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What Makes Enterprises Successful in Digital Transformation?

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MIT Sloan Management Review and Deloitte recently published a report titled "Aligning the Organization for Its Digital Future" which aimed to explore which strategies are successful for enterprises on their way to digital transformation. For this report, they surveyed more than 3,700 business executives, managers, and analysts from organizations around the world.

As the full report is not accessible publicly to everyone, you can find a clear executive summary in a blog article written by Dr. Ralph-Christian Ohr. The infographic accompanying the report can be found here. The findings of the report also matched very well to our experiences in dealing with customers at all stages of their digital journey.

Leadership

The researchers found that the most important skills for leaders to succeed in a digital environment are not technological skills but rather managerial attributes such as vision, being a forward thinker or having a change-oriented mindset.

This observation aligns strongly to our own experience, since digital transformation is first and foremost a **transformation**. The ability to connect people, systems and things in new ways opens up opportunities not just to improve businesses but to **reinvent** them – something that requires a strong vision, capable leadership and careful management. In our experience the companies who are executing best on their digital transformation initiatives are those who take an 'outside-in' approach – starting with the value they deliver to their customers and then leading the organization through a process of delivering it better by using digital technologies to transform the way it is created, composed or experienced.

Culture

Secondly the researchers discovered some key cultural attributes that separated the performance of digitally maturing companies. These attributes included an exploratory approach to risk taking, distribution of power and a collaborative work style – all built on a foundation of increasingly data-driven decision making.

This was also an interesting observation for us because we see a huge trend towards the distribution of digital technologies within our customers, with more and more business people looking for tools that can empower them to directly build applications at the edge of the organization and test new ideas while minimizing risk. Even more interestingly CIOs are also increasingly seeing the benefits of this cultural transformation – by giving people citizen development tools and collaborating to deliver solutions in a more distributed way, they can gather useful data that provides powerful insights for the wider IT strategy of the organization.

Talent

From a people perspective the researchers discovered that talent flight is a major threat for organizations faced with digital change, with significant numbers of employees and executives ready to leave companies that aren't keeping pace. On the other hand companies which give their people the resources and opportunities they need to achieve more and develop themselves in a digital environment are much more likely to retain their talent.

We see this dynamic playing out every day in the work we do with our customers, with strong demand for applications that support new mobile working styles, automate routine tasks or integrate data from multiple silos. Providing a more modern working environment and removing low value and irritating tasks – to increase peoples' flexibility, productivity and enjoyment – are two of the most important requirements we see in the digitally maturing organizations we deal with. As people expect enterprise systems to present better data, support seamless collaboration or increase their leverage through automation they become less and less patient with the enterprise IT status quo… and are in such demand that they can easily take their talent to other organizations that give them greater freedom and more interesting work.

Strategy

Finally the researchers found that digitally maturing companies also take a longer-term view of strategy compared to early-stage companies. In fact John Hagel at Deloitte's Center for the Edge advocates that businesses need to gain context by preparing 10- to 20-year views on how their industries and markets will change while accelerating implementation using 6-12 month cycles of high impact initiatives.

Once again this aligns perfectly to the evidence we are seeing in the market. Our customers often have very big visions but need to take a fast, evolutionary approach to realizing them that preserves their existing investments to manage risk. It is no longer acceptable to define large, top down change programs because the future is uncertain, the environment changes quickly and we need to quickly test and evaluate new approaches before scaling success. This is why we believe so strongly in the ideas of fast but evolutionary change – we want to help our customers achieve big visions that make the world a better place but to do it one rapid solution at a time. For this reason we advocate starting at the edge of the organization and transforming inwards, connecting and evolving processes from the edge to the core over time. This enables us to take a broad view of the destination while implementing fast, end to end changes that continually deliver high value outcomes.

Pulling it all together

One of the key findings in the wider report is that the most successful companies are those whose business strategy is infused with digital – as opposed to those who have a digital strategy alongside their business strategy. This may seem like a minor semantic difference but the gulf in perspective is huge; for the former digital is a new way of doing business that transforms every part of their value chain, while for the latter digital is a new channel, website or mobile application. The authors name this integrated view 'digital congruence' where culture, people, structure, and tasks are aligned with each other, the company strategy, and the challenges of a constantly changing digital landscape.

We love this idea as the most interesting companies we work with are committed to driving digital thinking across their whole value chain and into every aspect of their business – connecting people, software and things from end to end in order to transform the way they deliver value. If you are looking to deliver such digital congruence and would like to understand how it can be delivered in practice you might also find valuable ideas in our whitepaper – The Four Essential Pillars of Digital Transformation: A practical blueprint for going digital.