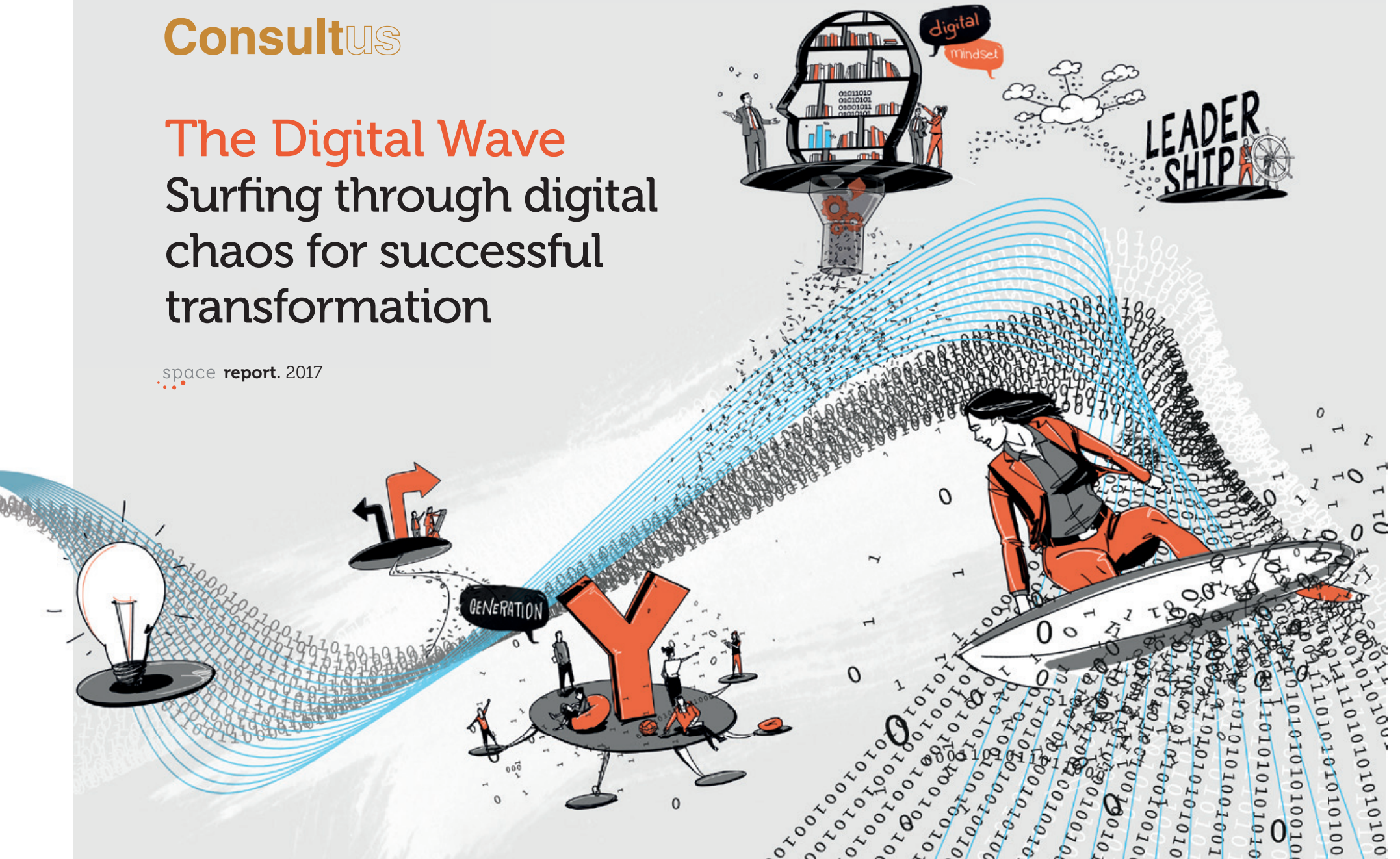# Consultus

The Digital Wave
Surfing through digital chaos for successful transformation

space **report.** 2017

The Digital Wave
Surfing through digital chaos for successful transformation

report. 2017

What lessons can be learnt from the failed Namibian 'Himba' project, and what challenges and dilemmas are business leaders facing in the current digital wave? This report provides insight and advice on the best People Strategies for successful digitalisation.

Intro

SPACE Consulting Europe is a strategic alliance of leading European management consulting firms. We help organisations work more effectively to deliver their strategy by improving their behavioural, cultural, structural and economic dimensions. SPACE operates in nine offices across Europe, with more than 250 consultants, for both public and private organisations.

We regularly publish research reports and insights on business issues that we, together with our clients, believe are crucial to success. This year's report reflects the views of more than 100 CEOs, HR directors and senior managers across Europe, combined with our own consulting and business experience. We conducted face-to-face interviews with our clients and business partners, who supported our research on digital transformation.

We would like to thank all our clients and partners for providing valuable insights, and for sharing their successes and challenges in innovating their business.

We hope you enjoy the read.

Preface

// In 2008, the Namibian government launched a new housing project to give the nomadic Himba tribe the possibility of exchanging their traditional clay-covered shelters for more modern houses, along with basic digital infrastructure and smartphones.

The government was enthusiastic about the project and the new homes appeared to be welcomed by the Himbas. However, to the government's surprise, the Himba families used the new homes to shelter their cattle, and continued with life as usual in their clay-houses, whilst tapping on their new smartphones.

The Himba project demonstrates that unexpected reactions and dilemmas may occur when introducing progress and change – be they tools, methods or models. Digitalisation is no different. In some cases, new tools/technologies are easily assimilated by both organisations and individuals; other times they are questioned, or even rejected. The Himba project reveals that tradition, culture and experiences are all strong mechanisms that can affect our behaviour and willingness to accept change.

In this report, we refer to 'digitalisation' or 'digital transformation' as the wide-ranging adoption of digital technologies within organisations to achieve improved overall, or specific business, performance – for example, new business models/processes, customer or employee experience.

Technology is now widely accepted as a **major external influencer**. Consequently, digital transformation is now considered to be management's top strategic priority. Thanks to digitalisation, the future pace of change is further accelerating, which represents an opportunity rather than a threat for many leaders. CEOs are fully aware of the risks

See global IBM CEO Survey 2015

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they are facing if they do not embark, and ultimately succeed, on this journey (see chart opposite).

At the beginning of 2017, SPACE Management Consulting carried out more than 100 interviews with European leaders in top and middle management, across various business sectors. Our research echoes the findings mentioned above. Although there are different levels of digital maturity and progress across Europe, as well as across industries, we found that organisations actually share many common concerns, independent of their digital maturity. Business leaders are well aware of the importance of digital technology, but there is less knowledge on how to implement these new technologies, what impact they will have on traditional processes, and what it will mean for its leadership.

Furthermore, there is still too little focus on employee engagement, buy-in and people development. Senior management acknowledge that digitalisation adds complexity to change processes, and that their leaders still lack knowledge and insight, and so need more guidance on how to steer their organisation and teams through this transformation successfully.
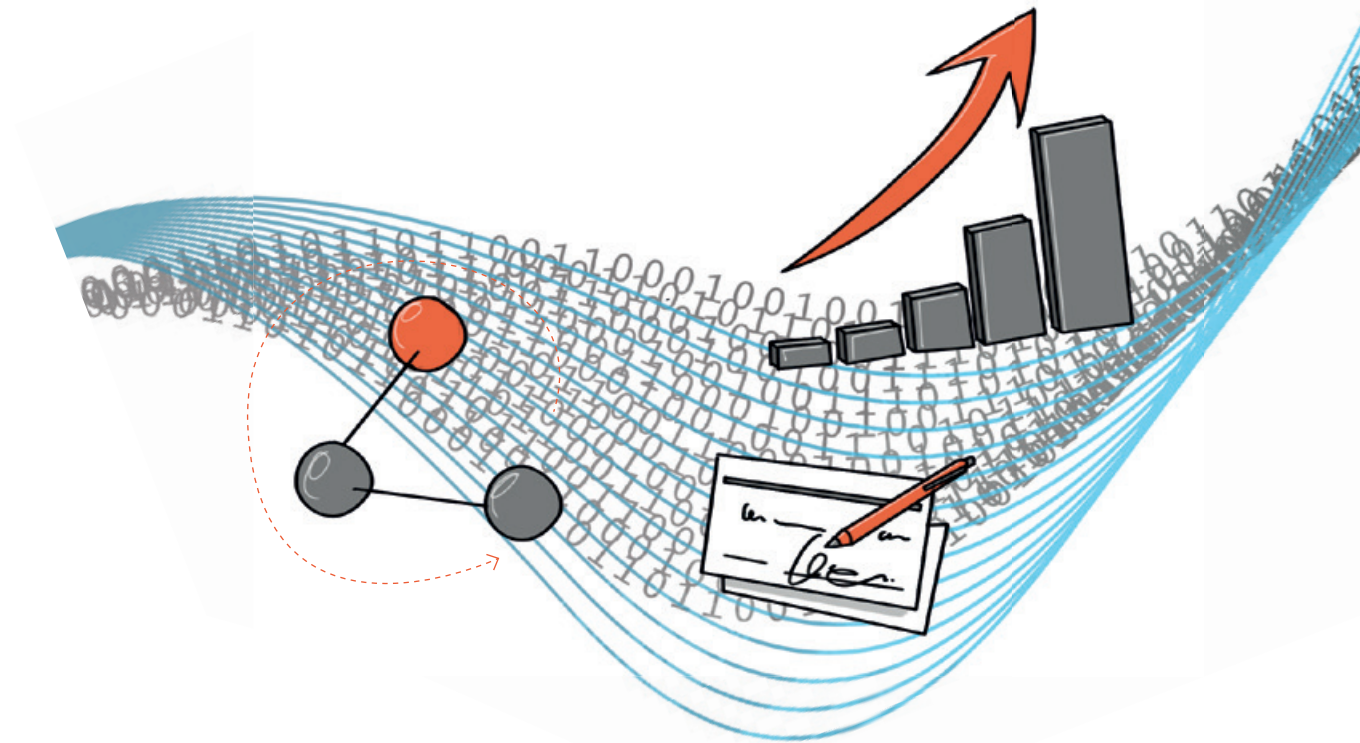
Chart
// Biggest risks organisations face if digitalisation fails
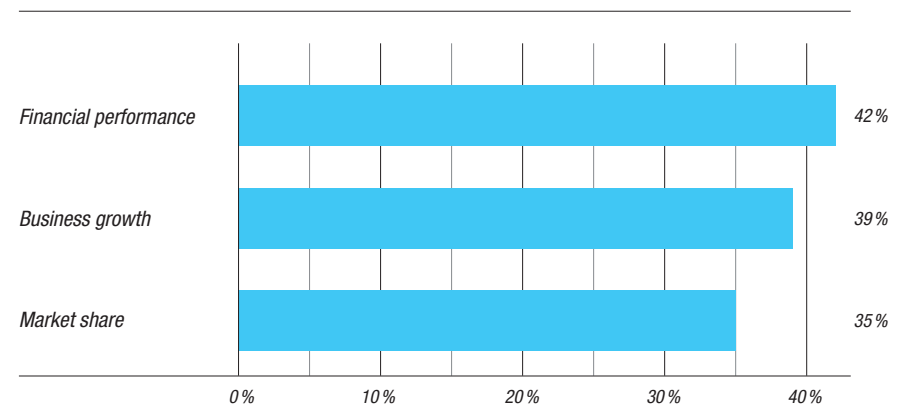
Source: EIU Global Survey 2016 in healthcare, telecom and finance industries

"Leaders are reactive rather than proactive in their attitudes towards digital changes, and this slows down the digital journey."

For this reason, we decided to focus our research on the human factor, and the possible challenges and dilemmas » surrounding the digitalisation journey. This report aims to tackle some of these vital questions:

// What do leaders need to understand regarding digitalisation, and what are the human implications for them and their staff?
// How can leaders learn and develop digital skills to oversee and guide staff during the transition?
// What major dilemmas will organisations face when it comes to leadership, people management and the mindset?
// Will middle management succeed in redefining its role where direct access and loss of boundaries are game changers?
// What impact does all this have on traditional decision-making processes?
// How can today's leaders effectively challenge tradition, history and culture in their quest to become more digital?

Many organisations are still at the beginning of their digital journey, and whilst they may be quick learners, everyone we talked to agreed that this is not a one-off project, but an ongoing transformation that will take time to flourish. This year's report therefore provides invaluable insights and conclusions, on how to steer your organisation through its digitalisation journey with success.

Enjoy the read.

01/ Executive Summary

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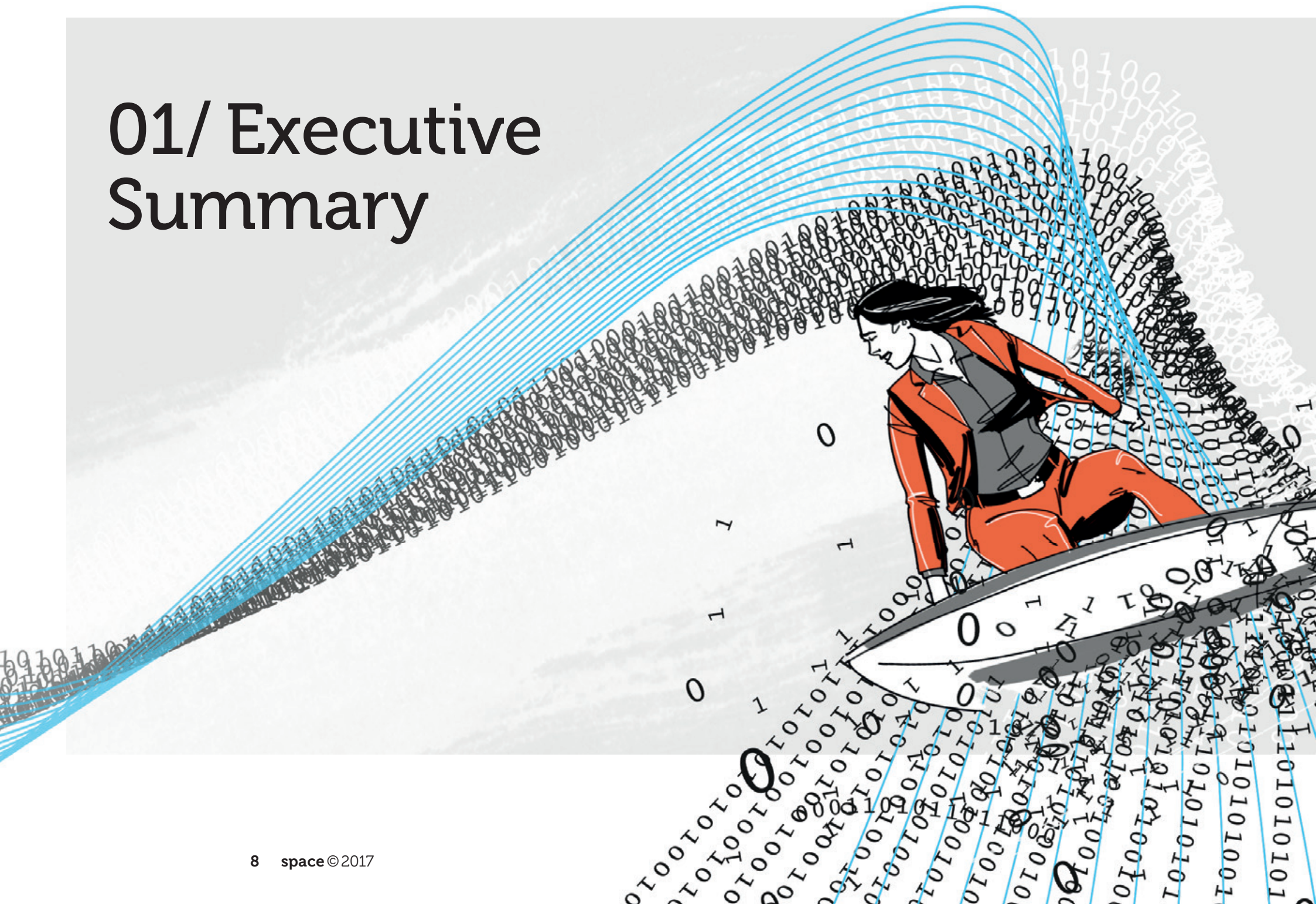
"We need both people and technology."

// Driven by high technology, disrupting entire business models and profoundly transforming organisations, digitalisation is proving to be a force that business leaders are still struggling to deal with.

The implementation of new and high-tech solutions now available to many industries requires new work models and processes, but organisations lack the much-needed implementation skills and human resources to benefit from these innovative solutions. Business leaders are therefore venturing into unknown territory in their quest to become more digital.

Yet given the huge investment in digitalisation, and the sheer scale and impact that it is having on most industries, our research reveals that there isn't enough focus on the impact of digitalisation on leadership, talent management and cultural mindsets to make it work. To avoid the 'Himba Effect' (see Preface) leaders are advised to simultaneously work on both the technology and processes on the one hand, and the human factor on the other. But resolving the many digital challenges and dilemmas without any tried and tested formula is proving to be a mammoth task.

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"We put all our energy into installing new automated processes within a new neurone type of organisation. But we forgot about the managers, who today are lost and struggling to redefine their role," said the CEO of a French machine manufacturer.

Leadership Redefined

Leaders are facing a two-fold digital challenge that affects the organisation and its employees, as well as themselves. They have to manage their organisation's adaptation to the digital technologies and the resulting dilemmas, as well as their own.

Our research revealed that the two main factors that have a significant impact on leadership roles, as a result of digitalisation, are:

// Transparency – an excess of data blurring traditional borders between leaders, employees and external parties.

// Decentralisation – collaboration networks and decisions made outside of the traditional organisational frameworks and hierarchies.

Whereas traditional leadership models have been losing importance over time due to innovation and ever-changing business **conditions**, digitalisation and the resulting increased pace of change puts extra pressure on leaders, and is forcing them to focus even more on the following digital leadership dilemmas »:

» Proximity versus isolation: Leaders need to keep alive that 'sense of belonging' within their teams, especially for those individuals that may work remotely, to avoid isolation and loss of purpose.

» Inclusion and development versus exclusion: Different digital skills and mindsets need to be identified and developed by leaders to ensure employee inclusion and long-term employability.

» Autonomy versus control: Higher autonomy or automated work planning, often increases the sense of responsibility and satisfaction for the employee, but also means a loss of control for leaders, who must now understand the fine line between autonomy and independence.

» Democratisation versus authority: Access to (big) data and peer-to-peer communication creates 'democratisation' both inside and outside the organisation. This hugely impacts authoritative leadership styles being less accepted by the younger, or fully digital, employees. Leaders therefore need to transform their 'power over' logic into a 'shared power' mindset.

» Agility versus managerial territory: Innovative and agile work methods are reducing the need for daily support and steering of teams by leaders. However, leaders now risk not having the complete picture of the individual employee's performance. This makes it difficult for leaders to develop employee potential and create team spirit/coherency.

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Challenging the Decision-Making Processes (DMP)

Unprecedented transparency, accessibility and decentralisation foster, on the one hand, a more democratic DMP, which involves more people and opinions. But on the other hand, growing complexity, time pressures and disruption are putting leaders under immense stress to make the right decisions. The lack of experience/skills/tools to make the right choices result in feelings of frustration, loss of power and anxiety, and are casting doubt over a leader's role and expected value.

These digital challenges and dilemmas have far reaching implications for leaders, so to survive, they must learn to hone new leadership skills. For example, increased self-awareness and an openness to collaborate more – are vital. Leaders will need to communicate with emotional intelligence and clarity to successfully cascade the organisational vision. Strong change management skills will also help to successfully steer the digital transformation.

Leaders with these characteristics should be sought after, as they are key to transforming mindsets.

Brave New Mindset

Digitalisation requires new, discontinuous, and sometimes contradictory, behaviours and mindsets, which need to be embraced by both the organisation's employees and leaders through the adoption of the following new characteristics:

// <u>Cooperative Collaboration:</u> Collaborate and share experiences/knowledge, within teams and across the organisation.
// <u>Continuous Change:</u> Adopt a creative, innovative and systematically open approach to problem-solving.
// <u>Collective Courage:</u> Encourage teams and individuals to get out of their comfort zones and take risks, with enough time for trial and error.
// <u>Focused and Open Thinking:</u> Analyse enormous amounts of data in detail, whilst maintaining an open, long-term vision.

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Both management and employees need to master digital change in behaviour and mindset by developing new skills, as formal training lags behind. This new digital mindset will help to reconcile the following dilemmas »:

» <u>Digitalise humans and humanise digitalisation:</u> Organisations need to maintain the human touch when improving systems, by focusing on structure, workplace, management, culture and competencies to develop new mental attitudes.

» <u>Synchronise the inner and outer clock:</u> An accelerating pace of technology can put humans under immense pressure, mentally and/or emotionally. Organisations must therefore offer employees and leaders opportunities to slow down, pause, reflect and recharge.

» <u>Guided empowerment:</u> Increased participation, peer collaboration and flat hierarchies can trigger selfish or individualistic behaviour between colleagues and teams – so organisational boundaries and frameworks are still needed.

» <u>Encourage courage:</u> Organisational structures and managerial practices don't always 'encourage' courage to take new roads or risks. But courage is needed across the organisation to master digitalisation.

» <u>Balancing the big picture with the finer detail:</u> Leaders need to be open-minded enough to see the bigger picture beyond their traditional boundaries, as well as analyse huge amounts of detailed data/information, to make effective, efficient and intelligent decisions.

We recommend organisations assess/evaluate their existing digital mindset, so that leaders and staff are provided with the right training programmes to help develop the characteristics required for a digital mindset.

Evolving People Management

Thanks to digitalisation, new key topics are emerging within people management, such as the differing ways in which all generations embrace technology in the workplace, as well as how organisations develop digital capability, and the steps they must take if they want to remain an attractive employer of choice. Our research revealed four major dilemmas that organisations are facing in response to these people management dilemmas »:

» <u>Being digitally attractive to retain talent:</u> Many of the business leaders we interviewed are happy with their digital capability progress, yet are aware that they need to continue to remain digitally attractive to potential recruits. However, digitalisation needs to be implemented at a rate that suits the organisation's strategy and capabilities to avoid overstretching both organisational and individual capacities.

» <u>Balancing flexible working practices and geographically diverse teams with clear capability maps:</u> As remote teams and projects become more prevalent within organisations, leaders need to get better at recognising and tracking their digital, yet dispersed talent.

» <u>Managing the differing generational perspectives without slowing down the progress of your digital journey:</u> Organisations need to balance the 'pull phenomenon' (the increase in demand for digitalisation from customers and younger employees) – with the requirements of older talent, ensuring that the development of digital capabilities caters for all generational needs.

"We need to bring the joy back into digitalisation."

» <u>Structured capability development versus natural evaluation:</u> Our research revealed two successful ways to develop digital capability – a structured approach with previously identified capabilities for digitalisation; or a natural and unstructured evaluation. Both approaches have their pros and cons, but often organisations don't evaluate all their options adequately.

In short, there is not enough focus on what new skills are required, and how best to identify and develop 'digital' talent. Business leaders need to therefore recognise their limitations and surround themselves with expert teams who can provide the necessary specialist knowledge. In-house (digital) training programmes also need to provide flexible, self-development opportunities for individual employees.

Organisations should prepare their leaders for even faster change and transformation, which not only requires strong change management skills, but also the knowledge on how to implement the digital change.

The fact that the digitalisation journey is a complex one is no surprise to anyone, but our research confirmed that it's not just about technology. Organisations need to think beyond the technical challenges and have a proper strategy for tackling the people consequences of digitalisation.

Focusing on developing fundamental leadership and change management capabilities will not only put your firm on the right track to develop the rest of your digital talent and capability – but also help to achieve that change in mindset across the whole organisation, so you can get ahead of the digitalisation game in your industry.

02/ Leadership Redefined

"Leaders are facing a two-fold digital challenge."

// Just how prepared and willing are your leaders to lead the digital transformation in your organisation? Learn about the digital dilemmas that leaders now face and the possible solutions.

Are your leaders adequately equipped to lead the digital transformation successfully within your organisation? According to our research and other **market studies**, many leaders still lack the preparedness, knowledge and awareness required. As well as having to manage the digitalisation process within their organisation – which includes having to make quicker, yet more complex decisions, anticipate risks, empower individuals and teams, provide even more change management and implementation skills, as well as give meaning and visibility to their teams – they also have to manage the impact that digitalisation has on themselves, which in itself is complex. Leaders are therefore facing a two-fold digital challenge – one that affects the organisation and the employees they are responsible for, but also one that affects them personally, as individuals.

EIU Global Survey 2016 in healthcare, telecom and finance industries

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Furthermore, leaders interviewed for this report, revealed that landmarks and traditional 'borders' – inside, or within the eco-system of, the organisation (suppliers, partners, customers, etc) – are disappearing or significantly changing, as a result of digitalisation.

Our research found two factors that are having a significant impact on leadership roles and authority:
// Transparency: Excess data/information is blurring traditional borders between leaders, employees and external parties and customers. Data is now often accessed in real time and without distinction of hierarchy; furthermore, the increase in data volumes and time pressures makes it even more difficult to deal with this new transparency and its consequences.
// Decentralisation: Touch points, collaboration networks and decisions are being pushed down or even outside the organisational hierarchy and traditional frameworks. This can trigger consequences, such as loss of control or participation, sense of authority, and the ability to effectively fulfil the role of a leader.

Whereas traditional leadership models have been losing importance over time due to **innovation** and ever-changing **business conditions**, digitalisation and the resulting exponential increase in pace of change puts extra pressure on leaders, forcing them to focus even more on the following leadership dilemmas », which are often interlinked:
» Proximity versus isolation: Leaders need to make sure their employees don't disappear in the open space of digital tools and platforms, remote

"There is a high risk of dehumanising the system, so it's important to measure the emotional side effects of digitalisation."

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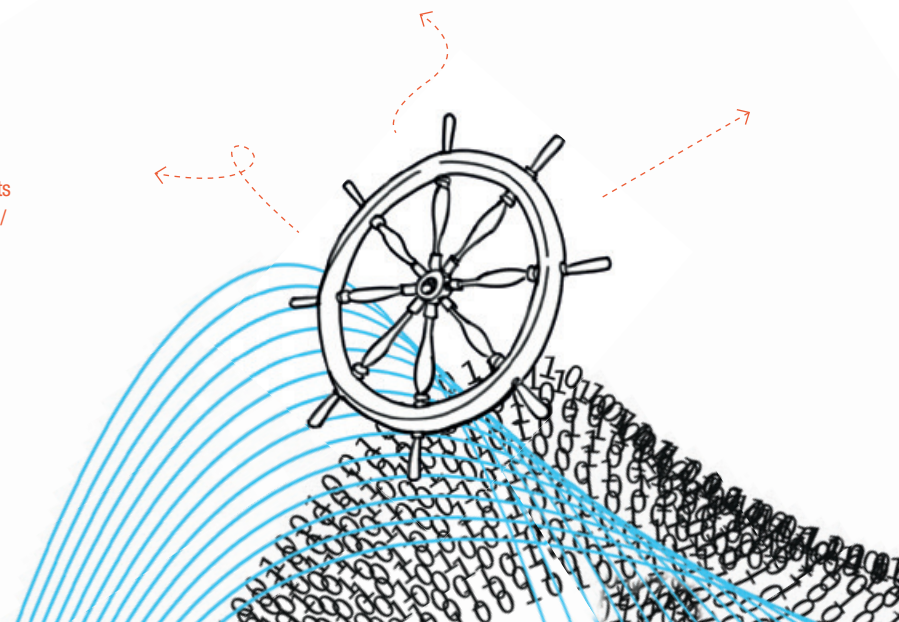
workplaces or projects across the organisation. They need to demonstrate a sense of belonging within their teams to avoid progressive isolation and loss of purpose of the individual. Leaders also need to safeguard their own proximity to their teams to make sure they keep track of projects and employee performance. The emerging digital culture is generating an illusion where employees feel self-sufficient, and no longer recognise the need for team belonging or management. "Despite increasing digitalisation, we try to focus on not losing the collective spirit. There is a high risk of dehumanising the system, so it's important to get this under control and measure the emotional side effects of digitalisation," said the CEO of a French transport firm.

» Inclusion and development versus exclusion: Digitalisation requires frequently changing skills and mindsets, forcing leaders to focus more on securing long-term development and employability of their employees, especially older or less digitally savvy ones. Leadership responsibility goes beyond traditional talent development because conditions, such as higher staff turnover and constant change, require more management attention.

» Autonomy versus control: Higher autonomy in work planning at individual, team or even external levels (with suppliers and customers) translates into an increased sense of employee responsibility and work satisfaction; however, there is the risk of moving outside the organisational framework, leaving leaders questioning exactly how much guidance they should offer their teams. They, therefore, now have to understand the fine line between autonomy and independence.

» Democratisation versus authority: Digitalisation means that team members now have the same access to big data and KPIs as top management, therefore information is no longer a lever for controlling or asserting authority. Hence authority by hierarchy is no longer acceptable to the digitally competent. To exist, leaders must find new sources of credibility, and new means of demonstrating added value to teams. According to the CEO of a UK-based machine manufacturer: "New tools and new ways of working, which are more collaborative in nature, are pushing leaders to re-think their roles; and become more of a facilitator than a traditional leader."

» Agility versus managerial territory: Digital development is accelerating the creation of new innovative and agile work processes. Leaders are not required to steer and control projects and teams as much. So when it comes to annual assessments, they do not have a complete vision of the team's activities/performance. This new paradigm brings up two specific difficulties for leadership:
// Employee development: How can a leader develop talent or coach staff when he/she lacks visibility on team/individual potential or difficulties?
// Team spirit/coherency: With the team now more isolated or scattered on various transversal projects, leaders are becoming progressively 'impotent' in creating a coherent frame and harness a collective spirit.

"It's necessary to act on both sides: automating and digitising everything possible, whilst at the same time, maintaining and improving systems and performance on a human level," said the CEO of an Italian multi-utility company.

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Challenging the Decision-Making Processes (DMP)

Unprecedented transparency, accessibility and decentralisation foster, on the one hand, a more democratic DMP, considering more opinions by involving more people. On the other hand, growing complexity, time pressures and disruption, put leaders under immense pressure to make the right decisions.

Most leaders interviewed for this research claimed they did not need to revise their DMP as "nothing changed". However, many revealed that at times they feel they lack the experience, skills and tools to make the right choices for their company's digital transformation, resulting in feelings of frustration, loss of power, and even anxiety, regarding their role as a leader and their expected value.

Decisions need to be braver, more resolute and involve more risk-taking because of the factors mentioned above. This requires, not only a change in mindset (at both individual and organisational levels), but also a more systemic and innovative way of thinking within the company's DMP.

Organisations need to implement a culture, which goes deeper and broader than traditional (job-related) DMP boundaries. What's needed is a new DMP, where individuals and teams have the ability and awareness to balance a more open attitude towards risk taking in a responsible manner. Also, it will allow leaders to make quicker and more grounded decisions based on the back of good, accurate information. It is not the actual moment in which the decision is made, but the actual DMP, which makes the difference and needs to be reconsidered.

Yet, our research confirmed that until now these new drivers and parameters have not been fully considered within the organisational DMP. Companies need to focus and adapt their DMP to better respond to these changed conditions, which in turn will help them take advantage of the many opportunities that digitalisation promises.

Be quick, but conscious.
Be systemic, but agile.
Be resolute, but still flexible.

A German automotive manufacturer recently launched a DMP development/training programme for their different leadership levels. They focused on two parts of the DMP:

// Individual DMP: where the participating leaders learned about their individual decision-making preferences, and how to deal with it in different situations.

// Team DMP: Where team members make better team decisions by learning more about the routines and habits around thinking and interactions within teams.

// Organisation DMP: Where cultural decision-making habits are considered and understood: cultural roots; the values and structural ways of thinking within the organisation.

This programme demonstrated that the impact of the DMP on the organisation was not trivial, but very relevant, as it helped the firm take advantage of new business opportunities.

Digital transformation also impacts performance measurement and evaluation. Acceleration of actions/decisions, the continuous redesign of teams, the immediate accessibility of results and KPIs, mean more frequent evaluations for leaders compared to the traditional annual assessment. These continuous evaluations by employees and peers (feedback via digital HR tools) don't help either as they just create yet more pressure for leaders.

Recommendations for a new leadership approach

Regardless of their evolving levels of responsibility within the organisation, leaders are increasingly expected to develop skills and be experienced in change management, as well as have a positive impact on the functioning of a team's motivation and commitment by developing the following skillset:

// <u>Leaders must help teams to build their vision</u> by answering key questions: 'why do we have to change?', 'how do we change?' and 'what is the pace of change?'.

// <u>Leaders should no longer think of 'organisation'</u> – in the traditional sense – meaning structure, but instead coach their teams in organising permanent adjustments, daily evolving processes and operations, within a fast-changing environment, without necessarily seeing where 'they're going'.

// <u>Leaders have to manage and facilitate in proximity</u>, to reassure, secure and strengthen that sense of belonging, as well as provide confidence. Leaders should be guardians of overall coherence by using the latest digital tools to communicate better and faster, and reach more people in shorter time frames, to strengthen their vision and team decisions.

// <u>Leaders need to give and preserve a daily sense of commitment</u>, particularly with Generation Y and Z. Today's younger talent directly link their commitment to the values in which they believe. This is not always related to organisational performance, so managers must figure out what motivates their team, and keep them engaged.

// <u>Leaders are tasked with facilitating and empowering teams</u>, wherever necessary, such as, helping to identify key data, to make decisions faster or evaluate risks. This involves asking staff to take more initiative and responsibility for decisions, which means leaders also have to develop a stronger tolerance for error and failure.

Although some traditional hierarchical management practices are rendered ineffective for the brave new world of digitalisation, it does not spell the end for leaders and senior management. If anything, it reinforces the need for strong leaders, capable of successfully leading teams in continuously changing environments. In fact, the future is bright for those who are prepared to let go of the old, and make room for new leadership approaches that continue to fulfil the highly valuable role of managing the human factor.

03/ Brave New Mindset

"Missing mindset is is one of the main factors that can block digitalisation."

// Can organisations create a digital mindset to take advantage of the opportunities created by the brave new world of digitalisation? This chapter explores the dilemmas and solutions of cultivating a digital mindset that will work for your company.

No leader today can escape the digitalisation of their business. Technological and digital advances, such as social media, big data, mobility, cloud, AI, robotics, etc – are disrupting and deconstructing the old business models, making the digital journey a compulsory requirement. However, organisations are struggling to put into place a holistic plan that considers the huge shifts created by these digital and technological advancements.

If businesses are to take advantage of the opportunities created by digitalisation, it should not be conceived as something that concerns only the introduction of technological tools and new processes. Whilst technology is a critical enabler, one vital success factor is people's mindset and behaviours. "The missing mindset and conviction of our people has blocked most of our digital transformation," reported one HR Strategy Manager of a German automotive company.

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A 'digital mindset' is a different way of thinking about customers, services and processes. It's faster, iterative, and adaptable. Employees and leaders understand not only the power of technology on every aspect of the business, but also how to harness it for success. Our research, however, revealed that this digital mindset is often missing in many organisations that have embarked on their digitalisation journey. "Missing mindset is one of the main factors that can block the digitalisation journey – our cultural ambassadors help spread the word about the positive implications of digital changes. Their role is to promote a digital mindset through a range of activities which raise awareness and foster openness and cooperation," said another HR Manager, at a German industrial manufacturer.

Digitalisation requires the creation of new, discontinuous and sometimes contradictory behaviours and mindsets, which need to be embraced by both the employees and their leaders across the organisation. So, what are the key characteristics required by today's digital environment?

// Cooperative Collaboration: Cooperate, collaborate, network and share experiences and knowledge within a team. Although these characteristics are not new, digitalisation greatly expands their possibilities, breaking the boundaries of space and time. As a result, psychological obstacles can often make us more ambivalent and this can affect our ability to participate. "Digital is re-design; you need to understand what the interactions through the operational process are, and you have to redesign the dynamics of cooperation to be more responsive to the client," stated the CEO of an Italian digital company.

// Continuous Change: Adopt an attitude that allows for widespread innovation, ideas creation and systematic problem solving. The 'repeat and reproduce' process has been insufficient for a long time now, and even more so in a digital world where unexpected information is spreading fast. As a result, organisations are opening up not only to more opportunities, but also more risks and dangers than ever before. Our research confirmed this necessary characteristic is not even fully embraced by leadership and management, let alone employees.

// Collective Courage: Getting out of one's comfort zone, taking risks and challenging mental boundaries. For teams, it means evolving from discussion-based modes (win-lose model) to opening up to a dialectical, even conflicting dialogue, necessary to produce performance at the level made possible by digitalisation. For organisations, it means giving employees the space and time to stop, wonder, test new ideas and accept failure.

// Focused and Open Thinking: Balancing two opposite capabilities – on the one hand, having an open mind, a broader and longer-term vision with the ability to integrate and adapt to the environment, as well as see (unexpected) threats and opportunities. On the other hand, the ability to analyse and evaluate big data for better decisions and performance. This requires new training to avoid using our heuristic, sometimes intuitive, nature that may result in misleading conclusions, masqueraded with data.

Both management and employees need to master digital change in behaviour and mindset by developing new skills, as formal training lags behind. This new digital mindset will help to reconcile the following dilemmas » :

» Digitalise humans and humanise digitalisation: The maximum extension of digitalisation requires maximum humanisation. Both management and employees can work on this by doing the following:

// Avoid 'a race against machine' attitude, and instead encourage 'a race with machine' outlook instead.

// Ensure that this new technical evolution will lead to better inclusion and not result in exclusion or unemployability of staff.

// Take care of digital resources as well as emotional strengths and resources. "No matter how efficient a tool can be, I have to work on emotional assets," added the senior manager of an Swedish multi-utilities firm.

"Initially, all our reporting and information sharing was done through the new/automated tools and processes. It was only when I started our Friday morning meetings did I realise the added potential of bringing people together – the human factor – resulting in higher quality information and an improved shared vision, generating more new ideas," added a senior Project Director of a French transport authority.

For this reason, it's necessary to act on multiple levers (structure, workplace, management, culture, competencies, etc.) with determination, courage, consistency, constancy and patience; this means giving the organisation the opportunity to develop new mental attitudes by 'immersion' rather than 'instruction'.

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"Digital transformation is a mandatory process, but we need a vision and a clear strategy to drive the change."

» Synchronise the inner and outer clock: Digitalisation is accelerating at an amazingly fast pace – one that humanity has never experienced before. Our minds and emotions cannot move at the same pace, nor in the same way as technology. To keep up, employees must therefore regularly have the opportunity to:
// Slow down, stop, think, feel, reflect and basically have the opportunity to recharge themselves.
// Create new experiences to transform them into learning and knowledge.
// Strengthen positive relationships between different players (inside and outside) of the organisation.

The HR manager of a multiservice company, in Italy, pointed out: "We have to create the possibility of going back to sitting in a circle around the fire basically to meet and discuss, and have reflective dialogue together."

» Guided empowerment: Participation, peer collaboration and work without hierarchy is possible more than ever before thanks to digitalisation, freeing organisations from the old constraints that hierarchy and bureaucracy imposed upon employees and management. This helps to liberate energy, promote initiatives and empower employees. At the same time less hierarchy, more openness, transparency and partici-pation, exposes the organisation to risks. Employees usually embrace this freedom responsibly, however, some do not, so organisations have to protect themselves from any potential dangerous selfish/individualistic be-haviour. It's wise, therefore, to remember the importance of hierarchy and authority, and decide how much of it is needed within your firm. Further-

"New participation processes are as much an 'inner game' as they are an 'outside game', and both games must be managed and adequately trained for."

more, digitalisation makes it possible to spread knowledge quickly and strongly, but it can also quickly spread ignorance and fake facts. One Director of a Paris-based Metro company expressed concern about how "social media gives any employee the opportunity to communicate externally on company issues without any censorship from hierarchy."

"The participation process made possible by digital technologies is an 'inner game' as well as an 'outside game', and both games must be managed and adequately trained for," as the CEO of an Italian utilities company noted. "At least it's important to define the contents and thus limit participation."

» Encourage courage: Courage is very much needed at different levels. How is this courage created and destroyed? Organisational structure and managerial practices (leadership models, performance management and performance evaluation) don't always encourage the courage to take new roads or to leave old ones. Although courage cannot be bought, we can assess for it and find ways to encourage it through management by values.

» Balance the big picture with the finer detail: Digitalisation, on the one hand, requires leaders to be open minded, see the bigger picture, and be capable of looking beyond the obvious and stretch their boundaries to deal with unexpected and continuous change. At the same time, they are bombarded with huge amounts of information from which they are expected to make effective, efficient and intelligent use of. Big data analysis, however, is a competence that is somewhat lacking in many organisations. Even younger

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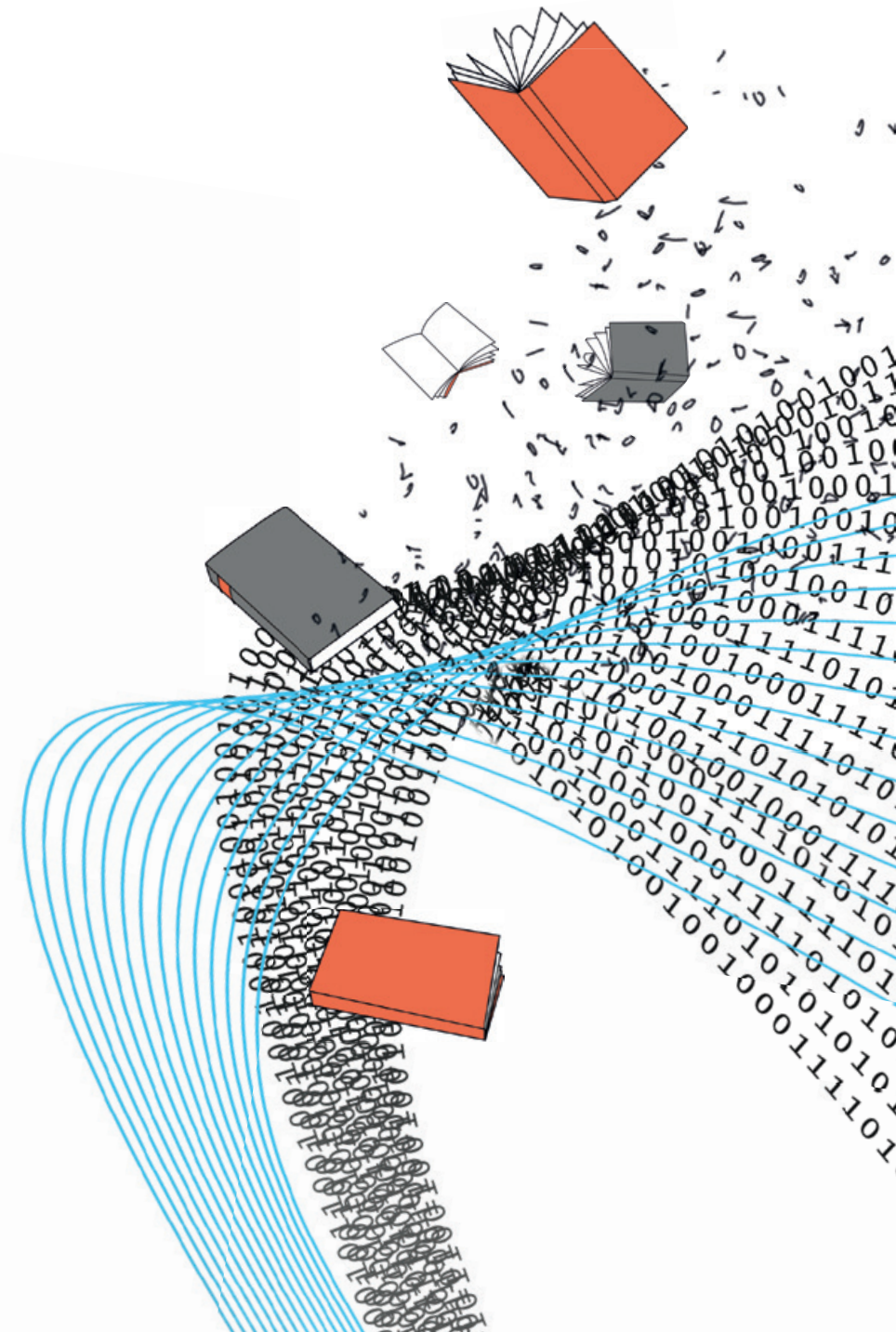
people, digital natives and those confident with digital devices, lack the skills to find and analyse data well, and therefore is an area that organisations need to provide training for.

When the digital mindset work is properly carried out, organisations can develop the human potential to empower employees to adapt and better respond to organisational needs faster. The good news is that 'digital mindsets' can be developed. But first leaders need to analyse and assess the organisation's current mindset to reveal just how much change is required – i.e. a radical transformation that produces a metamorphosis, or a more classical change in the context of programmatic change that is conscious and intentional, aimed at meeting future company goals. We then recommend that all leaders and employees are trained in the most necessary attitudes and skills required to achieve the new digital mindset.

// CASE STUDY

Building the future with a digital mindset

An Italian multi-utilities company launched an internal project to communicate its new strategy and objectives to its younger employees, and to stimulate them to contribute innovative business ideas. Backed and sponsored by the CEO and top management, the firm decided to fully make use of digital tools and technology to engage Generation Y and Z. To achieve this goal, they had to create a digital mindset and embrace the following skillset:
// More collaboration and networking
// Change skills
// An open mind and creative thinking
// Develop, comment and enrich collective thinking
// Courage for trial and error

Programme set-up and design:
Management invited more than 250 young employees (those below 35 years of age) across the organisation to participate in the project. They were split into working groups, each facing specific challenges related to the strategy and business plan of the company. Each team had a C-suite sponsor. They used a collaborative platform for all their activities applying techniques, such as Crowdsourcing and Idea Management.

A platform design methodology was used to create the necessary digital environment, which consisted of the following three steps:
Platform thinking: Participants and their sponsors were introduced to new collaboration techniques, informal networking, employee engagement and co-creation. A behavioural design activity helped to facilitate interaction among all the participants.
Platform building: Key moments during the participant's platform journey had been identified, including different (digital) touch points and user experience interactions. This phase focused on the platform set up, and on the definition of the sponsorship and governance through top management. Pilot phases allowed for additional adjustments.
Platform deploying: The launching of the platform was supported by an internal communication campaign, with a dedicated blog, storytelling activities and videos. Analytical tools were also used to monitor and analyse the level of participation (goal, critical areas, best practices, engagement, etc).

Results:
The overall outcome of the project was a huge success. The number of ideas and contributions generated by Generation Y and Z within the given time frame (6 months) had significantly increased (generating 209 ideas, 153 contributions, and more than 3 400 comments and 57 000 visitors). They also developed the required mindset and behaviours to make this project a success.

04/ Evolving People Management
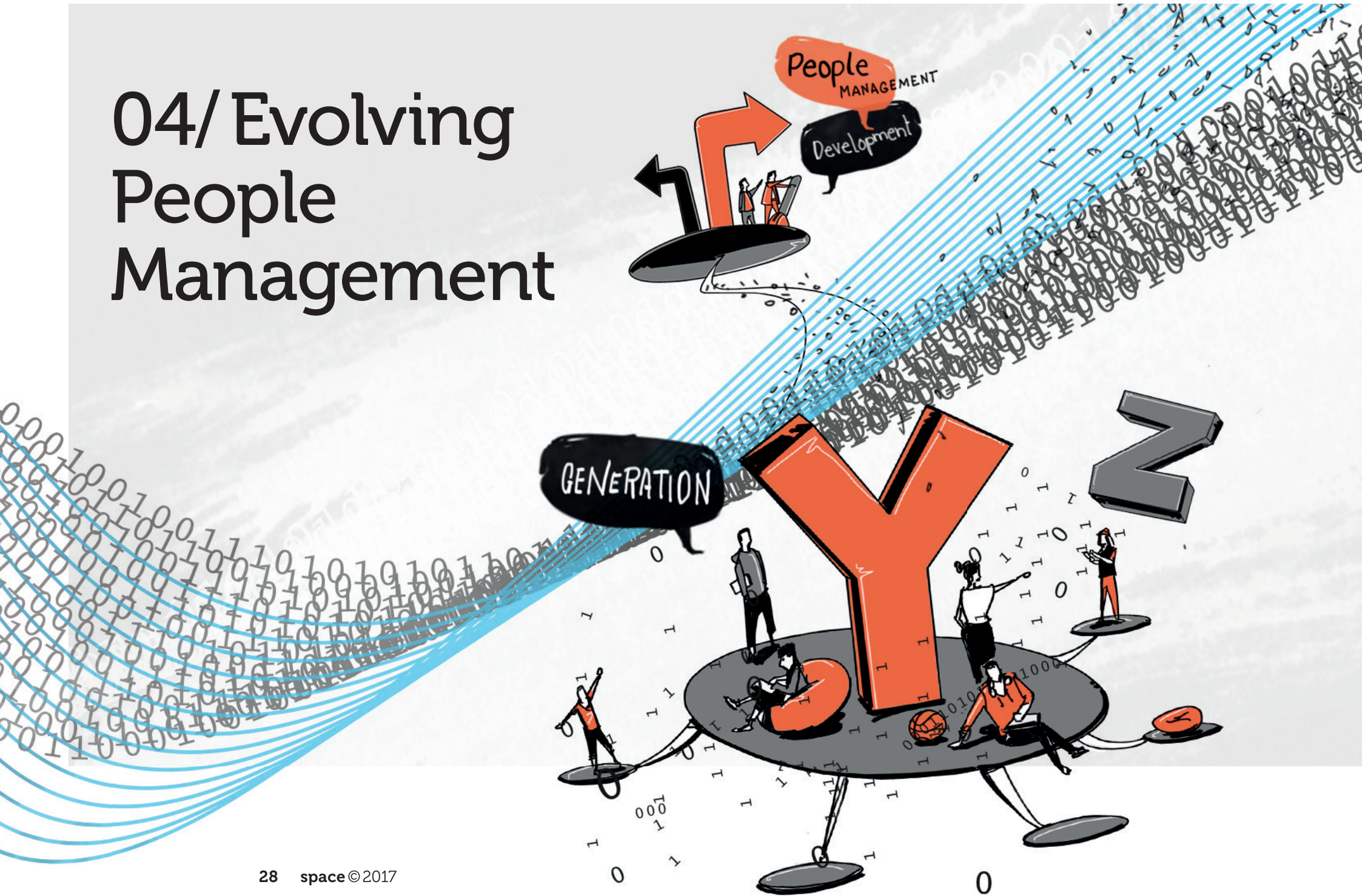
"Are Generation Y and Z the only tech-savvy ones?"

// Are you prepared for Generation Y? This will depend on your people management skills and capabilities, and how well your leaders and teams are equipped to face today's digital dilemmas.

People management has never been easy. Yet the digital environment is making it even harder. Our research on Digitalisation, echoes the results of a recent survey on the **Digital Transformation Agenda**, which revealed that organisations focusing mainly on the operational perspective of digital transformation, often fail to fully consider the people management aspect. As a result, businesses fail to equip their leaders and employees with the right skills to leverage the many benefits and opportunities arising from digitalisation.

EIU 2016 global survey of 282 healthcare, telecoms and finance senior leaders

Prior experience, research and stereotypes would have us believe that there is a digital divide between the four generations working side by side, which organisations are finding particularly difficult to manage. Society's perceptions and expectations are that Generation Y have far superior technical ability in the digital environment, compared to Generation X and baby boomers. The increase in peer-to-peer communications, enabled by social media is putting organisations on the back foot when managing their external presence in the market. This means that, to some extent,

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they have lost control of their external reputation and, therefore, are becoming more subservient to the talent they need to attract.

Our research aims to answer the following questions:

// How has the digital landscape changed the development of talent?
// What impact is the generational divide having on an organisation's ability to deal with digitalisation?
// What role do leaders have in ensuring that people management in a digital environment is successful?

Our research revealed that when it comes to preparing staff for digitalisation, many leaders are unsure, lack direction and fear the unknown. They are aware that digitalisation pushes them to react, rather than act, when it comes to dealing with talent, younger generations and preparing leadership for these challenges.

So, what do business leaders needs to consider when ensuring successful people management in the digital environment? Our research identified the following common dilemmas »:

» Being digitally attractive and retaining digital talent: Companies that are further into their digitalisation journey reported greater confidence in their attractiveness to potential employees, suggesting that the greater an organisation embraces digitalisation, the better it will be at attracting digital talent. In addition, the expectation of levels of digital capability within firms has increased. For example, one HR Director, of a technology development firm, in the UK, said that: "There is now an expectation that digital communication regarding job opportunities would, as a minimum, be via social

"We have smarter machines, but not enough smart people to reap the many digital benefits."

media, and that advertisement of roles now need to be mobile because jobs are applied for on-the-go." Although digitalisation tools may be impacting the way firms reach talent, what appears to be of greater importance is the message. Due to the 'on-the-go' nature of job applications, the need to express organisational values is now deemed more important than a detailed explanation of the job role and duties. Another HR Director of a Swedish organisation, stated that: "We put our corporate values at the very top of any recruitment advertisement because values are now the drivers for attracting new talent."

» Balancing flexible working practices and geographically diverse teams with clear capability maps: Remote working, geographically separate teams and temporary project teams are becoming more prevalent in organisations today, partly due to the capabilities of digital technologies. In these types of situations, the ability to locate and recognise the digital capability within the organisation becomes difficult. To overcome this, one UK tech firm, for example, created a talent system to manage dispersed/remote talent efficiently. Its system logs individual digital capabilities and specialisms, such as robotics and artificial intelligence, in a way that they are able to locate and utilise that internal talent effectively.

» Managing the differing generational perspectives without slowing down the progress of your digital journey: Our research findings reinforce the general perception that younger generations have better digital/technical skills. Many of those interviewed reported that Generation Y and Z find it easier to utilise digital technology at work. The speed at which they learn

to use new digital tools is also faster than older generations. For example, one director of a German transport sector organisation, reported that: "Older generations have greater resistance to online learning platforms and are less willing to freely share information compared to their younger counterparts." That said, although often slower to learn in the initial phase, older generations are just as able to utilise digitalisation tools/techniques adequately, given the opportunity to train.

Interestingly, our research revealed that the generational debate is only relevant in certain industries. In sectors, such as engineering and consultancy, age is not an issue. In fact, 50-year-old engineers are just as competent as their younger counterparts simply because those professions have always had to keep up with technological advancements. For example, a Quality Director of a French aeronautics firm, stated that: "As a player in the aeronautics business, our engineers have always embraced technological changes regardless of age."

Contrary to prior predictions and arguably societal expectations, most organisations did not report any conflicts between the differing generations around the use of digitalisation at a peer-to-peer level. However, some did report conflict around the younger generations' expectation of freedom regarding the use of digital tools. For example, one director of an Italian energy firm, described how they had invested in the latest digital technology, but then severely restricted the way in which employees could use it, causing frustration and a lack of engagement amongst staff, long term. Our research also revealed that younger generations attach more

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importance to the 'modernity' and 'performance' of digital tools supplied by their employers, often comparing technology available at home to that at work. According to the Digital Chief Officer of a French national bank: "We have a problem with digitally aware staff who unfavourably compare digital tools on offer at work with those available at home."

Organisations need to manage the pull for the increase in digitalisation from customers and younger generations – referred to as the 'pull phenomenon' – with the requirements and expectations of older talent. The different speeds at which all generations learn digital techniques and embrace digital changes means that a balance needs to be found between reacting to immediate requests and embracing digitalisation effectively. How can organisations find the right balance? Although organisational strategy will undoubtedly determine the extent to which an organisation embraces digitalisation, the communication and change programme that surrounds the strategy should take into consideration talent needs, rather than assuming that all employees will immediately embrace digitalisation. So, organisations need to ensure that the development of digital capabilities caters for all generational perspectives and speed of learning.

» Structured capability development versus natural evaluation: The focus of utilising digitalisation tends to be on the platforms on which organisations deliver their training, rather than digital capability – where they prefer e-learning and remote streaming for all development. Those that are successful at developing employees to suit their digital transformation suggest two differing techniques as outlined in the box opposite.

Structured Development versus Natural Evolution

Methods to successfully develop digital skills:

Option 1: Provide structure and process around ensuring a development programme aimed at creating greater digital capability. One large telecommunications firm, created a structured digitalisation development programme around what it believed to be the most important digital capabilities: generalised capabilities required across the organisation, and digital capabilities required within each role, and within each tier. This type of development focuses on not only the use of digital tools, but also the intrinsic capabilities to allow digital confidence to flourish.

Option 2: Allow digital capabilities to develop naturally through the freedom to share and experience digitalisation. This requires providing employees with up-to-date learning tools that allow them to use the technology in their own way, without governance. Organisations that had opted for this technique highlighted the importance of ensuring that there were no limitations around the use of these learning digital tools. Technological tools and mindsets that encourage a flat hierarchy and a sharing culture are key to success with this option.

Employees now expect more development opportunities available to them. Therefore, the way we think about developing our employees needs to be agile, self-driven and easily accessible, while ensuring that the needs of all generations are considered. More importantly, it's vital that the capability required to work effectively in the digital environment is integrated into development opportunities, regardless of the manner in which development is provided.

For organisations that want to develop digital capability fast to get ahead in the digitalisation game, a structured approach is a must. However, a potential side effect of this is increased negativity from employees who are not naturally inclined to work in a digital way. But those firms that don't want to be at the forefront of the digital trend can afford to allow digital capability to evolve more naturally. However, if taking this route, then it's vital to give employees the freedom to use digital technologies in a way that suits them, rather than create unnecessary boundaries/controls.

Finally, to get ahead of the game, and be a trendsetter in your sector, you need to embrace digitalisation, and focus more on the people management techniques, and the skills required to deliver your business goals. That means not only developing leaders, but employees too. Enabling flexible, self-development opportunities that enable individuals to grow in the way they desire is a must. In terms of leadership, develop or seek out leaders with strong change management capabilities, who can not only cope with the increasing pace of change, but also continuous development and improvement – which is fast becoming the new 'norm'.
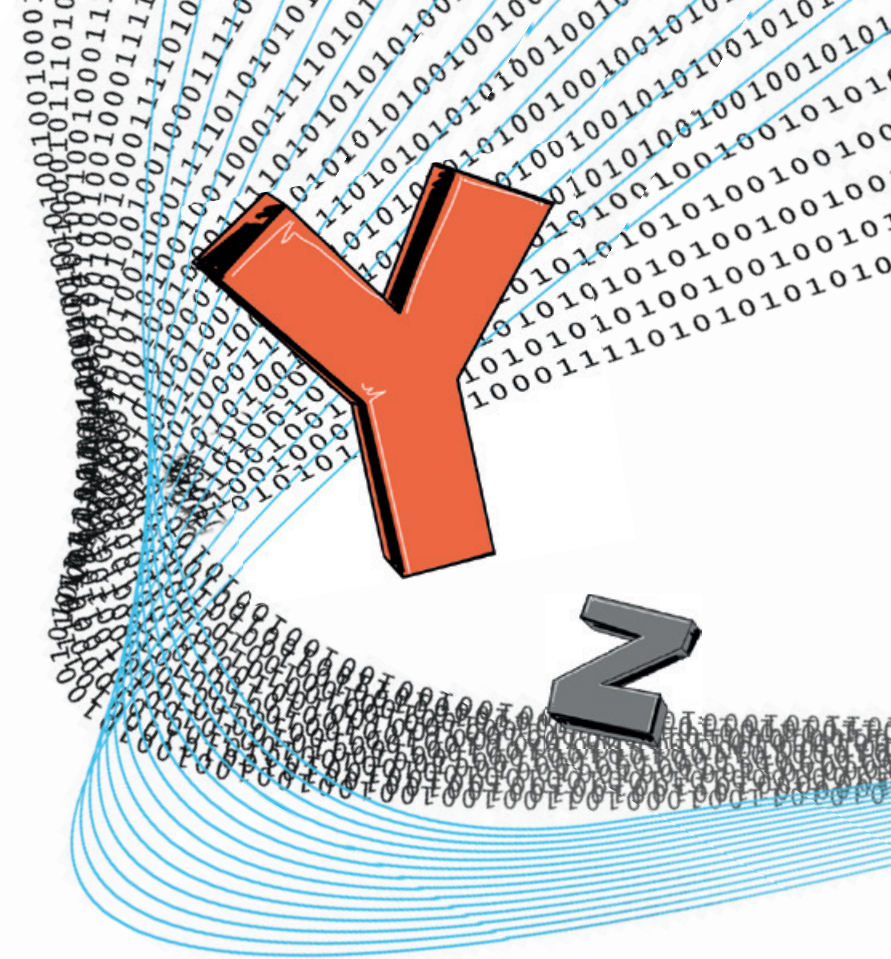
05/ Conclusions

"To make digitalisation a success, we need to go beyond tools and processes. It's the people behind it who count."

// When we started this research, we had many assumptions about the impact that digitalisation is having on our work environment. However, the results revealed that many of our own – and society's – assumptions are inaccurate; for example, the divide between generations with regard to embracing digitalisation and the pressure/urgency for organisations to digitalise as quickly as possible.

However, one major conclusion is that the 'human' factor is hugely under-estimated by many firms. Fortunately, our research helps to identify some practical levers and solutions that can aid business leaders take on board this 'human' factor as an integral part of their digital journey.

Some key insights, lessons and questions that organisations should consider when implementing digital changes, include:

1 Do you need to be a trendsetter or a follower, and is your pace of change appropriate for your strategy?

One key question is just how fundamental is greater digitalisation to the strategy and growth of your business? Being at the leading edge of digitalisation is not important for everyone. For some, following the progress of others once the challenges of digitalisation have been worked through, is an effective and safer option. For others, however, being at the forefront is crucial for having that competitive edge.

2 Changing fundamental leadership capabilities

Leadership capabilities are changing radically. Traits, such as an increased need for self-awareness and openness to collaborate in environments, where it is becoming difficult to physically be a knowledge-lead in all areas, are vital. Communicating with emotional intelligence and clarity is also important to successfully cascade the organisational vision and values, which will help to create an inclusive environment. Leaders with these characteristics should be sought after, as they will be key to transforming mindsets.

3 Provide clear purpose and vision

With digital technologies increasingly scattering/dispersing teams, and reducing the need for face-to-face communications, it's becoming harder for leaders to create the 'glue' that provides that feeling of belonging within organisations. Leaders are therefore required to provide clarity around an organisation's purpose, vision and culture, which are key for creating this sense of belonging without the need for physical connection. Ensure that your required leadership capabilities include the ability to communicate with impact and engage with the organisational vision.

4 Embrace new development needs

Offering flexible, self-development opportunities that enable individuals to grow in the way they desire should become the new 'norm' in learning programmes. Organisations need to balance the extent to which organisations embrace digital technology for learning and development, with effective content to provide the necessary capabilities for working successfully in a digital environment.

5 Digitalisation is a new change

In many cases, businesses fail to realise that an increase in digitalisation is a big change for everyone to digest – not only for those within their organisations, but in society too. Best practice in change management should therefore be applied in a manner that fits the new requirements of digitalisation. In addition, leaders with strong change management capabilities should be sought after, as the pace of change increases and continuous development becomes the new 'norm'.

6 Cultivate the emergence of a new cultural mindset

The digital revolution is forcing organisations to adapt to more agile and transversal work processes and methods. These can only be effective if the cultural mindset, not only of leaders but all employees, can be transformed. This transformation, however, should not be left to the natural process of adaptation. It requires setting out a defined people development programme, together with various learning strategies – such as: training, coaching, experiential learning, co-development and practice analysis groups – to create a new digital mindset.

7 Innovation flourishes when the cultural DNA gets modified

Our prediction is that digitalisation won't spell the end for managers, but paradoxically, reinforces the need for robust management practices. Although traditional hierarchical management practices are being rendered inappropriate and ineffective, managers are still required to fulfil the same fundamental needs of:
// Creating purpose and meaning,
// Building a supportive framework,
// Creating a sense of belonging to the team and the organisation,
// Providing a mentoring function,
// Personal and professional growth,
// Regulating and balancing the demands of strategy with available resources.

8 Design new decision-making processes

Encourage decision-making processes that enable brave, autonomous decisions by creating an understanding of your long-term business goals. Ensure that decision-making skills are developed effectively, at both individual and team levels.

On a concluding note, there is a bright future for the manager who is prepared to let go of the 'old' and make room for the 'new' to fulfil the highly valuable role of managing the human factor. Celebrating digitalisation and the opportunities it brings with it, is vital for ensuring results. We hope the findings in this report stimulate you to success-fully proceed with your digitalisation journey.

But don't expect an easy ride, as there are no shortcuts. However, as our research confirms, focusing on building the 'human' aspects of your digital capability – leadership, mindset and people management – as well as the technical, will enable you to get ahead of the game and reap the benefits of digitalisation, faster than the competition.

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