Growth through digital change

How can we combine hi-tech and hi-touch strategies? Can we become better leaders by integrating digital processes and combining top-down and bottom-up approaches?

There are many changes happening in the current times that are linked to powerful digital tools and machines. But our focus is often technical and there is not so much attention devoted to the human and cultural side of digitalization. Recently, the Singapore Management University (SMU) Executive Development team published a report entitled Cultural Transformation in the Digital World which aims at understanding how organizations in the Asia-Pacific region (APAC) are addressing the challenges (or opportunities) presented by digital transformation, and the cultural and mindset shifts that are needed to support this strategy. It seeks to gain a deeper understanding of how business leaders view digital transformation and what challenges they encounter in the process of leading the change that is necessary to propel them forward. The study was carried out with the support of sponsors like the DBS Bank from Singapore, Tata Communications Ltd, KPMG and Trompenaars Hampden-Turner, where 48 C-Suite leaders from leading multinational organizations were interviewed. The learnings from the interviews and 140 senior survey respondents data revealed many insights around the process of introducing the technical side of digitalization and how the human side is often ignored.

The results of this study give us insights into how to be better able to deal with the relationship between the digital and analogue aspects of the changes we are facing in digitalization. After an improved diagnosis, often revealed by the main business and cultural dilemmas the organization and individual are facing, we see how we can best approach the reconciliation of the opposites. So how can we combine hi-tech and hi-touch strategies? How can we control what is controlling us? Can we become better leaders by integrating digital processes and combining top-down and bottom-up approaches? The outcomes will help us to better anchor the reconciliation of the most important dilemmas in order to get sustainable results. This research leaves the reader with a combination of solid and modern research with practical tips that might help them to apply the recommendations. It is all based on the idea that digitalization is a blessing when we combine it with the essential analogue human condition. The report also inspires the reader to frame challenges as dilemmas rather than making choices between two goods.

There is much more work to be done by leaders in articulating and communicating the business case for digital transformation in order to ensure that it is well-internalized by those who are executing the strategy

Main Results of the study are as follows:

Diversity of perceptions of digitalization

The C-Suite leaders who were interviewed had embarked upon digital transformation journeys within their organizations for a variety of reasons. Some were convinced that these initiatives were necessary for their organizations to thrive in the future, others felt that there was a burning platform for change, and still, others received pressure from their boards or competitors to go digital. It was important for leaders of transformation to know how their digital transformation initiatives were being perceived by mid and senior-level executives, who were charged with implementation.

Job satisfaction and digital transformation

Job satisfaction and information sharing among colleagues was quite high, indicating that the environment of digital transformation had not yet had an adverse impact on the levels of job satisfaction and/or their willingness to share information with their colleagues. Most organizations represented were committed to innovating and reinventing themselves – an energizing work culture may be one of the reasons for high job satisfaction scores. C-Suite leaders leading ambitious digital transformation, strive to achieve that delicate balance between driving change and not rocking the

boat too hard. This finding suggests that they may not need to have major cause for concern about large-scale employee attrition, as a result of their transformation initiatives. Job Satisfaction was found to have a significant relationship with perceptions of need for cultural change, perceptions of digital transformation and need for leader behavioral changes. It could mean that when employees are more satisfied with their jobs, they have lower positive perceptions of change initiatives.

Humans will rule technology

92 percent of the respondents believed that human intervention would continue to be important in the digital age and only 10 percent agreed that analogue methods were superior to digital. Only 41 percent believed that they had the skills that were needed for the digital age. The Tata Communications study in 2018 highlights the emerging concept of "multiplicity", the ability of humans to interface and collaborate effectively with technology in order to co-create innovative digital solutions.

Desirable leader behaviors

71 percent acknowledged that they needed to adopt new leadership behaviors including agility, risk-taking, accountability, leading change and digital adoption, and 80-90 percent of them agreed that these behaviors named by their C-Suite leaders were critical qualities. Executives surveyed acknowledged that cultural and behavioral changes were important, and many were willing to adopt these new behaviors. This finding should be very encouraging for top leaders who believe that cultural change is important and are concerned about the possible resistance from lower levels due to a variety of factors like fear of failure and job insecurity. The propensity to change among the mid and senior level executives may actually be much higher than C-Suite leaders might have expected.

 Organizations need to promote a culture of rapid experimentation, testing and learning, developing a 'growth mindset', courageous risk-taking, and a culture that permits and embraces failures

Cultural barriers, more important than technological

A whopping 87 percent of the respondents agreed that culture created bigger barriers to digital transformation than technology. This was consistent with our findings from C-Suite hypotheses, recent research, as well as our own hypothesis.

Confidence in leadership

The study concluded that there was a high confidence of our respondents in the ability of the C-Suite leaders to drive transformation and the level of engagement of the CEO. 70 percent of respondents agreed that they believed that their leaders had the ability to lead digital transformation and but only 50 percent believed that they were appreciative of implementational challenges. 77 percent agreed that their CEO had taken prime ownership and accountability for driving changes. The findings about CEO ownership were consistent with the results of our interviews with C-Suite leaders. The fact that respondents had faith in their leaders' capabilities should comfort and encourage top leadership to drive transformation projects harder.

 Uncertainty and constant change are the hallmarks of the digital era, and major cultural and mindset shifts will be needed here to drive digital transformation

Value of digitalisation unclear

There was mixed opinion among executives about the overall value for Digitalization to their organizations and were apprehensive about what it may mean for them personally. No doubt for the C-suite leaders that digitalization was a make or break for their organizations. In contrast, executive levels clearly indicate that there is much more work to be done by the leadership in articulating and

communicating the "why" messages, and the business case for digital transformation in order to ensure that this is well-internalized by those who are executing the strategy. There may be a need for more aggressive and comprehensive communication strategies that would help to get most of the organization on board. Creating a positive perception of the change initiative is a pre-requisite for driving the cultural and behavioral changes that are needed.

Fewer concerns about job security

Another key finding was that only 17 percent of executive interviewees were concerned that their own jobs could be at risk because of Digitalization. This was a surprisingly low number. In contrast, at least 25 percent of our C-Suite leaders felt that employees down the line would resist digital transformation because of job insecurities. We found this to be an interesting disconnect and this could be explained by the fact that executives may not fully comprehend the fact that some jobs could be displaced by technology. Alternately, leaders, to their credit, may have done a really good job of mitigating anxieties relating to job loss, through effective communication strategies.

Greater optimism about organizational readiness

Findings relating to organizational readiness were interesting since this variable was found to be highly correlated with most other variables including perceptions of digitalization, the need for change, leader effectiveness and expectations from leaders. This means that "readiness" was perceived to transcend well beyond technological readiness into the realm of organizational culture and new mindsets and leader behaviors. The "readier" the organizations were perceived to be for digital transformation, the greater was the need felt for cultural change and for embracing of conducive leadership behaviors. This is good news for leaders at the top who are driving change. The mean score of organizational readiness for change by employees was higher than what was reported by our C-Suite interviewees. 77percemt of employees felt that their organizations were ready for digitalization. Again, this stark difference between perceptions at the top and mid to senior level executives, represents an interesting disconnect. This may be attributed to the fact that C-Suite leaders are much closer to the change strategy and have greater visibility and so are able to do a more realistic assessment of the capabilities in terms of talent, cultural readiness, investment and technology - needed for digital transformation to succeed.

Feelings of uncertainty

Uncertainty and constant change are the hallmark of the digital era, and major cultural and mindset shifts will be needed here to drive digital transformation. Steps would need to be taken to enable people to embrace the discomfort associated with these changes and manage their expectations. Most C-Suite interviewees shared that the outcomes and ROI on digital transformation were currently quite unclear, and this often posed a serious challenge in their ability to articulate the value proposition to their Boards, and garner additional investment in resources. It would be important to develop a more agile and risk-taking approach by promoting a culture of rapid experimentation, testing and learning, developing a 'growth mindset', courageous risk-taking, and a culture that permits and embraces failures as an important source of learning and resilience for building better future outcomes.