

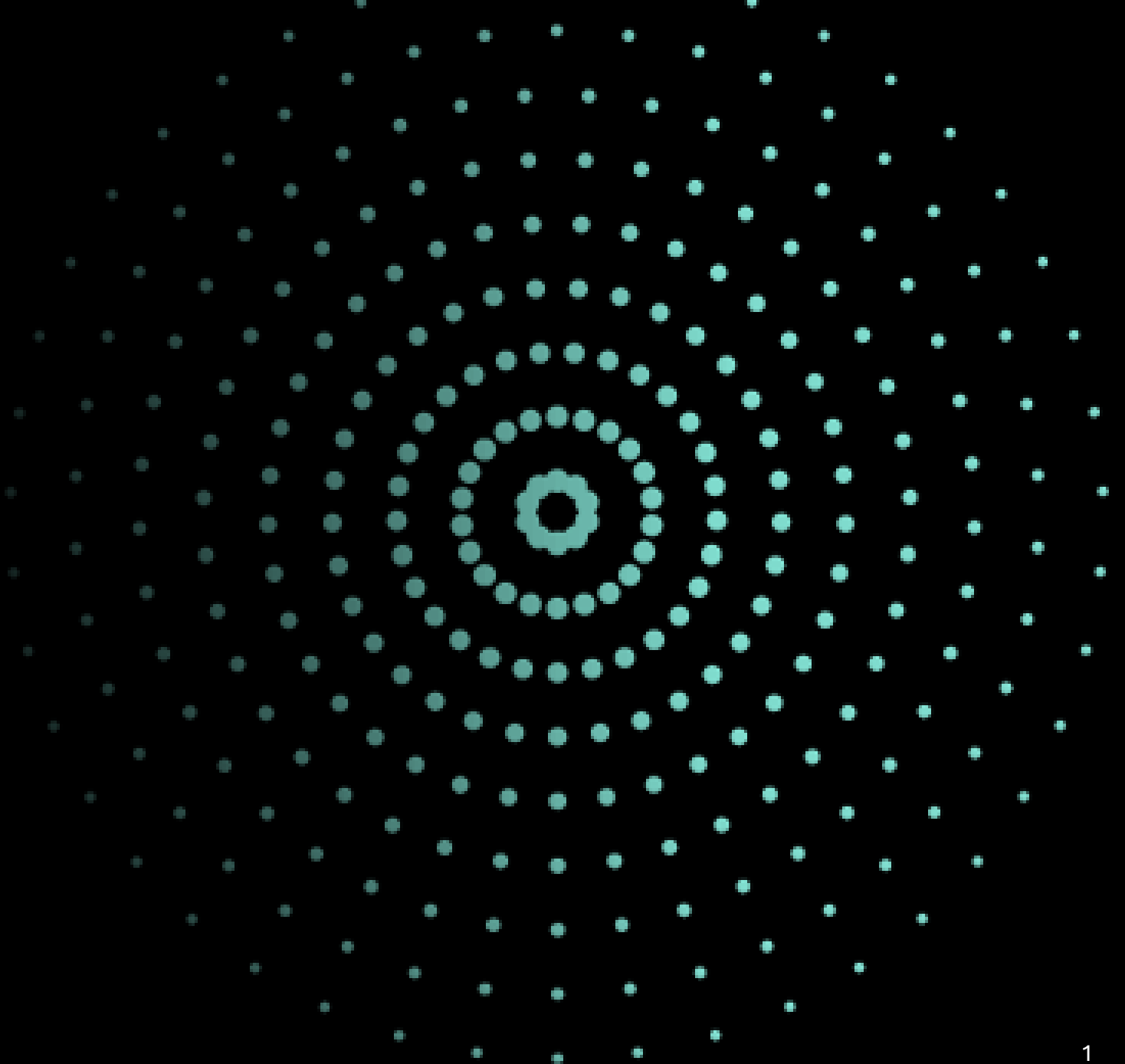
DIGITAL TRANSFORMATION

A FRAMEWORK FOR EXECUTION

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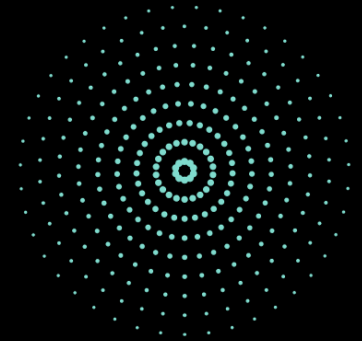
EXECUTIVE SUMMARY

Digital transformation is one of the defining priorities for organisations today, yet Forbes reports that around 70% of initiatives fail. The reason is rarely the technology. This paper sets out a practical framework for designing, executing and embedding digital transformation, and argues that the determining factor is organisational, not technical.

Five conclusions shape what follows:

- **Digital transformation is culture-first, technology-second.** Most failures are organisational rather than technical. The technology is usually available; the capability to adopt it is not.
- **Strategy and execution are both required.** Execution without strategic clarity wastes money. Strategy without execution discipline delivers nothing. The gap between them is where transformation programmes die.
- **The middle of the organisation decides whether change sticks.** Senior sponsorship sets direction, but middle managers and frontline teams determine whether new ways of working take hold.
- **AI and automation raise the stakes.** Organisations are hiring specialists faster than they are building adoption capability. The value will not be realised until the wider organisation can absorb it.
- **Transformation does not end at go-live.** Embedding requires measurement, reinforcement and continuous learning. Programmes that stop at implementation leave the benefit on the table.

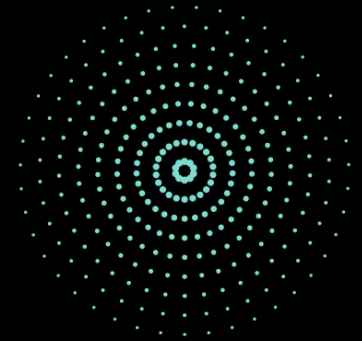
The framework that follows is organised into three phases - Design, Execute, Embed - with the human and organisational dimension running through all three.



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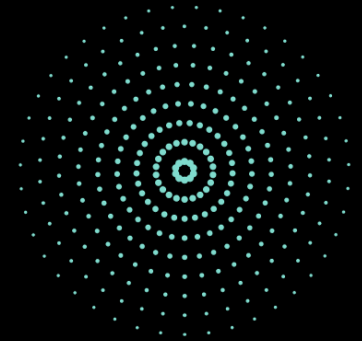


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INTRODUCTION

Digital transformation is the integration of digital technologies into all areas of a business, fundamentally changing how the organisation operates and delivers value to its customers. It is a strategic imperative for organisations looking to thrive in an increasingly digital world.

In the following, we identify the digital opportunities for organisations, provide an analysis of the challenges they face and the prerequisites needed ahead of embarking on a digital transformation journey. We then present a detailed roadmap for organisations to design, execute, and embed a digital transformation strategy, ensuring they can adapt to market changes, enhance operational efficiency, and create a culture of continuous innovation.



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DIGITAL OPPORTUNITIES

STRATEGIC CONTEXT

The four areas below, customer experience, employee experience, operations, and business models, describe where digital capability creates value. Before examining them individually, it is worth setting out the strategic context that makes them consequential.

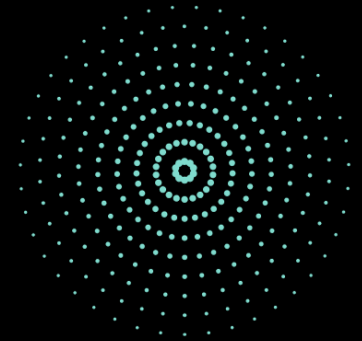
Digital capability is no longer only a means of improving existing operations. It increasingly determines what business models are viable. Platform businesses, ecosystem partnerships, data-enabled services and subscription models have all become possible because digital infrastructure allows organisations to serve markets and reach customers in ways that were previously impractical. The strategic question is not only "how do we do what we do, better?" but "what could we do that we cannot do today?"

Three developments are reshaping industry boundaries in particular:

Generative AI. The cost of producing analysis, content, code and customer interaction is falling sharply. This changes what we can automate, what constitutes a service, and where human judgement adds the most value. Organisations that treat AI as a tooling decision rather than a strategic one will find themselves with capability they cannot deploy.

Ecosystems and partnerships. Value increasingly accrues to organisations that can orchestrate partners, data and services around a customer need, rather than those that own every part of the chain.

Data as an asset. Data monetisation, personalisation and predictive servicing all depend on data being governed, accessible and trusted. Organisations with fragmented data estates cannot compete on any of them.



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DIGITAL OPPORTUNITIES

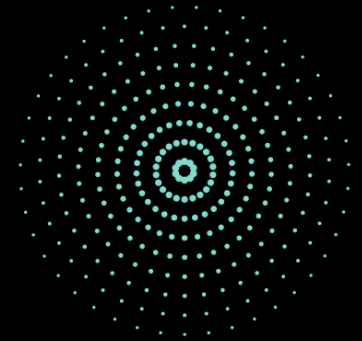
VALUE LEVERS

Value levers to consider

Any digital transformation business case should be expressed in terms that senior executives recognise. The levers most commonly in play are:

Lever	Typical measure
<i>Efficiency</i>	Cost-to-income ratio, FTE productivity, processing cost per transaction
<i>Revenue uplift</i>	Cross-sell, customer lifetime value, new product revenue
<i>Margin expansion</i>	Cost per acquisition, servicing cost, incremental cost of sale
<i>Speed</i>	Time to market, cycle time, onboarding duration
<i>Risk and control</i>	Error rates, control failures, audit findings, regulatory readiness
<i>Customer outcomes</i>	Retention, NPS, complaints, adoption rates

These are the terms in which investment decisions are made. Transformation cases built only on capability improvements tend to struggle for funding; those expressed in efficiency, revenue and risk terms tend to succeed.



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DIGITAL OPPORTUNITIES

In deciding how to embrace digital opportunities, organisations must understand and navigate a rapidly evolving technological landscape, shifting customer expectations, and internal cultural and operational hurdles. There are **four key areas** in which organisations can find digital opportunities.

Customer Experience



- Using digital tools to enhance customer experience will, if executed correctly, almost always reap benefits such as repeat sales, increased spending, positive recommendations and social media reviews.
- By combining digital and physical customer capabilities, the overall customer experience can be enhanced through more tailored customer care and 24x7 customer servicing.

Employee Experience



- Digital tools can be used to dramatically improve employee productivity and satisfaction through eliminating arduous tasks, improving the ability of staff to service customers quickly and effectively and enhancing employees' skills and capabilities, making them feel more valued within the organisation.

Operations

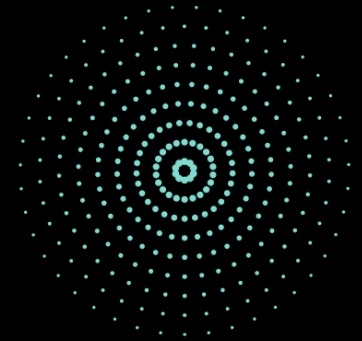


- Significant improvements to internal processes can be achieved with digital tools.
- Better data, enhanced processing power and quicker, more accurate reporting and communications through cloud computing, machine learning and the Internet of Things (IoT).
- Automation tools can remove human error and free staff to perform more value adding roles.

Business Models



- Novel technology allows organisations to adopt variations of their existing business models, enabling them to reach customers and service markets in new ways.
- Examples include: digital enhancements, information based service extensions or multi-sided platforms.



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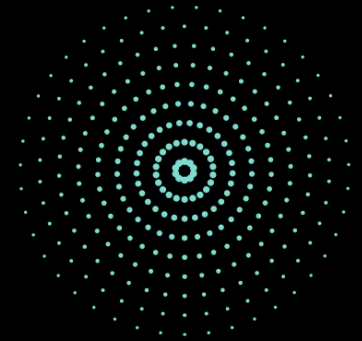
DIGITAL TRANSFORMATION CHALLENGES

Becoming a "digital master" - an organisation that excels in both digital capabilities and leadership - is a complex and multifaceted challenge. It requires a holistic approach that balances technological innovation with cultural and organisational change.

Embarking on a digital transformation takes a traditional organisation outside of its comfort zone, and creates a variety of challenges that it will need to overcome to make its transition successful and sustainable.

Organisations must make strategic decisions that address both the technical and human aspects of digital transformation. By fostering a digital-first culture, investing in the right technologies, and aligning digital initiatives with business goals, organisations can overcome challenges and position themselves as leaders in the digital age.

Some of the common challenges facing organisations making the transition to digital are outlined below.



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DIGITAL TRANSFORMATION CHALLENGES

Cultural Resistance to Change

Employees and leaders may resist digital transformation due to fear of job displacement, lack of understanding, or attachment to legacy processes. Heavily siloed organisational structures can also hinder collaboration and innovation.



In Practice

A wealth management service provider implemented a new post-trade solution. The technology was delivered on time. The organisational change was not. Staff had been trained on a heavily customised legacy system and were not supported through the transition to a standardised one. Confusion followed; transactions could not be processed, and clients became frustrated. The programme was considered a technology success and a business failure.

Legacy Systems and Technical Debt

Outdated IT infrastructure can be costly to maintain and difficult to integrate with modern digital tools. Technical debt accumulated over many years can slow down innovation and scalability.

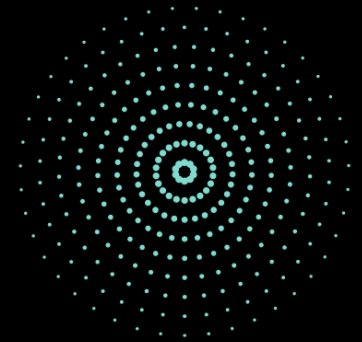


In Practice

A global bank adopted a cloud-based reporting solution. The technology worked. The surrounding business process did not, because it had to accommodate the complexity of the bank's legacy systems. Reports had to be reprocessed several times, and the anticipated benefits were significantly reduced. The lesson is that new platforms inherit the constraints of the environment they are dropped into.

Lack of Digital Skills and Talent

The shortage of skilled professionals in areas like data analytics, AI, and cybersecurity can impede progress, although upskilling existing employees can often be a slow and resource-intensive process.



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DIGITAL TRANSFORMATION CHALLENGES

Data Management and Security Concerns

Non-digital organisations may struggle to collect, analyse, and leverage data effectively and may struggle to comply with regulations such as GDPR. Cybersecurity threats tend to increase with digital capability, requiring robust defences and proactive risk management.



Customer Expectations

Customers demand seamless, personalised, and omnichannel experiences, requiring significant investment in digital tools and processes. Organisations need to meet these expectations to avoid losing market share to competitors.

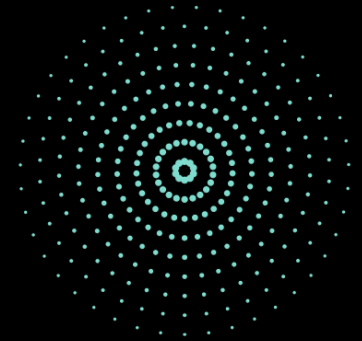


In Practice

A major financial markets software firm attempted to work with a broker client in a more agile, collaborative way. Company-wide data restrictions prevented dynamic collaboration through shared portals, so the two firms reverted to email. Deployment slowed, the collaborative model collapsed, and the client formed the view that the software firm was behind the times. The constraint was not capability. It was an internal policy that no one had thought to revisit.

Investment Returns

Whilst organisations need to explain the likely costs and expected benefits from digital, they should not merely rely on standard ROI measures used for their existing business. Digital investments tend to take longer to deliver payback than traditional ones but with subsequent higher future returns due to the incremental cost of sales being significantly lower.



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THE HUMAN AND ORGANISATIONAL DIMENSION

The challenges set out in the previous section are usually described as technical or strategic. In practice, most of them are human. The technology is generally available, and the strategy is generally clear. What determines success is whether the organisation can absorb the change.

Three concepts are worth naming, because they explain why transformations stall even when the plan is sound.

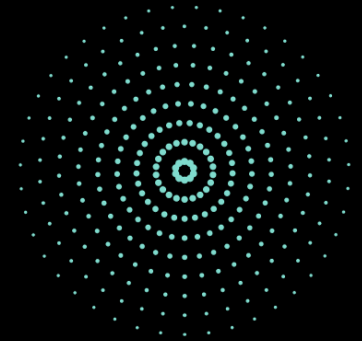
Organisational elasticity is the capacity of an organisation to absorb change without losing performance. Every organisation has a limit. When change is loaded faster than that limit allows, the result is not faster transformation but slower delivery, rising attrition and declining engagement. Senior teams frequently underestimate this limit and assume that adding more change is the answer to falling behind. It rarely is.

Change fatigue is what happens when organisational elasticity is exceeded. It shows up as passive resistance, disengagement, and a tendency for experienced people to wait for initiatives to fail rather than commit to them. It is cumulative, and it is often invisible in reporting until delivery slips.

The adoption gap is the distance between a technology being available and an organisation being able to use it. This is currently most visible in AI. Organisations are hiring machine learning and AI specialists faster than they are building the capability of the wider organisation to adopt what those specialists build. The result is capability that exists but does not scale.

In Practice

A professional institute asked us to help it structure its approach to artificial intelligence for its membership. The work covered collaboration with universities and firms, sandbox environments for members to experiment with AI, training on ethics and practical application, and guidance on how members could apply AI in their professional roles. The insight was that the constraint was not access to technology. It was the confidence and capability of practitioners to use it.



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THE HUMAN AND ORGANISATIONAL DIMENSION

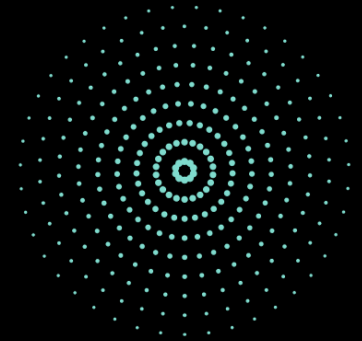
Three practical responses

Middle managers as catalysts. The most underused resource in transformation is middle management. They translate strategy into daily practice, they know where the friction is, and they are trusted by the teams they lead. Programmes that treat middle managers as an audience to be communicated with, rather than a capability to be mobilised, consistently underperform.

Internal digital ambassadors. A distributed network of advocates — volunteers from across the business who are trained, supported and connected — spreads adoption more effectively than central communications. Ambassadors provide peer-to-peer credibility that no central team can replicate, and they surface problems early.

Capability, not just communication. Communication tells people change is happening. Capability building equips them to work differently. The two are frequently conflated. Adoption requires training, practice, supported experimentation and time, and the business case should fund it explicitly rather than treating it as a downstream activity.

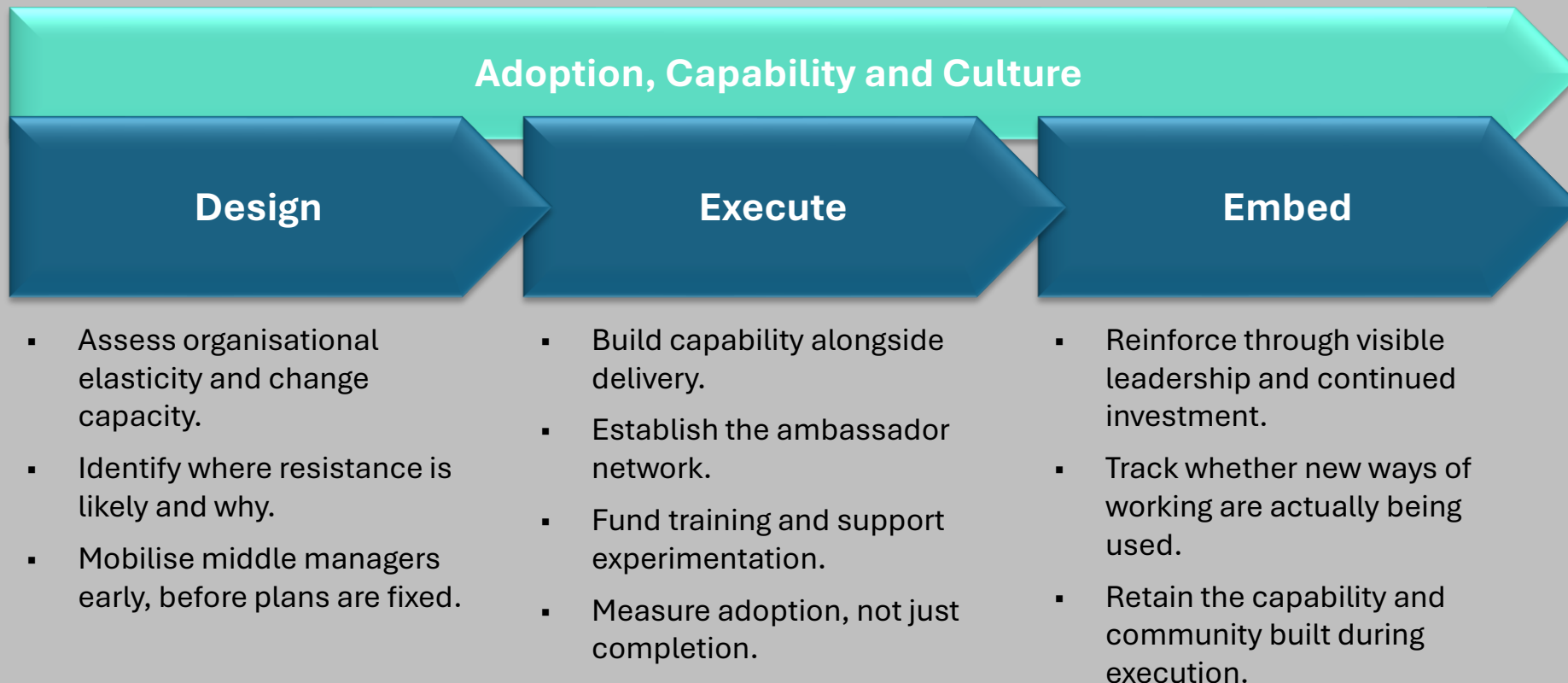
The framework that follows should be read with this dimension in mind. Each phase - Design, Execute, Embed - has an organisational requirement running alongside the technical one.



A V E R R U N C U S

A DIGITAL TRANSFORMATION FRAMEWORK

To successfully deliver a digital transformation we propose the following framework, divided into three key phases: **Designing the Digital Transformation**, **Executing the Digital Transformation**, and **Embedding the Digital Transformation**. Each phase is critical to ensuring the successful integration of digital technologies and the creation of a sustainable, future-ready organisation.



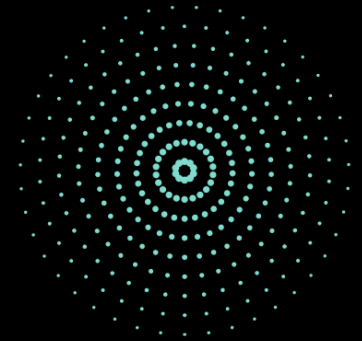
PHASE 1: DESIGN

Develop the Rationale for Change

- The organisation needs to first understand where it is positioned, the need to embark on a digital transformation journey and how this links with its broader overall business strategy.
- It needs to define its desired capabilities, how digital will support and augment these, consider the four key values of digital culture (impact, speed, openness and autonomy) and how these will complement its existing culture, understand its existing constraints, rethink its assumptions, and explore potential growth opportunities.
- An assessment of the firm's current level of digital capability, and that of its competitors will provide a clear direction for the transformation process.
- The speed of transformation execution also needs consideration. This will involve the senior leadership of the firm, facilitated by digital transformation expertise.

Establish Senior Leadership and Governance

- A team from the senior leadership and key selected middle management staff should be established to steer the work, connecting the overall organisational direction to other areas of the firm.
- This senior team should be augmented with external digital change expertise to bring knowledge and best practices gained from other digital transformations.
- The team will have the responsibility of governing the transformation and also communicating to staff and resolving conflicts between areas.



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PHASE 2: EXECUTION

Articulate the Vision & Plan

- The senior team then needs to articulate the digital vision and how achieving it will benefit the firm, its customers, employees and other stakeholders. The capability gap between where the firm is currently and the desired target state will need to be determined, this being the extent of the transformation required.
- A programme level business case explaining the benefits and costs of the transformation work as well as the risks and opportunities arising from it needs to be created to secure senior leadership commitment and funding as well as developing a shared understanding of the vision and rationale for the transformation.
- A transformation execution team should be established. This team will then develop a high-level transformation plan, identifying resources, effort, cost and timescales for key initiatives within it.

Communicate the Transformation Vision

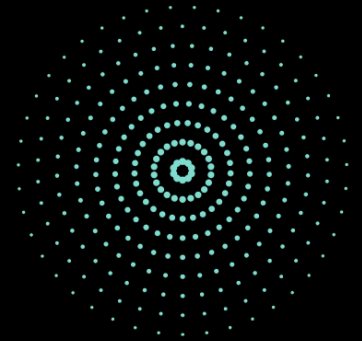
- Middle managers need to be identified who can act as digital champions, inspiring and influencing others to adopt a collective team mindset toward digital transformation, ensuring that initiatives are executed in alignment with the overarching goals
- Engage staff teams through company-wide communications such as town halls, emails, webinars and internal social media to make all staff aware of the transformation initiative. Ensure that senior executive sponsorship is highly visible, emphasising the transformation's strategic importance to the firm.

Remove Barriers & Address Assumptions

- A digital transformation strategy is an ongoing and evolving process, adjustments and changes to the approach will constantly be necessary. Insights should be gathered from employees and middle management and fed back to the transformation leadership team to inform initiatives and adjust solutions where appropriate.
- Commission and deploy new tools and facilities such as test environments, data gathering and collaboration tools to facilitate new digital practices. This will allow rapid prototyping, experimentation and cross-firm collaboration.

Champion Early Successes

- As concepts are proven out through digital practices such as rapid experimenting and data driven decisions, they need to be showcased and deployed so that staff, customers and other stakeholders can observe this early success and start to experience the benefits of the transformation.



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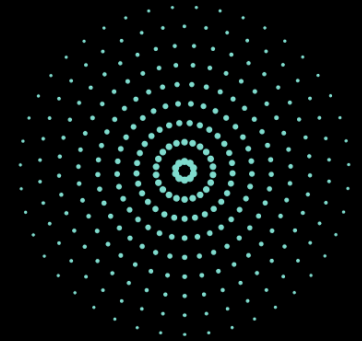
PHASE 3: EMBED

Transition to the New Normal

- The transformation's progress needs to be monitored using the key KPIs defined at the outset. Once key KPIs evidencing establishment of the target state have been met, the transformation initiative can be transitioned into a "new normal" state. What this will mean in effect is that the firm has successfully moved away from a traditional, rigid structure with fixed functional boundaries and embraced a network-like structure, with functions organised around key sources of value.
- However, even though the programme team may be dispersed at this point and the level of training reduced, the organisation will now enter a continuous learning mode as it evolves with the ever-changing market landscape whilst having a collective mindset that enables it to respond and capitalise on changes in technology and its environment.

Actively Reinforce the Change

- Management needs to continue to promote promising ideas for new digitally enabled products and services or changes in operations so that staff are aware of the impact and benefits the digital transformation is having and management's ongoing commitment to it, reinforcing their engagement with the new ways of working.
- Adopting an agile methodology and regularly reviewing the strategy, sustaining successes, addressing failures, and being data-driven while incorporating employee feedback are critical components of the transformation journey. Through embedding such disciplines into its culture, and establishing an ongoing capability for continuous change, the firm will be able to swiftly respond to new threats, opportunities and disruptions and adjust its trajectory to continue benefiting from its digital transformation investment.



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KEY TAKEAWAYS

Digital transformation remains one of the biggest priorities for organisations worldwide, and Forbes reports that around 70% of initiatives fail¹. This paper has argued that the reason is not usually technological. It is organisational.

The framework set out here - Design, Execute, Embed - provides a structured route through the transformation journey. But structure alone is not sufficient. Three conditions determine whether transformation succeeds.

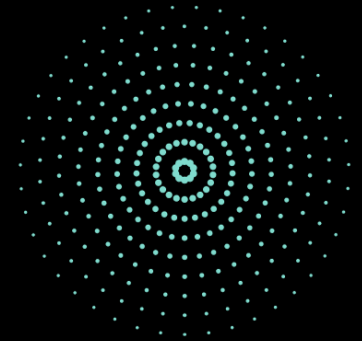
Leadership that stays visible. Senior sponsorship must be sustained beyond launch, not just declared at the outset.

Capability built alongside delivery. Communication tells people change is happening. Training, practice and supported experimentation equip them to work differently, supporting adoption.

Measurement that reflects reality. Measure progress in adoption, capability, and value delivered, not just milestones met. A programme can be green throughout and still fail to deliver.

Organisations that treat digital transformation as a technology programme will continue to see high failure rates. Those that treat it as an organisational capability, enabled by technology, will be the ones that succeed.

¹ <https://www.forbes.com/sites/blakemorgan/2019/09/30/companies-that-failed-at-digital-transformation-and-what-we-can-learn-from-them/#6e21dd93603c>



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ABOUT AVERRUNCUS

Averruncus is a boutique consultancy led by Daniel Eiloart, a senior transformation and operational finance professional with 20+ years in global financial services. Daniel spent twelve years at HSBC at Director level, including as acting COO of Group Treasury and head of the Global Banking & Markets regulatory change portfolio, and five years at Accenture as a Senior Manager.

Averruncus works in three main areas: **programme recovery and turnaround, finance transformation and CFO advisory, and digital transformation.** Each is grounded in delivery experience rather than theory, and each begins with a practical diagnosis rather than a methodology.

If you would like to discuss a programme that has gone off-track, a finance function that needs to work differently, or a digital change that is not landing, get in touch.

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