ANALYSING THE MAJOR ISSUES

In the transformation sprint, we need to identify critical issues quickly. Most companies share a similar issues' profile. They are rarely exactly the same, but there is enough similarity to use a template such as the one we offer below, to short circuit a long discovery process.

In a separate document we will look at how to spot these problems in the IT side of the business. Here we list out problems we see recurring often, that are wider business issues that go unresolved.

An important point to note is that strategy and execution are intertwined in these issues.

Sometimes you are dealing with a company's inability to translate strategy into new markets, and the reason can be a lack of insight or an inability to rationalise infrastructure. The two are misaligned because, for example, not enough time has gone into understanding how a new block of work will fit into an overstretched IT shop and/or because the firm's investment in insight is low.

The issues might arise as conflict, say, between IT and customer support (because IT is pulled away from back office refresh work onto more new projects) or it might manifest as too many new projects as the company tries to cover as many bases as possible (because it lacks insight). We have to go beyond the surface conflict and look at where the structural problems lie.

In the list below we provide recurring issues that reflect such underlying structural problems. You can use this as a checklist when doing your own analysis.

THE PROBLEM	IN BRIEF
1. Vision, mission goals are unarticulated, a situation that often arises when there is a significant market change that needs a strategic response and senior leaders are not articulating it in a new vision, mission and goals	You'd be surprised how many leadership teams don't do the basics. We have seen at the most basic level, direct reports who do not know what executive leadership wants from them. We see it reflected in lots of projects starting but few finishing and mid-level staff who obsess over simple but often outdated targets.

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2. Incompatible operating models or unconscious OM development. Senior leaders can give a greenlight to projects that grow into OM components that really don't sit well together	This is best explained by example. You have a retail business and are switching to a digital one and along the way hear about platforms and ecosystems, oh, and also data-driven or software-driven enterprises. Each of these represents a significant OM change. However, they can begin as simple projects hyped by a good internal advocate. The problems arise when two or more operating models (say, retail., mobile digital) function side by side. Why a problem? Because senior leaders will revert to the old, tried and tested models when resources are under pressure and that means progress is stop-start, work is characterised by context switching, efficiency and quality suffer and, bluntly, people feel like they don't quite know where they are.
3. Customer-centricity - what do we really mean by this term? If a company has become more customer centric, it will be reflected in a structural change.	Companies want to do it but don't know how, yet convince themselves they do. Customer-centric becomes a badge they put in the foyer. It is conveyed as a new attitude rather than new structures or it is conveyed as a better CSR policy. Customer-centricity involves real change such as investment in community or a commitment to open product and service reviews. The lack of commitment is usually obvious.
4. No change to revenue models or a recurring model designed to bleed passive income from users	Companies switch to a recurring revenue model so that they can build deeper and longer relationships with customers, to whom they have to sell less often. The recurring revenue model infers more investment in developing the life-time value of customers and, simultaneously, it shifts more power over to the consumer. However, many companies approach it as a way of being more passive about income, taking in subscriptions for services that people don't use. On top of that, they will be supporting a loyalty program and giving discounts, the two things good LTV are meant to avoid.

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5. Market segmentation. It is becoming increasingly important to understand which segments you serve or can serve better with new value propositions, so that you can target innovation and messaging at the right need.	Companies understand the market and customers through their product range rather than through insight. In other words they see the overall customer profile as buyers of different products rather than as an emergent set of new needs. It puts the brakes on change because as much as they are digitising, they are not advancing their ability to serve customers.
6. Value discovery and product discovery are overlooked, meaning the firms launches too many projects	There are plenty of examples of products that became successful once their value was better communicated. We think too much about the innovation of a product's features and too little about how to communicate value, which raises the overall issue of how value is perceived inside a company. Firms need the acumen to identify and communicate value but often treat it as a features' factory and an unending struggle to meet product requirement specifications.
7. Handovers between different departments, e.g. marketing to customer support, or product to IT are a major source of conflict.	Work is a collaborative experience, but handing work over from one section to another routinely causes misunderstanding and inefficiency in many companies. This often reflects misalignment at the senior level where C-Suite members are not collaborating and instead protecting their turf.
8. Requirements documents still rule the roost and product development remains divided between IT, marketing, innovation and product. The result is that companies judge all of their development work by the number of features delivered and the pace of delivery	Agile techniques could have put a stop to one of the most contentious of handovers, the passing of a requirement document to a development team. Problems here include, feature delivery for the sake of it, delivery at pace rather than delivery of value, cynicism and world-weariness.

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9. Core platform incompatibility and age	Company has too many legacy business lines sustained by too many platforms that prevent progress. There is plenty in the literature about legacy IT but very little about the legacy of old lines of business. In fact, the reasons companies need to maintain IT systems is often to support a product line that has become unprofitable, thereby doubling up on waste. While the focus is IT, it should be on the balance of product value and IT.
10. Poor resource allocation	Lack of a central, visible project register often means companies commission projects that contribute very little to core goals. But worse, they have no way of keeping track of this waste. Projects look like they are delivering on their milestones but the milestones have to little value, leading to demoralised teams and wasted resources.
11. Poor value discovery, or in other words insufficient investment in insights, not just in validating innovations but also in understanding where firm assets and advantages really lie	Companies can get overwhelmed by fail-fast and fail cheap projects. Lean iterations go too far into development before their lack of value is acknowledged. A typical sign is that, oftentimes, this problem is not acknowledged as there are no feedback loops between feature use by customers and the product teams who specify the requirements. Over and above that the firm has plenty of new projects but reflects no real sense that it knows where it's markets are headed.
12. Major project failures	Almost without exception, the companies we work with have a long history of large project failure that reduces morale and creates fear. A clear sign is often the way in which a firm will talk about large projects in terms of the peripheral benefits, such as we learned a lot about x or y.

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13. Ineffective hierarchy affects companies in transition as the overall plan starts to creak and the intervention of choice is micromanagement	Large transformations often set too many objectives across too wide a range of activities. When deadlines are not met, senior leaders begin to micromanage, often cutting through hierarchy and taking the deadline on as a personal challenge. They believe they can bully people into changing and become fixated on minor operational detail, leaving strategic issues in limbo.
14. Decision-making challenges arise when leaders have divergent views about how to run the business	Senior leaders are recruited from different industry backgrounds and try to apply inappropriate lessons from their own past. This is visible in areas such as the rush to commoditise the business through price discounting, rather than seeking ways to add value.
15. Lack of staff churn seems to reflect a positive culture but it also means there is little ambition	Complacency and pleasantness keep the company on an even-keel but heading nowhere. It's not necessarily good to have a culture that is so friendly that people feel no pressure though for sure there are staff who like it that way. Companies need staff who are ambitious enough to try their luck elsewhere and they need to bring new blood in to liven up the innovation pipeline. They need a healthy churn rate and though it may seem counterintuitive, a company that is too happy and that nobody wants to leave is a bad sign.
16. Customer journey design problems	Customer journey design is often an under-developed process of insight and imagination. Customer journeys are poorly expressed when they simply follow an existing routine, e.g. in a hospital setting, patient arrives, reports to reception, takes a call-number, sits and waits In reality, a customer journey begins at a competitor's site or at a third party social

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16. Customer journey design problems *(Contd)*	media site; continues with recognition of a firm's assets and carries on through some form of contact or interaction with the firm. It will encompass digital and physical interaction and it will often take place over multiple interactions before that prospect becomes a customer. Mapping these and understanding what gains can be made along the way are all part of the journey but a strong signal of weak journey planning is the lack of these discovery aspects: how do people find us and afterwards what do they say about us?
17. Low flow efficiency	Change programs add to an already complicated workflow and this will be seen in the degree of dependency management needed. When dependency management is poor, critical project personnel will find themselves waiting to access one subject matter expert or architect who is often being pursued from meeting to meeting. Look out for key personnel bottlenecks. It means that the dependency problem is overwhelming the program. It all adds to low flow efficiency, i.e. the lag from a piece of work benign ordered up and being completed grows and grows.
18. Leaders often use program meetings to show off their own credentials	We have come across several situations where leaders use meetings to explain solutions to teams rather than eliciting solutions from them.Leaders should not be doing the work but when they do, teams become passive.
19. With the decline in R&D spending in many industries, firms become bound by the past	Look out for the lack of valid "future of business" exploration or business architecture remodelling skills.

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20. FTE reduction and contractor increases cause resentment and add to passive aggression	Many company strategies make explicit references to FTE reduction. In effect, this is like asking a turkey to vote for Christmas, as staff know they run the risk of being sacked during the transformation. The counterpoint is that the company will begin by hiring consultants and then go onto hire contractors as it misses deadlines. It's a bad recipe and the outcome is often huge amounts of passive aggression.
21. Risk management	A lack of alignment between agile teams and the slower practices or steps required by risk or security teams adds to inefficiencies to the point now where security can be a major blocker.
22. Risk controls imported from traditional project management can stall good work	Long risk registers, with numerous red risks which have remained unresolved for months, if not years, are not uncommon. It is worth reviewing the risk register and asking what actions have been taken to resolve risks or indeed if there are practices around regular risk resolution.