age of upheaval. And even if there's accuracy in describing it that way, whatever situation you're in, there's always the good and there's always the bad. Upheaval, that sounds bad to me. I personally feel very fortunate to be alive right now. I think we're living through a time of just unbelievable

change. Yes, of course, it has downsides – it can upend people’s lives and careers. But the amount of good that is driven by digital doesn’t get nearly as much airplay as the negative sides of it, the tremendous increases in productivity, the leveling of access to information, the way it creates communities and mobilizes political movements, the way that it makes all kinds of artistic expression from videos to music, to literature that would never have been so widely available. So, personally, I don’t think we’re living in an age of upheaval. I think we’re living in an age of just amazing democratization, new capabilities, things that are improving all of our lives in many, many ways. And so I just want to jump on that point to say, there’s so much more positive than negative that I really I want to be focused on that, and I want to encourage others because I think you’ll be happier to focus on what’s so great about it.

SS

Maybe it should be “age of possibilities”.

HT

I love that.



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