

THE ROLE OF CULTURE IN DIGITAL TRANSFORMATION

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For:

ILO/IOE/SNEF Regional EBMO Forum

DELIVERING VALUE IN THE SHIFTING WORLD

**Current
customer
needs**

Digital

Data silos

Transformation

Typical, top-of-mind concerns

*LEGACY
SYSTEMS*

Time-to-value

Board buy-in

Digital *Transformation*

Must include transforming the organization

Otherwise, investments in digital technologies and process digitization won't yield the returns wanted and expected

BECOMING DIGITAL

Not just for technology companies, internet enabled businesses, computing-intensive businesses

Institutions in ALL industries need to transform to remain effective and successful in a digital future

“

**...WHAT IT MEANS TO BECOME DIGITAL...IT'S
NOT ONLY A MATTER OF TECHNOLOGY, BUT A
WIDESPREAD DIGITAL CULTURE IS NEEDED TO
BE FOSTERED ALL OVER THE COMPANY**

”

Carlos Bozzoli, Head of Global ICT at Enel, finalist MIT Sloan
CIO Leadership award 2017

“

**THE IMPORTANCE OF BUILDING A STRONG
INNOVATION-LED MINDSET AND A CORE
FACET OF THIS JOURNEY HAS BEEN HOW
EACH AND EVERY PERSON AT DBS HAS BEEN
INVOLVED...**

”

Dave Gledhill, CIO of DBS, winner of MIT Sloan CIO
Leadership award 2017

- **Framework**
- **Dimensions of Culture**
- **Comparison of high-performing digital and traditional organizations**
- **Insights to lead cultural change**

THESIS:

DIGITAL TRANSFORMATION → ORGANIZATIONAL
TRANSFORMATION → CULTURAL
TRANSFORMATION

WHAT IS CULTURE?

What is organizational culture?

What is organizational culture?

“Culture is the fabric of meaning in terms of which human beings interpret their experience and guide their action.”

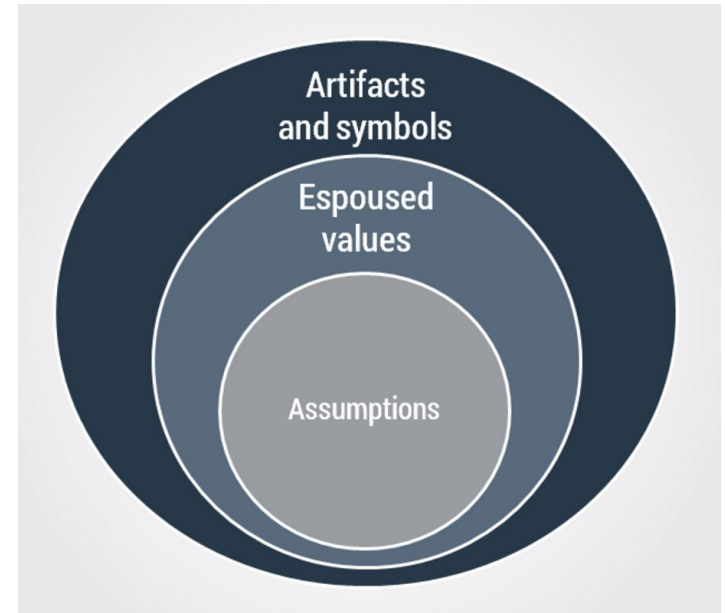
-- Geertz (1973)

“A pattern of shared basic assumptions... that has worked well enough to be considered valid and, therefore, to be taught to new members...”

-- Schein (1984)

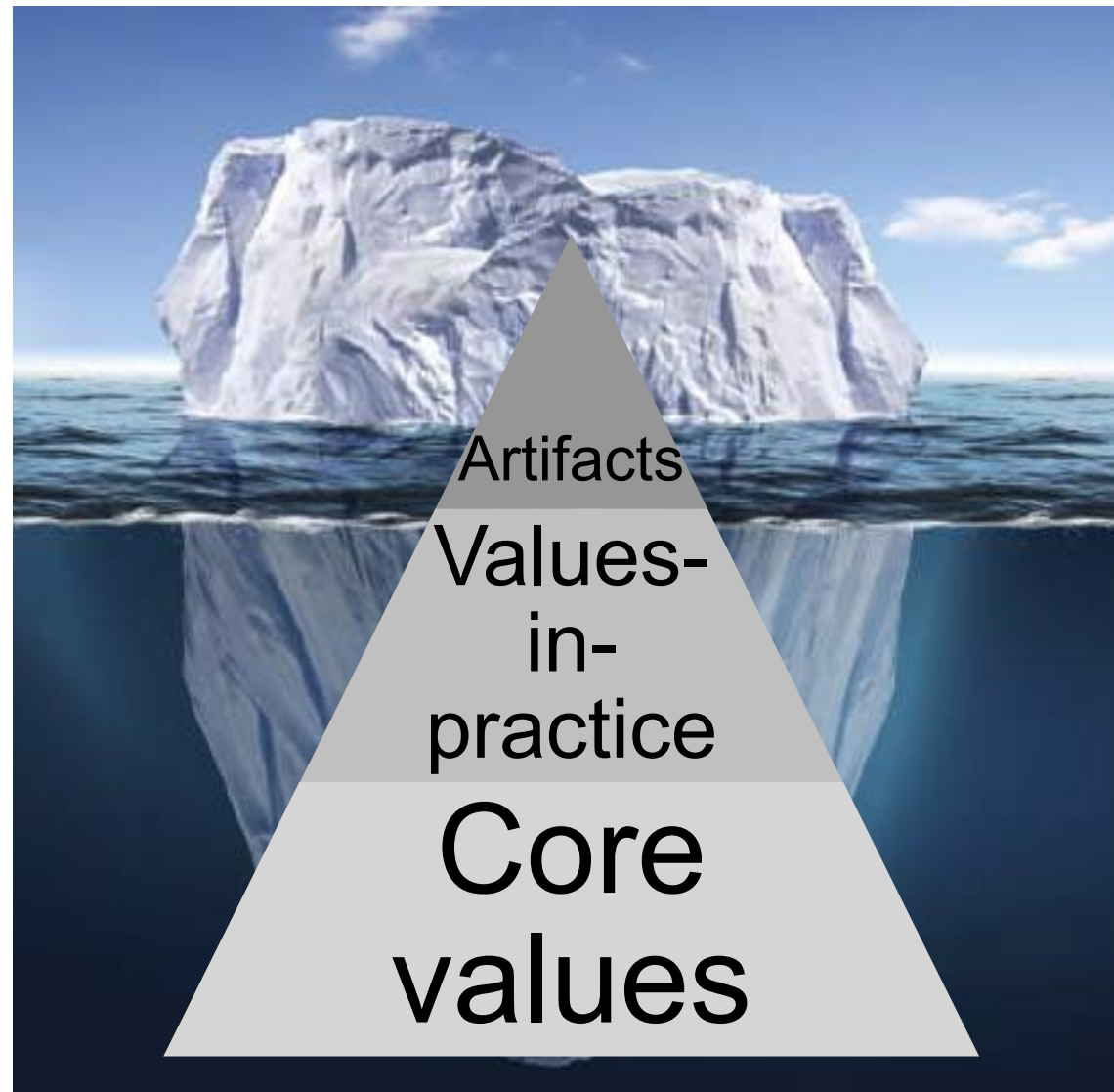
A pattern of shared assumptions, beliefs and expectations that guide members' interpretations and actions by defining appropriate behavior within an organization.

-- Fiol (1991)



A framework for thinking about culture

A system ...
shared
assumptions,
attitudes, values
and beliefs
shapes how people
think and act in
organizations



Evidence of Organizational Culture



Espoused values provide some pointers

A word cloud of 18 espoused values. The words are arranged in a circular pattern, each in a different color and orientation. The colors include blue, green, red, black, and grey. The orientations vary, with some words being horizontal and others tilted at various angles.

- Speed
- Efficiency
- Loyalty
- Integrity
- Diversity
- Entrepreneurship
- Continuous-Learning
- Adaptability
- Flexibility
- Reliability
- Respect
- Curiosity
- Consistency
- Autonomy
- Community
- Innovation
- Growth
- Action-orientation
- Stability
- Freedom

Espoused values are not enough

Freedom

Fairness

Commitment

Waterline



Integrity

Communication

Respect

Excellence



Artifacts alone aren't enough either



An organization's underlying values and values-in-practice are more important than visible markers of a "cool" culture, such as workplaces, dress, and logos

Organizational Environment influences Organizational Culture



Just as individual “**digital natives**” are culturally conditioned to navigate the digital world easily, so too are “**digitally native**” companies culturally conditioned to benefit from opportunities arising in the digital economy

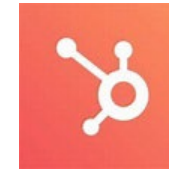
We can learn from studying the organizational cultures of “digital native” companies



NETFLIX



Alphabet



airbnb



WHAT IS A “DIGITAL” CULTURE?

Insights into the cultures of high-performing digital organizations and digital units of more traditional organizations

MIT /Microsoft sponsored research with George Westerman

RESEARCH APPROACH

- QUALITATIVE Phase

- Interviews and cases (25+)
- Born-digital firms, digital units, and traditional firms
- Identify critical and unique dimensions of culture
- Reconcile with various theoretical models of culture



- QUANTITATIVE Phase

- Survey responses (666 responses from 524 companies)
- Multiple enterprises and respondents/enterprise
- Validate cultural dimensions with prior literature
- Test relationships among constructs

Core “digital” values

Impact through innovation: having big aspirations to change the world for the better and being willing to learn and fail fast to get there

Speed: having an action orientation, preferring to move fast and iterate rather than waiting to have all the data or all the answers before acting

Impact

Openness

Speed

Autonomy

Openness: engaging openly and broadly with diverse sources of information, rather than being secretive or selective in seeking and sharing information

Autonomy: having high levels of discretion to engage flexibly in productive and experimental activities, more than relying on controls and formally structured coordination

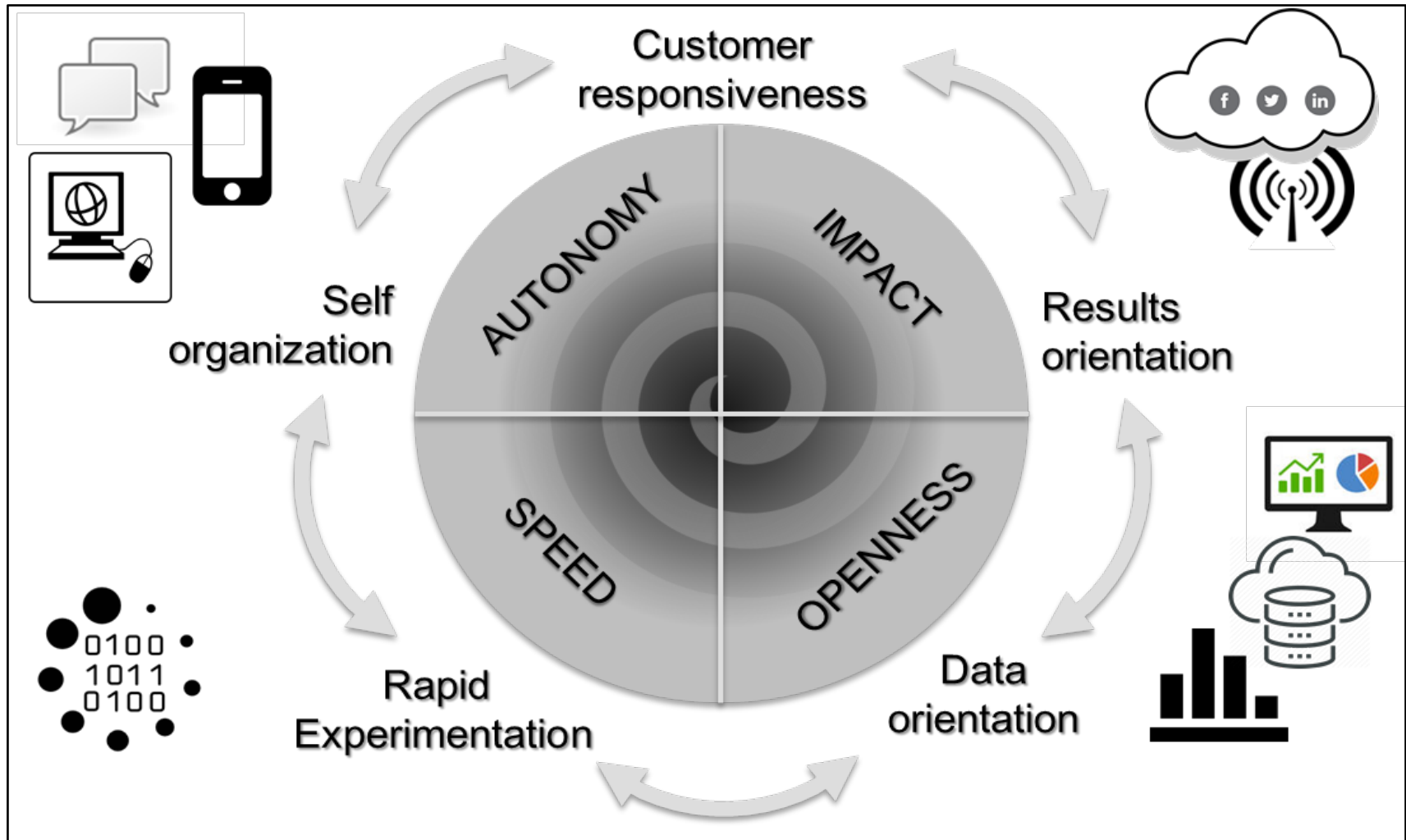
Digital values in practice

- These values are evident in the regular and frequent practices of:
 - **Rapid experimentation:** constantly and systematically experimenting, learning from the results, and quickly putting new insight into effect
 - **Self-organization:** collaborating fluidly across functional, geographic, and organizational boundaries to get things done
 - **Data orientation:** using data to make decisions and design solutions that can scale rapidly and economically
 - **Intense customer responsiveness:** sustained focus on understanding and quickly addressing customer needs, and measuring all activities in terms of how they benefit customers
 - **Strong focus on results:** being accountable for achieving goals and striving for results that really make a difference to customers

Notes:

- Valuing **autonomy** means that workers have latitude to focus on the projects and tasks that matter most at a given moment. They can also experiment without fear of failure, raising the chances for realizing truly novel outcomes.
- Valuing **openness** means that people are inclined to seek out the most relevant data and expertise, regardless of source, title, function or affiliation. Thus, despite their autonomy, organizational members self-organize and collaborate within and beyond the organization to find solutions and make decisions.
- At the same time, the values for **speed** and **making an impact** drive accountability in experimentation, decision-making, and collaborative efforts, consistently driving delivery of customer-focused, scalable results.
- Digital resources like social and mobile communications, collaboration tools, data, analytics, and cloud/internet-based systems amplify the reach and impact of each of these practices

Defining “Culture” for the Digital Age



DOES A DIGITAL CULTURE SET COMPANIES APART?

Survey of cultural dimensions, conducted with
representatives from diverse organizations (traditional
... in transition ... digital)

Measuring key constructs

- **Values:**
 - For each pair of choices, please pick the option that best describes [your organization]... Try to focus on your organization *as it really is today* (1..7)
- **Practices:**
 - Please indicate how much the following behaviors are typical of [organization]. Try to focus on how your organization *really behaves today*. (1..5)

Autonomy

Q4.4_4	Control : Discretion
Q4.4_5	Command & control : Coach & coordinate
Q4.4_6	Following rules : Flexibility within boundaries
Q4.4_13	Structured coordination : Flexible engagement

Rapid Experimentation

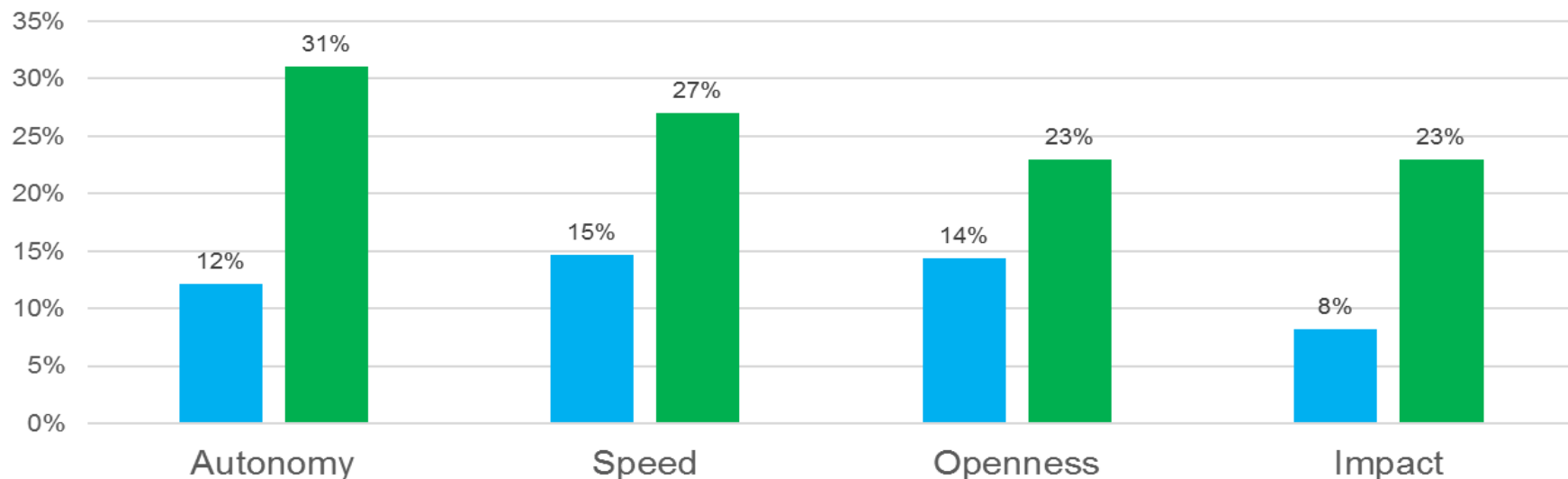
Q5.2_30	Willing to experiment
Q5.2_31	Experimenting systematically
Q5.2_33	Risk taking
Q5.2_38	Iterating rapidly
Q5.2_40	Quickly taking advantage of opportunities

Comparing Culture Across Org Types: VALUES

Percent of respondents exhibiting strong presence of each digital value
(average rating 5 or higher on 7-pt scale)

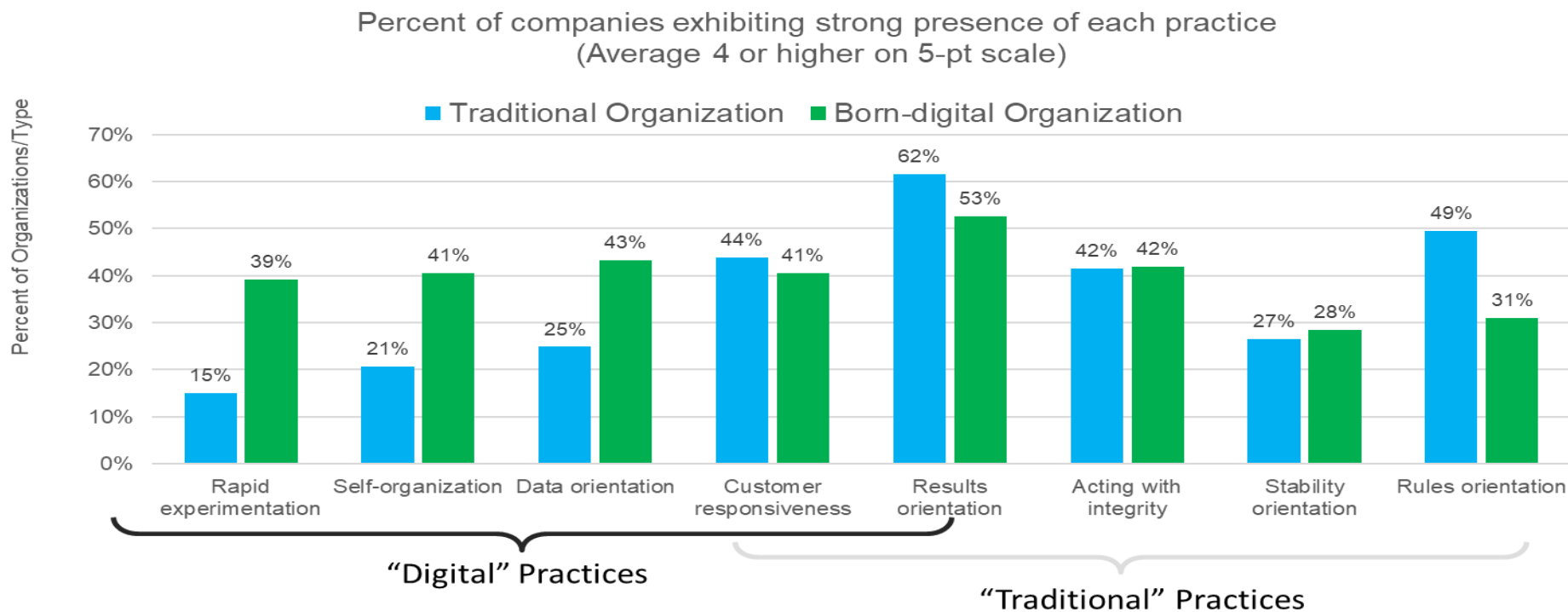
■ Traditional Organization ■ Born-digital Organization

Percent of Organizations/Type



Digital values are present but not prevalent at traditional organizations – the latter place significantly less value on *autonomy*, *speed*, *openness*, and having *impact*

Comparing Culture Across Org Types: PRACTICES



Digital and Traditional Organizations differ on “digital” practices (*rapid experimentation*, *self-organization*, and *data orientation*) and on some more “traditional” practices (*rules orientation*). Digital and Traditional Organizations share some important “traditional” practices (*acting with integrity*, *seeking stability*).

Digital Culture and Performance

		OVERALL PERFORMANCE	INNOVATION & REVENUE GROWTH	CUSTOMER SATISFACTION & REPUTATION	PROFITABILITY	Key	
	Digital resources	↑	↑	↑	↑	Statistically significant, positive relationship	↑
DIGITAL VALUES	Autonomy	↑	↑	↑	↑	Statistically significant, negative relationship	↓
	Speed	↑	↑	↑	↑		
	Openness	↑	↑	↑	↑		
	Impact	↑	↑	↑	↑		
DIGITAL PRACTICES	Rapid experimentation	↑	↑				
	Self-organization	↑		↑			
	Data orientation						
	Customer responsiveness	↑	↑	↑	↑		
	Results orientation	↑	↑	↑	↑		
TRADITIONAL PRACTICES	Acting with Integrity			↑			
	Stability orientation				↑		
	Rules orientation	↓	↓		↓		

Leading Digital Culture Change

Three principles...

Grow:

Rapid experimentation
Self-organizing
Data orientation

Preserve

Integrity
Stability

Refresh:

Customer responsiveness
Results orientation
Rules orientation

Learn more

Building Digital-Ready Culture in Traditional Organizations

Sloan Management Review

Summer 2019 Issue

Research Feature

George Westerman, Deborah L. Soule, and Anand Eswaran

<https://sloanreview.mit.edu/article/building-digital-ready-culture-in-traditional-organizations>

