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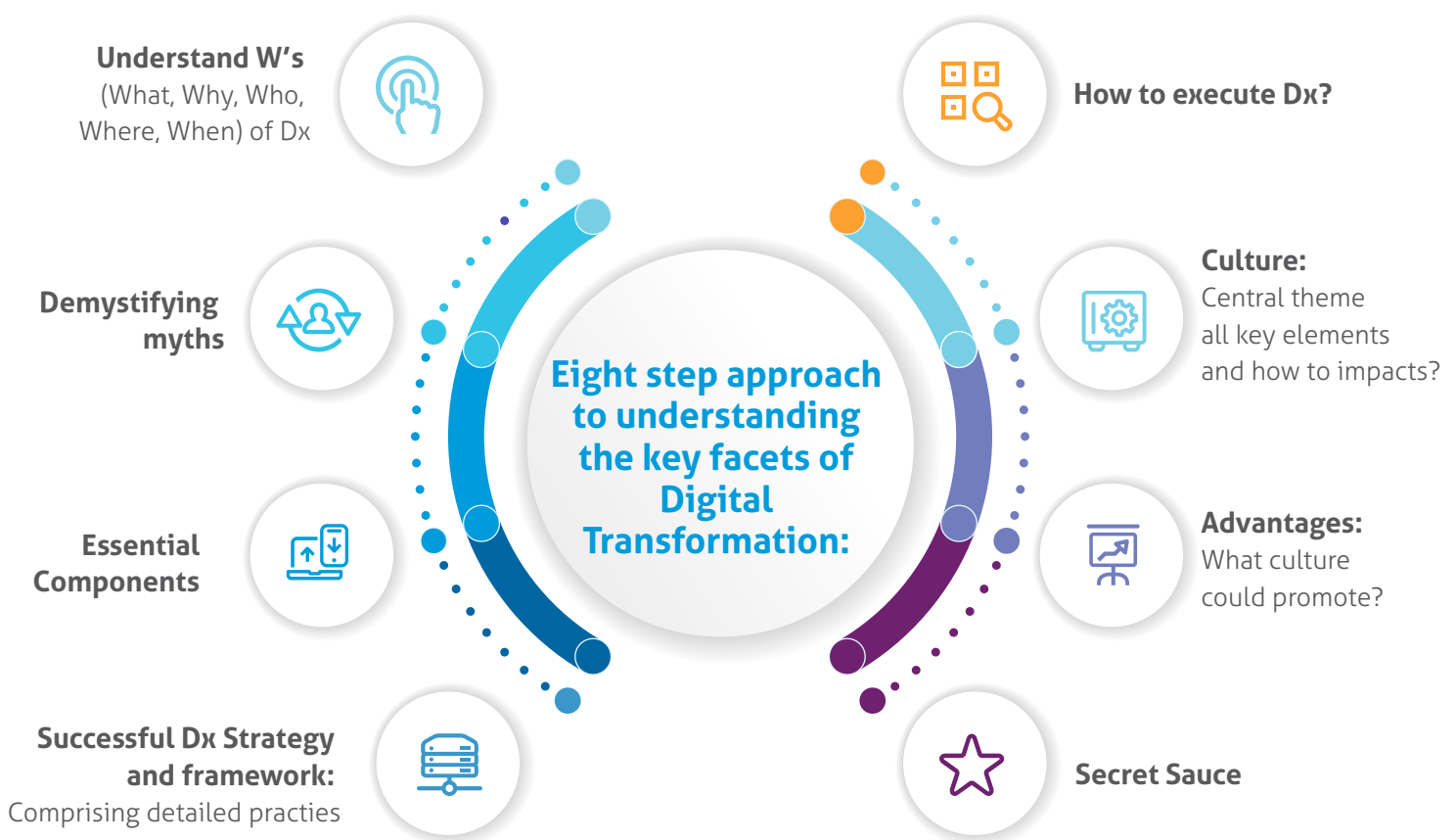
A Larsen & Toubro Group Company

Why successful Digital Transformation requires a change in corporate culture



*This article provides **perspective** on why Digital Transformation is an imminent need and sets context around ways to achieve it and why **culture** plays a central role in successful transformation. It also addresses some common mistakes while embracing such transformation initiatives.*

Digital Transformation (Dx) is perhaps the most spoken, talked about, and ubiquitous buzzword of the current age. In this Digital World, Dx is vital to significantly transforming businesses and providing a holistic view of its operations. Digitalization is more important than ever; we have seen organizations genuinely keen to double down and accelerate Dx specifically in today's global context. Thus, Dx is now seen as a necessity by any organization looking to stay nimble, agile, and relevant.



When we speak about Dx, it is important to understand the nuances that make it successful. According to a study, in 2019, big organizations poured spent **\$1.3 trillion** as part of their transformation initiatives. Out of which, 70% (\$900 billion) got wasted due to failed programs. From this, it is evident that the success rate is a mere 30% in an area where budget is not a challenge. Leaders, CXOs, sponsors, and investors across organizations in various echelons of the business world are sold on the need for Dx and are more than willing to spend a fortune to achieve it. However, the hard truth is most Dx doesn't see the light of day, meet expectations, or yield desired results. We will deep dive into the reasons and prescribe measures to avoid making these expensive mistakes.

Let's start with my favorite W's - **What, Why, Who, Where, and When**. This should be taken into account while formulating a strategy for successful Dx.

WHAT?

Digital Transformation is the assimilation of Digital Technology, Information, and Process into all sections of a business and a company's overall strategy to achieve goals. It results in structural changes to the way business functions and delivers immense benefits to the customers. We can understand Dx as a convoluted, multidimensional process that symbolizes an enormous cultural swing in the work environment and change that affects every facet of an organization. It is imperative to understand that **'Digital is Business today and Dx is a continuous reset'**. In short, a successful Dx serves as a composer that enables the contrasting digital channels to perform collectively as an assemblage.

89% of all companies have already adopted a digital-first business strategy or plan to do so.

WHY?

Companies are using Dx to re-imagine their businesses to be more efficient, profitable, customer-centric, and data-driven. This helps create processes fueled by technology to transform output and enable actionable insights. Dx brings efficiency and synergy so that process and system in conjunction drive business sense, decisions, and value to customers.

According to Forbes, 56% of CEOs reported a direct increase in annual revenue after their company's successful digital transformation.

WHERE?

Dx is not only an IT department initiative but an organization-wide transformation spanning departments, divisions, and processes. Further, it applies to any industry regardless of domain. Hence, organizations should identify and involve key stakeholders in all business areas that need transformation and identify the right mix of representation from directly and indirectly impacted business entities while devising the strategy. The goal should be to attempt and discover synergies among various units.

WHO?

Dx is a strategic paradigm shift in the way a company works, hence, all stakeholders must embrace this change fully. While it is the Leadership's responsibility to unite stakeholders towards the common goal of Dx, it is everyone's obligation to maintain a consistent focus on the target and work towards achieving the same. Leaders nominate the executives responsible for driving the effort and empower them to make quick decisions. Strong, decisive leadership is desired for successful Dx- they imbue the object of change with meaning.



WHEN?

Yesterday! Many companies have shown a sense of urgency and are getting on the 'Digital Transformation is No Longer an Option' bus. However, some organizations are still driven by **FOMO** (Fear of Missing Out), which is not the right way to tackle this. It does not help the cause and often leads organizations to catch the wrong bus that takes them to an entirely wrong destination.

While it's good to undertake such transformation quickly, it is equally important to gauge the existing maturity level, formulate the purpose, understand the context, evaluate what needs to be done, prioritize, and start with the right intent. This is because for TRUE Dx, stakes are extremely high, and it is an extremely expensive affair in terms of Time, Effort, and Cost.

The World Economic Forum suggests that digital transformation's value for societies and industries has the potential to reach \$100 trillion by 2025. Just imagine the scale when, as per World Bank, the global economy was an estimated \$87.8 trillion in 2019.

HOW?

Dx is altering the way a company works. All related workflows, systems, and processes are scrutinized. This very change influences every stage of the company and enables a much mature, efficient, and cohesive use of discrete data. To embrace this change, reap the benefits of Digitalization, and lead Dx to success, one must change culture. If you are wondering why I mentioned culture and not technology, you are not alone! Let's find out why organizational culture plays an important role in successful Dx.



Digital Transformation - Nothing Technical about it!

Firstly, we need to demystify the most popular myth surrounding Dx, that it is all about technology. While technology plays an important role, in a larger context, it is an enabler and certainly not the main driver. Technology is an overlaying facet of Dx, but there is much more transpiring under the hood. There is a complete set of machinery and a layer of synchronized processes fueled by Digitalized strategy and driven by Culture to create Business Outcomes. In short, Dx which is 'enabled by Technology and driven by Culture' is the culmination of the Digitalization of the company's functioning. To put things in perspective, let's go through the manifestation of TRUE Dx:

- **Cohesive data**
- **Efficient** resource management with smart use of technology and connected systems
- **Insightful**, actionable **data-driven insights** to formulate the right **business strategy**
- Contributes to universal **customer experience**
- Consolidates **process and operations**
- **Agility, productivity, and profits**

Adopting technology alone doesn't mean - Dx, being Digital implies not only possessing digital instruments, data harnessing ability but also driving essential processes with intelligence. Digital also exemplifies a mindset which relies on data-driven decisions and insights as input for business strategies. Growing into a Digital organization, consequently, involves a systemic change in behavior. This can only be achieved by leaping forward in Culture. Developing a strategy for short- and long-term Dx must be guided by 'Business Outcomes', not solely by Technology. This is the foundation for Cultural change.

Clayton Christensen, who coined the term disruptive innovation and has done phenomenal work in devising disruptive strategies said, "Treat any strategy as temporary one". Strategies are framed to work under certain conditions. Since the ground beneath us is changing rapidly, so should our strategies. This is the reason we need to embrace a culture where one can constantly evaluate parameters and fine-tune strategies accordingly. We should keep in mind that at any given point in time, strategy focus should be on outcomes and on jobs to be done for customers. This is key to remain relevant and resilient during the disruption.



3 Essential components of Digital Transformation:



A successful Dx requires re-invention in the following three key areas:

- Processes and Business Models
- Operations, and
- Customer Experience

These three pillars have different elements that need tangible change to amply enable a successful Digital Transformation.

[P-A-C-E] - Framework for Successful Digital Transformation:

- **Purpose:** Defines Objectives, Outcomes, OKR, and KPIs
- **Assemble:** Teams, Technology, Vendor
- **Culture:** Change Management, Communicate, Collaborate
- **Execute:** Prioritize, MVP, Measure, Monitor, Seek Feedback, Adapt

Purpose:

The leading cause Dx initiative collapse is that many companies lack clearly stated goal that lines up with company's wider strategies and objectives. The purpose of transforming should be to accomplish at least one of the top business goals in the organization, aim for a great clear opportunity, or achieve an aspirational objective. Basically, like any other transformation, an organization needs to define and articulate the purpose and the problem. Based on this exercise, related objectives of the Dx can be defined and prioritized. As key processes are being revamped, it is a perfect opportunity to define OKRs (Objectives and Key Results), define success factors, and agree on Key Performance Indicators (KPIs) to monitor. KPIs should be established, constantly scrutinized, and ought to be pertinent to the purpose. This exercise is only helpful if done in alignment with all groups and brings various functions of an organization together. It is also essential to measure output, and thus the success of transformation provided the outcome is defined.

A recent Gartner report mentioned that nearly 50% of the companies undergoing digital transformation projects had not established proper metrics or KPIs.

According to another study, one-third of Executives executing Dx don't have a specific strategy or purpose. 60% of companies that have undergone a digital transformation have created new business models.

Assemble:

This is another crucial phase where an organization needs to identify the team which will shoulder the transformation initiative and prepare an effective learning environment as such transformation needs upskilling in the workforce.

Digital transformation requires talent. Assembling an array of the right mix at the right time of technology, data, process, people, and those in an organizational change capacity is one of the most important steps that a company contemplating Digital Transformation must take.

- **Team:** It is important to constitute a suitable set of people who can influence and facilitate learning and adoption. People also need to invest in learning and inventing new ways of working, and more importantly, part ways with traditional ones. The team needs to be well prepared for such initiatives so that they can devote the required effort, time, and energy. Dx cannot be a second or parallel job. In order to achieve TRUE Dx, this must be made a priority and handled with the dedicated stream. If the team is overwhelmed, then such an initiative lacks due attention. The mandate should be clear, measurable, and time-bound, with goals best illustrated by the well-known and popular mnemonic SMART (Specific, Measurable, Attainable, Relevant, Time-based).
- **Vendor:** Likewise, onboard partners should be equipped to fuel such transformation with the right solutions, integrations, monitoring and have the in-depth domain knowledge to bring the right interventions. The key attribute is that they can serve as trusted advisors bringing the digital flavor and expertise necessary to achieve successful Dx. Mindtree is born digital and understands the need. We practice, consult, and execute a Data-first approach. We have partnered with numerous clients, helping them go beyond the Dx lifecycle right from taking a small step (to prepare for large-scale transformation) to delivering large-scale transformational changes. The right Vendor partner is not an option but a necessity to maximize efficiency and unleash the potential of Digitalization across technology, people, and processes.



- **Technology:** Many companies consider that Dx ensues merely by implementing new technologies and employing automation. This mindset is typically what causes Dx initiatives to fail. Technology cannot reinvent processes or create a skilled workforce. Once the desired processes are established, we can assess if the prevailing technology stack can assimilate with determined processes and goals. In the Dx paradox, technology is not the first solve, prior to that, organizations need to shape culture, strategy, business model, and processes. This, in turn, provides levers for organizations to evaluate the existing tech stack alongside the objectives of their Dx strategy, resulting in a definitive aid in the quest for functional and data gaps. Technologies from Big Data to Cloud, advanced DevOps, and APIs to IoT, AI, ML, Robotics, AR, Advanced predictive Analytics, Data Sciences, Automations, Mobile, 5G-enabled solutions, Quantum computing, and Voice-enabled solutions are helping entrepreneurs develop new business models and disrupt the established way of operation. There is a substantial benefit by implementing technologies (post-gap-analysis and determining ROI) which often results in improving output by stemming redundancy, optimization, and tackling efficiency challenges. But as we learned, Dx is not just adopting these technologies, it is using these solutions to fulfill business objectives, which, in turn, helps achieve organization vision, innovation, purpose, reformed processes, and enhanced customer experience.

Culture:

Though many companies acknowledge the need to Digitize and invest heavily in such endeavors, a staggering number of transformation programs don't make it through. It is relatively simpler to carry out tech novelties than to alter behaviors and ethos. The biggest stumbling block in Dx is that humans, society, and corporates are reluctant to change. This inherent aversion for change is why culture remains one of the most ignored factors in any Digital Transformation strategy. One can have the best technology and all the money power, but if employees aren't sold on the idea and willing to be uncomfortable for the period of change, then you don't have what you need to go through with Digital Transformation. The main tenet of Dx is changing culture, this is fundamental to the success of such initiatives, which foster a culture of learning, alter, adapt and drive tectonic change in business processes. A Dx friendly culture is one where organizations continually challenge the status quo, experiment, and get comfortable with quick failures which, in turn, propels the business towards larger goals. A good and swift measure of a company's mature culture is how failures are handled, in pursuit of innovations, intermittent failure is inevitable, an organization that deals with an open mind, quickly and acclimates to learn from mistakes will ultimately weather disruptions. However, promoting such an environment needs commitment, focus, and discipline. All of this is possible, and that's where culture plays a larger role. Many organizations do not realize that beyond the hype, extravagant terminology, and chaos, Digital Transformation is less about technology and more about systemic change in their 'Business Culture'. It would not be a stretch to conclude that an open culture paves the way for the emerging strategy.

A Forrester survey of 1,559 business and technology decision makers found that digital transformation efforts are running into roadblocks amid confusion, delusion, and resistance to change.

Execute:

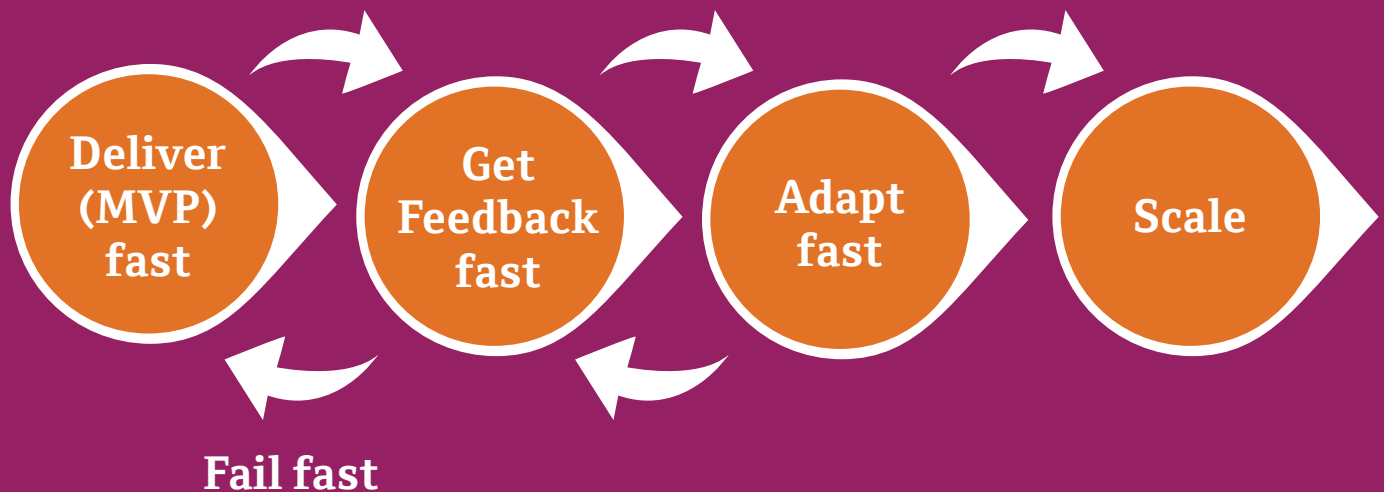
When we think of transformation, most perceive it as instant gratification—the flipping of a switch! However, TRUE Dx is an exercise in patience and persistence. Often, in sheer enthusiasm and hurry, we take on more than we can chew, this would exhaust the team at the outset. This is a recipe for disaster. It is important to understand that Dx is not one project, but a series of initiatives, and hence there is a need to prioritize and pick one which nets greater value or digital ROI and create an MVP consisting of key aligned features that have the potential to create maximum impact. This will help drive focus and give definitive direction to the Dx initiative.

How to Execute?

It is prudent to 'start small' strategically important initiatives. While we execute, we need to measure KPIs, so the focus remains on outcomes. Since most organizations are on a road less taken, we must start with small iterations. Small iterations ensure that failure only results in small setbacks and helps drive larger gains overall. The idea is to explore, adapt, and scale while keeping delivery cycles short via Minimal Viable Product (MVP). This speed is essential as it gives us the needed leverage for course correction and the first movers' advantage.

Thumb rule:

Deliver (MVP) fast → Fail fast → Get Feedback fast → Adapt fast → Fix fast → Deliver again but fast → Scale (continuous improvement)



Celebrating small successes at every transformation milestone helps sustain the momentum while boosting team morale and energizing all involved for the next milestones.

It is critical to nurture an honest and authentic feedback loop with the wider team, especially those on the ground. This allows for course correction in terms of strategy to yield desired results and, subsequently, scaling up. In all this, culture is common and cuts across the Dx lifecycle. An open mindset is key so that organizations become deft and agile, take on an emergent attitude, and maintain a data-driven attitude throughout the entire transformation journey. A better way to track and quantify is to set a benchmark right from the onset and make use of Key Performance Indicators (KPIs) to steer progress.

Culture is the central theme:

It plays a pivotal role in almost every aspect of transformation and has paramount influence in sustaining the impetus.



Objective-setting:

Many companies promote idea generation however, only a few of them are sincerely able to convert those ideas or include them as part of larger organizational goals. Only a handful of organizations can implement creative or revamped Business Model. The disparity between novelty and implementation justifies why digitalization or disruptions are regarded as the conserve of sprightly start-ups. If the purpose is anecdotal, not carefully curated, and more importantly, doesn't appeal to the employees, then this powerful concept has languished. Dx will only serve its purpose when we define the problem clearly and ensure it is understood uniformly across the organization with the given context. To ensure a successful transformation, this culture of change needs to be woven into the fabric of an organization and its processes.

Leadership:

Leadership is crucial when gearing for change to demonstrate and re-iterate the required attitude. Change management starts with the leadership and follows a top-down approach to encourage, empower, and entrust teams involved. Leaders need to recognize Dx as a core structural and strategic move. To drive true change, Dx needs to inculcate a culture that endorses change whilst empowering organizations overarching strategy. It helps when the corporate has a clear vision of the transformation and effectively communicates it throughout the organization on an ongoing basis. Leaders need to circumvent hurdles and ensure that message not only reaches but is also appreciated by all in the same spirit. An effective Leader must deal in a greater way to influence, establish and sustain that culture.

Digitalization:

A genuine Dx entails profound re-imagining of business process and model, instead of fiddling with or improving conventional approaches. This calls for a mindset change throughout the organization, as Digitalization is not only the implementation of more technology systems and services or one-time adoption of technology but a continuous improvement and unification. A TRUE digital transformation is data-fueled, uses data to implement and continuously refine and lead to the right - data strategy, data management, process, and analytics, unified tools to enable operating models. Thus, focusing on a Data-first approach should be a strategy from the outset along with a culture that inspires and seek alignment to embrace intelligently informed decision-making across the business.

Communication:

Clear succinct communication is essential to keep stakeholders informed and motivated, particularly where we need to define a way of driving change that covers multiple aspects – from technology and methodology to skill gaps and adapting culture. Employees and organizations often resist change, usually fixated on a defined policy and process rather than on information and insight. The answer to this resistance is Culture. Advocating a changing culture and consistently promoting it through succinct messages is needed to build the sentiment for transformation. The significance of communication cannot be undermined in pursuit of a culture that thrives and drives such initiatives. Since it is often difficult to reconcile with traditional hierarchical thinking, there is a constant need to shed light on the big picture to create an all-encompassing ecosystem when it comes to driving change.

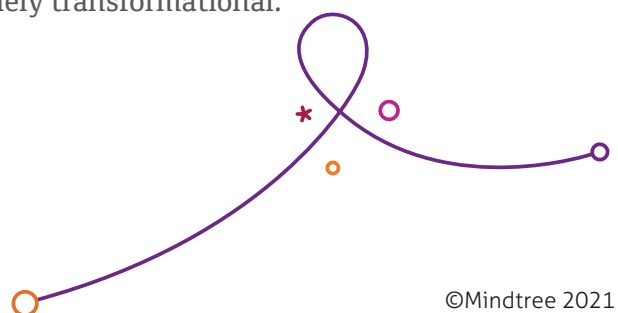
Breaking-Silos:

Another reason why many Dx initiatives don't succeed even with sponsorship from CXO's, ample budget, and allocated teams, is the conundrum of working in silos. Dx requires a real collaboration that cuts across divisions. Transformation is everyone's responsibility, and all need to be aware, aligned to the purpose, and accept the idea behind the Dx initiative.

Facilitating Innovation: Businesses are often rigid about their tried and tested People, Process, and Profit formula. However, in a dynamic digital era, there is a need to evolve and build an ecosystem conducive to innovation where culture plays a pivotal role. Dx initiative pave-the-way for big companies to contend with the nimble competition. Often such initiatives have a propensity to be huge in scale and vision. Hence, to accomplish it, cultural change is needed. The ability to innovate is largely driven by culture and is followed by technology implementation. To enable a company-wide culture change, employee buy-in is critical. Culture also enables employees to transition their day-to-day work from traditional methods to digital and even encourages them to think digitally when devising solutions. It also enables the ethos of learning new tech, which helps achieve goals, stay relevant, and be better equipped for innovation.

Re-imagine Hierarchy:

CXO's in a conventional organization are grappling to get their heads around. Start-ups are able to flourish with a customized style-of-working, democratize ways of functioning, innovate methods of collaboration, incentivize ideas and constructive feedback, in contrast to various traditional companies trapped in legacy mode. Dx is a reality, acknowledging the need to change is the first welcome step towards improvement and bringing real transformation. Realizing this, many organizations are disrupting their existing models and carving-out new roles to establish the rules of Digital, as is evident in the rise of a new C-suite specialist role - Chief Digital Officer (CDOs). As per IDC, 60% of CIOs are believed to have been replaced by CDOs in 2020. In the absence of structuring change, Dx is diminished to a string of incremental enhancements which are valuable and useful but not genuinely transformational.



Secret Sauce:

I can't emphasize enough that Digital transformation isn't really about only technology but about cultural nimbleness – it plays an important role in the digital transformation of any business. For any organization, transformation is a colossal undertaking. However, the term Digital Transformation is often taken too literally, organizations pay too much attention to the 'Digital' part and not nearly enough to the more significant 'Transformation' part. Typically, Technology changes rapidly, Employees tend to change at a relatively slower speed, and organizations change even slower, ultimately causing organization culture to transform very slowly to respond to the demands of Dx. If there is any secret ingredient for a successful Dx, it is culture. It leads to the quickest realization of transformation. The ability to innovate hangs on the impatience of the company culture, so play this right to position yourself better.

In a nutshell, Digital Transformation is making waves across industries and is a matter of when not if. As Microsoft CEO Satya Nadella stated recently, "We've seen two years' worth of Digital Transformation in just two months." Today, we are in a position to re-imagine and challenge the conventional wisdom of "Survival of the Fittest". In a digital context, it is now "Survival of the Fastest"! There's no better time than now, so go find your **[P-A-C-E]** before your competition outPACE's you.

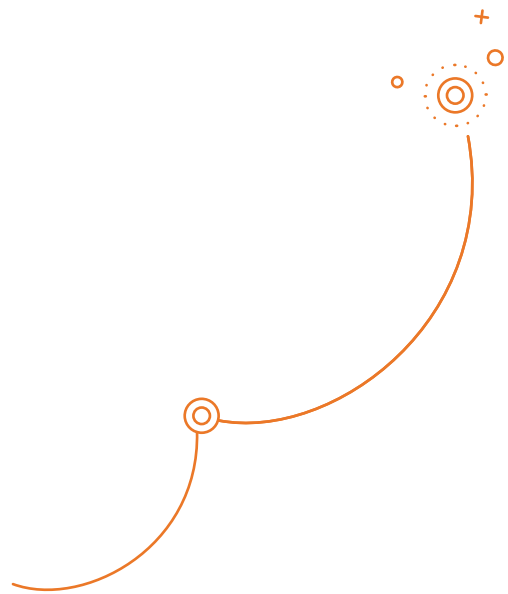
Culture helps in achieving successful Dx by promoting:

- Clear purpose over vague ambiguous objectives
- Fostering collaboration over silos
- Agility takes precedence over archaic process (read decision-making ability)
- Continuous improvement/ adaptability over a stringently defined path
- Promotes emergent aka startup mindset
- Iterative innovation over concrete strategies
- New Learnings over mundane models
- Constant Change vs the existing method
- Promotes Innovation to stay relevant
- Reshape workgroup
- Outcome over process
- Consistent customer experience
- Intelligent data-driven decisions
- Accelerate inclusive Digitalization

However, it is important to remember that Digital Transformation is 'Not a Race or an Event' but a Journey and perhaps the most consequential one in modern history, therefore quintessentially regarded as the foundational stone for Industry 4.0.

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Puneet Sharma is an accomplished Digital Transformation practitioner. He has successfully led large complex Digital Transformation programs. He is a thought leader, seasoned customer-centric Engagement Manager. He shares a deep understanding of Digitalization, helps to frame the success factors, and achieves objectives. He partners with customers to formulate Digital strategies, meet the program goals by executing an outcome-based approach, and acts as a trusted advisor.

About Mindtree

Mindtree [NSE: MINDTREE] is a global technology consulting and services company, helping enterprises marry scale with agility to achieve competitive advantage. "Born digital," in 1999 and now a Larsen & Toubro Group Company, Mindtree applies its deep domain knowledge to 300+ enterprise client engagements to break down silos, make sense of digital complexity and bring new initiatives to market faster. We enable IT to move at the speed of business, leveraging emerging technologies and the efficiencies of Continuous Delivery to spur business innovation. Operating in 18 countries and over 40 offices across the world, we're consistently regarded as one of the best places to work, embodied every day by our winning culture made up of over 21,000 entrepreneurial, collaborative and dedicated "Mindtree Minds."