



## **Transformation Governance, benefits and how to get it right**

### **Executive Summary**

Why transform? This is not a process undertaken lightly and when done correctly generates greater business agility and helps drive competitiveness. Transformation is driving an active and current wave of change throughout the world's telecommunications service providers as they seek to meet the ever changing demands of customers, developing technology and deliver a lead over their competitors.

Transformation can focus on a wide range of activities or can be limited to a specific departmental area or aim. The focus of most transformation programmes is found in the IT and Network of a service provider, but even those programmes that are of limited scope often have wider and more profound whole-scale impact that must be addressed.

Four broad areas of focus act as drivers for transformation. Operational, Service, Technological and Business factors all help drive transformation programmes. These include the more obvious factors such as the need to reduce costs or improve the customer experience, as well as the less tangible issues surrounding the reduction of development time for new services and products. Striving for improved competitive position is a must.

So what are the top steps for a successful transformation? Ensuring that the programme has a champion within the organisation is crucial. While this is often the same office or individual as the initiator of the transformation programme, it is important that there is a clear and active leader throughout the life cycle of the entire transformation process. Most often this role falls to the IT Director or CIO within an organisation, but it is essential that the individual is able to work with both the operational and the business elements of the organisation.

Hand in hand with this vocal and visible leadership is governance of the entire process. A successful transformation is greatly dependent on how well the governance of the programme is enacted. The research has shown that shortcomings in governance are prevalent between leaders and enactors. It is clear then that given that getting this right could be the difference between success and failure of the transformation programme in totality, organisations should be seeking help in terms of governance.

Having a defined strategy, roadmap and communication are all essential elements of ensuring good governance and a successful transformation process. To achieve this service providers engaging third party expertise at the planning stage were able to draw upon significant expertise to help aid their strategy from the beginning. Indeed, the vast majority of service providers currently under-going transformation programmes believe that their programme would benefit from outsourcing at least some of its aspects to third party experts. Engaging third party experts early is part of the recipe for success but keeping them involved throughout the process seem equally vital.

The benefits of third party help go far beyond the planning stage, with service providers widely recognising the benefits of third party expertise in delivering cost effective approaches to transformation, specific domain expertise and aiding analysis of a specific business issues.

The causes of failure of transformation include logistical factors, the requirements of delivering the project (such as understanding the impact on the business and having the right level and quality of resources required) and, linked to this, how the program is communicated across the business. Third party expertise married to in-house resources represents the right blend for success. The extraordinary importance with which service providers held transformation means that failure, or even delay, in full delivery of the programme can be

costly. The recommendations of those who have been there is to communicate, stick to the plan, and mitigate risks during a transformation project by using third party expertise and advice/consulting.

While the core story to a successful programme of transformation is true throughout all regions, there are some marginal differences between service providers of the more developed regions and those that are in developing countries. Perhaps most significantly, it is the changing needs of the customer that is primarily driving the push towards transformation within service providers of developing regions – who also feel a more urgent need to transform than those service providers in developed regions. This certainly reflects the level of technology maturity within the more mature markets but at the same time levels of competition and the need to meet greater regulation and compliance requirements is driving more transformation in these developed regions. Overtime we fully expect transformation activity to increase greatly in the less mature marketplaces as competition increases and the need for improved processes become paramount to ongoing success.



**Figure 1 – Transformation**

**What is Transformation?**

Transformation is an often used and misunderstood term. It means many things to many people. But we see transformation as more than the changes which might occur under a normal day to day business decision making processes such as enacting improvement programs or the adoption of a new IT system alone. This might be described more appropriately as” business as usual”. In our view real transformation involves a fuller business wide change in systems and processes driving overall business or service improvement..

Transformation programs require multiple levels, areas and persona within a business to undertake a change of focus or direction for business improvement which may include:

- The introduction of new types of services
- Streamline an existing operation
- The deployment of new technology to drive agility and flexibility
- Reducing operating expenditure
- Reducing the level of internal complexities via consolidation of systems
- The improvement of time to market of new services / products
- The improvement of the customer experience

- Transition to a 3<sup>rd</sup> party vendor

It is about a transformation that happens at a moment in time, that is planned to impact the business and carries with it certain business risks. It needs to be carefully planned and executed with appropriate governance and buy-in from all parties. It will change the way a company operates in the future and should deliver real benefits going forward. It may, and often does, need more than internal resources to execute.

Coleman Parkes Research, the independent research company, has undertaken a global study looking at transformation activity in the telecommunications service provider marketplace. As competition increases; technology ages and agile response to changing market demands are increasingly required, service providers need to truly transform their operations to ensure continued success.

Senior IT, operations and business executives in 100 service providers globally, who are engaged in some form of transformation activity provided input into this important study concerning their experiences, challenges and the benefits seen from undertaking a transformation programme. Some of the findings from the study are summarized here. Around half of the survey respondents were C-Level executives (CIOs, COOs, CMOs, CFOs etc) and 60 per cent were IT focused with the remainder being split roughly equally between business and network operations. Care was taken to ensure that a broad cross section of C-level executive from technology and business were interviewed.

The study focused on organisations that were undergoing a transformation programme, had completed a programme in the last 3 years or who were planning one in the near future. It is safe to say that transformation is on the agenda for many major service providers as the majority of the people contacted did indeed have a programme under way or planned. This was especially the case in the more mature markets. Overall 74 per cent of all service providers contacted fell into the catchment for the survey, that is to say they had undertaken a transformation programme in the last 3 years, were running a programme or were planning one in the near future.

### Why transform?

To generate real business agility, change and stay ahead of the competition you need to transform the way your technology and business operates constantly. You can bet others are already doing it! Over half of service providers across EMEA, North America, Central and Latin America and the Asia Pacific region are currently running, or have implemented a transformation project within the last 3 years. And with fully two thirds of those undergoing a transformation project having completed more than half of the entire process, transformation has been on the agenda for some time and for many companies is certainly not in its infancy. Furthermore, the majority of companies (69 per cent) feel an accelerated need for transformation.

Companies are focusing on transformation activities as a means to reduce the dependence on legacy based systems; improve business and technology flexibility and get product to market faster and more efficiently.

Overall, one third of service providers also see transformation as a vitally important and a top priority and a further two in five see it as important. There is clear evidence that transformation is more important in developing regions compared to the more mature markets. This is evidenced by the fact that four in ten of service providers from Central and Latin America, Eastern Europe and Asia Pacific (excluding Australia and New Zealand) say that transformation is their top priority, significantly higher than service providers in developed regions. So to stay ahead of the competition and reduce operational costs service providers need to undertake carefully planned transformation projects.

The importance of Transformation in the Organisations Priorities	%
Its vitally important, our top priority	37
It's important, but not something we consider as our top priority	53
It's a process which we have committed to, but do not believe it to be the most important within our organization	16
It's not that important a priority in comparison to our ordinary, day to day business activities	11
Other/something else	10

**Table 1 – Transformation as a corporate priority**

Service providers also accept that a failure to undertake transformation programmes will see costs spiral out of control, customer needs and demands would be much harder and more costly to meet and they could lose competitive edge. Two in five would also fear failing to meet their own service levels without some form of transformation activity. The risk that costs would spiral out of control is far more of a concern for those service providers in the mature Western European and North American markets, where over 72 per cent mention it as risk of delay in transformation. Service providers within developing markets were less concerned about the risk of cost control, but a great deal more about the fear of falling behind the demands and needs of their customers should there be delay of a transformation programme.

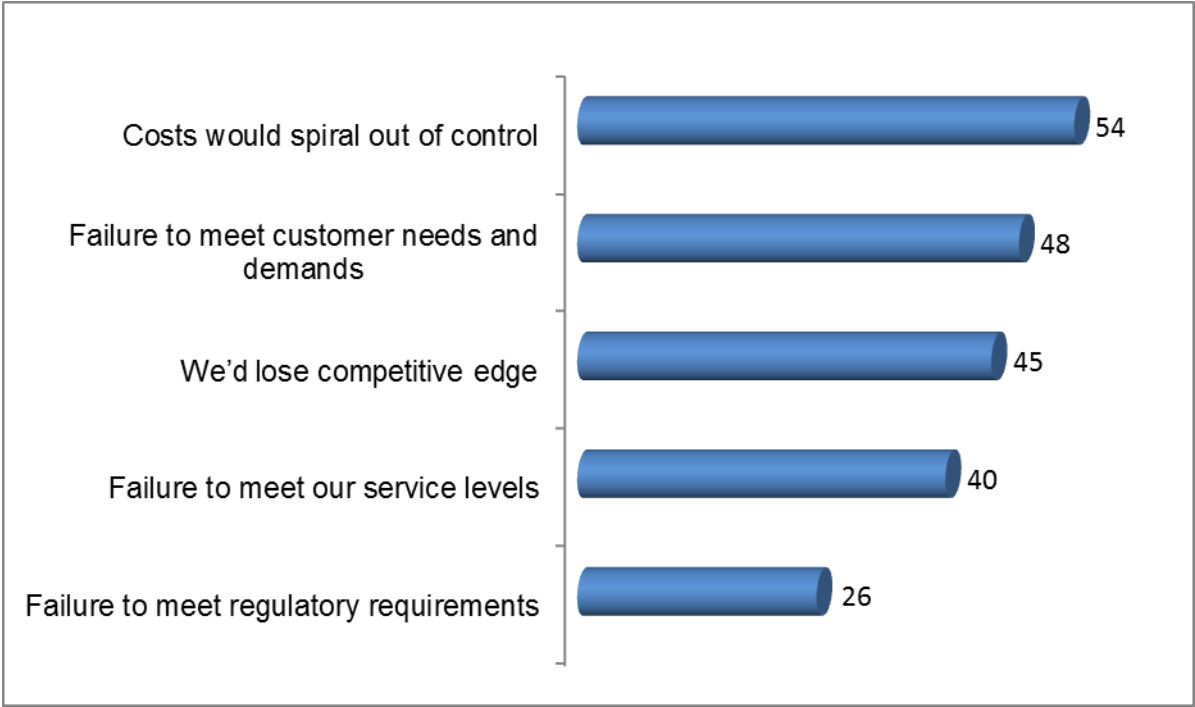


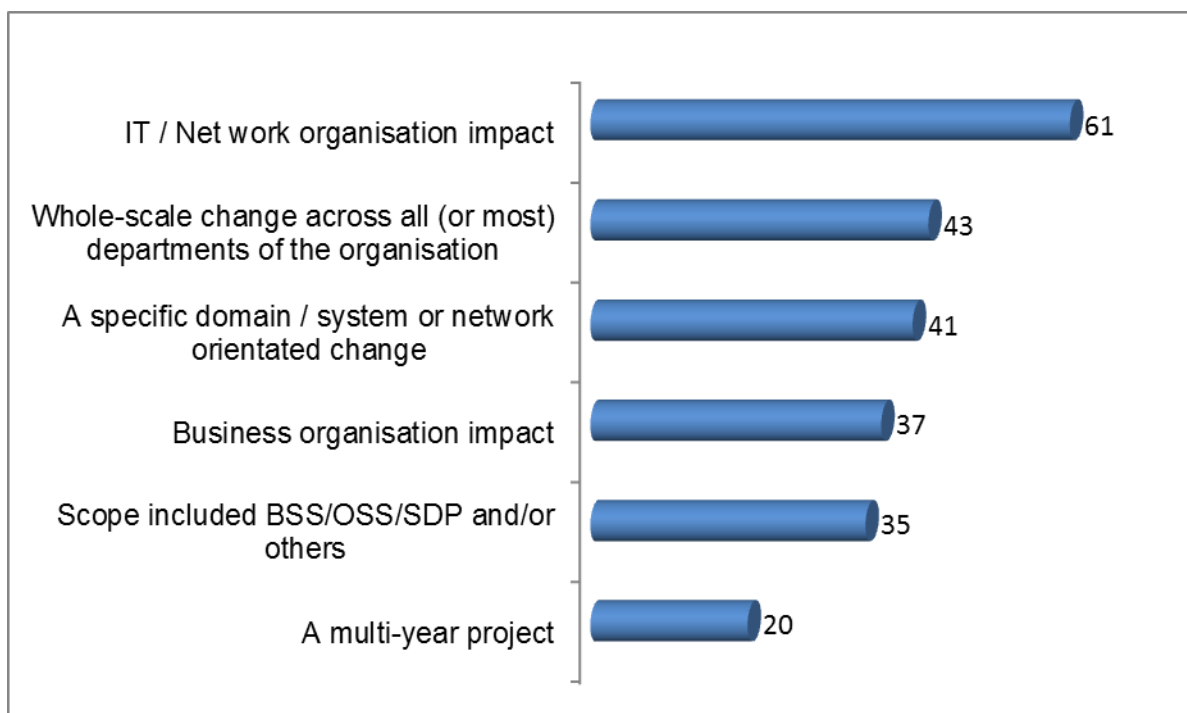
Figure 2 – risks of delaying transformation

**Types of Transformation**

The most common areas of focus and approaches for transformation projects amongst the service providers taking part in the study focused on:

- IT / Network transformation
- Whole-scale change across all (or most departments)
- A specific domain / system or network oriented change
- Business organisation impact
- BSS/OSS/SDP integration
- A multi-year project across different parts of the business – the least common as service providers strive for immediacy of impact.

If you are not engaged in one or more of these activities you will be falling behind the competition.



**Figure 3 – Scope and impact of transformation**

Based on the service providers taking part in the study the most successful approach to a transformation project is a combination of in-house and COTS and managing the programme requires an internal and external blend of skills and expertise.

**Drivers for Transformation**

So what are the key triggers or drivers for a transformation programme? They can be broken down into key areas.

**Operational**

The most common driver to initiate a transformation programme is to reduce costs, mentioned by 64 per cent of the service providers taking part in the study. But it is by no means the only driver. Approaching half of service providers also see transformation as a key to breaking down barriers within the organisation leading to a more streamlined and focused operation.

**Service**

40 per cent of service providers cite the need to reduce the development of and time to market for new services as a key driver for a transformation programme and over half say that transformation is needed to improve the overall customer experience. As ever, this will also be linked to the need to remain competitive in a rapidly changing and highly competitive environment where customer loyalty is critical to ongoing business success.

**Technology**

What is most interesting amongst the service providers polled in the survey is that pure technology drivers are few and far between, the clear conclusion being that companies seek transform activity to provide operational, service and business benefits. Technology is the enabler not the end in itself. Approaching two in five service providers cited technological issues as the key driver for embarking on a transformation activity, but this was ranked only 6<sup>th</sup> out of the key drivers mentioned surpassed by both operational and service focused issues. Even in immature markets technology is not seen to be the key driver.

## **Business**

Business drivers for transformation programmes are also important. The most common is the need to maximize a strength or opportunity for the organization, followed by the need to meet regulatory requirements. One third of service providers cite competitive pressures as key drivers for a move to transform a process or activity and one quarter see transformation underpinning the removal of a threat to the business. As is always the case merger and acquisition will play a part for those companies that have undergone this form of activity. To get the best from the merged businesses transformation programmes will be undertaken to streamline the businesses and remove unnecessary duplication.

<b>Operational</b>	<b>%</b>
Cost reduction	64
To break down barriers within the organization	40
Synergy / simplification of systems and working practices	29
<b>Service</b>	
To improve the overall customer experience	55
To reduce the development of and time to market for new services / products	40
To enter to a new line of business	25
<b>Technological</b>	
Technological issues (changing IT demands, customer side etc)	38
<b>Business</b>	
To maximize a strength or opportunity of the organization	45
To meet regulatory requirements	35
Competitive pressure	34
To remove a threat to the organization	25
Merger and acquisition activity	23

**Table 2 – Drivers of transformation by area**

## **Top Steps for Successful Transformation**

### **A champion is essential**

Whatever the transformation drivers are, and however many of them there are, such programs are most likely to have their roots in the IT function with the main sponsor or initiator most likely to be the CIO. This said, nearly one quarter of transformation projects are championed from the very top of the company by the CEO with other Board members also very prevalent. Overall and not surprisingly, responsibility for the conception and delivery of these types of business change initiatives sits at a very senior level, highlighting their business critical nature and the impact that they will have on the business.

### **Governance**

Almost three quarters of service providers feel that governance is an important part of the full transformation project and many regard it as very important. Only a very small minority say it is not important. Several areas or issues relating to the way transformation projects are managed or governed are seen by many as critical to success and three in particular stand out, the importance of alignment of top-line management within business and IT; the setting of clear goals and finally keeping to the timeline of the transformation project plan. Failure to have clear governance over the project will jeopardise the impact that the programme has and future programmes to boot.



Figure 4 – Key steps in successful governance

It should of course go without saying that, for such business critical transformation programs, **effective leadership** is an absolute must. The good news is that the vast majority of companies currently implementing such programs recognise this to the full. Fully 87 per cent regard leadership and effective sponsorship as important in the successful governance of a transformation project and only 3 per cent say this is not important.

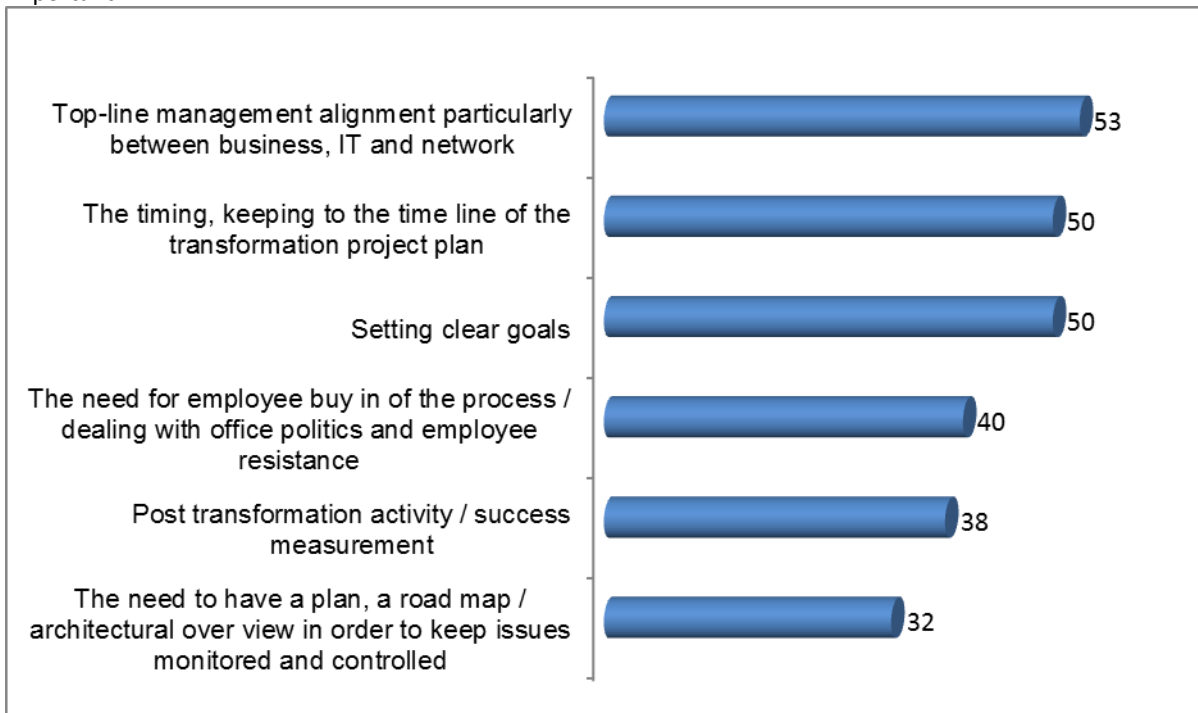
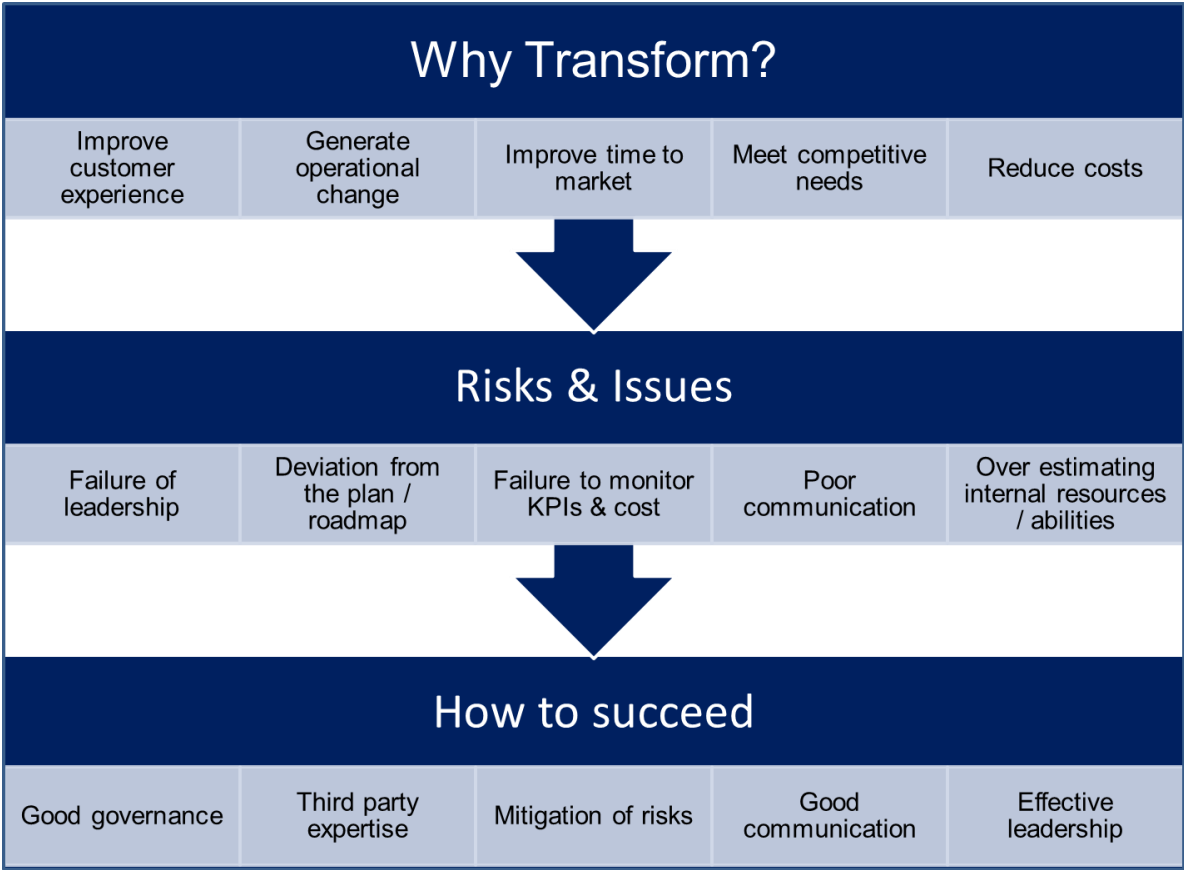


Figure 5 – Important areas of governance

**Success is not easy**

But care needs to be taken as successful governance is not a given, you have to work at it and ensure that all of the right stepping stones are in place. Good governance will lead to greater success, poor governance will lead to major issues. Success is not easy or a given and expert advice is normally required according to those in the marketplace. **Fully half of all service providers currently implementing a transformation programme admit that the misinformation or miscommunication of plans has been a weakness of governance during their transformation project, adding complexity, cost and the possibility of failure to the programme.** Many mention that deviating from the plan and failing to monitor and control costs during the transformational change are fears and outputs of poor governance. This must put the transformation project manager and champion under great stress as senior manager ask appropriate questions. Management failure or an inability to comply to the roadmap are also mentioned as possible triggers for programme failure and service providers report damaged customer relationships or an inability to implement both the transformation program and maintain day-to-day “business as usual” operations as a result of less than adequate governance. Good governance is an absolute must which can be provided by the use of third party experts.



**Figure 6 – The transformation process**

It is rather damning that so many service providers admit to so many shortcomings in what they openly regard to be a very important contributor to transformation project success. Not only is it clear that most companies need help in terms of governance, it is equally clear that getting this right could be the difference between success and failure.

<b>Governance Issues Encountered During the Transformation Project</b>	<b>%</b>
Deliberate or passive resistance to change	26
The misinformation or miscommunication of plans	48
Deviation from the plan	43
Damaging customer relationships	37
Manager / supervisory failure or inability to comply to the roadmap / plan	40
Failure to monitor and control costs during change	43
Difficulty in enacting transformation project whilst maintaining day to day 'business as usual' operations at the same time	36
Mission creep	18

**Table 3 – Governance issues encountered during transformation projects**

### **A defined strategy, roadmap and communication not miscommunication!**

The necessity of effective communication, multi-tiered, constant and consistent, is again highlighted with half of service providers saying that constant communication between the leaders and enactors of change is essential to the success of the transformation programme. Many indicate the need for a consistent road-map explained and communicated to all levels of the organisation and the same proportion say the organisation must allocate realistic resources to transformation change.

<b>Main recommendations for building the roadmap for change and enacting a successful transformation</b>	<b>%</b>
Constant communication between the leaders and enactors of change	51
A consistent road-map must be explained and communicated to all levels	47
Ensure you have realistic resource allocations to transformation changes	46
Acknowledge that this process may take years – no quick fixes	45
Prepare all departments for change – even if only one domain / specific unit is changing	45
Ensure buy in from the start by leadership and by those expected to enact the changes	43
Be ready / willing to ask for outside help both from peers and third party experts	37
Don't underestimate political or cultural roadblocks	37

**Table 4 – Main strategy/roadmap recommendations**

### **Is comprehensive change necessary to deliver full benefits?**

The majority of service providers, 60 per cent, believe that if just one functional domain is modernised the complete targeted benefits of transformation can still be achieved. So clearly 4 out of 10 do not think this is possible with one quarter of these saying the full benefits of transformation could not be achieved by modernising just one functional domain, because the new system would have to support inefficient legacy products or that integrating the system with legacy systems would be too costly.

### **Third party expertise married to in-house resources is the right blend for success**

What do you need to avoid when planning a transformation project? First and foremost - avoid poor communication! Many service providers advise against over estimating internal resources and capabilities whilst, linked to this, others warn against dismissing the skills and advice of third party experts. The stakes are high with real benefits to be had, but huge risks involved too. The advice from those who have been there is don't look at your own resources and capabilities through rose coloured glasses, you probably don't have all the skills and expertise needed to succeed in-house. **The recommendation? Mitigate risks during a transformation project by using third party expertise and advice/consulting services.**

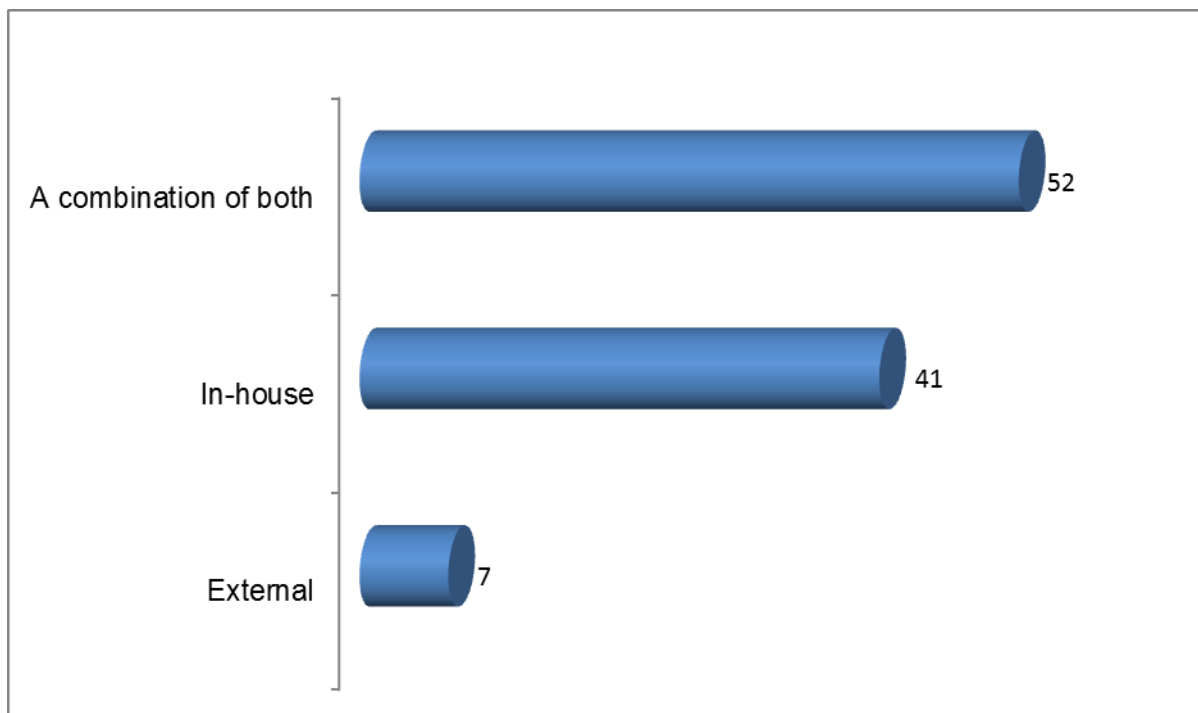
What should an organisation beginning a transformation project avoid?	%
Delay – avoid delay in starting the planning and consultation of all involved parties	53
Poor communication	62
Don't over-estimate your own internal resources and capabilities	53
Don't dismiss the skills and advice of third party experts	43
If there are any questions or concerns that cannot be answered by internal sources, seek third party help	35
Don't do things in haste	32

**Table 5 – Things to avoid when undertaking transformation**

Around 40 per cent of service providers think that using a consulting service would be useful in aiding the analysis of a specific business issue and suggesting remedies and helping to better create the roadmap and target architecture. Too many seem to have looked at and taken the internal route only to regret it later – accepting that third party expertise is required as the projects are so vast and their impact universal. Service providers need third party expertise as their internal resources are seen to lack the required skills to be able to manage the transformation programme across its entire lifecycle.

Use of third party expertise is well documented. Many companies used third party expertise at the planning stage of their transformation programs, with over 70 per cent saying they found the expertise received very useful and helpful. Without this expertise the project could have floundered.

As would be expected although currently few companies manage their transformation activity as a complete external exercise, 6 out of 10 projects across the globe have some degree of external management/input, with 40 per cent favouring, ideally, a combination of in-house and third party expertise in a tailored, (blended) organisational specific manner and a further 25 per cent preferring a systems integrator type approach.

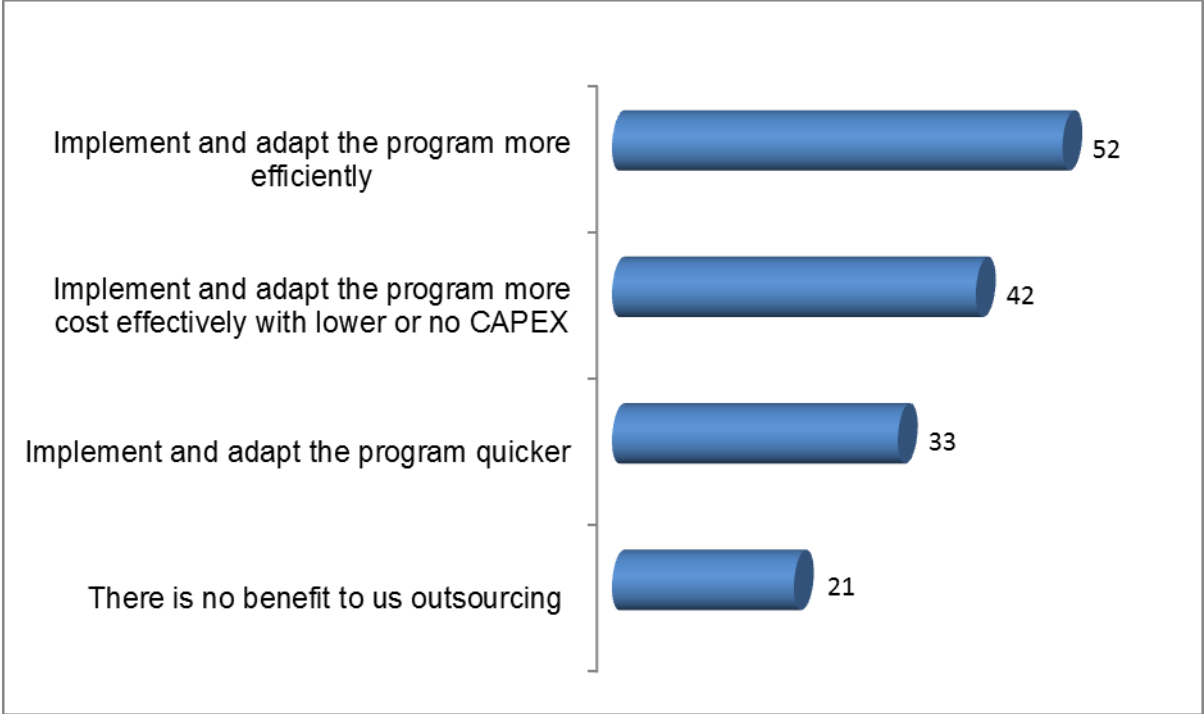


**Figure 7 – Actual transformation management approach**

**Outsourcing – the benefits and requirements**

Service providers perceive and receive real benefit from transformation but also face many obstacles and challenges in order to realise those benefits. As a result, many have recognised that third party expertise or outsourcing is essential. Outsourcing areas of the transformational programmes would clearly help implement and adapt the programme more efficiently and would help implement and adapt the program more cost

effectively with lower or no CAPEX. Service providers in Western Europe, North America and Australia/New Zealand see more benefits in seeking third party expertise to aid efficiency in adapting and implementing the programme compared with service providers in other regions. However, as our research shows below, once beyond the planning stages of the project, the less developed regions seek more outsourced skills to aid the transformation process and underpin success.



**Figure 8 – Impact of outsourcing on transformation**

The majority of service providers currently implementing a transformation project cite that their on-going project would benefit if at least some aspects of it were outsourced to third party experts with the biggest impacts being seen in terms of programme efficiency, cost reduction and overall implementation. Outsourcing the transformation provides service providers with the ability to derive change faster using expert resources to implement the activity. In house resources will be strapped as they are doing their day jobs and trying to fit a programme around core activities.

**Third party help goes beyond planning**

Beyond the planning stage, it is widely recognised that third party expertise could help to deliver cost effective approaches to transformation, specific domain expertise and aid the analysis of a specific business issue or remedy. Outside consulting services could also help determine the vision and strategy of the programme, and help create the roadmap and target architecture.

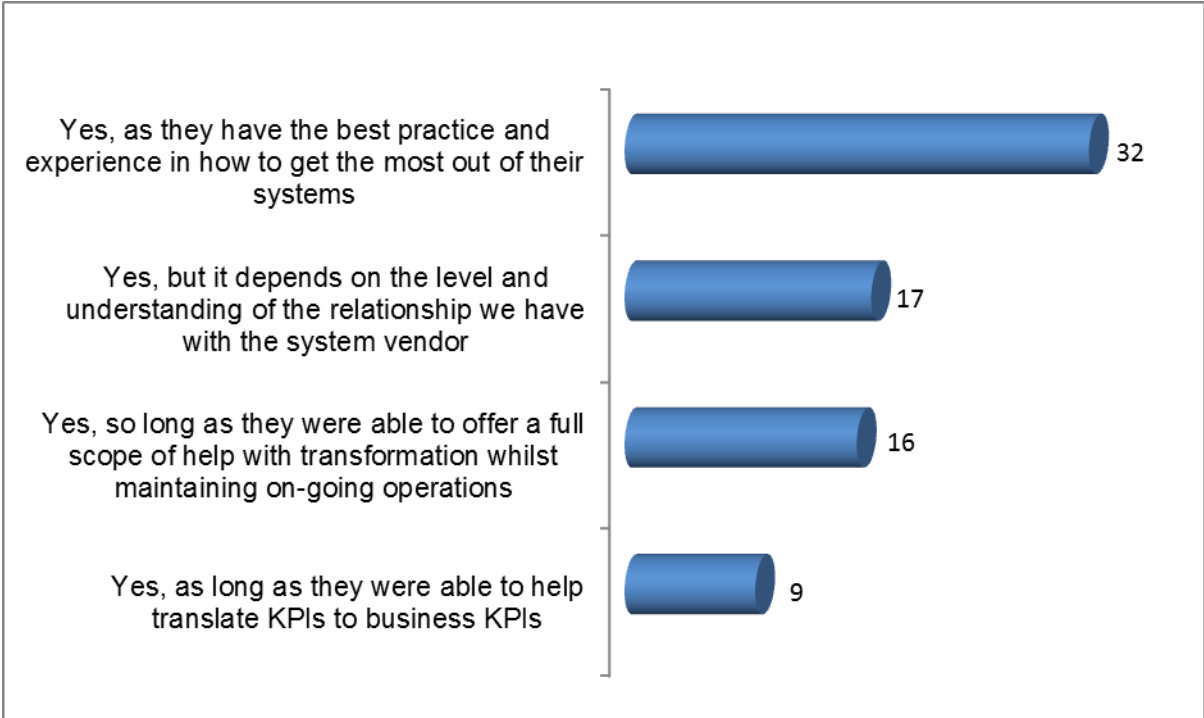
The costs of using third party providers remains a fear but service providers have to balance the impact that third party experts can have on the success and timing of a transformation programme against the drawbacks of using in-house resources who are trying to fit such a major activity into their normal day jobs. Service providers from Central and Latin America, Eastern Europe and Asia Pacific (excluding Australia / New Zealand) were significantly less likely to see how the use of third party expertise or consulting services would aid elements of their transformation program. Yet the number of service providers from those regions who sought third party help beyond planning matches those of other regions. The implication is clear. In developing countries the concept of using third party expertise is in its infancy. Service providers start out going it alone and quickly realise that they do not have the skills and resources to complete the activity in time and to budget. After the planning phase and even early into the implementation service providers in the developing countries quickly realise that they should be using third party experts like those in mature markets. Indeed, those that did use third party expertise rated their help and advice as high, or higher than those service providers using third party expertise in all other regions.

**Helping companies translate Key Performance Indicators may hold the key**

It seems many companies can define what they want from their transformation programme and understand and set business performance priorities and targets. However they need **outside expertise to help them integrate the two**. Just over half of service providers say it is important that third party consulting services help translate operational KPIs to business KPIs. This alone is important enough to justify the use of transformation project expert. The differing kind of KPIs mentioned by service providers as being used during and after their transformation programmes included monitoring; costs reduction, customer satisfaction, employee satisfaction, more efficient systems, and a reduced time to market for new services and products.

**Best source of third party expertise are the vendors**

Overall, a massive three quarters of service providers say that it is better to get third party service direct from the system vendor themselves rather than any other type of third party provider. Why? Simply because system vendors are understandably felt to have the best practice and experience in how to get the most out of their own systems, they can support the full scope of the transformation programme way beyond the planning stage and can ensure both the business and operational KPIs.



*Figure 9 – Best source of third party expertise*

**The causes of failure – what to avoid.**

Merely identifying an initiative as a top priority and assigning a CXO level executive to take responsibility and drive it does not in itself guarantee success and it is clear that many companies face a wide and varied range of obstacles as they travel down the road of transformation. Perversely, as cost reduction is identified as a major driver for transformation, actually controlling the cost of the program is a major issue, which has to call into question the true level of control and governance imposed on the programme. More reason to use external help. So many organisations are worried that through seeking to reduce costs they are in danger of actually making things worse! The logistics and requirements of delivering the project and, linked to this, making sure the program is communicated across the business are also cited as major challenges which again points at poor governance.

Challenges faced at different stages and in different areas of the transformation program	%
Cost control	59
Implementing the project	57
Communication across the business	49
Having the skills and resources to complete the project	39
Managing risks prior to and during the project	38
The maintenance of on-going business services / customer service / relationships	38
Dealing with unexpected / unplanned events	37
Ongoing and overall governance	37
Planning the transformation project	36
Post transformation issues	31

**Table 6 – Challenges and obstacles to transformation success**

Too many service providers currently running transformation projects identify a range of obstacles from staff issues including dealing with those who are reluctant to change and having the right skills and resources to complete the project, to project specific problems such as dealing with unforeseen circumstances, planning the transformation project, post transformation issues and managing risks prior to and during the project. So transformation activities can be highly challenging and difficult to control – and with limited expertise and skills the problem may only get worse.

### **Key Risk Mitigation Activities**

There are risks in all activities and transformation is no different. Risk mitigation is an essential process especially given the overall impact that the projects have. Service providers report that to mitigate the risks in a transformation activity it is essential that excellent and constant levels of communication are enacted; common standards based approaches are used; the full buy-in of all departments is assured; good disaster recovery is available and using third party services.

How would you recommend mitigating against risk during the transformation project?	%
Excellent and constant levels of communication and reporting as the project is enacted	62
By using common standards based approaches	54
Ensuring the full buy-in of all departments	50
Have back up / disaster recovery systems to step in should a new / adapted system fail	43
By using third party expertise and advice / consulting services	38

**Table 7 – Risk Mitigation**

### **Summary and conclusions**

Clearly, when done right, transformation can be hugely beneficial to an organisation’s competitive or operational activity. A successful transformation programme can involve the entire organisation or be limited to one specific area of business or system dependent on the type of transformation chosen or the drivers and triggers for initiating the programme. The study has found that although it was a challenge to succeed with the transformation programme, and targets in terms of budget and timeline were not always achieved, still service providers report that their transformation project was a success. They are still pleased that they embarked on this project and the business has benefited from the activity.

The benefits of transformation are of course dependant on the trigger for starting along the path of transformation but can include cost reduction, maximising a strength or opportunity of the organisation, improved customer experience and reducing time to market of new products/services.

Having a defined strategy, roadmap and communication are all essential elements of ensuring good governance and, as a result, a successful transformation programme. To achieve this service providers engaging third party expertise at the planning stage were able to draw upon significant expertise to help aid their strategy from the beginning. Indeed, the vast majority of service providers currently under-going

transformation programmes believe that their on-going programme would benefit from outsourcing at least some of its aspects to third party experts. Successful transformation can best be achieved by careful planning, ensuring good leadership, mitigating risk, enforcing good governance, and seeking the help of third party expertise.

**What to do – tips for successful transformation:**

1. Have a defined strategy and roadmap for change
2. Ensure strong and consistent leadership of the programme
3. Maintain good governance
4. Communicate – at all times and across all parts of the business, even those not directly affected by the programme
5. Recognise that there are likely to be limitations in internal skills and abilities to succeed
6. Engage with third party expertise from the planning stage and throughout
7. Use third party expertise linked to the systems in place
8. Have clear performance measures that indicate true success
9. Apply a methodology to achieve real measurement of the business KPIs
10. Understand the impact transformation will have on multiple part of the business.

**What not to do – things to avoid during transformation**

1. Weak or unclear leadership of the programme
2. Over-estimating internal abilities and skill sets
3. Poor communication
4. Failure to maintain the strategy or roadmap during the programme
5. Failure to monitor and maintain KPIs and costs
6. Think that it is quick and easy
7. Fail to have the buy-in of all departments that are involved in the programme.