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THE STRATEGIC SECRET: How Culture Makes the Difference in Digital Transformation

In a time of rapid change, organizations need to execute fast, effective transformations that take the whole team with them. To do that, they need a new approach to strategy, with an agile, adaptive culture at its core.

+ E M P O R A L L

Foreword



Two years ago the Google Digital Academy started work on our Executive Digital Transformation Lab. Designing a programme to help leaders develop a vision for digital transformation got us thinking: how could we at Google take our experience collaborating with thousands of customers on their transformation journeys every day—not to mention our own as a 20 year old company operating in the ever-changing tech world—and turn it into an actionable framework for successful, sustainable digital transformation?

Here's what we uncovered. Five interconnected pillars for any digital transformation are:

Customer centricity: With democratization of technology, more power moves to customers, so customer focus is truly the key to successful digitalisation. Google's mantra here is 'focus on the user and all else will follow.'

Tech, data and automation: Look at the business as a blank sheet and ask yourself how you would do it with today's toolbox of tech, data and automation. Break technical know-how free from silos by connecting digital specialists with business leaders.

People operations: Digital transformation requires real people to be willing to pick up more work and more risk, so processes, workflow, skills and training—even KPI structures—all need a rethink to set organisations up for success.

Culture of innovation: Provide resources, structures and reward systems for your people to keep driving experiments and try new things. It's vital individuals are rewarded for participating in the change process, even if a project does not deliver the expected outcome.

Vision and leadership: Even though culture and change must be lived throughout all layers of the company, the leaders must set the story, the direction and the pace.

True transformation success hinges on nailing all five themes simultaneously. Drop one, and efforts in the other areas will fall short too. Everything needs to move in parallel to create lasting change. It's a tall order, but there's big opportunity for those who do the work.

That's why we are happy to see the work of Temporall making organisational culture measurable. Measuring your cultural learning curve is a powerful transformation enabler. It highlights what's working. It keeps things on track that might otherwise slip. It provides focus. It helps you stay the course. And when you're working across five lanes at once, a way to quantify the value and ROI of your people operations, culture of innovation and leadership really matters.



Joris Merks-Benjaminen

EMEA Head of Programmes
Google Digital Academy

Introduction

Time is running out for the five-year plan. Once a reliable framework, the multi-year, fixed-term plans that have organized business thinking since the 1960s can no longer keep pace with today's faster, more agile world. Widespread disruption makes it increasingly difficult to anticipate developments in the next two years—let alone five or ten—and traditional approaches to strategy are struggling to stay relevant.¹

In their place, a new consensus is emerging. Rather than try to predict an unpredictable future, effective approaches to strategy should be continuous, responsive and forward-thinking, with an emphasis on agility and speed.² For businesses, that means creating a culture that is more adaptable, more aligned, more innovative and more agile. Seeking to achieve that, many companies look to technology and implement digital transformation projects. But in too many cases, that's easier said than done. Studies find that 70% of digital transformation projects fail, largely due to a disregard for the role of culture.³

It's time for something new. Instead of the traditional fixed-term strategic planning framework, companies can deploy shorter strategic planning cycles with culture at their core, creating an alignment of strategy and culture that can improve performance by as much as a 30%.⁴ And in digital transformation in particular, implementing strategy demands a systematic approach to shaping culture: from identifying and adapting values, behaviours, processes and systems, through to measuring culture's impact throughout an organization.

¹ Desai, F. "The Digital Era Is Crippling The Five Year Strategic Plan." Forbes 28 April 2016

² O'Donova, D. & Rimland Flower, N. "The Strategic Plan is Dead. Long Live Strategy." Stanford Social Innovation Review 10 Jan 2013

³ Kitching, E. & Roy, S. "70% of Transformation Programs Fail." McKinsey 26 September 2013

⁴ Bughin, J. "Digital success requires a digital culture." McKinsey 3 May 2017

Why digital transformation projects fail



Organizations need to adapt to stay competitive in the face of rapid and unpredictable technological change. To do that, companies often undertake large and expensive transformation projects to introduce new technology. In 2018 alone, an estimated US\$1.3 trillion will have been invested in digital transformation initiatives. If 70% of those projects fail to reach their stated goals, over \$900 billion of spending will fall short of its objectives.⁵

Typically, the technology itself is not the problem. Because people need to be persuaded to adopt new tools, organizational culture is the biggest barrier to change.⁶ When McKinsey did a survey

of global executives in 2016, it found that “shortcomings in organizational culture are one of the main barriers to company success in the digital age” and highlighted three key problems: functional and departmental silos; a fear of taking risks; and difficulty forming and acting on a single view of the customer.⁷ The following year, McKinsey researchers asked “What are the most significant challenges to meeting digital priorities?” in the research firms 2017 Global Survey. The top answer was “cultural and behavioural challenges,” chosen by a third of respondents.⁸

⁵ Zobell, S. “Why Digital Transformations Fail: Closing The \$900 Billion Hole In Enterprise Strategy.” Forbes 13 March 2018

⁶ Gartner 2018 CIO Agenda

⁷ Goran, J., LaBerge, L. & Srinivasan, R. “Culture for a digital age.” McKinsey, July 2017

⁸ McKinsey “How the implementation of organizational change is evolving.” Feb 2018

“People are naturally resistant to change,” says Kim Wylie, Temporall board member and the former Global Head of Customer Change and Culture at Google, who lists “the points of failure for digital transformation projects” as:



The quality of leadership as it adjusts to a new context and operating cadence.



The change in people’s natural cadence within organizations as the journey begins.



The point an organization starts from, in terms of culture, as in many organizations, even a basic culture of agility, speed and innovation does not already exist.



The absence of processes to embed and support change and new behaviours.

That’s why successful digital transformation means realigning technology, people, organization and leadership, all at the same time. Three of those things—employees, organization and leadership—fit within the wide definition of culture. But what is culture, exactly, and how can it be adapted to meet new demands?

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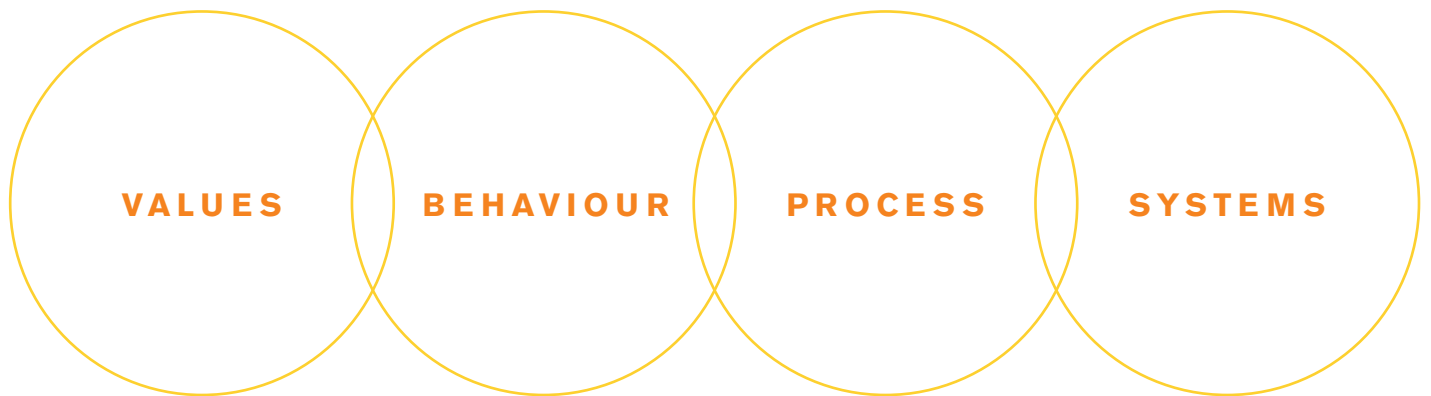
**So what is
“culture”?**

Academics have been working on organizational culture since the late-1970s, yet many people still only have a hazy grasp of the concept. Few employees and managers intuitively understand early theories on the subject, such as Edgar Schein’s hierarchy of “artifacts,” “espoused values” and “assumptions.” A substantial proportion of employees, in fact, tend to regard culture as linked to inclusivity and centred around HR processes, despite a growing recognition of its central role in successful organizations.⁹ And even when it is recognized, a high-performance organizational culture is too often seen as a lucky outcome of HR or leadership activity. When that happens, the culture is easily lost when the people behind it leave a company.



⁹ CII Benchmarking Survey 2017

That's why Temporall worked on the academic definition of culture, to create something everyone can understand. At its most basic, Temporall defines culture as "the way people do things around here," or the approach used by people to work within a specific organization. That definition is then expanded to include four interlinked elements:



Values

Values are the grounding principles that an organization collectively considers to be important.

Behaviour

Behaviour is the way that those values are made manifest in day-to-day behaviour.

Process

Process is how those behaviours are standardized and made repeatable, so that they can become endemic throughout an organization.

Systems

Systems arrange those processes within an organization to make them repeatable, manageable and integrated.

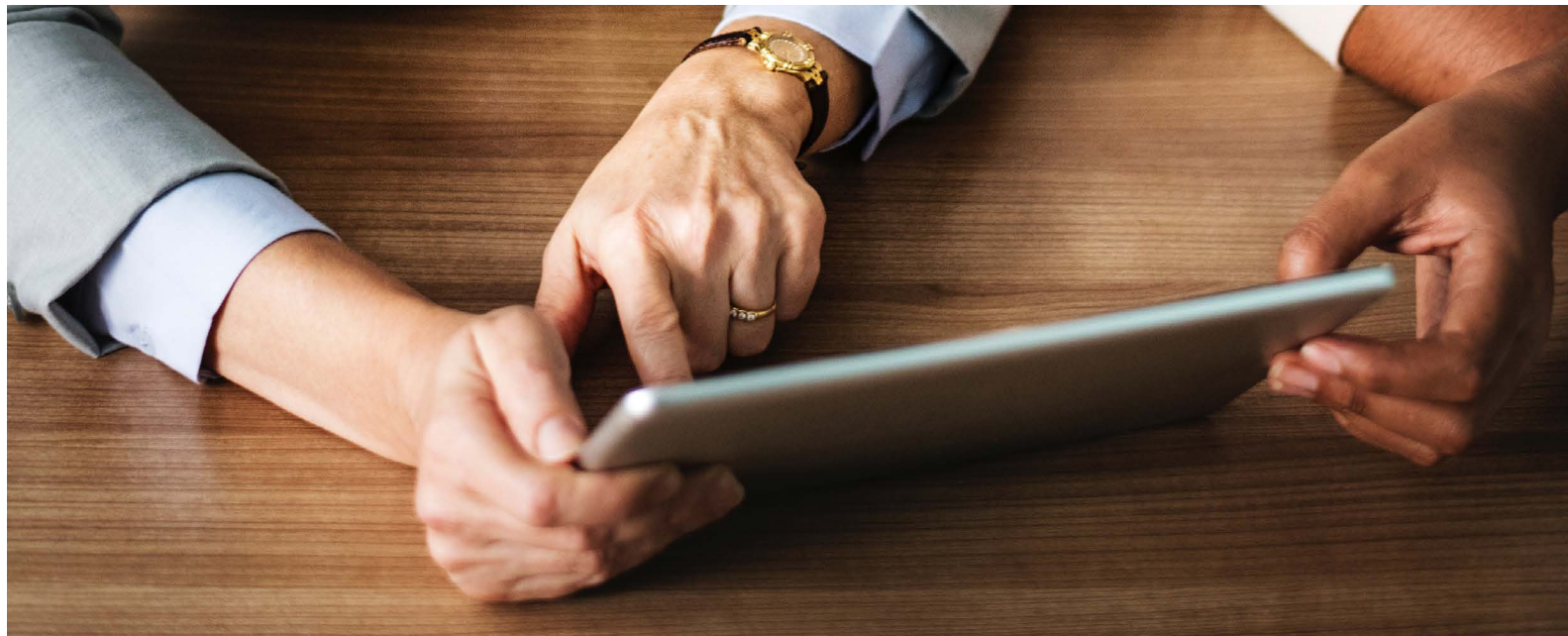
Each of these elements needs to be addressed when thinking about the culture of an organization. They are all equally important. And when they work well together, an organizational culture reaches a kind of balance and becomes self-reinforcing.

Measuring culture with the Culture & Innovation Index

Most attempts to measure culture place a lot of emphasis on employee engagement and neglect other, more tangible aspects. That's why Temporall worked with academics and individuals with experience of building effective organizational cultures to find a better way to measure culture. Together, they created the Culture & Innovation Index (CII), a benchmark designed to quantify the culture of an organization, so it can be compared and analyzed.

Then Temporall used the CII to build up a body of statistics, questioning more than 400 C-Suite and C2-Level UK executives. An online survey conducted by Coleman Parkes Research, the 2017 CII Benchmarking Survey grouped its queries by "people," "organization," "technology" and "leadership." In total, 104 managers, 98 senior managers, 76 directors, 75 heads of department and 51 C-Suite executives took part, with the results published in November 2017.

Three key findings were drawn from the survey. First, a strong correlation emerged between high-performance and strong culture. Second, notable weak points were uncovered in the communication of culture and understanding of the idea of culture itself. Lastly, and of particular concern for digital transformation initiatives, technology was found to be poorly integrated within company cultures, highlighting the disconnect that is frequently blamed for the failure of such projects.



ONE

The best-performing companies have a clear culture



When Temporall looked at the fastest-growing companies in the survey, it discovered a strong correlation between business growth and a deep-rooted, clearly communicated culture. The top 27 highest-performing organizations in the group—7% of all those assessed—had an average year-on-year revenue growth of 46%. Many were the smaller, more agile companies in the cohort, and all had an emphatic focus on culture.

Among these high-performing businesses, 70% had a strong mission and purpose that was communicated clearly and regularly by the leadership team to all employees. Two-thirds of employees at the companies reported a high level of engagement, and 78% felt encouraged to take initiative and drive change. Crucially, they saw the communication of the company's mission coming directly from the leadership, with more than half finding that their leaders were proactive in seeking to shape the organization's culture or that the way their leaders behaved reflected that culture.

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TWO

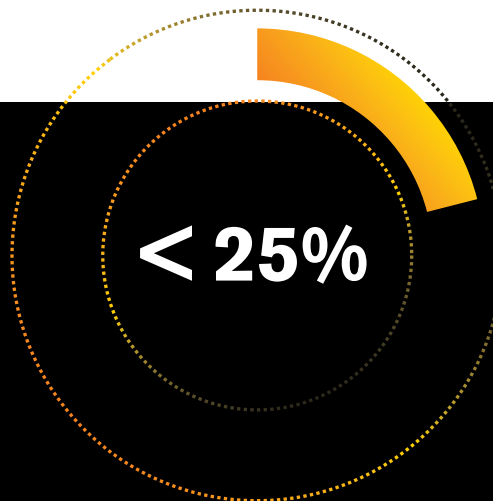
Too often, culture is misunderstood and miscommunicated

Across the group, Temporall found clear deficiencies in the understanding, communication and awareness of culture. More than a third of employees found that their company did not have a strong mission and purpose that was clearly communicated by their leadership. Less than a quarter strongly agreed that their leadership was even aware of the impact of its behaviour on the company. And a majority lacked a clear understanding of “company culture,” thinking it was linked primarily to inclusivity.



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THREE

Technology departments are poorly integrated within companies

Just half of employees reported that their technology department was focused on developing growth initiatives, and almost 80% of employees could not agree strongly that the technology department in their company “responds quickly to new and innovative ideas generated within the business.” Too often, there was a disconnect between technology and company culture. More than 40% of employees said that their technology department was not well integrated within their business.

For any digital transformation project to be successful, it needs an organizational culture that can absorb change and innovation. But these findings suggest companies have a long way to go to achieve that kind of alignment between technology and culture. Not only is culture poorly communicated in many cases, the technology departments tasked with driving change are too often out in the cold and failing to engage.



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Measuring, adapting and implementing with Culture Analytics

All change meets natural resistance, and for successful transformations to overcome that they need strong leaders able to inspire confidence, communicate clearly and act as role models for company culture. They need to operate within an organizational culture of adaptability, speed and innovation that liberates employees to follow their own initiative, thanks to a wider sense of company priorities. And that culture is only made possible by repeatable, established processes that reflect and support it from the leadership down.

To create that kind of secure environment, organizations need to measure, monitor and adapt culture on a continuous basis, so they can identify strengths and weaknesses, and intervene where necessary. That's why Temporall has developed the Culture Workbench, a platform to help executives and their leadership teams design and sustain high-performance organizational culture, continuously.



Culture Workbench captures quantitative, qualitative and 'network' data signals from across an enterprise, then generates unique Culture Performance Scores (CPS) for people, organization, leadership, and technology attributes. By monitoring the impact and financial return of these scores, the measurements give executives and leadership the insights they need to get to grips with the culture of their organization. And then, using the CPS, they can make adjustments, watch how they affect culture, and realign their organization around strategic goals.

Continuous monitoring of culture doesn't only help companies achieve in-depth understanding at the speed necessary to keep pace with technological change. It also helps ensure the success of projects, by making culture something a company can adjust itself, rather than leave to chance. That new relationship between strategy and company culture at least partly replaces fixed-term planning with an ongoing, adaptive approach. If keeping culture aligned with strategy is the key to successful digital transformation, we may already have seen the end of the five-year plan.

About Temporall

Temporall is the leader in Cultural Analytics. Temporall help executives and their leadership teams develop and sustain high-performance organisational culture, using the Culture Workbench; a real-time culture analytics platform that utilises proprietary algorithms and machine learning technology. Find out more at www.temporall.com.

About Google Digital Academy

Google Digital Academy build education programmes that help businesses understand and develop the skills, know-how and mindset they need for ongoing digital and marketing transformation that accelerates growth, efficiency and a sustainable competitive edge.