

The Technology Fallacy: How People Are the Real Key to Digital Transformation

and

The Transformation Myth: Leading Your Organization Through Uncertain Times

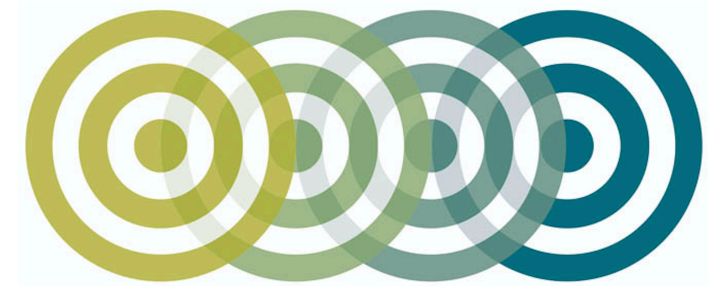
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5 YEARS RESEARCHING DIGITAL'S BUSINESS EVOLUTION

Undertaken by Deloitte Digital in collaboration with MIT Sloan Management Review (MIT SMR)

2014 - 2019



20,400+ TOTAL RESPONSES

Annual surveys of business executives, managers, and analysts from organizations globally to understand how the digital enterprise is evolving



~100+ EXECUTIVE INTERVIEWS

C-suite and other executives, subject matter specialists



31% AT > \$1B Revenue



157 Countries



28 Industries



35% United States



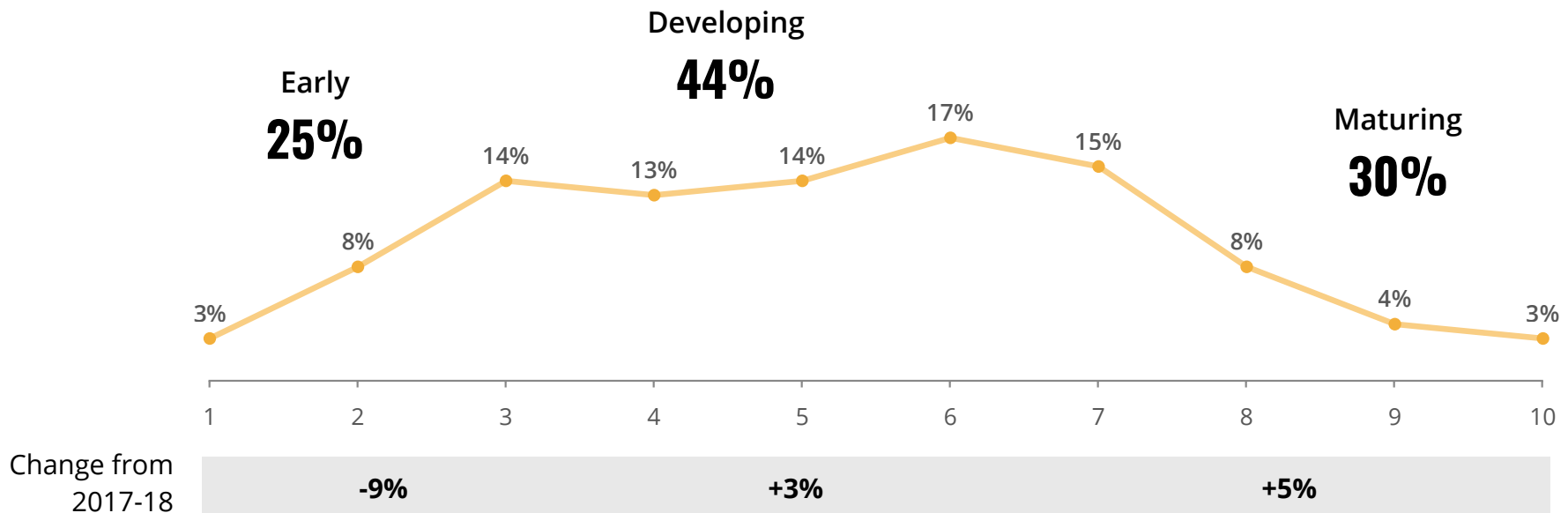
65% International

WHERE DOES YOUR COMPANY FALL?

Only 30% of companies would rate themselves as digitally mature.

Current digital maturity

% all 2018 study survey respondents ¹




Digital maturity is growing according to survey respondents. ²

1. Respondents were asked to "Imagine an ideal organization utilizing digital technologies and capabilities to improve processes, engage talent across the organization, and drive new and value-generating business models. How close is your organization to that ideal?" (Answers on a 10 point scale where 10 is most mature). Numbers do not total 100 percent due to rounding.
2. 2017 data sourced from, "Achieving Digital Maturity," MIT Sloan Management Review and Deloitte University Press, July 2017.



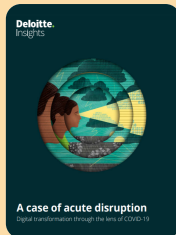
MARCH 2020

Meeting with MIT Press for
follow-up book went in a very
different direction than planned.



TWO FORMS OF DISRUPTION

	Onset	Symptoms	Treatment	Duration
Acute	Sudden, rapid and often severe onset	Obvious and attention-grabbing	Requires rapid and typically dramatic response	Temporary, though they can develop into acute conditions
Chronic	Slow-building and persistent	Not always obvious; can be overlooked	Requires sustained treatment that must be tolerable over time	Long-lasting and cannot simply be “cured”



“A Case of Acute Disruption” is available [here](#) at **Deloitte Insights.**



Janet Pogue McLaurin
Practice Leader
Gensler

“The whole pandemic has been **an accelerant** for things that were **bubbling up pre-pandemic.**”

WHO LED THE DIGITAL TRANSFORMATION IN YOUR COMPANY?

A. CEO

B. CTO

C. COVID-19



SURPRISINGLY POSITIVE ATTITUDE

—
“These have been some of the best weeks of my career.”

—
“The disruption didn’t change anything...We had a vision, and it accelerated the implementation.”

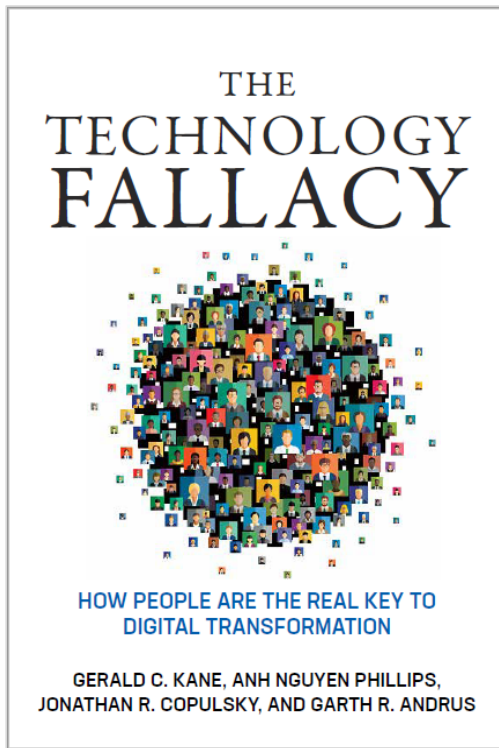
—
“This situation is what my team and I have been preparing for our entire lives.”

—
“It’s actually been a positive more than a negative.”

—
“Our management saw that there is big opportunity and increased their speed and flexibility in decision-making.”

—
“We adopted the mindset that this is our moment; we can’t miss the moment.”

“OFFICIALLY” AN AMAZON.COM BUSINESS BESTSELLER!
4.6/5 STARS, WITH 155 REVIEWS

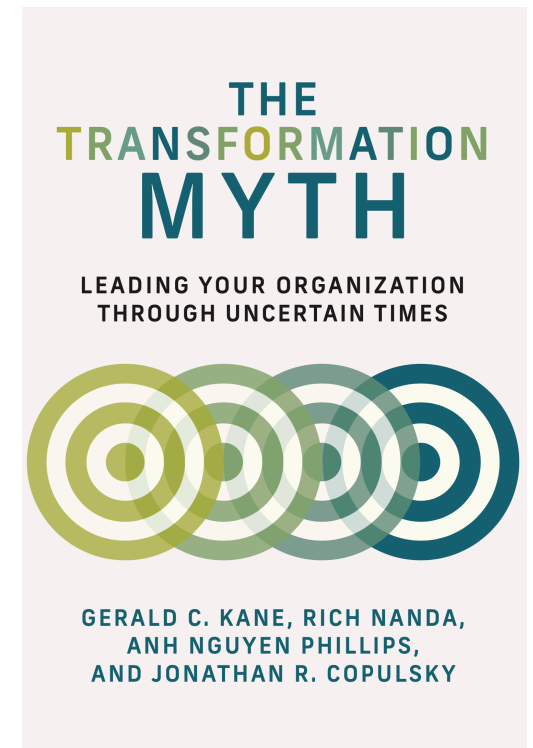


Part 1: Navigating Disruption

Part 2: Becoming a Digital Organization


Part 3: Rethinking Leadership and
Talent for a Digital Age

Sprinkled Throughout...Insights from
**The Transformation Myth: Leading
Your Organization Through Uncertain
Times.** Forthcoming September 2021.





THE TWO LIES OF DIGITAL TRANSFORMATION

- 1) It involves implementing digital tools = **The Technology Fallacy.**
 - 2) It involves a single transformation = **The Transformation Myth.**
- 

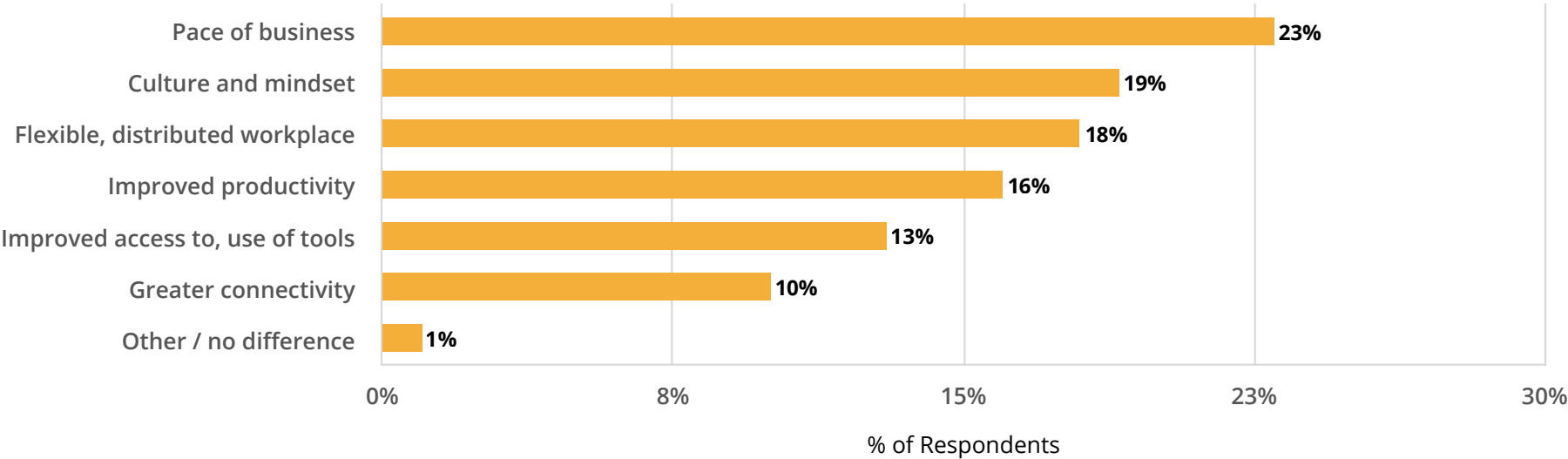
Part 1

NAVIGATING DISRUPTION

HOW IS DIGITAL BUSINESS DIFFERENT?

What is the main difference between working in a digital environment vs a traditional one?

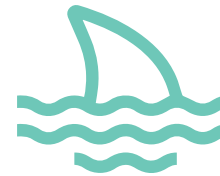
Note: All also apply to our work on disruption.



Open Text:

Respondents were free to enter whatever they wished.
More than 3,300 responses were coded and categorized.

THE KNOWING DOING GAP



87%

of respondents believe digital technologies will disrupt their industry



44%

feel their organizations are adequately preparing for disruptions projected to occur in their industry due to digital trends

ARE COMPANIES HOLDING THEMSELVES BACK?

What is the **biggest threat** facing your company as a result of digital trends?

Top 3 Responses

#1

INTERNAL ISSUES

Lack of agility, complacency, inflexible culture, digital not a priority

#2

MARKET ENVIRONMENT

Product obsolescence, lower barriers to entry, eroding competitive advantage

#3

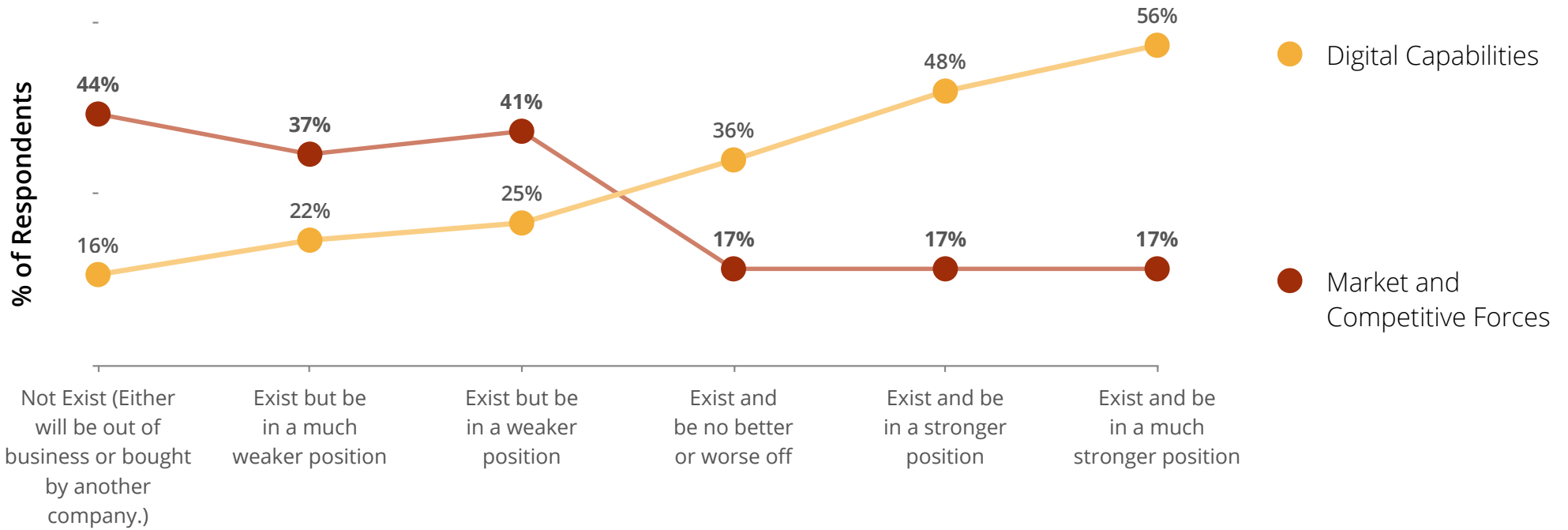
COMPETITIVE PRESSURE

More intense competition, faster competitors, new competitors

MINDSET IS A KEY DIFFERENTIATOR

Stanford Psychologist Carol Deck: Fixed vs. Growth Mindset

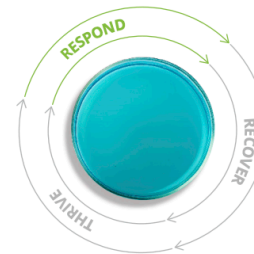
Why will your organization be in its position in 10 to 20 years?



In 10 to 20 years, my organization will...

GROWTH MINDSET MEANS INNOVATING THROUGH DISRUPTION.

We see three phases that resilient leaders will likely face amid the COVID-19 outbreak:



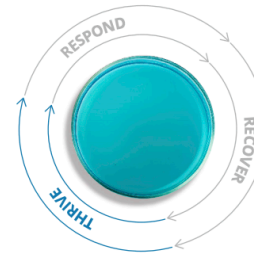
Respond

How an organization deals with the present situation and manages continuity



Recover

How an organization learns and emerges stronger



Thrive

How an organization prepares for and shapes the “new normal”

A KEY DIFFERENCE? TECHNOLOGY MATTERS, BUT ONLY IN WHAT IT ENABLES ORGANIZATIONS TO DO. AFFORDANCES: ORGANIZATIONAL “SUPERPOWERS” ENABLED BY DIGITAL.

NIMBLENESS

The speed at which organizations act and the ability to pivot when circumstances merit a significant change in direction

E.g., “We used to do this, now we do that.”

Ex: Hitachi, Marriott

SCALABILITY

Ability to handle an unanticipated increase (or decrease) of demand by many multiples overnight, including rapid upscaling

E.g., “We used to serve x customers, we now serve 100x customers.”

Ex. Instacart, Airlines, Hilton



These four sets of technology-enabled capabilities overlap and mutually reinforce one another. They operate in concert, and although the digital technologies may change, these fundamental principles remain constant



Excerpt from The Transformation Myth

STABILITY

The ability for companies to maintain operational excellence and results-orientation, even while nimbly pivoting and rapidly scaling

E.g., “Our enterprise will persist despite continuing pressures and challenges.”

Ex. Google Cloud, AWS, Zoom

OPTIONALITY

The ability to integrate new capabilities (often from third party partners) to become even more nimble, scalable, and stable

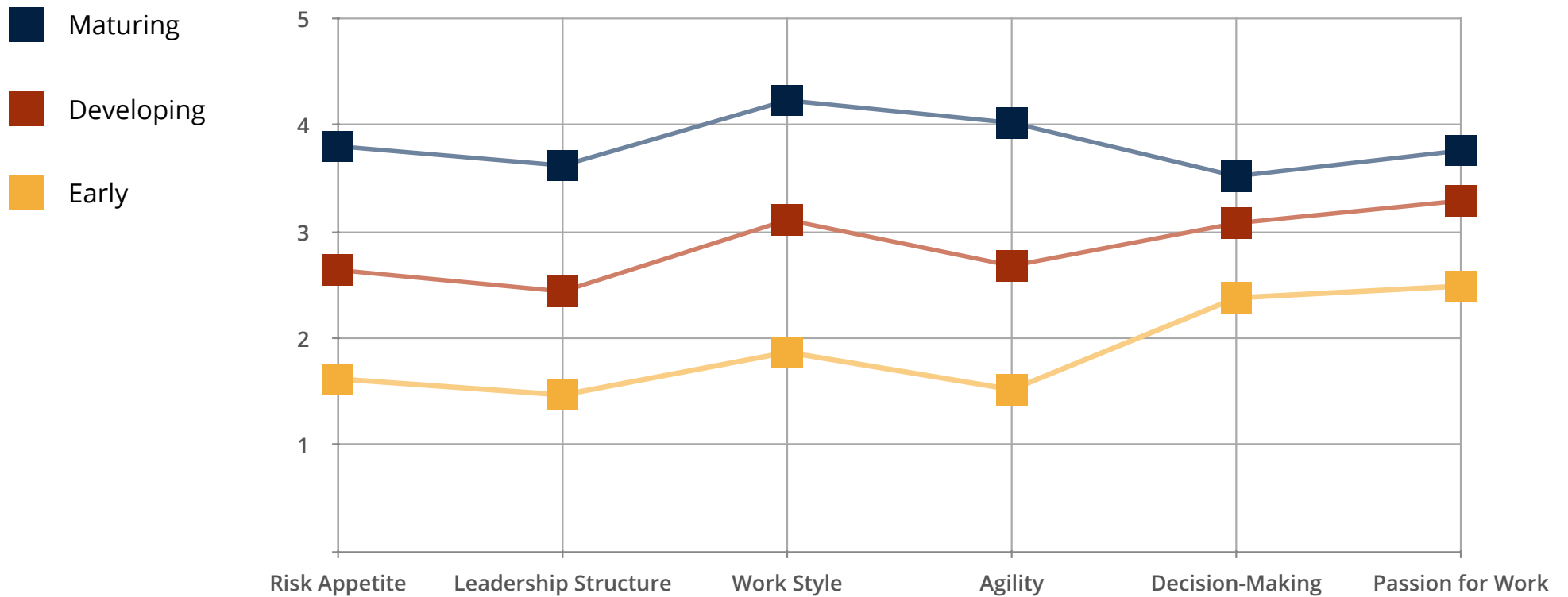
E.g., “We acquired underserved customers that we couldn't previously see due to our work with a new data provider.”

Ex. Olo, Portillo's

Part 2

BECOMING A DIGITAL ORGANIZATION

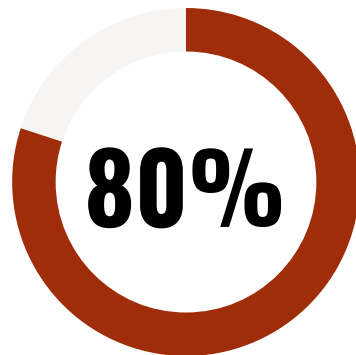
1. DIGITALLY MATURING ORGANIZATIONS HAVE A DISTINCT CULTURE



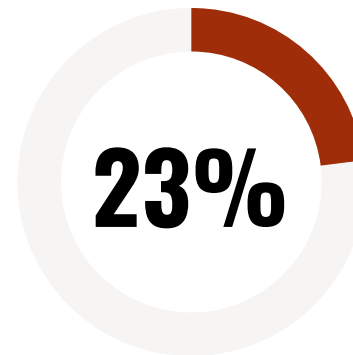
2. DIGITAL CULTURE IS INTENTIONAL

Percentage of organizations who are **actively implementing initiatives** to strengthen their culture by bolstering risk-taking, agility, and collaboration

Digitally Maturing



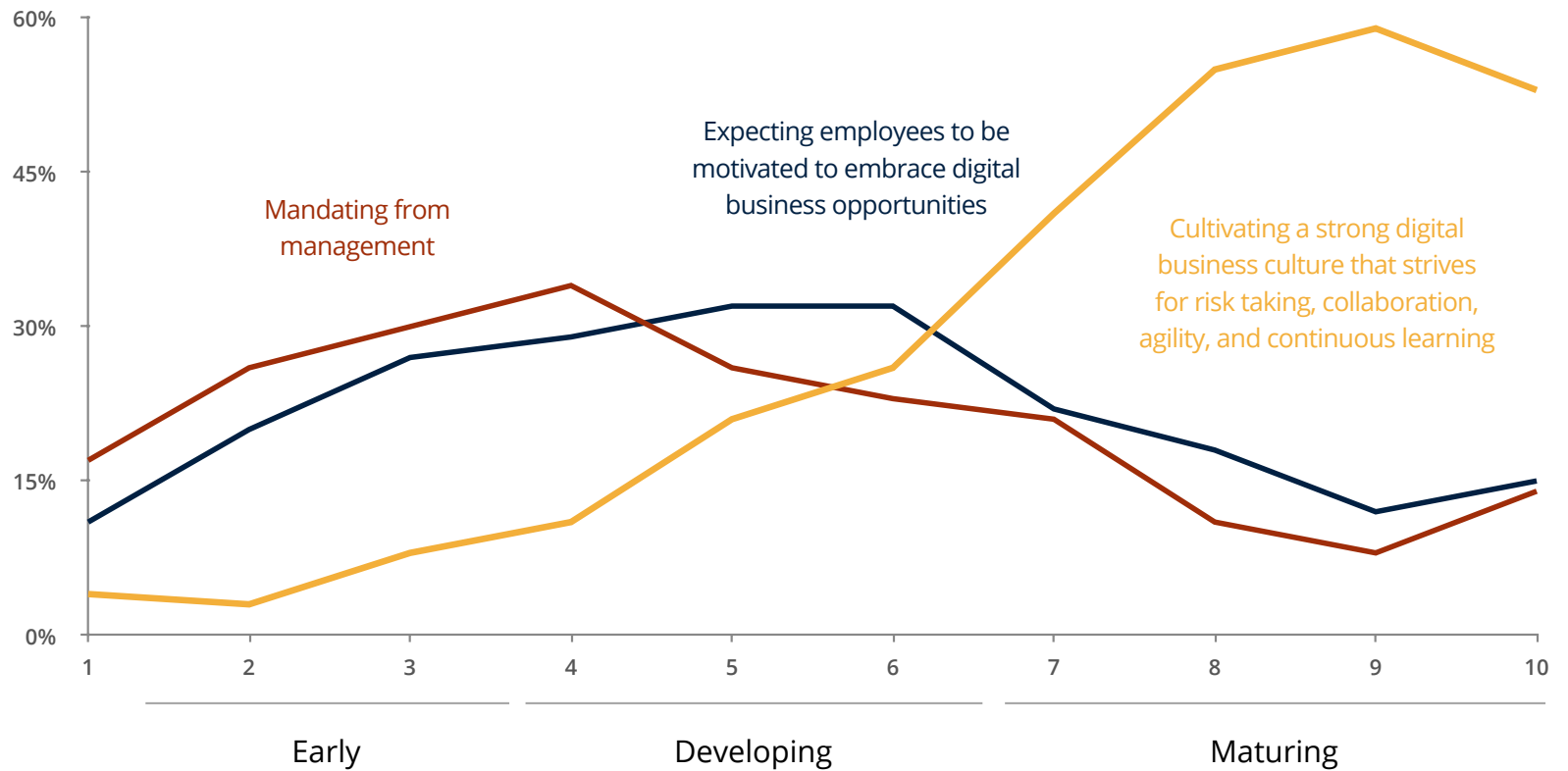
Early Stage



Digitally maturing companies are also more likely to report investing more in these efforts over the next 12-18 months.

3. CULTURE DRIVES DIGITAL BUSINESS ADOPTION

Percentage who say their organization primarily drives digital business adoption and engagement internally through:





WILL THE RICH GET RICHER?

If culture drives digital transformation, and digitally mature companies are investing more, then may see a widening gap.





OR, CAN COVID BUILD MOMENTUM?

Might the disruption of COVID overcome the “Knowing-Doing Gap” and allow companies to get back in the game digitally?



CULTURE SHOULD GUIDE REMOTE WORK DECISIONS REDESIGNING THE POST PANDEMIC WORKPLACE (MIT SMR)

Start thinking now about what the post pandemic workplace will be like, and how to combine best of remote and co-located.



Cons

Culture, Innovation, Weak Ties, Starting New Projects, Building Trust and Rapport, Mentoring and Coaching.



Pros

No commute, efficient, productive, more but shorter meetings.

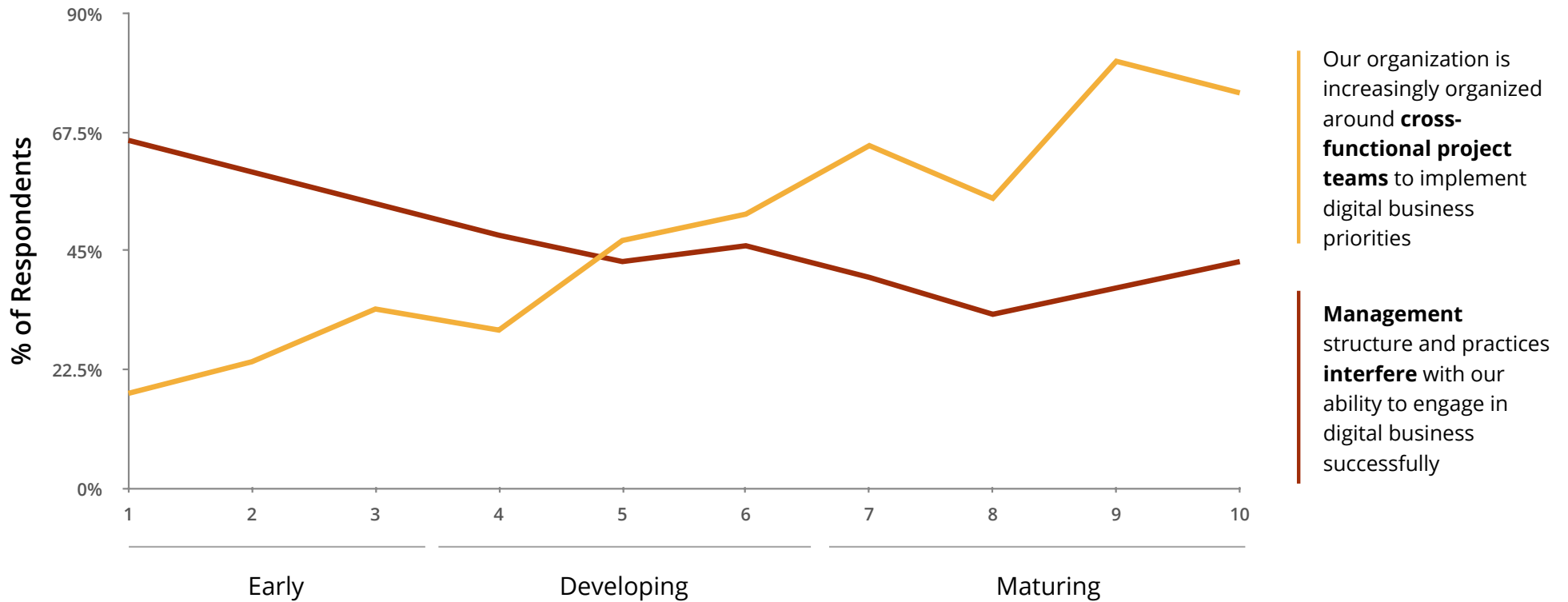


Post-Pandemic Challenges

- Disagreement on going back to the office (35 y.o. is break point)
- Many people have moved to be nearer support.
- Many companies hired outside of geography.

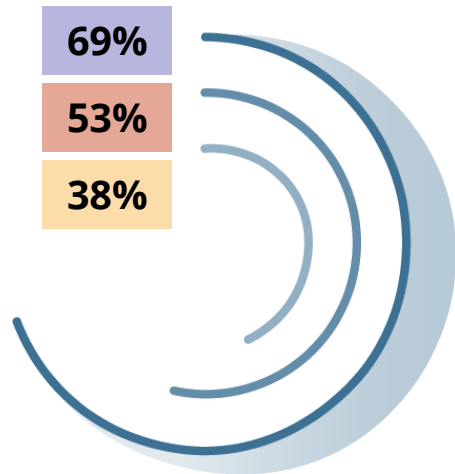
STRUCTURE: ORGANIZE YOUR COMPANY FOR DIGITAL MATURITY

Organizational Structure and Digital Maturity

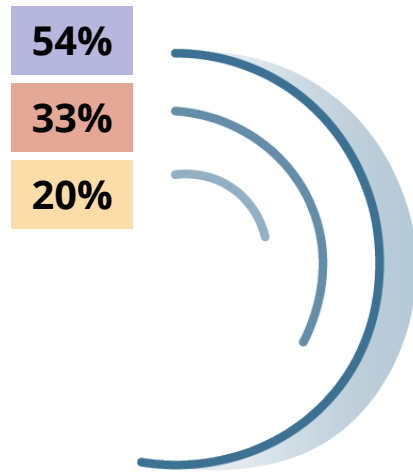


DIGITALLY MATURE COMPANIES MANAGE TEAMS DIFFERENTLY

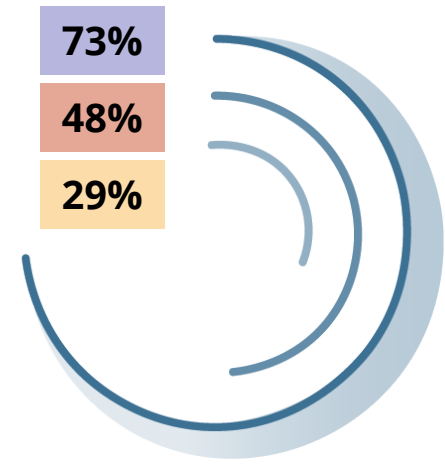
- Maturing
- Developing
- Early



Cross-functional team leaders in my organization have considerable autonomy regarding how to accomplish team goals.



My organization effectively evaluates the performance of cross-functional teams as a unit, instead of evaluating only the individual performances of the people on that team.



Our organization's senior leadership effectively creates an environment in which our cross-functional teams can succeed.

WHY CROSS-FUNCTIONAL TEAMS?

1. **Harley Davidson:** That's just how digital is, it crosses functions, so have to organize accordingly.
2. **Freddie Mac:** You have to organize differently to think differently.
3. **John Hancock:** Allows groups to work free from organizational bureaucracy.
4. **Mohammad, Car Max:** Teams enable greater opportunity for experimentation.
5. **McChrystal, US Army (2015):** Helps deal with situations of true ambiguity.

HOW CROSS FUNCTIONAL TEAMS HELP DEAL WITH TRUE AMBIGUITY

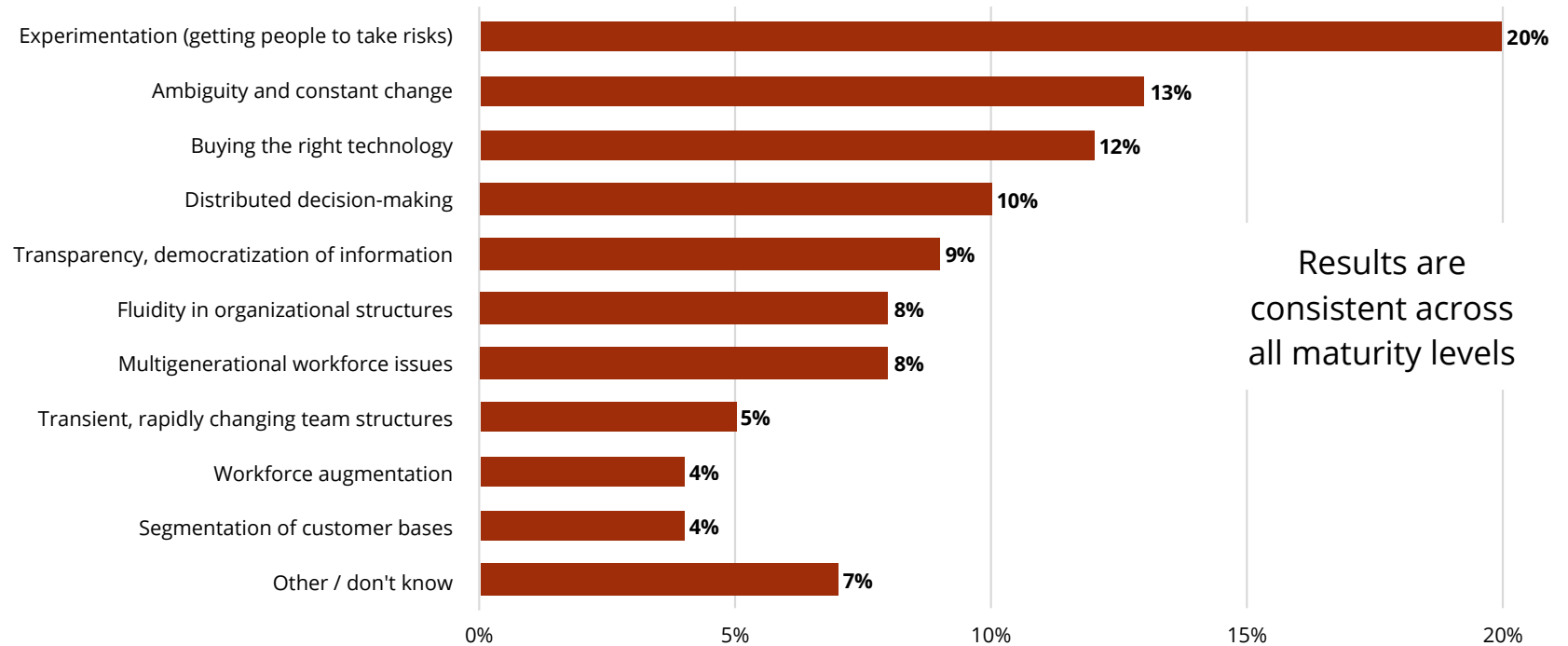
	Level	Description	Implication
Increasing Uncertainty ↓	Clear-Enough Future	The environment contains uncertainty but can be managed with a reasonable degree of confidence.	Existing plans will apply to most possible outcomes
	Alternative Futures	Uncertainty may necessitate some shift in strategic action.	The number of possible outcomes is limited, and businesses develop a course of action for each scenario
	Range of Possible Futures	The future involves a range of outcomes , and eventual outcome is unpredictable	Plan for several possible outcomes and then adapt to address the reality as it emerges
	True Ambiguity	Companies face entirely new business challenges that involve multiple possible uncertainties, making it difficult to engage in strategic planning	Take actions to help reduce uncertainty

...ORGANIZATIONAL CHALLENGES PERSIST.

Organizations are struggling to get their employees to take risks

Biggest challenge impacting company's ability to compete in a digital environment

% Respondents



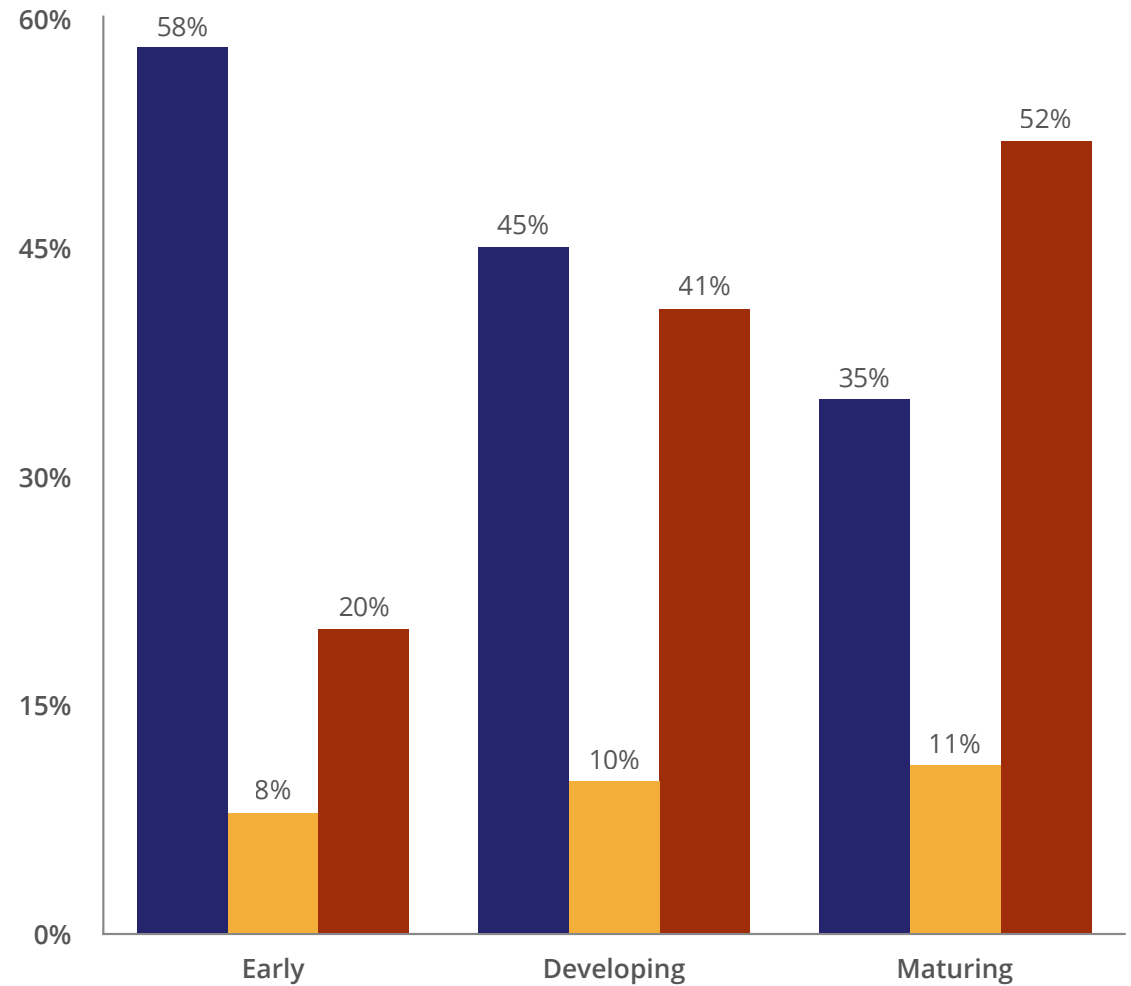
Results are consistent across all maturity levels

SCALE: EXPERIMENTATION IS NOT ENOUGH.

When my organization implements digital business **initiatives**, they tend to **start as:**

- Mostly Small Experiments
- Mostly Big, Enterprise-Wide Efforts
- Both Small & Big Enterprise-Wide Experiments

Note: Charts do not add up 100 percent due to N/A responses.



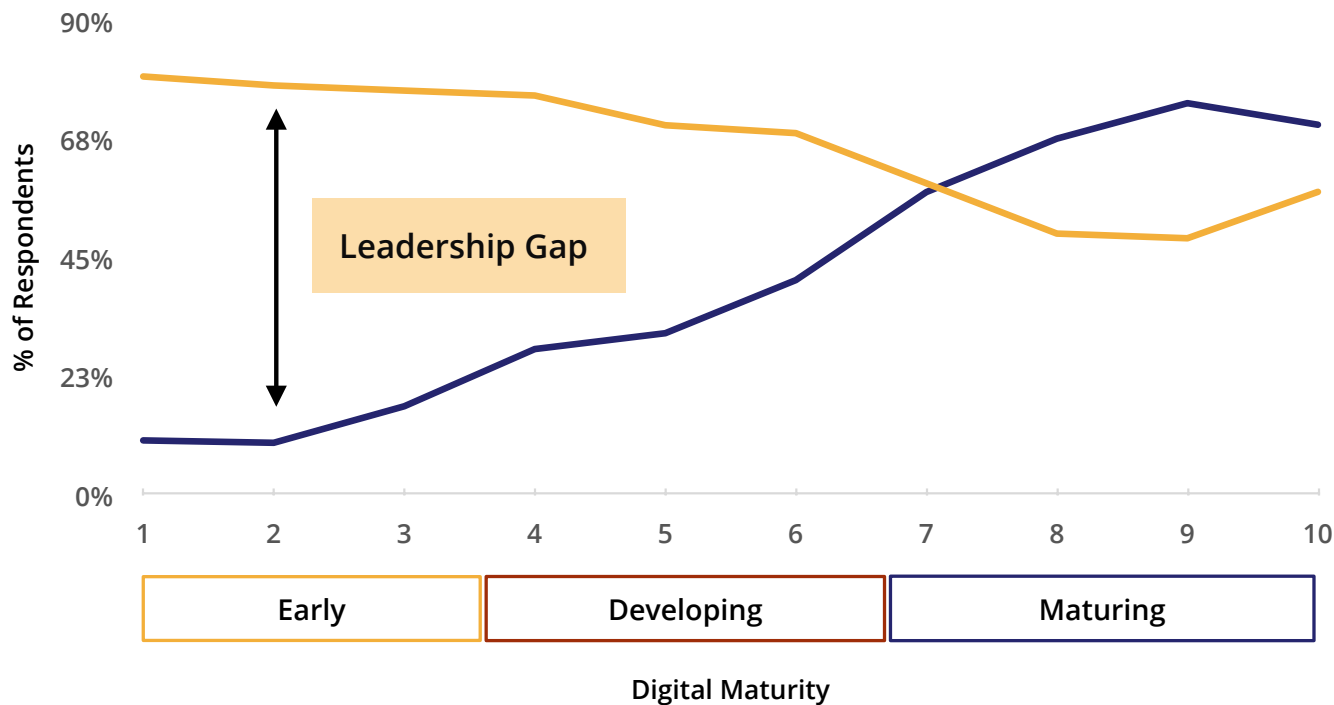
Part 3

RETHINKING LEADERSHIP AND TALENT FOR A DIGITAL AGE



NOBODY HAS ENOUGH. ALL ORGANIZATIONS NEED NEW LEADERS. THE DIFFERENCE IS WHAT THEY'RE DOING ABOUT IT.

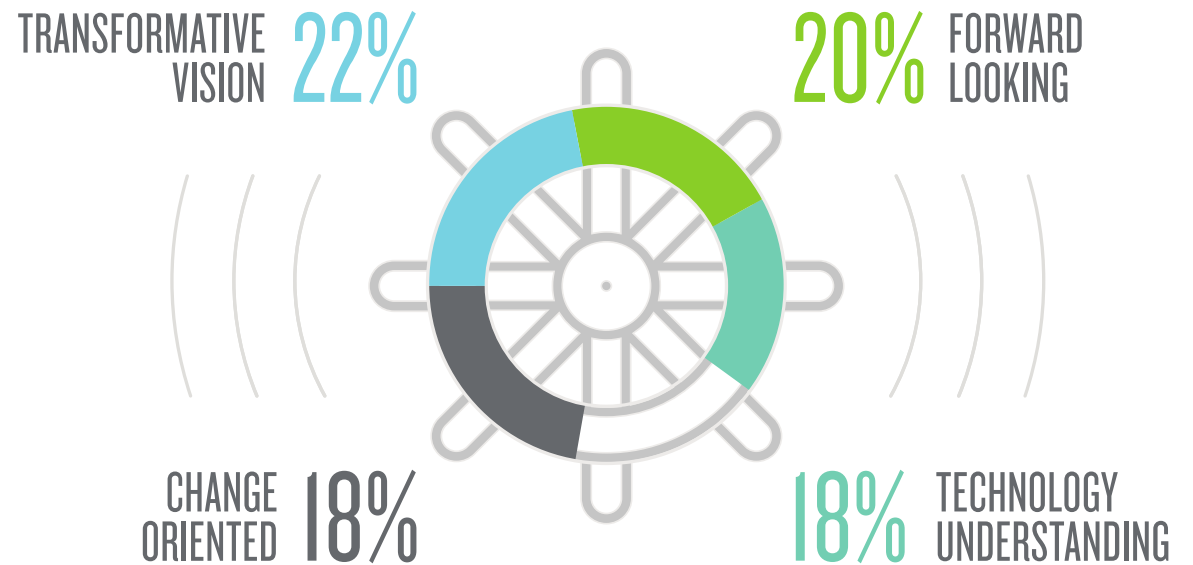
Even maturing companies need new leaders



My organization is **effectively developing leaders** who have the capabilities necessary to lead the organization in a digital environment. (Strongly Agree / Agree)

My organization **needs to find new leaders** for the organization to succeed in the digital age. (Strongly agree / agree)

DIGITAL LEADERSHIP MAY LOOK DIFFERENT THAN YOU THINK.



REGARDLESS OF MATURITY LEVEL, A RANGE OF SKILLS ARE VALUED

BUT DIGITAL LEADERSHIP IS NOT ENTIRELY NEW: SUCCESS REQUIRES COMMITMENT AND LEADERSHIP.

Organization's digital initiatives are multiple times more likely to be successful/very successful when the organization:

Commits
Sufficient Time,
Energy, and Resources



2X

MORE LIKELY TO
BE SUCCESSFUL

Leaders
Have Vision



3X

MORE LIKELY TO
BE SUCCESSFUL

Provides
Employees Opportunities
To Develop



3X

MORE LIKELY TO
BE SUCCESSFUL

KEY FACTORS FOR LEADING THROUGH DISRUPTION

Communicating these with authenticity and empathy are also key, many hope that these factors will not go away.



Purpose

Why your organization exists and why it does anything that it does.



Values

How your organization does anything and everything.



Mission

What your organization is seeking to do.

COVID AS A CRUCIBLE OF LEADERSHIP



Ongoing WSJ series,
can be found at
www.profkane.com

Hilton Flips Recruitment to Respond to Crisis

Matt Schuyler,
Chief HR Officer



Envision Healthcare develops electronic PPE

Kristin Darby,
Chief Information Officer



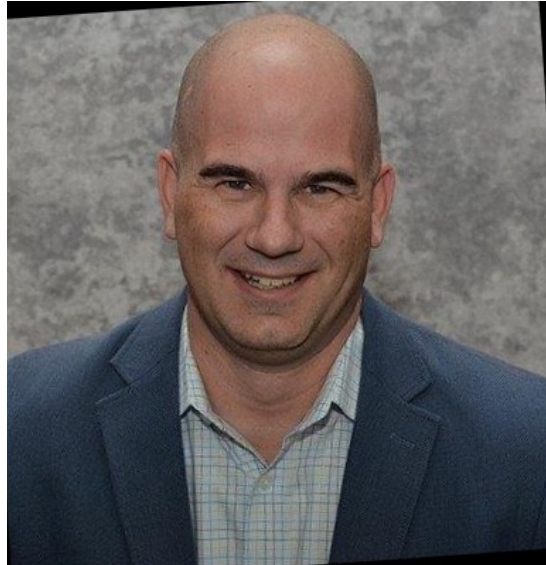
Beam Suntory collaborates with competitors to create hand sanitizer

Albert Baladi,
CEO



Humana:

- Provided over 1M meals to members,
- Donated unused office space for schools,
- Developed outdoor offices in local parks.



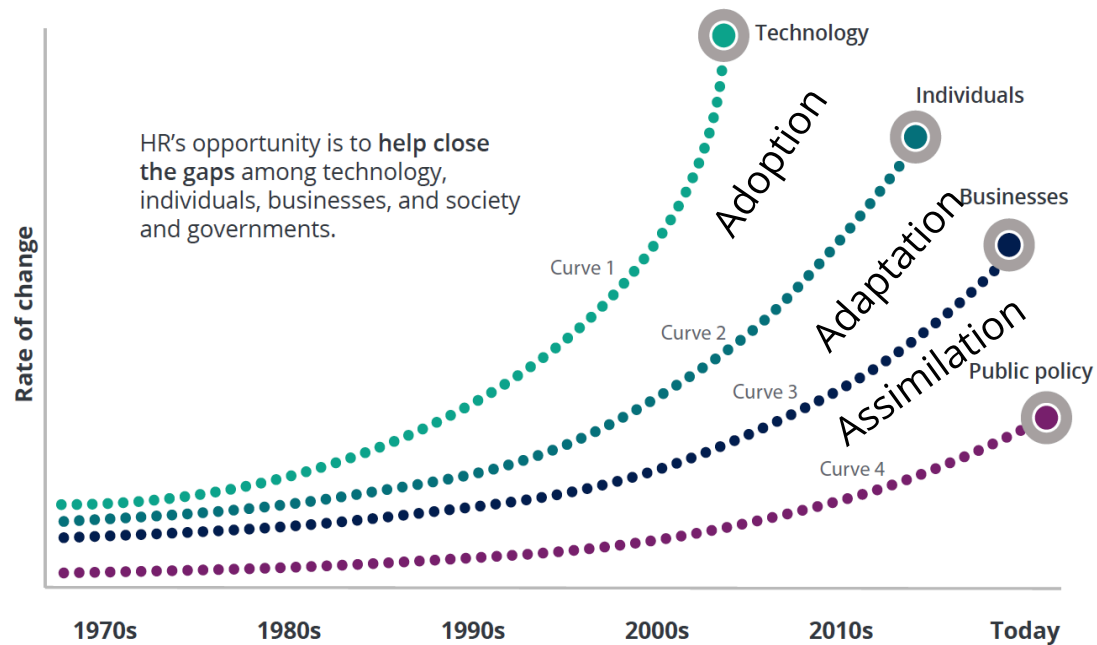
Brad Keller,
Leader of Workplace
Strategy



Michael Aldridge,
AVP Experience Strategy

A KEY PROBLEM

Differing Rates of Change



DECISION MAKING IN THE FACE OF UNCERTAINTY



No Regrets

Those that will be true in
multiple possible futures
(*Cerner*)



Options

A small investment now to
exercise a strategic action
in the future
(*CarMax, Gensler*)



Big Bets

Take a calculated risk on a
decision that could
generate huge returns
(*Fanatics, Trove*)



ATTRACTING AND RETAINING TALENT

CFO: What if we train people and they leave?

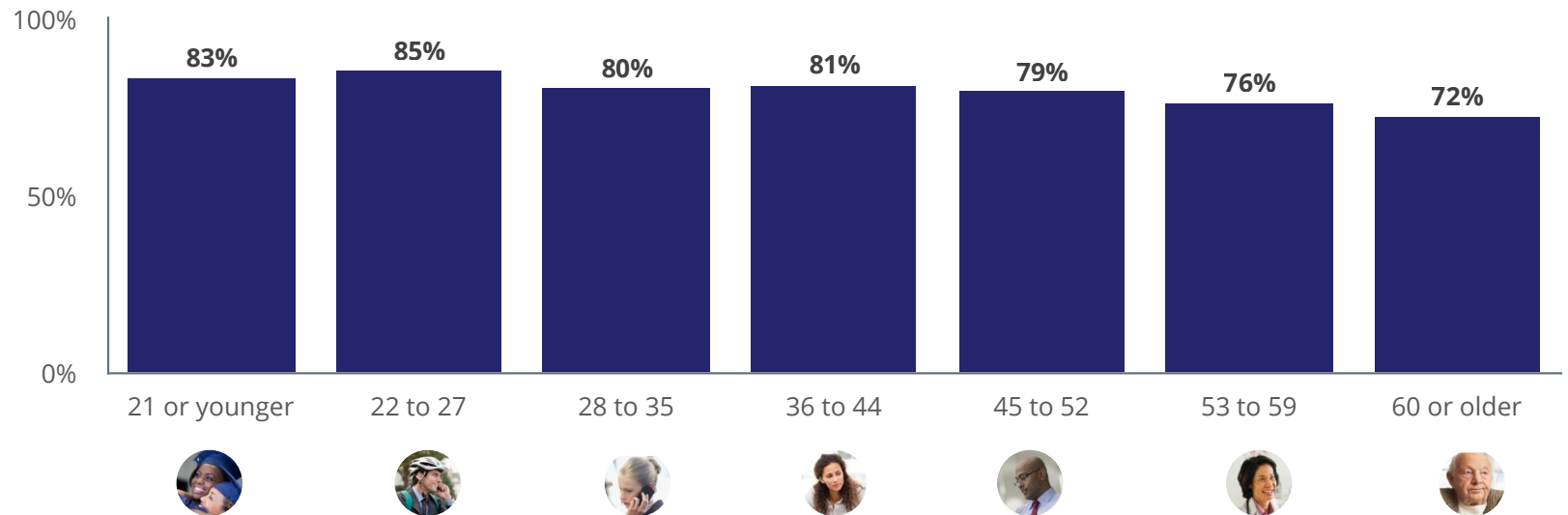
CEO: What if we don't and they stay?



THE PHANTOM MENACE: DIGITAL DISRUPTION IS A TALENT ISSUE

How important to you is it to work for an organization that is **digitally enabled** or is a digital leader?

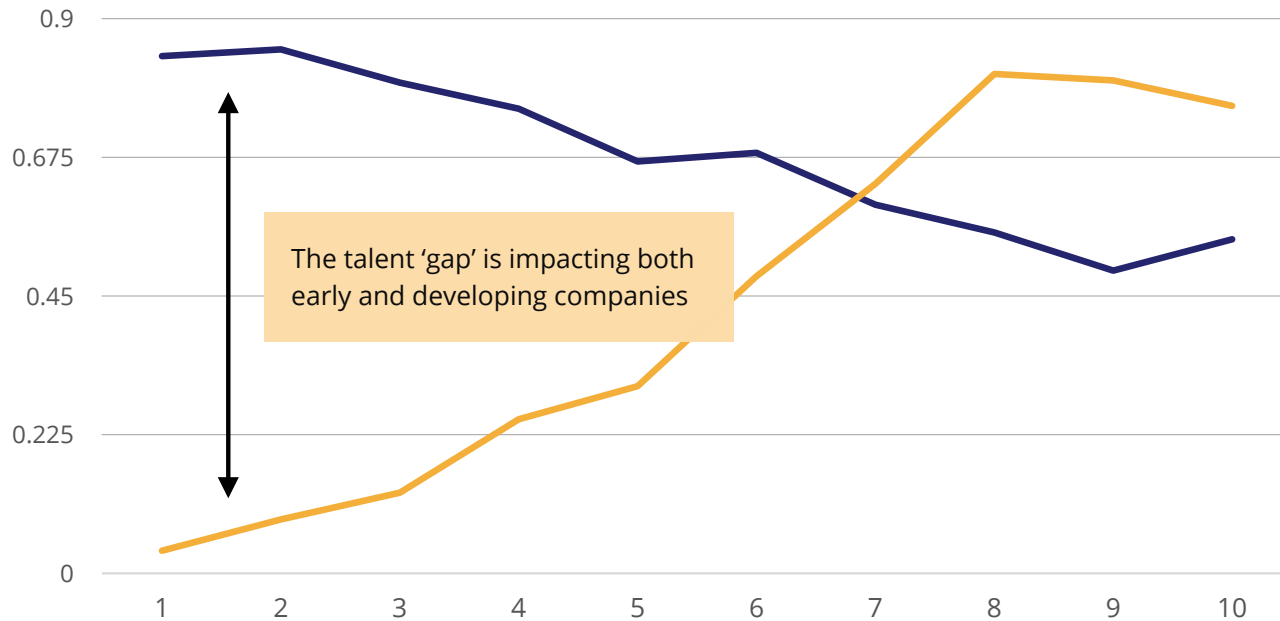
Employees want to work for digitally savvy businesses



Respondents who answered either 'agree' or 'strongly agree'

DIGITALLY MATURE COMPANIES ARE USING THIS PREFERENCE TO THEIR STRATEGIC ADVANTAGE

Talent Needs v. Ability to Attract



My organization's embrace of digital is attracting new talent

My organization needs a significantly new or different talent base to compete effectively in the digital economy

MATURING AND DEVELOPING COMPANIES TEND TO FIRST LOOK INSIDE, NOT OUT

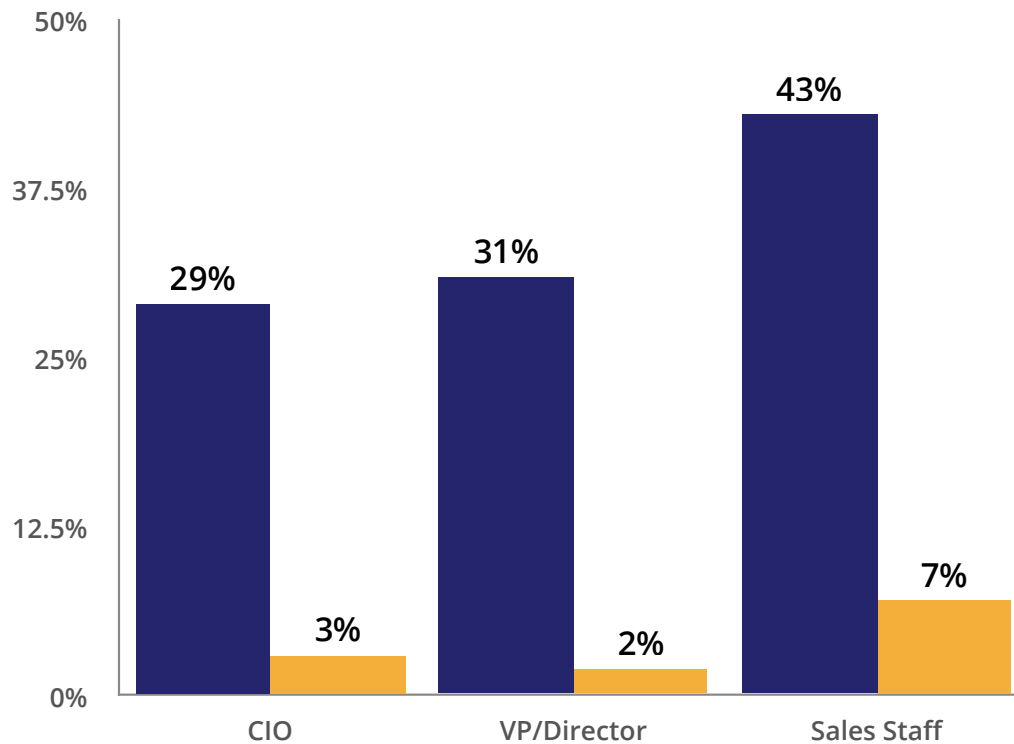
How is your organization primarily strengthening digital innovation capabilities?

Select One (Top 4 Responses by Company Maturity Level)

	Early	Developing	Maturing
1	Hire Contractors/ Consultants	Develop Employees	Develop Employees
2	Don't Know	External Relationships	Recruit Digital Employees
3	External Relationships	Hire Contractors/ Consultants	External Relationships
4	Develop Employees	Recruit Digital Employees	Recruit Digital Leaders

IS IT A LOST CAUSE (IF YOU'RE NOT ALREADY THERE)? NO! PROVIDING EMPLOYEES OPPORTUNITIES TO DEVELOP REDUCES ATTRITION

Percentage who plan to leave their company in one year or less given digital trends

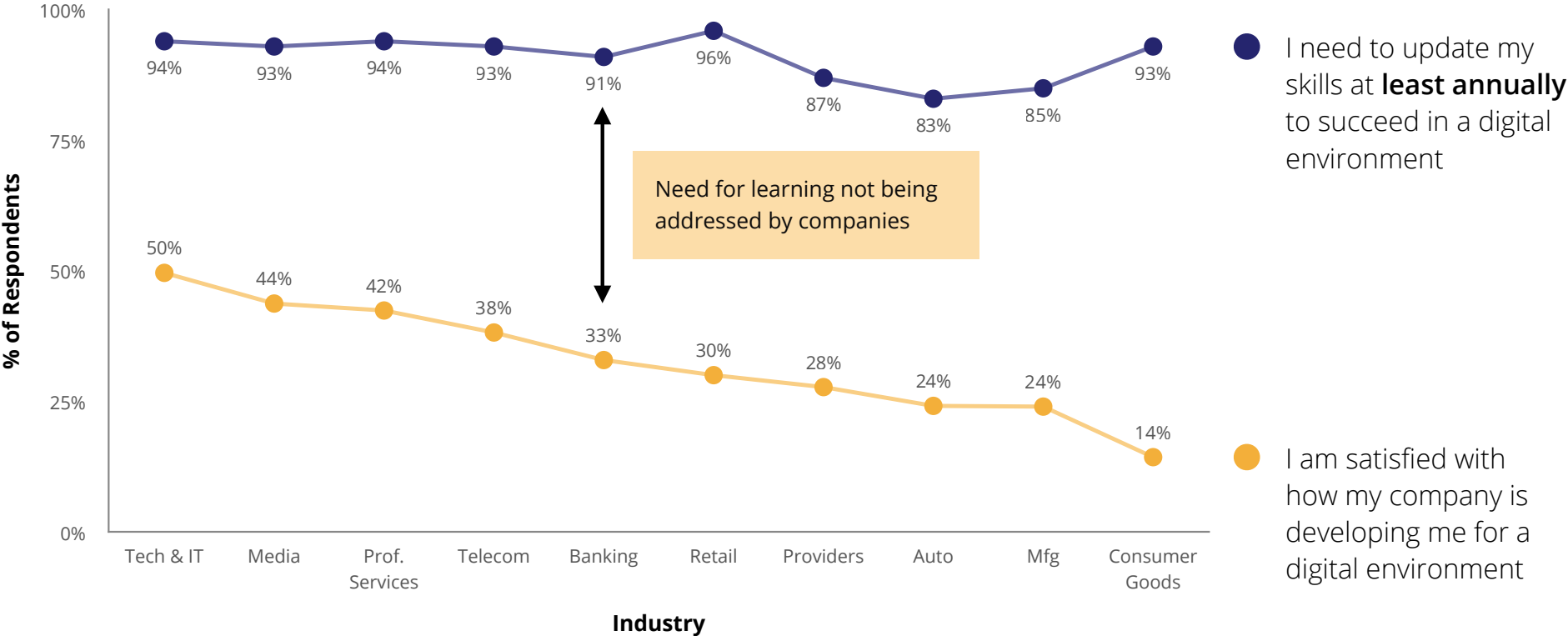


- Company **does not** provide opportunities to develop in a digital environment
- Company **does** provide opportunities to develop in a digital environment

VP/Directors are **15x** as likely to leave in one year.

BUT EMPLOYEES ARE NOT SATISFIED WITH THE LEARNING OPPORTUNITIES THEY RECEIVE

Learning and Development Gap



HOW LEARNING HAPPENS AND NEEDS TO EXPAND

Most important opportunity your company provides you to develop in a digital environment

(Top 3 responses shown here for digitally maturing companies)



26%

Training programs



27%

On-the-job learning



16%

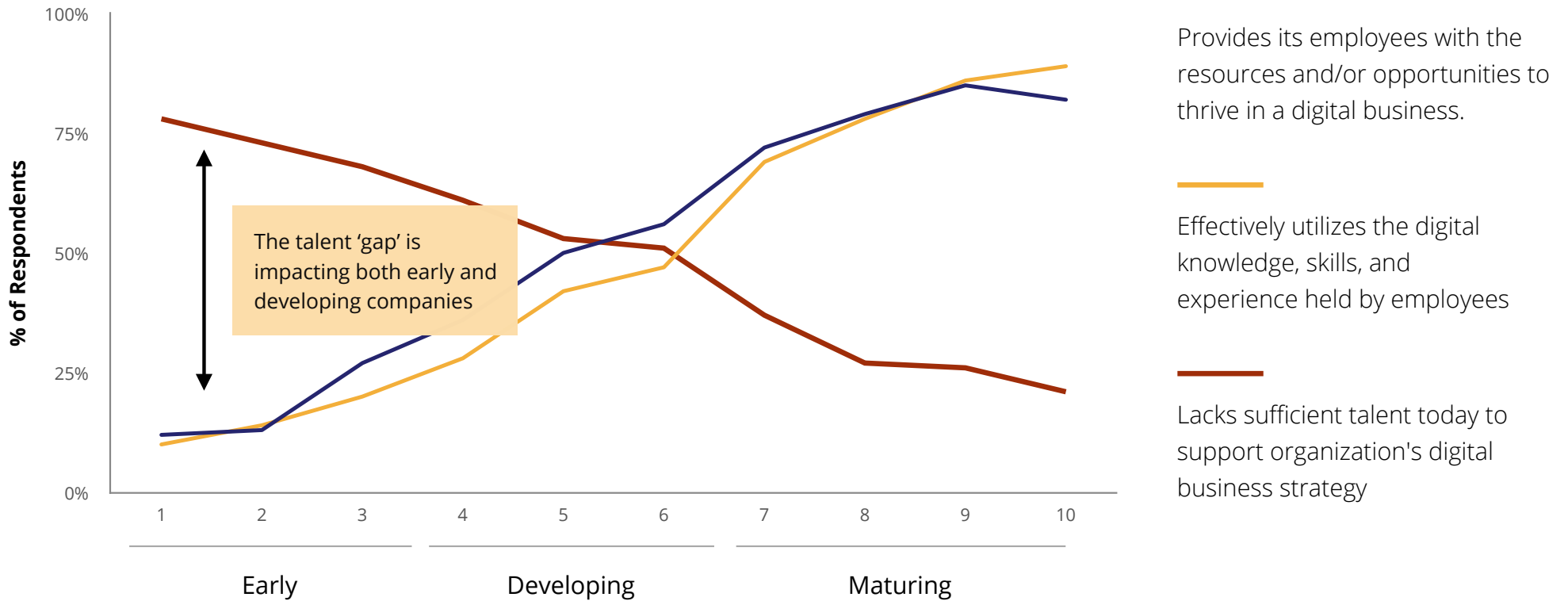
Supportive work environments



On-the-job training may be more important than traditional training programs.

DIGITALLY MATURING COMPANIES EFFECTIVELY USE AND DEVELOP THEIR TALENT

My Organization...



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