From Silo to System
An Integrated Approach to Transformation
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Introduction

Most organizations have a clear vision for where they want to be in five years and what they want to accomplish. They want to be able to take advantage of innovative technologies, have the ability to bring new product/service lines to market rapidly, and drive customer value while reducing overhead. Yet, the traditional approaches to how to get there have left much to be desired. In spite of the progress that has been made over the past decade, industry analysts have seen the success rate of major transformations stagnate.

Yet, recent research by Gartner and McKinsey indicate that there is a light at the end of the metaphorical tunnel—and the way to get there has everything to do with transforming operations from both inside-out and outside-in. To be clear, it is not only about lean/agile internal operations. Nor is it only about putting the customer at the center of the operations universe. Combining these two requires a radical transformation of business operations. In today’s world, the atomized approach is not enough. Total transformation requires an integrated approach.

This white paper will highlight four roadblocks that prevent a truly integrated approach to transformation and will illustrate how the business equivalent of an in-car “navigation system” will empower transformation into an operationally efficient, customer-facing organization. Two case studies will be used to illustrate not only how it has been done before—but also the impact that such a transformation can have on a cross-sector group of organizations. The two industries represented in this white paper are the financial services industry and the retail industry.
Transformation Roadblocks

For many organizations, digital business holds the key to future growth; however, the challenges associated with the full integration of digital business can be overwhelming and costly. The digital age is simultaneously increasing the magnitude of opportunities for the companies that know how to react and increasing the difficulty of getting it right. While technology can relieve people of the mundane tasks of the past, the remaining tasks are becoming increasingly complex – whether it be synthesizing vast and disparate pieces of information or dealing with customers in a world where customer centricity is expected 24/7/365.

The hard truth is that even in the best of circumstances, success is not a guarantee. According to the most optimistic estimates coming from McKinsey, 70% of all transformation efforts fail.1 The sheer volume adds impact and urgency to the why question—why do so many transformations fail? To gain further insight into this topic, we at Mavim surveyed our customer base to understand what hurdles they experienced in previous change initiatives that led them to choose for Mavim. A theme quickly emerged. Previous transformation efforts had resulted in a variety of symptoms (difficulty achieving end-user adoption, lack of management involvement, lack of alignment between strategy and execution, short lived successes) that all stemmed from the same problem—approaching transformation in a limited, fragmentary way. Here are the four primary roadblocks Mavim customers identified that prevent an integrated approach to transformation.

Roadblock #1: Organizational Silos

Silos develop from an inside-out approach to value production. In essence, silos developed as an organizational design choice based upon what was most convenient for the organization. Yet, there is a clear problem here. Organizations don’t exist for themselves – they exist for their customers. In many cases, silos were created as a means to help companies coordinate activities in order to create efficiency within the business unit. It is more convenient for the organization that department x works together because they have overlapping roles and functions, but silos often stand in the way of an organization being able to harness the necessary knowledge and expertise across internal boundaries in a way that customers value. In essence, silos serve a purpose – but that purpose is not customer-centric. What is worse, the efficiency gained by working in silos is often counteracted by the lag time that is created when the baton is passed in between business units.  

Roadblock # 2: The Strict Disciplinary Approach

Traditional business & IT management disciplines such as Business Process Management, Enterprise Architecture, Product Portfolio Management, Application Portfolio Management, Governance, Risk, and Compliance are flourishing, as evidenced by each discipline’s own set of standards, procedures, best practices and tools. Entire markets have been created around subsets of these disciplines; yet, while the markets prosper, organizations suffer. The proliferation of these diverse disciplines encourages organizations to approach transformation in a piecemeal, fractional way.

The disciplinary approach often exacerbates the inertia created by organizational silos. Similar roles, skills and functions encourages people to work within their respective departments, making use of their own standards and tools and effectively closing themselves off from the business they are supposed to support. Approaching these disciplines in one platform is not about limiting specialists in any one arena, but about integrating their critical knowledge into the business in order to drive value.

Roadblock #3: Misalignment between strategy and execution

Within every company exists a wealth of ideas and initiatives that could drive business impact. Yet, it is not enough to be in possession of a portfolio of innovative ideas and projects—digital business requires delivering results in spite of the rapidly changing internal and external environment. The challenge here lies not in creativity, but in alignment between strategy and execution while the ground is constantly shifting.

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3 See page 21 for further information
A decade ago, it was possible look at corporate strategy, and do an impact and cost/benefit analysis in order to determine which projects make it into the portfolio. This approach was based upon the assumption that the world would look the same when the project was completed. That luxury no longer exists. Connection between strategy and execution is a must – but the dynamic nature of the outside world adds an extra hurdle that can only be solved by a system that is equally dynamic and responsive to continuous change.

Roadblock #4: A Platform-Less Digital Toolkit

Technology is no longer an optional aspect of major transformations. In fact, technology is the only thing that can possibly respond with equal speed to the rapid change of the external world. However, not all technology is created equal. There is a right and wrong choice when it comes to transformation-enabling technology.

Digital tools enhance the customer experience by creating the capacity to automate mundane, repetitive tasks as well as provide customers the option for self-service. However, an organization will only experience broad-based gains when digital solutions are applied in a systematic way. In other words, it is equally inefficient to devote time to automating a one-off task as it is to doing the task by hand. The reason platforms are critical is that the right platform can provide holistic insight into the potential impact and scale of opportunities that each step towards full digitalization can provide.
The System Based Approach to Transformation

Considering that the success rate of major transformations has stagnated at around 30% over the past decade, it is only logical to question whether there is a more successful alternative available. Yet, there is hope on the horizon. Industry analysts from Gartner and McKinsey have both recently come out with a bold statement that a Business Operating System (Gartner) or a Next Generation Operating Model (McKinsey) holds the key to success. Gartner has even gone so far as to predict that organizations who utilize a business operating system will turn the 70% failure rate of transformation into a 70% success rate.

According to Gartner, the simplest way to think about a business operating system is as a GPS for an organization. To extend the metaphor—an organization has a starting point (as-is situation) and a desired destination (to-be situation). A BOS helps by providing a map (business operating model) for the design and visualization of the transformation journey. Progress along the way is calculated by aligning a diversity of measurement schemes to indicate where the car is currently located. The real-time data that comes from the business operational intelligence component of the BOS creates situational awareness about traffic jams or other hazards impeding the chosen route. The dynamic aspect of the BOS establishes the opportunity to recalculate and take a different, more efficient route to the desired destination.

McKinsey’s Next Generation Operating Model, defined as “a new way of running the organization that combines digital technologies and operations capabilities in an

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6 Ibid
integrated, well-sequenced way to achieve step-change improvements in revenue, customer experience, and cost” ⁷ shares some key features with a Gartner BOS. To begin with, both argue for the importance of connecting customer facing KPIs with operational KPIs. They are also both iterative in nature. Sustainable transformation doesn’t have a starting or stopping point, but cycles naturally with an organization. However, the critical underlying similarity that both McKinsey and Gartner recognize is the need for a shift – successful transformation doesn’t come from an atomized, siloed approach. One-off initiatives in separate business units don’t create enterprise wide impact. Lasting transformation is integrated and systematic, as the following case studies illustrate.

Case Study #1: Transformation in Financial Services

The Problem
A global independent financial services provider of assurances, administration, corporate secretarial and corporate legal services was looking to transform their operating model in order to scale. Not only was the original operating model unfit for such purposes, but rapid organic growth had created organizational chaos. People, processes, and technology were plentiful, but disconnected. There was no visibility into process ownership or what applications supported which processes. The lack of transparency made it impossible to manage performance, and resulted in numerous cases of doubling up on work. Additionally, the lack of visibility made it difficult to assess the impact of the aging application landscape and what effect phasing out older applications would have on daily operations.

The financial services provider decided to rigorously update their service and delivery model (what they deliver and how). They wanted to create a business-driven change program encompassing people, processes, applications, systems, BI, risk and quality management. To accomplish this, they chose to leverage Mavim as a Business Operating System.

The Use Case & Methodology
They began by setting up multi-disciplinary teams for every process that existed within the organization and asked questions such as “What is going well?” What could be done better?”. They collected internal best practices from the current way of working in order to create the “to-be” state. The “to-be” state was then translated into business requirements and functional requirements to write the tools and create the necessary applications and workflows. After that, KPIs and TAT’s were determined and connec-
ted to activities within processes. Risks were defined, classified and connected to control activities in the processes. The new time writing codes, as well as qualification and performance objectives were also connected to the activities in the processes.

The overall approach was in line with the CEM methodology (Customer Experience Management). As a customer facing business, they began by envisioning the end goal—customer satisfaction—and worked backwards to determine how they could utilize clear operations to create a set of relevant, measurable KPIs. Simplifying the processes and reducing the amount of client interactions was key.

One example of this is the “first time right” principle. The financial services provider aimed to help their customers as efficiently as possible, so they set a KPI on number of customer interactions. Whereas previously, five different departments may have needed to contact a customer for various pieces of information, context into operations and measurable KPIs made it possible to drastically reduce customer touchpoints. This created an upswing in customer satisfaction and reduced the amount of internal resources necessary to handle one customer.

As a legislature-driven business, it was critical for the organization that their business operating system gave them the ability to balance customer satisfaction with legal obligations. Mavim enabled them to define and classify risks and connect them to control activities and processes. When a local law changes, all people working on the impacted processes receive notification of the change and can give feedback. This helps to facilitate “soft” change, by getting the relevant information into the hands of the person who needs to make the necessary adjustments to their way of working.
The Business Results

Mavim facilitates the entire ecosystem. According to the Group Process Owner, “When you start working on processes like these, you have to work in an ecosystem. You don’t want the process owner to just write a process and then introduce it to the organization. What you want is to involve the people who do the work. You want management to stay involved. You want your PMO department involved. You want your marketing and learning & development involved.

The system enables us to subscribe people to these processes in an ongoing way. It facilitates multi-disciplinary groups, spanning business & IT, to work together in Mavim to make these processes a success. It feeds into marketing and sales, internal support. The HR department gains access for recruitment and performance management. Legal and compliance gain access from a risk management perspective. The IT department looks at the process from an application change management perspective. Mavim is good at connecting these varying people and allowing them to contribute in an ongoing fashion. This ensures that the right people get the right job done.”
According to the Group Process Owner, transparency was the most important business value that the organization derived from utilizing a Business Operating System. Increased transparency has created a number of desirable outcomes; including, insight into when work is being done twice, insight into individual performance, as well as insight into which processes can be fully automated and standardized. Mavim had been initially selected to help the financial services provider alter their operational model; however, upon completion of the project, they saw additional value in using Mavim to integrate their numerous acquisitions. Mavim is currently being used to help them integrate their 40 global offices in 30 countries and institute a client life cycle that is uniform for each location.

Why Mavim?
Mavim is unique among similar tools of this type due its Microsoft look and feel, which provides a straightforward environment for planning, executing and collaborating on strategic change. In the words of the Group Process Owner, “Mavim is one of the only tools where you don’t have to be a software developer to use it. It allows you to get creative. Mavim offers enough possibilities with its relationship categories, fields, field sets, reporting and matrix capabilities that if you find out later that you want to get new insights, measure new KPIs, you can get creative in your use of it. It is set up in a way that is useable out of the box, but it doesn’t restrict you.”
Case Study #2: Transformation in Retail

Extreme customer centricity powered by the right technology is helping one global supermarket disrupt the competition. This exponential expansion was made possible in large part thanks to a customer based focus on delivering fresh, quality goods at an affordable price in combination with agile business operations.

Seeking to build a foundation for future growth, the retailer sought out a system that would facilitate alignment between customer needs, business strategy and internal IT operations. To drive the business goals of increasing customer satisfaction, average revenue per customer, growth in market share, and improved overall margins, the CIO recognized the need to gain control over the existing IT landscape. Not only was the legacy IT landscape costing more than it could deliver in value, it was also unfit to scale and was incapable of adapting to the continuously changing needs of the customer.

The Solution & Use Case

This supermarket chain invested in Mavim as a Business Operating System to align, visualize, and manage the people, processes, and systems necessary for their business transformation. In Mavim, they visualized the current state of the organization, including its customers, products, services, processes, organizational design, application landscape and IT infrastructure. By connecting this information in Mavim and mapping it on to the future (“to-be”) state, they created a roadmap for their transformation. This map or business blueprint served as the starting point for the implementation of Microsoft Dynamics AX and CRM, the replacement of legacy systems and the necessary interfaces with the remaining systems. Mavim enabled the retail chain to do a fit/gap analysis, allowing them to focus on usability and functionality of the new application landscape.
To gain situational awareness, they use Business Activity Monitoring, which is connected to individual processes in Mavim. Defining operational KPIs (tracked by the BAM system) gives real time insight into whether critical business systems are up and running. Not only does this create insight into what should be happening both inside and outside the stores, but what is currently happening.

To create flexibility and gain insight into the behavior of their customers, this retailer introduced machine learning into a selection of their stores. Through an analysis of customer purchases, they are learning more day by day about products that are frequently bought together, which allows them to service their clientele in the most customer-friendly way. The conclusions drawn by the machine learning tool are placed in Mavim in order to assess the business impact a new change would have on operations. For example, based upon their close proximity to a school, one store decided to facilitate their school-aged audience by providing a vending machine with the items most often purchased together by that age group: energy drinks and sandwiches. Yet, through the combination of machine learning and Mavim, they noticed the same correlation at another store (not located near a school) and could assess the business value of implementing the same solution at another location.

To facilitate collaborative and fact-based decision making, the supermarket uses Mavim to communicate the progress of the transformation to the board of directors. Not only did this clarify matters around budgeting and planning, but it also helped the IT department get approval for requested changes. With the Mavim publishing and feedback functionalities, the CIO was able to ensure collaboration among the members of the team, which ultimately made the chosen projects easier to plan and govern.
The Methodology

The retailer utilized a number of different methodologies and frameworks (ASL, BISL, ITIL) to bridge the knowledge gap of the IT department. Foremost among these was the Business Transformation Framework, which is made dynamic in the Mavim software. They began by defining the current state of the organization, including customers, products, services processes, organizational design, application landscape and IT infrastructure. Then, based upon a combination of technical, legal, and market developments, they developed their desired “to-be” state. The business requirements of the to-be state were then translated into functional requirements. From there, KPIs were determined and connected to activities within processes. Risks were also defined, classified, and connected to processes. For the CIO, the risk management aspect was critical because change delivers risk. By having everything connected in one repository, the CIO can ensure that when things change, the information stream is always accurate.
From Silo to System

The Business Results

The first concrete business result that Mavim delivered was the implementation of Dynamics AX in time and budget. According to the CIO, “With the Mavim platform, we gained insight into the connections between the strategy, architectures, projects, customers, products, services, processes, people, IT infrastructure, and applications. With that insight, we are able to make the right decision at the right time, and understand how our work is related to strategic goals.”

Additionally, through use of Mavim, the retailer was able to achieve their goal of making space for new and innovative technologies. By leveraging machine learning to better understand their customer, they are able to differentiate themselves from the competition. For the CIO, the bottom line is that a BOS allows an organization to adapt and differentiate, which contributes directly to business performance. In 2016, this retailer was awarded the prize for the best supermarket webshop.

Why Mavim?

The CIO choose for Mavim for a number of reasons. First, Mavim provides an integrated solution, In one platform Mavim facilitates business process management, application portfolio management, project portfolio management, information security and risk management, as well as for the implementation of their business critical systems (Dynamics AX & CRM). The second reason they choose for Mavim is its flexibility and adaptability. They’ve used Mavim for their transformation in large part because it offers a level of flexibility that other tools of its type cannot. The final reason they chose the Mavim solution is because of the clear connection it creates between people and corporate strategy. In the CIO’s own words, “The why question was extremely important for the IT department. Knowing which business goals they’re supporting has driven an upswing in employee productivity and satisfaction.”
Recommendations

Recommendation #1: Work in cross-functional, multi-disciplinary teams

Rather than working in silos, consider working in cross-functional teams on processes that cut across the internal organization as a whole. McKinsey recommends setting up processes based upon the customer journey, as that is a natural example of an organizing principle that requires multi-disciplinary teams. 8 In both of the above examples, Mavim’s customers did just that. Processes were specifically defined in order to drive customer-facing business results. In case study #1, that resulted in less handling overall and fewer customer touchpoints. In case study #2, the supermarket was able to deliver the products that the customer wanted (sandwiches & energy drinks) at a location that maximized efficiency for both internal operations and the customer. Both companies were adamant that such results were only possible through the collaboration of a diverse group of individuals who were assigned to processes designed to deliver customer satisfaction.

Recommendation #2: Approach Business & IT Management disciplines holistically

Just as with organizational silos, isolated approaches to disciplines such as Business Process Management, Application Portfolio Management, Enterprise Architecture, Project Portfolio Management and Governance, Risk & Compliance contribute to organizational inertia. The future of these disciplines is not only holistic, but business facing.

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This means that supporting technology needs to be able to provide functionalities across the entire diversity of disciplines on a level of abstraction that is easy for management and non-IT users to consume. In both case studies, Mavim was utilized to facilitate the integration of multiple business & IT management disciplines in one platform. For both organizations, this created transparency into existing capabilities and insight into the impact of change. The combination of these themes on one platform created a way to engage the leadership team of each organization in a conversation about different approaches, the necessary capabilities, and how to prioritize them.

Recommendation #3: Drive alignment between strategy and execution

Creation of a digital business strategy and supporting initiatives is only a first step towards effective transformation. In most instances, innovative initiatives require new roles, processes, technologies, skills, and resources. Yet, the new capabilities in which a company invests must contribute to stakeholder value. In both case studies, the organizations utilized Mavim to create a context wherein innovative initiatives could be visualized, prioritized, monitored and improved. This made their projects (and entire change portfolios) less susceptible to running out of time, budget, and scope. As illustrated by Case Study #2, it was not only about coming up with the idea to deliver the products in a more convenient way, but about understanding the impact that would have on the organization’s finite resources and existing processes. Ultimately, driving alignment between strategy and execution is about creating a measure of predictability and a way to assess the impact of innovative initiatives on an organization.
Recommendation #4: Invest in technology platforms, not point solutions

Platform technology is necessary in order to support sustainable transformation. Consider this problem from Case Study #1. The previous “owner” of IT had spent two decades developing app on top of app on top of app to meet the needs of the business. In every instance, the priority was getting the app live and functional for the customer. The integration, the people, reports, processes were always second priority and often disappeared from the agenda completely as new problems emerged. Not only was the existing IT landscape draining the company’s financial resources, but they were clearly devoting massive amounts of time to creating one-off solutions. The lack of a common platform and the lack of a systematic approach was driving the company towards bankruptcy. Using apps and point solutions exclusively are inefficient, costly and diminish an organization’s efforts to become agile.
Key Definitions

**Enterprise Architecture:** Enterprise Architecture is an approach for capturing complex knowledge about organizations. Traditional approaches range from broad, enterprise-wide based to particular, aimed at capturing and visualizing the knowledge of specific domains such as processes, applications, information & technology. As a discipline, the focus of enterprise architecture is shifting towards becoming more holistic, necessitating the use of comprehensive modeling tools that allow for the analysis and optimization of business strategy, operational models, business processes, tasks and activities, information flows, applications, and technology infrastructure.

**Business Process Management:** Business process management (BPM) is a discipline aimed at coordinating the behavior of systems, people, and information in order to achieve a business outcome. Various methods can be used to model, analyze, improve and optimize business processes. The success metric for traditional BPM is operational efficiency which is made possible through standardization and automation. However, the future of BPM will require improvisation, flexibility, and innovation in order to deliver an increasingly customer-centric experience. Future-oriented BPM will require the support of technology that facilitates multi-schema and multi-modeling techniques that empowers employees to service customers by doing the right thing at the right time.  

**Project Portfolio Management:** Project portfolio management (PPM) calls for the centralized management of an organization’s processes, people, and technologies in order to analyze the existing and/or future proposed projects.

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The primary goal of PPM leaders is to execute upon key projects in order to deliver maximum business value as defined by a company’s strategic goals. The future of PPM will shift from IT-driven to business-driven, which will require the support of business-friendly technology. Future PPM also requires a stronger connection between strategy and execution, which will ensure that greater impact is made with the innovation budget.  

**Governance, Risk, and Compliance:** Governance, risk, and compliance (GRC) is a management practice that encompasses the rich disciplines of strategic governance, enterprise risk management and corporate compliance. These practices enable organizations to achieve strategic goals while protecting stakeholder value, while simultaneously ensuring that an organization operates within legal and ethical boundaries. However, according to Gartner, the primary obstacle facing risk management professionals in the upcoming three years is a lack of effective, enterprise-wide collaboration. Because powerful GRC strategies span the entire organization, the supporting technology much be friendly to the business user, as well as capable of providing a full set of risk management functionalities.

**Application Portfolio Management:** Application Portfolio Management is a discipline that aims to capture the characteristics of an organization’s application landscape in order to evaluate their value to the organization based upon current and anticipated business needs. Previously, application portfolios were created to house the characteristics of relatively slow-changing applications. However, today’s world requires application leaders to be able to do more with less resources, while delivering functionalities that support new business initiatives in an agile fashion.

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Transforming the IT department into a responsive whole that supports the business requires more than traditional application portfolio management offers – it requires gaining insight not only into the characteristics of the applications themselves but the connection that the applications have to the people that use them and the business processes they support. 12

References


About the Company

For complex global organizations that are changing or re-inventing their operating models in order to become digital businesses and who want to transform into agile organizations prepared to adapt continually to a fast changing environment, Mavim provides software that enables major business transformation. Mavim offers a Microsoft-based platform that empowers the visualization, alignment, and prioritization of innovation initiatives with a company’s strategic vision. By connecting and managing strategy, projects, personnel, processes, technology, risks, architecture, customers, and infrastructure in one platform, Mavim increases the success rate of major transformation.

Mavim supports the management and integration of the primary Business and IT Management themes that enable successful transformation. Mavim brings these critical disciplines together in one platform, which facilitates the elimination of silos and creates impact for the entire business.

Headquartered in Amsterdam, Mavim has a global customer base of a million end-users worldwide. Our extensive partner network spans 27 countries and includes such familiar names as Microsoft, EY, Infor, and award-winning Microsoft Dynamics partner UXC Eclipse.

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