

Customer first 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're about to be engulfed by a fast approaching wave of momentous change which they are totally unprepared to face. It's no longer a question of whether market disruption will happen to their business – it's 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's 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 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? Bolder? 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 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.

I started by asking Howard how he transformed himself from an aspiring theatrical director in his youth to a popular champion of digital transformation.

HT

Howard Tiersky (HT): Yeah, I'm even more a theater director, actually. But my original kind of career trajectory when I started my education those many decades ago, that's right, was in theater and film and video in those areas. And I studied that, and I did some of that work professionally very early in my career, in my 20s. And then started to also work in this area that at the time was called multimedia, applying some of those same principles to things like CD-ROMs, you know, if you remember back in the day.

SS

Stephen Shaw (SS): Yeah, of course, I do.

HT

And so, that was really sort of the path that then I was doing that type of work. And, of course, that sort of segued into the internet, which, you know, wasn't what it is today when it started. And so, I just sort of wound up on this trajectory of moving a little bit away from the traditional media that I started working in to work in these new digital media. And I've just been on that track ever since.

SS

I'm just curious, were there skills that you acquired in that learning that were transferrable to that new career trajectory that you were on?

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, you know, in whatever career they're gonna go into, even if they're not intending to be professionally in the arts. But just to name a few, I mean, as a theater director, one of the things you have to do is bring together story and creative talent, and also technical talent because, of course, theater or film productions have substantial technical components, and, of course, performance components. And so, if you're doing digital work, you have similar issues. Of course, it depends, again, exactly what type of digital thing you're creating. Also, in theater or film, you're creating an experience for an audience. You're creating a journey that's supposed to take them through an experience that has different steps and stages and is ultimately means something, right? You're

trying to influence that 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, whether it's like we work on, for example, the Avis Budget, you know, car rental sites, you know, say, "Well, what does that have to do with the theater performance?" You know, on one level, they are, of course, quite different, but they share all those things that I just mentioned, to create a really great app for renting cars and tracking your car, you know, during a ranch or whatever, or else you have to bring together creative and technical people. You 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. Maybe you're trying to get them to buy more, upsell to a better car, or add the insurance, or just have a great experience so that they're gonna wanna come back again and again. So, that's just the tip of the iceberg. There's so many things one learns working in... you know, and it's true across a wide range of different arts. You know, I mean, one other example, I don't draw or do visual arts myself, but several of my kids who are in college do. And I just think that that's fantastic. You know, I always wished I was someone who could really draw, and I'm not, but that's a skill that's useful in so many. To be able to express yourself visually, if you have an art idea or something, to be able to draw it and be able to communicate that way is a valuable skill. Maybe not in every single job, but in a lot of different jobs. So, yeah, I think it was a tremendous background for the work I eventually did.

SS

Well, I certainly think the two sort of shared attributes would be imagination, as you're describing it, but also empathy, that ability to see the world through somebody else's eyes.

HT

Yes. Those are great points. Yes. And ideation. I talk about that, you know, if you've read my book, extensively in the book, how do you come up with ideas? And, of course, that's true in the creative, artistic world, but you need ideas, you know, in business. And I should add as well, you know, I'm a professional speaker, and that's part of my business as well. Going and talking about topics like digital transformation, and, of course, training as an actor, having to get up in front

of people, and, you know, using your voice and using your body. These are also all things that apply, even if it's not quite the same, of course, as, you know, performing Hamlet, giving a talk at a conference. But you do have some similar factors. You have to engage with an audience, and you use your voice to express things and stuff like that. So, again, you know, many things that are applicable, even if it's not the exact same sort of result that you're looking for.

SS

Well, and we'll come back to this a bit later on when you describe the need for superheroes and those transformative powers. I do wanna ask you a little bit more about your history because as you alluded to, you took over, I think it was your first job as director of New Media. You mentioned multimedia, I remember that term as well, at Ernst & Young very early on in digital marketing days. And then I think Ernst & Young turned into Capgemini, and then you led their digital transformation practice which you chronicled a little bit in your book. How would you compare the challenges that the clients faced during that period when you were at Capgemini leading digital transformation to the challenges they're facing today - similar, different? (9.54)

HT

Well, both similar and different. And I should add, we weren't using the term digital transformation back then, of course, but that is essentially what we were doing. And I was running kind of the creative side, if you will, of Capgemini's digital practice in the early days when that was a relatively new thing. Of course, there's a lot that's different. When we started, there was no iPhone, right? So that you didn't have the mobility component of digital today. And, of course, that was a huge transformation and acceleration and allowed us to embed digital into every moment of someone's life, instead of just something they did when they were at their computer. Of course, bandwidth is so much more available, both wired and wireless, and all that. And that changes the kind of things we do. 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 one, which, you know, from the very first...you know, I just happened to be in the right place at the right time when the Internet was becoming a commercial thing, right? From being something that was only used by the academic world and the military world. And so, I was often brought in, and this is when I was

just a kid, really, in my 20s, to meet with very senior people at some of Ernst & Young's clients to answer the question, why does Boeing need a website? You know, why does Cisco even need a website? Or why does, you know, whatever company... Why should Mattel have a website? Now, today, that sounds like an absurd question, but back then it wasn't something customers were asking for. It wasn't something they were doing. Who's gonna even use it? You know, like, who would even look for us to have a website? What's the purpose of this thing? And I think that's the same question. And what is the impact on our business? Why should we invest in it? Because we only invest in things that have a return, right? You don't just spend money on something just because someone says you should. So, why should we spend money on this? And what kind of impact do we think it could have on our business? And, of course, that answer was very different then than now. Then it was a little bit like what someone might say today about the Metaverse, or, you know, something else. Like, why should we be out on the Metaverse? There's not many of our customers looking for us there. And today, the answer might be, "Well, you know, it's for the future, right? It's to be ready, etc." And whether that really will be the future or not is hard to say, right? Sometimes companies invest in a lot of different things that turn out to be dead ends, but that's how you make sure you're in early on the things which actually turn out to be important. So, I think though that what's similar is that the question is always the same, which is, how do we maximize the business benefit of this? How do we use it to better serve our customers, to better empower our employees, to better engage with the ecosystem of our business, which could be distributors or suppliers or whatever it might be? And the potential of that, of course, has grown exponentially because everybody's connected now, that wasn't the case then. And all the reason, as I mentioned earlier, they have better connectivity. It follows them everywhere.

And I'm sure, you know, that the wearable trend will continue. It hasn't necessarily been a straight line. You know, Google just discontinued Google Glass, for example, what was 15 years ago was supposed to be this wearable that we were all gonna walk around with. But even still, I think that, you know, 10 years from now, or 20 years from now, we will have technologies incorporated into us in even more

seamless ways than the thing we keep in our phone, the smartphone in our pocket. So, I think that bottom line, the question we always have to be considering is how do we use these platforms to better engage? And then how do we implement whatever we do, whether it's an app or a chatbot or whatever. And obviously, everyone's, you know, very excited about OpenAI and ChatGPT, and that's just another tool for us to create great experiences with, and we're doing all kinds of stuff with it now at my company. How do we use that to create a better experience for our customers and our employees, and ultimately improve our business? And so, in that regard, it's exactly the same.

SS

The big difference, it seems to me though, is that, as you're describing it, back in those earlier years, the focus was on how do we use this to sell versus today where people are thinking much more proactively about how do we use this to service our customers? In other words, moving from seeing it as an e-commerce platform to really a all-in customer experience platform. Would you say that that's really the major divergence?

HT

I mean, it actually even started before we had any way to sell. It started with just how do we use the platform to just communicate. Because in the earliest days when I was doing this type of work in maybe 1995, 1996, you know, that was when if you wanted to buy a book from Amazon, you could see the book on their website, but then you had to email them. You know, that was how you bought a book on Amazon, right? And so, at that time, I remember having conversations of companies who felt that e-commerce is not secure enough, you know, "We're not ready to do transactions on the internet." And those that started doing it, you know, using CGI scripts and things like that, it was leading edge.

And so, yeah, step one was, it was just a communications platform. It was a digital brochure, a place to get information. And by the way, in some cases, service came before sales because sometimes service, it starts as information, right? How do you put your product manual online? Putting your frequently asked questions thing online. Obviously, that's not really robust service, but it's a tip of the spear of service to say, "Well, here's some content that might at least help you. But, of course, then if you need more, then here's the 800 number you're gonna have to call, right?" Because you can't provide any kind of interactive service back then on digital platforms. (15.43)

And then you're right, of course, then the next big phase was e-commerce, and how do we connect our business, you know, in a way that allows people to use digital channels as an alternative to going into a store or calling us on the phone, or however else they may have placed it in a transaction. And now, of course, it's not even just sales and service, it goes beyond that. It goes to the fundamental business model. How do we even serve our customers? How do we price what we sell to our customers? Things like that. And now, of course, you see businesses like Uber or Spotify where it would never have even been possible outside of a digital world, and businesses that are simply designed and engineered and built for this extremely hyper-connected world.

SS

The other interesting aspect of this, though, and I'm so keen to hear your opinion on this because you were watching companies close up, adjust and adapt, and, you know, try to comprehend the business implications of these evolving technologies is the fact that most businesses really haven't changed in how they're structured from 20 or 30 years ago. Would you agree with that? That they really haven't adapted the way they do business, or maybe they think about business differently, but do they do business differently?

HT

If you asked that question 10 years ago, I think that it was true that you'd look around and you'd say most of the companies who are really, really thriving in a digital world, who've really figured out how to use digital in a way to delight customers and build a company and generate lots more revenue and make money and, you know, create a lot of value in the marketplace were more sort of pure-play companies, you know, your Amazons, your Facebooks, etc. And part of my life has not been working mostly with those companies. My career has been mostly working with the great chain of legacy brands, shall we say, the JP Morgan Chases, and the NBCs, and the Avises, and these kinds of companies on how to adapt.

And I'm really pleased to say that the game, I think, really has changed. You're 100% right. There definitely are companies that still are trying to do business the way they were doing 20, 30 years ago. The number continues to decline. And I can point to many businesses that are what you would have called pre-digital legacy brands that are really killing it. I'll mention two real quick just as examples to prove my point.

One is Starbucks. Clearly, you know, Starbucks probably helped fuel the creation of digital, right? I can totally see Marc Andreessen at the University of Illinois creating Netscape while drinking Starbucks coffee. So, it helped in that regard. But, of course, back then, Starbucks was all about walking in, ordering your espresso, or whatever it was. And now, Starbucks has a huge percentage of their business coming through their app, people pre-ordering. You know, they have really transformed the business through digital, making it more profitable, making each restaurant, or whatever you wanna call it, each barista, or...no, not...what do they call it? Not a barista, each location, whatever Starbucks calls it, that's, you know, able to generate a lot more money because they can process a lot more orders because of the efficiency of digital. And plus they use AI in all kinds of ways to run their supply chain and things like that. But also, their whole payment model, you know, Starbucks cash that you can use to recharge your Starbucks account and use that to pay for your order at Starbucks. At this point in time, Apple Pay is the number one largest digital currency in the United States, and Starbucks is number two, ahead of Google, ahead of Samsung. So, here, you have like a traditional coffee company that's one of the leaders in digital payments. And then the other one I'll mention is Walmart. You know, obviously, Amazon is a pure-play company and has been wildly successful, and one could argue, you know, why didn't companies that were already big retailers essentially become what Amazon was? You know, no, it was a startup that then came in and became the retail giant. But Walmart, obviously, 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 have clearly made change and are now thriving in a digital world. But I'm sure we could come up with some examples of ones that aren't nearly as successful. (20.15)

SS

Well, I'm presuming that your business relies on the fact that many companies still are going down this digital transformation path. I just finished interviewing the VP of digital products at the Bank of Montreal, which is, I think, now the eighth-largest bank in North America. And it was fascinating listening to him because he was, you know, on the ground floor of the digital transformation of that bank and the hurdles they have to overcome. And they're still

very much in the middle of that journey. In fact, he calls it a continuous transformation to move from this sort of branch-based business model of theirs to one that's moving almost totally online in part fueled by the threat of fintech. So, I wanna get into this a little bit because John Chambers, who you referenced Cisco earlier, said in a keynote speech a few years ago that 70% of companies will embrace digital transformation, but only 30% will succeed. Is he right with that ratio? Does that sound about right to you?

HT

The basic thesis behind what he's saying is certainly valid, which is that digital transformation is very challenging, and there's a lot of failure along the way, and there's a lot of friction. And like any form of transformation, it is not an easy path. There's no question about that. It's very difficult to argue, you know, what is the finish line to say, "You know, as of yesterday, we hadn't succeeded at digital transformation, but finally today we've succeeded." You know, it's not really like that. So, it's a nice thing to say in a speech, but the reality on the ground is far more complex. And the reality is that in order for companies to be successful, they must transform. And why? Because digital transformation is not something that starts with a company. Digital transformation is something that's happening in the world. And even more importantly, in the lives of your customer, whether you're a B2B company or a B2C company, the way your customer buys, uses your product, disposes of your product, makes decisions, pays, 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. Now, then it comes down to, "Well, what speed do you need in that transformation? And how do you gauge exactly what transformation to undergo?" I mean, the truth of the matter is, transformation's just a fancy word for change. You could take a business and change it in many ways and drive it into the ground. Just changing is not sufficient. You have to be able to figure out what are the changes that are gonna keep your brand, your products, your method of sales or distribution, or what have you, relevant to today's customer. And again, that continues to be a moving target. So, I agree with your guests from the Bank of Montreal. I think that transformation isn't something... You can't think of it like a

caterpillar into a butterfly-type transformation because the goalposts keep moving. But rather, we need to think of it more like a continuous evolution where maybe that's a better word, is digital evolution, except that implies it takes a long time, right? And we really don't have a long time. But, you know, because...in a way, I think of it like this. It's like we're in a race. Every business is in a race, and very often there's many competitors that are ahead of us in this race. And up there with the top competitors is also our customer whose expectations are being set by those. Not even just our top competitors, 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 what they're setting their expectations. And so, we're just running to try to keep up with that customer. And that customer keeps running in the sense that their expectations keep changing because what they're seeing and what they're experiencing from the best that's out there keeps setting new expectations. And now, of course, we have AI and things we're gonna be able to do with GPT and similar technologies, and that's just gonna mean a whole new level of great customer experiences, which are even smarter, are even more convenient, and it's gonna 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 you know Toys "R" Us wound up, and so many other companies that just couldn't keep up.

SS

Or Blockbuster, which you call out in your book. It's a great anecdote in your book. But you do state in your book that certain businesses, not all businesses, aren't built to transform. Blockbuster as an example in your book, because you were on the scene when some of these decisions were being made, was that willful myopia, was just the absolute refusal to consider a different business model because of the short-term impact on revenue that might have had? What led to your downfall? You even admit in the book, that's one failure that you look back on. (25.26)

HT

You're getting me down, man. Do we have to talk about this? No, I'm just joking. Yeah. So, all right, as I say in the book, you know, I was a digital strategy consultant hired by Blockbuster right around the time when Netflix was still on the rise, but not necessarily eclipsing Blockbuster in any

way. Blockbuster was still a giant, and our goal was to create a digital strategy for the future of Blockbuster. And I, to this day, 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 people at Blockbuster, right?

There were executives there who were super sharp and saw the future, and that's why they brought us in, you know, and that's what we were working on together. But we did not succeed in getting Blockbuster to really wholeheartedly implement those types of things. There was too much resistance within the organization. And ultimately, that was certainly one of the things that led to their downfall, which was despite the fact that they did some digital things like they created a DVD-by-mail service, which we came in after that point in time, our focus was not on that aspect of the business but on the longer-term future streaming business. You know, I don't wanna be too hard because anyone can make this mistake.

You know, one of my favorite quotes is from Bill Gates, and he says, "Success is a lousy teacher." And Blockbuster had been wildly successful for decades. They were often cited as, like, one of the darling examples of a wildly successful business, having spread all across the country in video rental. And, you know, they failed to see that their model was not going to be possible to sustain, that the world was gonna change too much, that no matter how much you innovated your video store... And they were always wanting to innovate. They were an innovative company. And all the way to the end, they were like, "How can we make the store better?" You know, it was just the wrong question because at a certain point, it doesn't matter how good the store is, people don't wanna go to the store when they can just push a button and watch a video in their home.

I often think about it in the context of I spent a lot of time with the Tony Robbins organization over the years as one of our clients, and had an opportunity to spend time with Tony and be at his events and things like that. And one of the things that he says that I think is really profound is he says, "The single most powerful force in the human

personality is the need to remain consistent with our own identity, to behave based on who we believe we are.” And many times, that’s great. You know, we think we’re a good person, and so something happens and we say, “No, the right thing to do is this because, you know, I’m a good person.” So, this is not necessarily a bad thing. But, you know, you started your question by saying companies weren’t built for transformation. I’m not sure people are built for transformation. Now, I think that people get set in their ways, they get certain mindsets, they get certain beliefs, and it can be... If you’ve ever tried to convince somebody, you know, if you’ve ever had the opportunity to sit down and whatever side of the political spectrum you’re on, but let’s just say, you know, if you’re a Trump voter and you’re talking to somebody who watches Rachel Maddow every day, and you’re trying to convince them of your way of thinking, or you’re on the other side, good luck, right?

SS

Good luck.

HT

Good luck. You know, there’s probably nothing you can say. So, you know, it’s not easy to get people to change their sort of core beliefs. And one of the things that was core to Blockbuster, and I heard people say this over and over, and I remember even when I was there, people would say, “You know, you don’t understand. We are a retailer. That is our business. We are a retail company. 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, you know?”

I mean, on the one hand, how can you argue with that, right? But the problem is, you know, it’s kinda like an example that is often cited, and I’ll briefly mention is someone like Kodak. You know, Kodak started out as a company focused on film, and they became wildly successful selling film to support, of course, photography. And at a certain point, digital photography became possible. And in fact, Kodak actually had the initial patents, and their R&D lab came up with the first digital cameras. But when given the opportunity to really promote digital photography and be behind it, what Kodak said was, “But we’re a film company, we can’t do that. That will kill film. That kills who we are. That’s not right.” And so, they didn’t focus on it, and others picked up those patents, and others, you know, became the successful companies around digital photography. And Kodak to this day, which

Kodak, by the way, still exists... Most people assume they’re out of business. They’re not out of business. Kodak’s still in business. Of course, they’re a tiny, tiny, tiny fraction of what they once were, but they still have offices in Rochester, New York, and what do they do? Film. They’re in the film business. For anyone who still wants film, Kodak is there for you, which is, you know, lovely and nostalgic, but as an investor, that’s terrible. And I think that’s the problem that companies have. They get sometimes too focused on who they believe they are, and they don’t make the change that’s necessary when the world is changing. (30.37)

SS

Do you want another great example of that?

HT

Yeah.

SS

Blackberry. And if you see this new movie that’s about the rise and fall of Blackberry, it’s an absolute case study in exactly what you’re talking about. They had an identity in mind. They were, you know, fabulously successful. In 2007, the inflection point you mentioned earlier comes along and they can’t see the world the same way. And they stick with a great device at the time, but not so great after the iPhone gained traction in the market. So, it brings to life exactly what you’re talking about, which brings me to a question, which is, so you speak about this sort of inability to give up identity or see the world differently, or you’re concerned about cannibalizing a revenue stream that really you’re counting on candy an example that you give in the book with Blockbuster, which I thought was interesting. I think you used the term politics of subversion. I love that phrase. How do you actually work around that, work through it, or is that a pre-condition for success? You know, and just I imagine you must face it all the time. How do you deal with the resisters, the resistant movement?

HT

Yeah. You know, I wanna answer that by maybe connecting it back to something we were saying a minute ago, and Blockbuster’s as good an example as any. I think it’s important that we... The answer is actually something you mentioned much earlier in our talk here today, which is empathy. It’s not the only answer, but this is one important thing. If we look back at what happened at Blockbuster, it’s easy to feel superior. It’s easy to say, “Oh my God, those guys were idiots. You know, how could they own the entire industry and throw it away?” And even as I describe how

they held onto their identity, a listener might think, “Oh man, what dummies? You know, I’d never make that mistake.” But they were not dummies. They were very, very smart people who had conviction, who had a vision, the wrong vision. But, you know, they had a vision, they had conviction, they were people who’d been successful, right?

So, any of us can get caught up in this problem. And by the way, there’s always some new flavor of the month, there’s some new thing that’s happening. And the question is, you know, is this gonna be the future, or is this just a fad? How many chips should I put on this? So, it’s not easy... You know, a great phrase that I think comes from...actually, I’m not sure of the origin, but is that the future is rational only in hindsight. You know, it’s easy to look back and say, “Well, of course, you know.” But you know, how many of us loaded up on an Apple stock in 1995, right? Not me. You know, how many of us bought tons of Amazon stock in 1999 whenever the IPO came out? Not me.

So, you know, we have to have empathy for the fact that it’s easy to see in hindsight, but when you’re in the moment, it’s difficult. And I’ll give you another Tony Robbins idea, which is that whatever people do, they do for a good reason. Or put another way, it’s good to start by assuming a positive intent. You mentioned the story about candy in my book, and just for your listeners, I’ll quickly expand on that. I mentioned some of the resistance of Blockbuster. 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, you know, a big box of M&Ms for \$4 that cost them 20 cents, right? And that’s where they made all their money, was on these extra things you’d buy when you were in the store. So, if all of a sudden you’re streaming, obviously, and, you know, and the thing I heard over and over from people with Blockbuster is you can’t stream candy, right? You know, even though in the “Willy Wonka” movie they do it, but, you know, in the real world... So, you lose out on this revenue stream, which actually is a huge part of their profit. Now, that’s not stupid, you know, like to say, “Well, wait a minute, a

big part of our revenue is gonna be lost if we switch to this model of distribution.” I mean, you know, it’s easy to retrospectively, like, laugh at them and say, “Oh man, candy, haha.” I mean, it is amusing. But when you’re in the moment and you say, “Hey...” you know, I mean, in the car rental industry, for example, which I’ve worked in with multiple different companies, here’s a challenge. You wanna 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 interactions in line, that’s where they do a lot of their upselling. That’s where they convince you to take the insurance, which, by the way, you might need that insurance. That’s where they tell you about why it’s important, and they get you to sign a deadline. And by the way, that’s where a lot of their profit comes from. So, it’s the same kind of sort of challenge. “Wait a minute, if I do what seems right by the customer and right digitally, can I take the hit to my business, and would my shareholders tolerate that?” 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 wanna make sure that you really try to understand their reasons and you approach it with empathy.

And by the way, sometimes their reasons are like those reasons, as I just mentioned, like for the company. And sometimes they’re just personal reasons. You know, if someone’s running the call center, and they have 10,000 employees reporting to them, and they earn \$800,000 a year, and they have 3 secretaries and 4 offices, and they get to fly on the private jet of the company, and you have a great digital solution that’s gonna mean that we only need, you know, one-tenth that many call center people because, you know, we’re gonna use ChatGPT and this and that and the everything, and over the next couple years, we’re gonna save the company tons of money, we’re gonna improve profitability, that sounds great. But for that person, “Wait a minute, I have to fire two-thirds of my employees? My empire is gonna shrink. You know, are they still gonna let me use the corporate jet? You know, what is this gonna mean? Am I still gonna make the money? What about my kids’ college education? You know, or whatever, right? What about my charitable board seats where I give money every year?”

You know, all of a sudden, this ripples to that person. I think this is not good for me. You know, I need to justify why we need to, in fact, grow the call center. And maybe by the way, that might be the right thing to do. I don't have a general point of view that we should get rid of call centers, but these types of transformations, they tend to shake up the playing table. And for some individuals, it's genuinely bad for them. And, of course, people do lose their jobs in these kinds of transformations. So, I think that's the number one. There's many other things, but it starts with empathy and recognizing that when people are resisting, you really wanna try to understand where they're coming from and not just have a mindset of, "They're just standing in the way of progress and standing in the way of the future." 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.

SS

But in the book, you stressed and you spent at least a third of the book, if not more, on the importance of understanding the customer, customer needs, pain points, and how to address them. You talk about the need to strategically align around those customer needs. Is that ultimately the way companies can ensure that there is full buy-in to the level of transformation that's required for an organization? And if that's the case, if that organization has to be much more customer-centric, to use that term, or customer-obsessed, whatever term you wanna use, does that effectively mean a change in mindset and culture as well as all the other change that has to go with it?

HT

Well, 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. So, you know, if you wanna drive a business to success, you wanna... I mean, if a business is creating more value for its customers, it's probably heading in the right direction. If the business is creating less and less value relative to competitors for customers, then they're heading in the wrong direction. And while, of course, there are other aspects of running a successful business than that, legal compliance and back office efficiency and things like that, if you get the customer formula right, it will cover a multitude of sins in other

areas of the organization. And if you get the customer value proposition wrong, you can have the world's best SAP implementation and the world's most awesome legal team.

You know, it's never gonna get you there. So, I think that that is critical to driving a successful transformation. Now, part of your question I think had to do with organizational resistance to change and how you overcome that. 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, that's not pleasant. You know, whether it's because you're on the phone with customers and they're complaining all day, or...you know, I had a friend who worked for one of the big cable companies, and what I noticed is he would go to like a cocktail party or something and someone would say, "Where do you work?" And he would say, "You know, I work in the media and telecommunications industry," right? He won't say, "I work for it." I won't say the name of the cable company. Because what he learned was, if he said, I work for blankety-blank cable, the next thing the person would say is, "Oh my God, I waited for your truck at my house for four hours. You didn't show up on time, blah, blah." You know, nobody likes working for a company that people have a lot of negative feelings towards. And as employees start to feel that changes are being made that are improving the experience of the customer, that tends to be motivating. You know, but it's not necessarily enough as in my earlier call center example. (40.12)

If I'm the Cobalt programmer wiz at a company, you know, I'm the person who understands how the 40-year-old mainframe works, and me and my 3 guys who've been here for 35 years are the only ones who understand how that thing works, and that has given us rock-solid job security, we can do whatever we want, we can show up at whatever time of day we want, we are the king of the hill because without us they're screwed, and all of a sudden someone comes up with a big digital transformation that's gonna make the customer experience so much better, we're gonna get rid of all that legacy technology and we're gonna move to a new modern stack, well, that doesn't sound so good for me. And so, I'm still possibly gonna be resistant to that, even if it's wonderful for the customer.

And so, I think the answer there is in part, to take the same basic principles that we talk about in the book about how do you understand the customer and recognize that when you're driving a transformation, in a way the employees are your customer. They're the people whose behavior you're trying to drive. In the market, you're trying to drive your customer's behavior, getting them to buy, to buy more, to stay longer, to not cancel, you know, do all these behaviors that benefit the business. But in terms of the organization, influencing the employee's behavior is the key thing.

And so, doing similar types of research to understand, "Well, what's important to these employees? What are their existing points of pain in their role? If we were to undertake these transformations, what kind of fears does it create, you know, etc?" And use that to kinda try to answer the question, "Okay, well, how do we deal with this? How do we either create a value proposition for the employee, which is improved post-transformation, not made worse, or recognize that you may not be able to do that for every employee, in which case you need to figure out how can you succeed in your transformation despite the fact that there might be some people who are detractors because you're driving a transformation that actually is harmful to them?"

And if that's the case, and often that is the case that you can't win over everybody, at least it's helpful to know that. At least it's helpful to know that, "Okay, these people are actually gonna be harmed by this transformation, this group, or this area, or this role." And then you have to figure out how to deal with it. But not kid yourself that if I just give a good enough speech, you know, I can convince all these people that it's great for them if it's really not.

SS

Is most of what you're seeing out there in terms of transformation truly transformation? I guess I'm trying to ask the question, is transformation synonymous with innovation, or does it tend to be peace work and there's often a lack of a coherent vision or wrapper around the need for change and the speed for change?

HT

Yeah. You know, I guess I'd say, first, I'm not a big fan of getting too wrapped up around words. We use a lot of buzzwords in business, you know, transformation or innovation or whatnot. And, you know, to argue about whether something is or is not truly innovation or truly

transformation, to me, I think is missing the point. Now, we're in a semantic argument, right? And so, I just try to sidestep that question. 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, to grow, you know, to drive, to keep up with that runner analogy like I mentioned before? Whatever label you put on it, that's the question. And I think this is the root really of what you're asking, is that most companies are not moving fast enough.

But as I mentioned earlier, they're doing better than they were. So, you know, if you look at a company like Allstate, if you look at a company like you know Kentucky Fried Chicken, you know, or what have you, if you look back a number of years, they were woefully behind. And now, they're doing a lot, lot better. And that's great. And I think that there's a leveling effect over time where it's not true anymore that every San Francisco-based startup can eat the lunch of giant multinational companies because they're more digitally savvy. There's plenty of digitally savvy people working with and at most major brands. But it's tough to move fast. You know, when you're small, you have the ability to be more nimble and more agile. There's the old, you know, aircraft carrier metaphor. I forget the exact amount, but they say if an aircraft carrier wants to turn around, it takes like 25 miles for it to actually...because it's so big, you know, and so much mass.

And that's a challenge when you're a giant, you know, Fortune 1000 type company. You're so big and you have so much mass, and then some, you know, funded company with 100 employees in Silicon Valley can run circles around you because they're that small speedboat. And, of course, they can turn around fast, but, of course, there are advantages to being an aircraft carrier. And that's why we invest so much money in aircraft carriers. Even though they can't turn fast, there's some other stuff they can do a heck of a lot better than a speedboat. So, you have to try to play to your strengths but figuring out how quickly you can get your aircraft carrier turned and also turned in the right direction. I think that's been over the last decade, one of the things that have separated those companies that have really thrived and those companies that have struggled, and I think it'll continue to be the case. (45.24)

And that's a lot of the work that my company and I do, and, obviously, many others in the consulting and services industry, working with large brands, trying to figure out, "Okay, how do we solve this interesting and complex problem of driving massive transformation at big companies that are really, like you said earlier, not really designed to transform." In fact, they're designed for the opposite. They're designed to systematize, they're designed to say, "Let's come up with a method of doing things. This is how we operate our bank." And then, of course, you have to have a way to make tweaks and changes over time, but they're not built to be completely, you know, upended every couple of years. So, that's the challenge.

SS

Well, they're not artisans. They're assembly lines often as you point to maximize efficiency. So, when you are brought in, and I'm curious about this, are you being seen as an accelerant to an existing transformation roadmap and vision, or is a big part of your work actually going in there and saying, "Okay, guys, you know, whether this is a massive transformation or a minor one, we'll give you that roadmap. We'll tell you how to actually succeed here"? What's your role often in engagements?

HT

People bring us in for different reasons in different stages of a life cycle of a transformation. You know, but I would say this, in all cases, we're brought in by smart people who are at these big companies and who are thinking about many of the right things in terms of 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, to make sure that they have the data necessary to make the right decisions around how to focus the transformation, what features and capabilities to focus on, which just channels to focus on, which markets to focus on, customer segments to focus on, etc. Sometimes it's actually building something. Somebody may have a vision. You know, I always say, like, visions exist at many levels. You know, you could have a very high-level vision. "We're gonna create, you know, the world's easiest-to-use e-commerce app for ordering books." "Okay, is that a vision?" I guess, but, like, there's another level of vision. "Well, what's going to make it the world's easiest?" "Well, maybe that's, you know, personalization. Maybe that's ease of navigation, a great search engine that can find anything, recommendations,"

you know, that's the next level. And then once you've got that, you say, "Well, now we've got recommendations, that's a vision, but there's another level of vision, which is, well, exactly how should that look? What should the user interface of that look like? How are we gonna architect that so that it works and works rapidly?" You know, there's all these nested layers to vision that you need to figure out how you're actually gonna get something built that actually has traction and an impact on the dollars coming back into your bank account in the marketplace. And so, you know, it's rare that we come into a company, they're like, "We have no idea what to do." But there can be different levels of clarity about what the vision is and an interest in having us look at different levels. And again, it depends a little bit on the situation of the client.

SS

Are there situations where you'll go in and you'll have the ask, but you'll look around the room and say, "There's some warning signals here and this isn't gonna work out". Or are there distress signals that you look for to back away from a potential engagement that's likely to fail in John Chamber's words?

HT

You know, I think here's what we do. Someone says, "We want you to come in and we want you to do X." The first thing we always ask is, "Okay, cool. Why? Why do you wanna do that?" You know, not because we have an opinion that it's the wrong thing to do, but we just wanna understand, like, what's the rationale behind this thing? If someone says, "Well, I wanna create an app with these features to do this," the question is, "Well, okay, well, first of all, what's your goal? What are you trying to accomplish? Because building an app is an example, is not an end in and of itself." "Well, we wanna get more customer loyalty." "Okay. Well, what do you mean by loyalty? How will you know when you have more customer loyalty?" "Oh, well, because we have a subscription product and the average customer churns after 17 months, and if we can get them to stay for 20 months or more, that would be an increase in loyalty."

Okay, that's a very clear, good, specific answer. Wonderful. Or if the answer is, "Well, we just like loyalty. That's where you have more work to do." You say, "Okay, well, wait a minute, you know, before we start trying to cause something to happen, let's make sure it's not just one of those terms like innovation or transformation, but we can measure it. You

know, something specific.” And then the next question is, “Okay, well why do you want that?” Now, of course, if the answer is, “To get customers to stay from 17 to 20 months,” like in my example, it’s not too hard to figure that out, right? That’s creating more recurring revenue.

But in other cases, let’s say it’s something different. “We want more customer satisfaction. You know, we want our NPS scores to go up.” “Okay. It’s probably a good thing, but let’s just play that out. What happens when that happens? What are we really after in the end?” “Well, it’s more revenue, it’s more customer referrals”, you know, just make sure we understand the landscape. This is what we’re actually trying to make happen.” “Okay, good.” And in the end, it almost always comes down, if you keep asking why, eventually, you get to revenue, profit, share price because these are the ultimate things. If you’re trying to do something that eventually doesn’t get back to those things, and you’re in a traditional, you know, for-profit company, why are you doing that? You know, that’s the purpose of the company, right? (50.32)

And the company may have another mission, you know, to serve the world by providing the world’s best yoga pants or whatever. But from a business perspective, if you’re gonna make an investment, presumably, it’s because it’s going to have some impact on ROI and these types of things. I mean, this is just the game of business, right? And then we wanna step back and say, “Okay, if that’s what we’re trying to make happen, let’s go back to the original idea. We wanna create an app that has A, B, C, D, E features.” Okay. Well, I would always view that as a hypothesis, which is you have a hypothesis that if you create this thing you have in mind, it will cause these other things. It will cause more loyalty, which will lead to more revenue or whatever. Presumably, there’s this kind of, you know, like the Newton balls where you let go of the ball and knocks the next ball. There’s like a theory. So, we wanna kind of uncover what’s the unstated hypothesis, if it is unstated. If it’s stated, then great. Okay, well, so you believe that these features will lead to more loyalties. And then the next question is, why do you think that? You know, again, not because we have an opinion that they won’t, but just to understand what’s the basis of that. It’s, “Oh, well, we all went out to lunch, and we just think that, like, those features will lead to that result.” Okay.

That’s one answer. Another answer is, “You know, we did a comprehensive study, and we prototyped it, and we tested it with users. And 8 out of 10 users indicated after they saw the prototype that it would be increasingly likely that they...” Okay, that’s a very different kind of answer, you know?

And very often, we get more of the first kind than the second kind. And part of our job is to say, “Okay, you have a hypothesis here, and we’re not here to tell you that it’s wrong, but we can’t tell you that it’s right either. And if we can at least accept and get that it is a hypothesis because it’s unproven, maybe before we invest millions of dollars in building this app based on the vision that you had at lunch, we should test it, right? We should see, is this actually going to yield the result that you want? And also, is this the only way of getting that result? Because it may be that this app costs \$2 million and is gonna get you a certain result. Is there a \$200,000 alternative that would get you the same result? I mean, have you considered it, or did you just have one epiphany and decide to, you know...” So, obviously, we always wanna be respectful of the interests of our clients, and we’re here to serve, and we get paid to help with what they wanna do.

So, we’re not here to try to tell them their ideas are bad, but to just 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. That has delivered for us and 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, or many clients we’ve been working with for more than 10 years, and they wouldn’t keep paying us year after year if they weren’t seeing a result. They might pay us month after month because they’re still waiting for the result, you know? But after a certain point in time, the question is, is this yielding any actual business benefits?

So, that’s our business strategy. Our business strategy is, make sure you get results. And in order to do that, part of what we need to do is pick a part and make sure that we’re clear on why doing this is gonna get to the sequence of chain reactions that ultimately goes to the levers that matter. And usually, those are revenue, profit, share, price, and things like that.

SS

And we only have a couple of minutes remaining here. I do wanna pick up on this a little bit because you're bringing this expertise into organizations. Presumably, there's some transfer of knowledge and processes that go on here. In the book, you really emphasize the need to find, though, internal, and go back to this term you use, superheroes. You know, certainly, in my experience working with companies and for a company, those folks are unicorns. You don't find them very easily. You know, the idea that you can have the courage to deal with resistance movements, the imagination to see the possible, to provoke new thinking, is that, in your experience, a chore for companies? Is that a bit of an obstacle to find those people that can lead the transformation teams?

HT

Finding great talent is always a lot of work, and it's a competitive market for top talent, no question. And I think that's one of the things that makes the difference between companies that are the most successful and those that don't is, who do they have in the key seats that are driving the success of the company? Having said that, it can also be delivered by teams. You know, one person doesn't have to be capable of doing everything. And I'm sure if you looked at any of the supposedly most visionary and effective executives of our generation, whether that's a Steve Jobs, or a Jeff Bezos, or Howard Schultz, or whatever else, what you discover is that they have a bunch of people around them who are also part of the success. And they're the person out front. You know, they're the person that's getting the spotlight. (55.33)

I mean, at a much smaller scale, in my own work, it's the same thing. You know, I run a company, but I have an amazing team of people who all have strengths that I don't have. And so, I think that talent is critical. We have a little bit of a tongue-in-cheek section of the book, which, Stephen, you're referring to, where we make a picture of a superhero and we say that, "You know, in order to lead digital transformation, you need this amazing combination of skills." You know, 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 sort of keeping things going, making incremental improvements. There's no question. 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 sort of try to, in a fun way, point out all the different skills that someone needs to have in order to be successful. But look, you know, if someone doesn't have every single one of those skills, then you build a team around them. And I know in my own career, I have weaknesses and I've been successful despite my weaknesses because I acknowledge and recognize what I'm not good at. And, you know, I'm great at working with clients and driving results. I'm not so good at making sure we've sent the bill on time and that we've collected the money, you know? But if we don't do that, we can't pay our people and we won't be able to keep doing the good work for our clients. So, I make sure there's other people at the company who are on top of that because that's not my strength. And I think that that's the way you build great executive teams, even if you can't find somebody who matches every one of the superhero criteria that we set slightly, jokingly, talk about in the book.

SS

Well, I've read this, and we're out of time, and it went way too fast, and I still have a bunch of questions. But, you know, I read this phrase the other day where we're in an age of upheaval, and I love that phrase. You were talking about at the very beginning of this discussion about embedded digital in our lives and the immensity of change ahead of us and the need to transform, and this concept of continuous transformation. So, do we look forward to a follow-up to your book, Howard, because it was a terrific roadmap?

HT

Well, thank you. Yeah, I'm actually, I'm working on another book right now, but I wanna respectfully disagree about that phrase, we're in an age of upheaval. I don't like that phrase at all, that we're in an age of upheaval. That sounds horrible. I wouldn't wanna live in an age of upheaval. And even if there's accuracy in describing it that way, you know, whatever situation you're in, there's always the good and there's always the bad. Upheaval, that sounds like bad to me. What I think, I personally feel very fortunate to be alive right now. I think we're living through a time of just unbelievable change, a very exciting change in transformation. Yes, of course, it has downsides from sometimes being an upheaval to people's lives and careers, and, obviously, all kinds of other things we hear talked about, the impact of social media on kids and all kinds of things.

But the amount of good that is driven by digital, I think, doesn't get nearly as much airplay as the negative sides of it, the tremendous increases in productivity, the leveling of access to information and capabilities that people in the third world have, the transformational components, 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've never been so widely available if it wasn't picked up by a major publishing company accessible, and on and on and on. I mean, I could talk for a whole hour just about this.

So, personally, you know, 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 wanna jump on that point to say, to me, there's so much more positive than negative that I really I wanna be focused on that, and I wanna 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. See, that's much more my speed, you know?

SS

Well, I wanna thank you very, very much. This was worth the wait, I have to say. I not only enjoyed the book, I thoroughly enjoyed our conversation today.

HT

Well, thank you. Likewise.

That concludes my interview with Howard Tiersky. As we learned, a successful digital transformation has many conditional dependencies. So many, in fact, that it requires a monumental corporate commitment to go from a standing start to summoning the will to get ahead of customer expectations. There are many reasons to just stick with the business model that has got them to where they are – to downplay existential threats – but of course that only leads to the corporate graveyard where the tombstones of Blockbuster, Blackberry, Kodak, Sears, Toy R Us, and many other once mighty companies can be found, all blindsided by the future. The stakes have never been higher – the consequences of failure as severe. The only way for companies to survive is to accept the inevitability of transformative change.



Stephen Shaw is the chief strategy officer of Kenna, a marketing solutions provider specializing in customer experience management. He is also the host of a regular podcast called Customer First Thinking. Stephen can be reached via e-mail at sshaw@kenna.ca.