



# Driving digital transformation in a traditional bank: A four pillar approach

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When thinking of digital transformation in a large organization, we typically tend to focus our attention on delivery teams and technology changes only. This experience report captures my learning that in order to achieve and persist real transformation, we need to align two more important factors that often tend to get overlooked - the organization's product strategy and its people function.

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## 1. INTRODUCTION

Since June 2019, I have been leading a digital transformation engagement for ThoughtWorks at the auto finance division of one of Thailand's largest banks. The bank has a large established market share but a very limited digital footprint. A senior leader at the bank recognized that they were falling behind competition and decided to hire us to help them with navigating this transformation journey. The leader shared some of the key statistics for the bank's current state that is captured in Figure 1.



Figure 1. Snapshot of the bank at the start of the engagement

Our team (I and 4 colleagues) started the engagement with an assessment to better understand the true state of things and hear different perspectives across the entire organisational hierarchy. My background is primarily in the delivery of large digital transformation programs using agile and lean methodologies. My colleagues brought in complementary expertise in the areas of digital product development, banking and lending business knowledge, organisational change management and digital technology. Together we drew up a three-week assessment structure to help us understand the organisation's current state gaps.

Below are some of the key activities during our assessment:

- 1 on 1 conversations with most members of the 35-person leadership team
- Visits to customer servicing branches and dealer locations in Bangkok city and upcountry provinces
- Understanding the formulation, prioritisation, funding and measurement of strategic objectives from the Strategy team, and their execution from other divisions (Sales, Marketing, Operations etc.)
- Working sessions with the IT and Digital teams to understand the technical stack, the software delivery process and their pain points and challenges

- Understanding the payments and collections process in detail through observation and user interviews

At the end of the assessment, we spent a week analysing the data, identifying the key affinity groupings and synthesising our playback of the identified problem areas and recommendations.

## 2. BACKGROUND

The assessment and discovery process was really eye opening and uncovered a huge disconnect between different parts of the organisation. The below table summarises some of the key messages we heard:

Senior Management	Human Resources	IT and Digital	Customer facing teams
We don't have any burning issues in our current state	We need decks and templates so we can use them to transform our entire workforce	We have way more initiatives in the backlog than our capacity	Customers can't have real time balance or payment status
IT can work faster	Tell us what needs to change in our performance evaluation for agile teams	We are never allowed to say no	We call customers everyday just to remind them to pay their bill
We want to see a press release with our digital transformation success	We want to transform the whole organisation in one year	We have no time to learn or adopt new technology	Loan processing is time consuming and paper intensive
Staff cannot think out of the box		Our legacy platform is not built to support the digital world	Too many checks and approvals in every business process

We summarised these observations into the following organisational antipatterns:

	<p><b>Hierarchical decision making</b></p> <p>Disagreement and difference of opinion with superiors was not accepted, leading to subordinates never opposing their boss' viewpoint, even when they know it is factually incorrect.</p>
	<p><b>Rule driven reward system</b></p> <p>Adhering to rules and following one's job description was recognised and rewarded over doing what matters for the business and the customer.</p>
	<p><b>Risk aversion</b></p> <p>Across levels, the organisation preferred to play it safe, and was content being the follower rather than the leader in innovation in the market.</p>
	<p><b>Disconnected from the end customer</b></p> <p>A lot of initiatives and ideas prioritised by the leadership had little alignment with the end customer's pain points and desires</p>
	<p><b>Process over results</b></p> <p>All parts of the operation were heavily process driven. This was stifling creativity, innovation and out of box thinking, and driving down morale.</p>

It became clear to us that for a successful digital transformation in this organisation, we would have to fix a few things:

- Ensure prioritisation is transparent and based on business value only
- Change the role of IT/Digital from a service provider to an active partner of the business
- Set up agile program management to bring visibility into IT and Digital teams' work
- Build a roadmap for the rollout of digital capabilities into the current business processes

- Build a roadmap for the technical investment needed to modernise the legacy platform
- Create a work environment that encourages experimentation and calculated risk taking
- Create a reward system that encourages teamwork and measures and rewards business value

Since these proposed changes impacted all the key building blocks of the organisation (strategy, people, process and culture), we decided to group our recommendations into the following four key areas/pillars:

**Agile Delivery**—Building technology delivery teams focused on delivering incremental business value through high quality digital products

**Product strategy**—Transforming how the organisation translates strategic goals into incremental measurable objectives, and then leverages its digital products to achieve these objectives

**Technology**—Evolving the underlying technology stack into a modern digital platform that can support customers, internal users as well as external digital ecosystem partners

**People and processes**—Pivoting the system of rewards, recognition and promotions away from subjective and opaque individual achievements to transparent team-based measures of actual business value

### 3. OUR STORY

Our diverse and complementing skills and experiences in the ThoughtWorks team helped us analyse a problem from different perspectives and come up with a solution approach where all the pieces aligned well. Figure 2 shows our proposed changes organised into the 4 key areas:

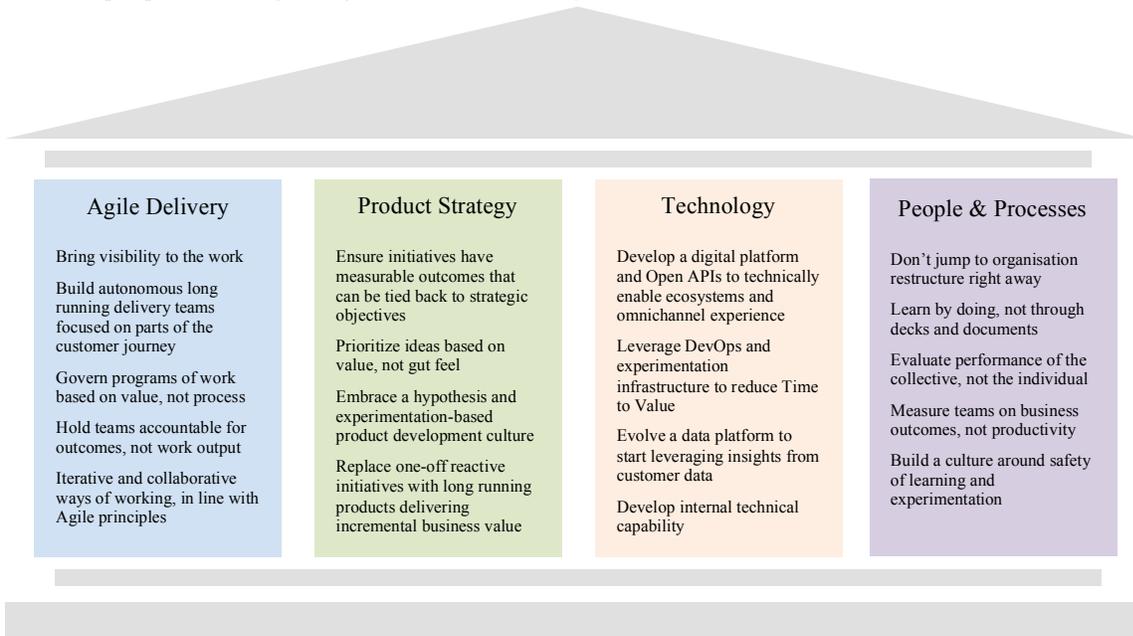


Figure 2. Transformation recommendations organised by the 4 key areas

Given the volume of work in each of the 4 key areas, the disparate set of stakeholders and the need to carefully integrate the progress in all the areas together, we divided the ownership among ourselves as below:

- **Transformation Program Lead (Myself)**—Responsible for the Agile Delivery pillar and overall progress of the Digital Transformation journey
- **Transformation Product Lead**—Responsible for evolving the organisation's product strategy
- **Technology and Platform Architecture Lead**—Responsible for modernisation of the organisation's technology platform
- **Change Management Lead**—Responsible for alignment of the organisation's people and processes with the new ways of working.

### 3.1 Problems

We presented our recommendations for the transformation execution plan to the senior management team. Instead of enthusiastic support, we faced significant pushback and resistance from the leadership team. Looking back, these were some of the key mismatches between our understanding and the ground realities.

**Assumption:** The entire senior leadership team is ready for the digital transformation and aligned on the outcomes.

**Reality:** The leadership team fell into three main camps:

1. 50% that felt digital transformation is something cool to emulate because everyone else is doing it (Shiny Object Syndrome)
2. 30% that felt there was no need to change their highly manual current way of working
3. 20% that actually felt there were gaps that digital transformation could help with

**Assumption:** There was a leader/set of leaders who could influence the rest of the team and convince them to go along in the journey.

**Reality:** All decisions were by consensus and even a single 'No' vote could end the journey.

**Assumption:** The organisation across levels was ready for this change.

**Reality:** We heard from the leadership team that most teams on the ground seemed to feel digital transformation would make them redundant due to process optimisation and productivity improvements.

**Assumption:** The organisation understands that digital transformation needs significant investment of time and money for learning and development.

**Reality:** The leadership felt that digital transformation was a one-time investment and would give them a repeatable process through slide decks and course materials for transforming the whole organisation.

**Assumption:** Given the customer facing nature of the business, we assumed the organisation had robust channels to gather customer sentiment and feedback

**Reality:** The decision making was largely based on what was heard from dealers and on gut feel, rather than based on feedback or data collected from end customers.

### 3.2 What we did

This response we received left us very frustrated and disappointed. We approached a senior colleague in our Singapore office to help us with a fresh perspective. His experience in the advisory space helped us to think of things in a more levelheaded way, resolve our conflicts and build out the new plan of action together.

We first approached the sponsors and asked them to identify area owners and more importantly, the overall transformation Program Manager, who would be the courageous leader that supports and pushes through difficult decisions when there is no consensus in the Senior Management Team.

We also asked for Change Champions; colleagues who would work with us on setting up and executing a communications plan with the appropriate content, cadence and channels for different target groups.

Target Group	Partners	Objectives	What message? Key Talking Points	How Often?	How? (i.e. Channels/Media)
Senior leadership team	TW	Communicate biweekly progress and updates on the transformation and blockers if any	- Weekly status - Deliverables for feedback - Highlight blockers and health required	Transformation area Owners: Biweekly meetings and 1 on 1s Senior leadership team: Monthly deep dive into deliverables in the last period	In Person
First and second level reportees of Senior leadership team	Senior leadership team Transformation area owners	Quarterly update on progress and key changes as a result of transformation engagement	- Key updates - New techniques/frameworks that would be used on a day to day basis - How to get further information regarding the frameworks and their application	Quarterly	Senior leaders members in person to their respective teams Ensure Senior leaders also available for 1 on 1 with their team members
Change Champion I: Enterprise architects, program management office	TW	Same as Senior Leadership team	Same as Senior Leadership team	Same cadence as Senior Leadership team	Same channels as Senior Leadership team
Change Champion II: Client team members on the thin slice transformation delivery teams	Embedded TW team members	Update only when there is an impactful change	What is the change and how it changes how they work?	When there is a change impacting them	In Person
All Employees	First and second level reportees, Change Champions	Update only when there is an impactful change	What is the change and how it changes how they work?	When there is a change impacting them	Initial: Townhall and Email Ongoing: Email Ensure change champions are available for 1 on 1 with individuals

Figure 3. Change communication plan

We proposed making initiative prioritisation more transparent and objective through use of lean product development practices. This would force everyone to rethink how ideas are validated, which in turn would increase engagement with real customers through experimentation and hypothesis testing.

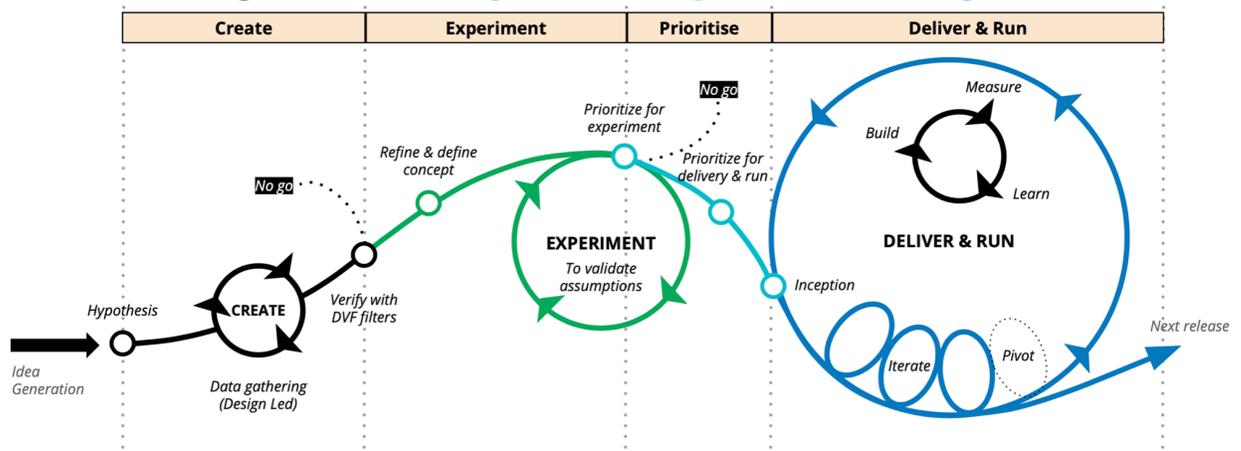


Figure 4. The product journey from idea to cash

Finally, we convinced the sponsors to abandon the monolithic “big bang” transformation expectation in favour of “thin slices”: incremental cross cutting pieces of transformation with real business value. Delivered by co-sourced teams of ThoughtWorks and client members, they would be repeatable success stories which could be scaled across the organisation by leveraging “transformed” client team members.

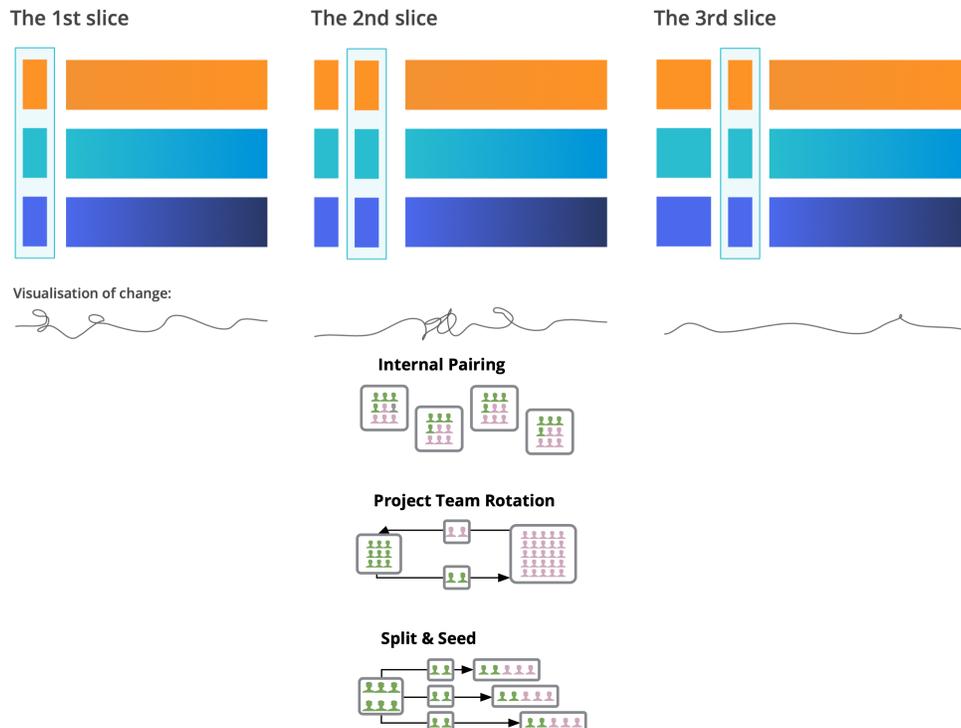


Figure 5. The “thin slice” based journey and scaling patterns

### 3.3 Results

After 18 months, I feel these are the highlights and key achievements in our journey so far.

1. **Moving leadership from an annual planning exercise to an ongoing backlog prioritization.** From an annual heavy duty planning exercise, we have moved good progress toward having a living backlog that is continuously prioritised by those closest to the specific business process.
2. **Building a culture of using data to prioritise ideas and features based on estimable value v/s speculative value.** This change to the prioritisation process has everyone taking the time to qualify ideas better, question hypotheses and look for supporting data. There’s also a lot of thought going into the experimentation process and validating results after product releases.
3. **Giving IT and digital leaders a place on the leadership table and getting them to be regarded as value creators v/s cost centres.** The introduction of agile delivery practices has resulted in teams having the ability to commit to work based on their capacity, and in product owners having a greater say in what should be prioritised. This is gradually changing IT’s role from doers to business partners.
4. **Moving the needle on the reward system to recognise and reward teamwork, value delivery and technical excellence; over tenure and adherence to rules.** For the thin slice transformation teams, the HR team is trialing performance reviews based on agile practices. Some of the changes include a greater focus on the team’s contribution to business value, using an agile competency matrix to evaluate maturity, and using 360° team feedback
5. **Transforming a pool of development resources working on short term reactive technical project work, into long running product teams focused on incremental enrichment of digital products.** By organising the development resources into product squads working with a product owner, we have started to bring a digital product based organisational structure into the delivery setup; with teams dedicated to a meaningful product journey driven by the digital roadmap.



This pandemic has increased the need for digitalisation but at the same time has hammered the financial outlook for lenders for years to come. Therefore, our client like many others has had to focus on the immediate priorities while slowing progress on others. But slow change is better than no change at all!

#### 4. WHAT WE LEARNED

While we are learning new lessons every day in this engagement, below are some of key lessons I have learned from this transformation engagement that would be helpful for any large enterprise digital transformation initiative.

##### 4.1 All four organisational areas need to evolve harmoniously for a successful digital transformation

Agile delivery practices bring predictability into software delivery and increase transparency and productivity. Product strategy ensures that the delivery team's capacity is used to build the right things.

Technology transformation ensures that technology supports the needs of the digital world, and leverages automation to help delivery teams focus on real value.

Finally, people and process transformation ensures that process doesn't become a bottleneck in the value stream, and people are rewarded the right things.

Therefore, there's a deep dependence across these 4 areas, and a small change in one needs to be supported by supporting changes in others.

##### 4.2 It is much easier to change ways of working at the ground level than it is to change senior leadership

We found changing ways of working for delivery teams was a lot easier than getting leadership to make changes in how they determine organisational priorities, fund opportunities and reward teams. Leadership commitment at the most incremental level results in an exponential change at the team level.

##### 4.3 Changes in small increments are a lot more successful and stickier than large scale reorganisation

The thin slice team level changes were much more successful than changes that were attempted on a more organisation wide scale. The main reason for this is such large changes require a lot of hand holding and pairing to succeed, which cannot be gathered from reading the best training material.

##### 4.4 Employees are much more productive in a positive reward system

The premise for the thin slice teams was that they would be granted exception from the standard process, reporting and evaluation processes. By taking away fear of failure and by giving them autonomy in their work, we found that most team members became a lot more creative, productive and dedicated than before.

##### 4.5 A courageous leader is critical to cut through the noise and politics of a large organisation

Having an influential sponsor by our side has really helped in cutting through the noise and the obstacles, and in getting us necessary approvals to keep us going

#### 5. ACKNOWLEDGEMENTS

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