OWN YOUR DIGITAL TRANSFORMATION WITH BUILD-OPERATE-TRANSFER

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A CORPORATE DIVISION UPDATING its IT function. A multinational company adopting agile ways of working. A public-sector agency launching digital services.

Despite their radically different agendas, each of these organizations is undergoing a digital transformation that requires them to deliver quickly and learn along the way.

New times require a new approach to managing change, one that allows companies to simultaneously build capabilities and deliver value at a rapid pace.

The crisis created by the COVID-19 pandemic amplifies this need for change. It has catapulted the world a full five to ten years into the digital future.

BCG's Build-Operate-Transfer (BOT) approach is a proven method that enables organizations to catch up. With it, BCG works closely alongside clients to create the internal capabilities needed to mobilize a variety of transformations that achieve digital at scale, scope, and speed.

To win in the new reality, organizations must become bionic, or able to transform themselves through the seamless integration of people and technology. BOT can help.

When organizations learn to build and manage their own digital-change initiatives, they can combine new technologies with human capabilities to gain advantage—powering growth, innovation, efficiency, and resilience.

The Struggle to Change

During the COVID-19 crisis, companies and their leaders have been quick to support frontline workers and other employees to react as needed, in many cases with tremendous success. Organizations have also worked with speed and agility to upskill people on new digital communication and collaboration tools.

Now, as those initial adrenaline-driven fixes give way to more regular routines, organizations must determine how to embed

the new ways of working they have developed into their regular practices and not revert to old habits.

Additionally, organizations must accelerate learning at all levels—from the executive team to the individual producer—in order to lead in new ways, identify priorities for digital transformation and innovation, and deliver on those priorities.

But even companies that are eager to adopt digital, agile ways of working, or other forms of change may fall short of doing so at scale or speed.

The following common pitfalls stand in the way of success.

An Uncoordinated Approach. For digital transformations to work, they can't be confined to a single function, such as IT. They must be factored into the organization's broader needs and objectives and be carried out as a truly joint effort between technology and the business.

Missing Digital Talent. Global demand for people with digital skills—such as data scientists, developers, and user-interface and experience designers—means that organizations can struggle to find and retain the right talent, a problem that is exacerbated in regions where these skills are scarce. In the past, companies largely addressed their talent needs by contracting with third-party vendors to do the work. But now, many are making a conscious choice not to outsource their digital future.

Tedious Data Processes. Traditional ways of working make it difficult to design mechanisms capable of pulling key data out of business operations and translating that data into practical insights. Additional difficulties can arise when disparate or disjointed legacy IT systems need to be revamped to unlock the transformation's potential.

Cultural Inertia. Even initiatives that begin with a bang can get bogged down by people's innate preference for the status quo or fear of the unknown, which is why so many digital transformations fall short. Although leaders may recognize that their organization's culture needs to change, they may not take the time to address the issue, or even know where to start.

Poor Leadership and Decision Making. Unclear chains of command and the need for multiple rounds of approval slow down work and limit the full value that can result from a change. Poor governance can lead to difficulties prioritizing and tracking work and hinder the partnership needed between the broader business and IT department to produce value. This in turn limits the speed of transformation, inhibiting organizations from reacting quickly to the pressures of competition—especially from new entrants working at an agile pace.

The Power of Build-Operate-Transfer

Many organizations lack the experience or skills needed to manage the speed and complexity of change that a digital transformation requires, which is where Build-Operate-Transfer comes into play. (See the exhibit.)

With this approach, companies can learn how to own and run digital-enabled business initiatives so they can avoid overreliance on external vendors for talent or data. BOT gives organizations the ability to control decisions about their core priorities, pull data from IT systems, and revitalize their workforce and culture to create lasting change—all at speed and scale. BOT has three phases.

Build. In the first phase, BCG's experts in digital strategy, technology, talent, agile ways of working, governance, and leadership partner with an organization's project team to develop a digital strategy and determine the necessary skills for execution. This process involves selecting and building the technological infrastructure that is needed in the transformation, as well as determining the right type of governance to align it with the broader business. The team then decides on the changes required to the organization's

The Build-Operate-Transfer Approach

Build
Build the foundation
2 to 6 months

Operate
On-the-job coaching and delivery
6 to 12 months

Transfer
Takeover by capable teams
4 to 6 months

Set the direction
BCG aligns with client on goals for results and incentives

Quick start
BCG digital talent ignites the transformation

Deliver value @speed and @scale
Teams operate by BCG's fast-paced standards to learn by doing, deploy solutions, and maximize adoption

Sustainable impact
Client prepares to take over from day one

BCG resources   Client resources   Value delivery

Source: BCG analysis.

culture and works with leaders to bring these elements to life alongside the company's new digital assets. During this period, BCG also supports clients in acquiring and upskilling talent.

Operate. During the Operate phase, organizations can start to blend their human and technological capabilities to become a bionic company of the future. BCG makes this possible by helping develop the tools and competencies clients need to deliver digital capabilities, from computer architecture to data management expertise, and everything in between. The key philosophy is to "start by starting," or in other words, to teach organizations new skills by applying them to real-world work as it happens. BCG's experts observe and coach as necessary at this stage.

The common denominator across transformation efforts is agile ways of working, a team-centered, cross-functional approach that helps organizations quickly create higher-quality products and services. BCG continues to upskill employees and shadow management at this time, supplementing clients' project teams with our staff of software engineers, data architects, and data

scientists, who can ignite value delivery and mentor and develop staff.

Transfer. In the final phase, BCG hands off the jointly created project to the client's internal team once its members have demonstrated the readiness and willingness needed to take over the new entity or capability. Handoffs typically occur after 12 to 24 months of collaboration.

Build-Operate-Transfer in Action

Whether it's entering a new market, increasing data and analytics capabilities, or transforming how work gets done, BCG's clients can harness the power of Build-Operate-Transfer to deliver any digital program or meet any digital target. To date, BCG has used the BOT approach in more than 50 client projects worldwide. In this process, we helped mobilize, recruit, and upskill thousands of people with technical talents, delivering a cumulative $5.3 billion in benefits to clients' bottom line. Noteworthy engagements include:

- **A utility** that created an innovation center to develop new products, services, and internal capabilities.

- **An insurance company** that built an engineering incubator to accelerate digitization.

- **A food company** that developed a data strategy, prioritized and executed use cases, and revamped its IT architecture at scale.

- **A health care system** that created a best-in-class digital patient experience and an interoperable data platform.

- **A leading oil and gas company** that trained teams and established a digital accelerator to jumpstart its stalled digital program.

- **A conglomerate** that transformed business management, procurement, and sales in its power-generation and water-treatment industry group.

- **A major automobile manufacturer** that launched a digital incubator to accelerate its transformation.

- **An industrial giant** that created a data-analytics and IoT company.

Getting Started

Build-Operate-Transfer empowers organizations to own their digital future, helping them build technical solutions and at the same time gain the skills needed to create valuable outcomes. Getting started, however, can feel daunting. For organizations preparing to take advantage of BOT, we recommend the following:

- **Start small.** Select a digital transformation pilot that would benefit from BOT. A good starting point could be a preexisting project, such as upgrading an IT system, or redesigning a business unit's customer journeys to be faster and more efficient.

- **Identify missing skills.** Determine the skills that are needed to carry out a BOT pilot, including technical, digital, analytics, or business skills, and whether the existing workforce already has this expertise. Such an analysis could determine whether the organization needs to offer upskilling or hire new talent to address the gap.

- **Get senior leadership invested.** For BOT to work, top-level managers need to build up their own leadership muscles to enable their teams to deliver critical outcomes at speed and quality. To produce the desired outcomes, leadership must be willing to invest in technology and talent over the entire course of transformation, not just at the beginning. If paving the way for a digital transformation requires a major corporate culture change, they need to champion that as well.

- **Take it in stages.** Kick off the transformation with just enough human and financial resources to get started, expanding as the changes take hold and deliver value. Use the incremental revenue or cost savings that the BOT approach delivers to fund the program's expansion, similar to how venture capital investors provide additional funding as a startup they have funded gains steam.

IT'S NEVER BEEN more important for organizations to transform themselves—which includes a closer integration of technology and people—in order to meet the challenges of the future. But such change can be overwhelming, which is why BCG's Build-Operate-Transfer is so effective. With it, organizations can build their own internal capabilities while securing value, achieving their goals, and enabling sustainable change.

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To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.