



Three Keys to Delivering Digital Transformation

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Business leaders, industry strategists, academics, and policy makers are all scrambling to make sense of digital transformation and to define strategies for success in our increasingly digital economy.

In a series of 4 articles, [based on my latest book](#), I will look at the importance of the leader's role in delivering digital transformation in today's digital economy. I believe there are three keys to success: Agility, Innovation, and Disciplined Management.

Part 4: Exploring New Approaches to Disciplined Management

In this fourth article I highlight the pressure that digital transformation brings to current management practices and introduce the more radical styles of management suited to the dynamic nature of digitally-driven change.

Defining and executing a digital transformation strategy is neither straightforward nor without risk, as my experiences in several projects have shown. Many organizations take their first limited steps on this journey by adopting digital technologies for revising their online interactions with customers, engaging in pilot projects built with commercial or open technology stacks, and by updating parts of their back office with lighter-weight technology infrastructure consumed as a service. Focused on technological shifts, these digitization efforts have yielded useful results, but they have had limited impact across broad parts of the organization due to the disruption they create.

Through my experiences with organizations undergoing digital transformation, I have found that the most successful ones demonstrate three clear traits:

- They encourage an experimental mindset based around lean principles;
- They actively explore digital business model alternatives;
- They assist their people to become more change ready.

What are these more radical management approaches required for success in digital transformation, and how can organizations accelerate their adoption? What are the critical features of a disciplined approach to management that can counteract the disruption of digital transformation? Here, I consider the characteristics of these new management styles, and highlight leadership and management lessons for successfully navigating the choppy waters of any digital transformation initiative.

Towards a More Radical Approach to Management

Organizations facing digital transformation must adopt a management approach aimed at addressing three critical questions:

How do we change fast enough to stay relevant in a turbulent world? The VUCA characteristics of the digital age place pressure on an organization's ability not only to deal with change, but to recognize that constant change is the new norm. Such change is an anathema to existing management practices focused on stable structures that regulate and rationalize processes. Adoption of approaches highlighting flexibility and adaptability is essential.

How do we innovate boldly enough to stay ahead of our competition, and to meet growing user expectations? The dilemma facing most organizations is how to invest more on evolving existing products and services while at the same time exploring radical and potentially disruptive avenues for future offerings. As Christensen elegantly summarized in his work on "The Innovator's Dilemma", organizations tend to keep doing the things that made them successful, even to the point where those things begin to harm their future prospects. Making bold choices is difficult due to the constraints imposed by established organizational structures and decision-making dynamics. Such reticence is reinforced by the cultural inertia inherent in all human-centred activities.

How do we create an organization where people are able and willing to do their best work? Great ideas need to be enacted through a strategy aligned to meeting market needs. Establishing an appropriate pace of change is critical. Without the skilled workforce capable of delivering that change, however, an organization falls into the trap where "vision without execution is no more than hallucination". Successful organizations must establish a working environment that attracts the best talent, engages them effectively, grows their capabilities, and retains their services in a highly competitive marketplace for digital skills.

These challenges, while straightforward to define, are acutely difficult to address. This is particularly so for more mature organizations with a heritage of products and services to manage, an extensive list of urgent demands from existing customers, tremendous pressure from shareholders to meet short-term financial expectations, and a myriad of other concerns based on the complexity of the organization's current working practices, assets, and locations.

Organizations are looking for new, alternative approaches tuned to these needs. Elaborating on and implementing these changes can be much more challenging in practice without the adoption of radical management principles tuned to rapid decision-making. This requires individuals and teams to evolve within their existing organizational culture and context. Leading management thinkers such as Steve Denning, Julian Birkinshaw, and Gary Hamel view the drive for data-powered organizational agility as a major challenge to traditional management practices. They believe it requires quite a different approach to how organizations set goals, support managers in achieving them, coordinate their organizational supply chain, set incentives for individuals and teams, and create alignment within and across the organization and the extended partner ecosystem.

Their experiences in advising major corporations undergoing digital transformation highlight that top-down autocratic management styles must be replaced by more radical approaches based on peer-driven meritocracy and emphasizing shared responsibilities across multi-disciplinary teams. They point to the importance of adopting an experimental approach to learning and delivery supported by scalable change management practices to amplify the impact of successful initiatives.

Adopting an Experimental Approach

Many mature organizations facing digital transformation are embracing experimental approaches championed by authors such as Eric Reis and Steve Blank, and delivered by organizations such as Stanford d-school, MIT Media Lab, and IDEO. Typically, small teams are empowered to explore potentially disruptive ideas, creating prototypes and MVPs to test in the market. Fast learning techniques are used to gain feedback, refine ideas, and increasingly add value to the solutions proposed. Consequently, initiatives such as ideation sessions, problem-focused hackathons, and week-long sprints have become fixtures in many corporate calendars. While such activities can be useful in challenging existing cultural norms and encouraging wider participation in innovation-centric activities, in practice two important aspects help move these activities from the fringe to the mainstream of the organization:

- ***Client co-creation.*** Explicit involvement of customers and broader stakeholders in experimental approaches raises their value in the eyes of many parts of the organization. Whether through direct secondment into projects or via more indirect means, customers bring insights and legitimacy to experiments.
- ***Follow-thru funding.*** Too often experiments create initial excitement, only to falter when the initiatives require the organization to adopt broader support and funding. Clear paths from idea to deployment are essential to avoid the frustration of partially completed efforts languishing without a direct pathway to corporate acceptance sponsored by senior organizational decision-makers.

However, such thinking has implications far beyond new innovations at the edge of the organization's mainstream activities. More recently, the focus in many organizations is to explore experimental approaches outside of products and services and more centrally in the design of new business and operating models. By redefining supply and value chains, digital transformation initiatives are opening up competition to new players who can move at speed to exploit opportunities as they arise. Deploying technologies such as advanced software-based simulation suites, low-code development platforms, and 3D printing is helping many organizations revolutionize their business practices by placing new customized capabilities in consumers' hands faster than previously possible, building one-off solutions to address the "long tail" of product demand, and restructuring their role in complex supply chains to simplify processes or bring in client-led insights.

Managing Large-scale Change

Introducing more radical approaches to management must be undertaken with care. Encouraging greater experimentation, increasing transparency, and accelerating feedback-driven change can be destabilizing. The discipline associated with radical management techniques will take time to have effect. As many of their principles and practices depart significantly from what is commonly employed in most organizations, the approach and pace of their adoption requires planning and investment. However, as John Kotter forcefully describes it in his HBR article "Accelerate!":

An organization that's facing a real threat or eyeing a new opportunity tries—and fails—to cram through some sort of major transformation using a change process that worked in the past. But the old ways of setting and implementing strategy are failing us.

Organizations are moving away from multi-year strategic upgrade programs and toward a constant set of adjustments to changing environmental conditions. However, this cannot occur as a series of reactive activities in response to actions by others. It is necessary that an organization predicts future directions and interpolates future trends by being fully aware of their current position in relation to those around them.

Hence, in most circumstances a dual approach is recommended. As well as the existing management mechanisms aimed at gradual, measured improvement, Kotter promotes the idea that organizations require a second additional set of change management practices that are agile, efficient, and focus on experimental, predictive actions. These "accelerators" are continuously monitoring and adjusting the organization's operating processes, require broad involvement from individuals across all parts of the business, and take advantage of loosely defined networks of communities to ensure agility in execution. The combination of systematic long-range change processes supported with these more dynamic accelerators leads to what Kotter refers to as a "continuous and holistic strategic change function".

This dual approach encourages an ambidextrous organizational approach supporting both incremental and more radical forms of change management. The management discipline

required in times of constant change involves a strong core set of incremental change mechanisms while acknowledging that more radical shifts are in play. Creating an appropriate balance between these two often competing forces is critical to success.

Summary

Digital transformation is more than a technology upgrade. It encompasses the cultural and organizational changes required to adjust to digitally savvy consumers and embraces the use of new digital technologies to enable major improvements to user services, streamline operations, or create entirely new market offerings. At the heart of this transformation is a recognition of the need to react effectively to the dynamic nature of the organization's operating environment. A disciplined, managed process is required to ensure the value delivered through greater flexibility and increased speed of change does not descend into chaos.

Success requires a combination of technology and business model innovation, and a major change in operating models. If organizations are to relieve growing internal and external pressures to accelerate delivery of new products and services, they need to rethink, redesign and optimize their approach, and place the client at the center of their activities. They need to adopt a more radical management approach based on a discipline that supports a move away from outdated business models, management approaches, culture, and processes inherited from earlier eras to increase the flexibility and adaptability necessary for a digital age.