

DIGITAL TRANSFORMATION REVIEW

10th EDITION

The Digital Culture Journey: All On Board!



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10th EDITION, 2017

The Digital Culture Journey: All On Board!

Edited by the **Digital Transformation Institute**



About the Digital Transformation Institute:

The Digital Transformation Institute is Capgemini's in-house think-tank on all things digital. The Institute publishes research on the impact of digital technologies on large traditional businesses. The team draws on the worldwide network of Capgemini experts and works closely with academic and technology partners. The Institute has dedicated research centers in India, the United Kingdom, and the United States.

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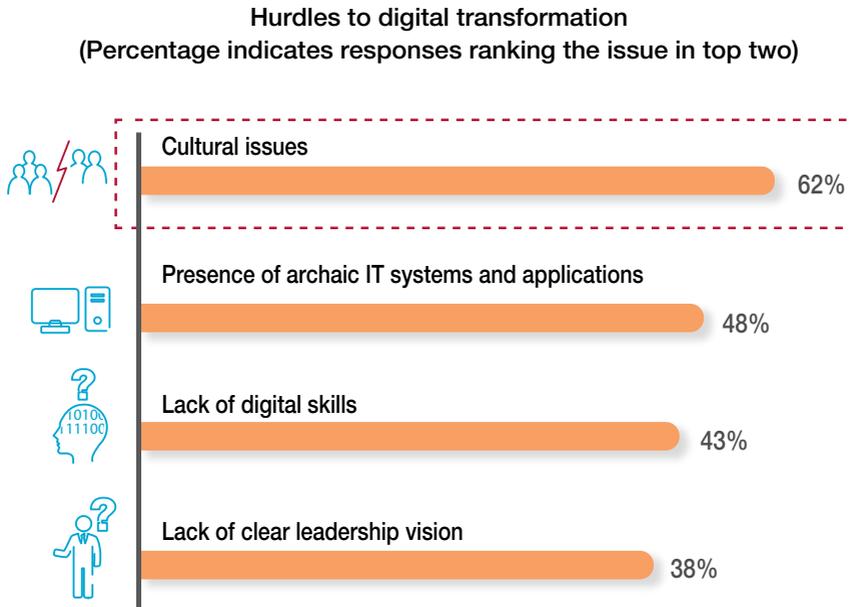
Introduction By Capgemini Digital Transformation Institute

“Culture is a thousand things, a thousand times. It’s living the core values when you hire; when you write an email; when you are working on a project; when you are walking in the hall.”
– **Brian Chesky**, Co-Founder & CEO, Airbnb¹.

Digital technologies allow organizations to reinvent themselves – transforming the core of the business and finding and exploiting new sources of value. However, many organizations are struggling

to reinvent themselves because they run up against a significant barrier – culture. Our research shows that culture is the number one barrier to digital transformation.

Figure 1: Culture is the number one hurdle to digital transformation



Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations

This edition of the Digital Transformation Review focuses on this critical, but neglected, topic:

- How are large and traditional organizations tackling the thorny issue of digital culture?
- What do digital-native firms do differently when it comes to digital culture?
- What advice do leading academics have for organizations attempting to get digital culture change right?

We share the insights of key leaders and experts on this topic, representing the views of traditional companies, academia, and the Silicon Valley.

¹ Medium, “Don’t F\$#@ Up the Culture”, October 2013

We also outline Capgemini's point of view on how organizations can close the growing employee-leadership gap in digital culture, drawing on an extensive global survey.

LEADER AND EXPERT INTERVIEWS

The View from Traditional Companies

Pete Blackshaw, Global Head of Digital & Social Media, Nestlé, argues that organizations must take nothing for granted when it comes to digital culture change.

"Changing culture must also involve a certain element of fear, restlessness, and even insecurity."

Janice L. Semper, Culture Transformation Leader at GE Corporate, outlines how to shift attitudes and mindset in an organization the scale of GE, including the importance of two-way communication and experiments focused on culture change.

Jennifer Waldo, Chief HR Officer at GE Digital—created by GE in late 2015 to bring together all of its digital capabilities under one roof—outlines how digital transformation should not be treated as yet another transformation program.

"The things that have worked to manage change in the past are unlikely to work for culture transformation in the digital era."

Ian Rogers, Chief Digital Officer at LVMH—which owns and operates marquee brands such as Christian Dior, TAG Heuer and Louis Vuitton—offers a fresh take on how digital is impacting incumbents, drawing on his previous experience at Apple.

"The big moment for an organization is when they have embraced the fact that digital transformation isn't a technical issue, but a cultural change."

Views from Academia

Deborah Ancona, Director of the MIT Leadership Center at the MIT Sloan School of Management, argues that front-line employees do not always understand what aspirations such as 'agility' and 'innovation' mean for them, and that organizations should focus on changing ways of working rather than mindsets.

"Culture is one of the slowest things to change. It is deeply ingrained and often tacit."

Ethan Bernstein, assistant professor in Organizational Behavior, at Harvard Business School, outlines how organizations need to transition to a true employee-centric culture to achieve their culture aims.

"Most companies have developed a management-centric digital culture, with little or no importance given

to developing digital tools the way employees—not managers—would ideally use them."

Views from the Valley

Tariq Shaukat, President of Google Cloud, Customers, outlines Google's core belief that good ideas can come from anywhere, and how the business's leadership team plays a critical role in creating a collaborative culture at Google.

"You have to create an environment where there is incentive and reward for collaboration as well as no penalty for someone speaking their mind."

Vala Afshar, Chief Digital Evangelist at Salesforce, shares how his company has embedded social collaboration to drive transparency and support learning.

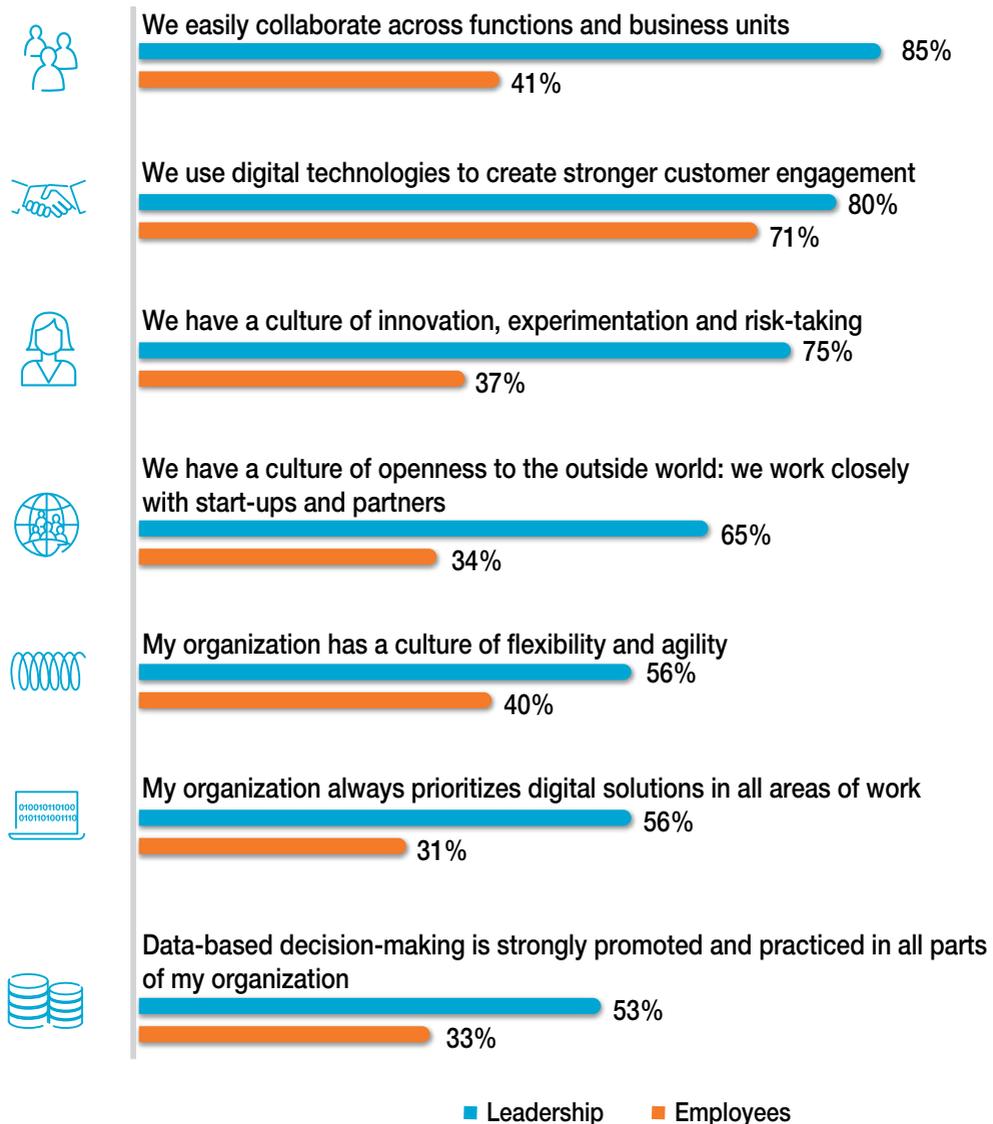
"Our social nature means that we have a culture of transparency, collaboration and continuous learning."

CAPGEMINI POINT OF VIEW

The Digital Culture Challenge: Closing the Employee-Leadership Gap

We close the review with a deep dive into digital culture, drawing on a global, cross-sector survey of 1,700 people in 340 organizations. We found that the big challenge for organizations is a growing employee-leadership gap.

Figure 2: Percentage of leadership and employees who agree that there is high prevalence of digital culture dimensions



Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations

Despite this significant challenge, there are leading companies emerging who are closing the gap and delivering a digital culture. Using the seven dimensions of digital culture above, we found a group of “Front-Runners” who are outperforming other cohorts on

these best practices. They also demonstrate a greater degree of alignment between leadership and employees. Read the full research for more on these groups.

We hope this edition of the Digital Transformation Review offers both insight and pragmatic ideas for action. Please reach out to us if you would like to discuss any of these topics and the implications for your organization.

For more information,
please send in your email at
dti.in@capgemini.com



View from Traditional Organizations





Pete Blackshaw

*Global Head of Digital & Social Media
at Nestlé*

Food for Thought: How Nestlé makes Cultural Change a Key Ingredient in its Digital Transformation



Pete Blackshaw is the Global Head of Digital & Social Media at Nestlé. Based in Switzerland, he helps shape digital strategy for hundreds of Nestlé brands. Pete also oversees the company's Digital Acceleration Team, which provides digital leadership training and innovative ideas for digital marketing projects at Nestlé, as well as its innovation outpost in the Silicon Valley.

A graduate of Harvard Business School, he has co-led digital marketing at P&G; founded PlanetFeedback.com, one of the web's first consumer-feedback portals; and was CMO at NM Incite, a Nielsen Co. venture.

Capgemini's Digital Transformation Institute talked to Pete to understand how Nestlé is creating an enterprise-wide digital culture.

Culture change – the building block of digital transformation

Where are you in your digital transformation journey?

In a digital world, you never entirely achieve all of your goals because the landscape is shifting so fast—the platforms keep evolving, the media keeps fragmenting, and so you are always in a catch-up mode. Having said that, I am pleased with our pace and our progress. We brought some real discipline to laying out both short and long-term objectives, as well as thinking through the cultural model required to succeed with our digital transformation.

Is culture transformation part of your overall transformation program?

Culture evolution is a critical building block of a digital transformation, almost a prerequisite. Larger organizations can be very codified in their ways of working and calcified in their habits. You therefore need to liberate the thinking, soften the silos, restructure the incentives and ultimately take much bigger leaps forward.

Culture evolution is a critical building block of a digital transformation, almost a prerequisite

Sending culture change agents across the organization

Can you outline some of the concrete initiatives you have launched to transform the organization's culture?

One very tangible example at Nestlé is the ambitious reverse mentoring initiative. Over the past few years, we have reverse mentored well over 150 senior managers. This is where we put a representative of the digital vanguard with a top executive. These executives then get more acclimated around things like community management, online shopping, social collaboration or social media. That has made a huge difference. It is making our company more collaborative and less top-down.

How are the Digital Acceleration Teams contributing to the evolution of Nestlé's culture?

Our Digital Acceleration Teams play a crucial role. Each year, we bring up to 18 of our most promising high potential talent from all over the world for eight-month-rotations here in Switzerland. They do a combination of training, hacking, and strategic work on some of our top businesses, and then we send them back to the markets where they become ambassadors of our digital way of working across the Nestlé network. And the model is going viral. We now have Digital Acceleration Teams or digital centers of excellence in 26 markets. Many of our markets have adopted this entrepreneurial hub mindset and this initiative really has the potential to reinvent the way we work and collaborate at Nestlé.

How can companies resolve the tensions between hierarchy/ formal norms on one side and more collaborative management on the other side?

Winning in digital is about managing, not resolving, these tensions. One of the most important tensions is balancing 'formal versus informal power.'

On one level we are a top-down, hierarchical, 150-year old company...and yet the guidance, inspiration, and energy for the future often sources from lower and informal levels. Last year our CEO, now Chairman, co-presented a major speech in Europe with a DAT (Digital Acceleration Team) member—tricky power-sharing, but essential to win. In my own role, I constantly have to manage tensions, or what I dub “Digital Dualisms.” The hardest tension is balancing being an “enabler vs. gatekeeper.” On the gate keeping front, there are certain things you can’t do in digital, in areas such as privacy or social media disclosure for example. And yet I also critically need to be an enabler and encourage test and learn.

“Winning in digital is about managing, not resolving tensions. One of the most important tensions is balancing ‘formal versus informal power’

Creating a Sharing Mindset – the Key to Success

How do you define digital culture?

When I think about digital culture, I think about speed, agility and flexibility, and also diversity, test and learn, and lean start-up principles. Digital is deeply grounded in feedback loops, whether data signals or constant back and forth with consumers. Digitally-powered leaders are adaptive, iterative, and learn quickly from failure. They embrace a “less is more” mindset... both from a mobile and resource efficiency approach.

“Speed, agility and flexibility, and also diversity, test and learn, and lean start-up principles

What is the digital culture you are trying to create across the Nestlé organization?

There is one aspect that I find absolutely crucial: I really want to create a strong culture of sharing and collaboration. One of the biggest inefficiencies in large enterprises is duplication. You can produce

massive value if you can create a system that lets China know that India is building an operation that they can borrow from. The key is to create a sharing economy model where everyone has perfect information about what is going on.

Organizations that do make things happen quickly are those that have a smart sharing system and a strong sense of sharing across the organization. Internal social media, if led properly, can transform organizations. They facilitate interactions across organizations without barriers to hierarchy. It combines freedom to experiment with an intense focus on sharing. It also holds us accountable for brevity.

“Organizations that do make things happen quickly are those that have a smart sharing system and a strong sense of sharing across the organization

How do you drive collaboration across such a large organization?

Collaboration needs to be constantly encouraged at all levels. Personally, I closely monitor our internal social networks and reward employees who share their content. I've learned many things along my internal collaboration journey, some reinforcing timeless communication principles, others underscoring the challenge of managing in a millennial,

on-the-go environment. And I'm humbled constantly, especially by the "deafening sound of silence." If no one responds to my content, I get antsy. If markets are not volunteering best-practices, I cry.

“Collaboration needs to be constantly encouraged at all levels

Beyond collaboration, what are the other dimensions of a digital culture that you are trying to instill?

We aim to create an organization where digital is an operating principle and fundamental to all that you do. An organization where online listening is central to the process of consumer understanding; where the way you interact with consumers on Facebook is also an approach to doing work in the enterprise. An organization that is religiously externally focused and insanely consumer centric.

“An organization that is religiously externally focused and insanely consumer centric

Leverage the relationship between our personal “digital lives” and business transformation

What are the levers you are using to evolve Nestlé's culture?

We created an innovation outpost in the Silicon Valley to work with start-ups and often bring top executives and business influencers out there. Silicon Valley—or Shanghai, Berlin, or other start-up



hubs—nurtures what I like to refer to as “constructive paranoia.” Within 10 minutes of any visit, you get restless and want to move faster. Even as the “Digital” guy, I start to feel dated, and that is precisely the tension we all need. Changing the culture must also involve a certain element of fear, restlessness, and even insecurity. I take absolutely nothing for granted in this space. Did somebody say Amazon + Whole Foods?

“Changing the culture must also involve a certain element of fear, restlessness, and even insecurity

Digital culture is also all about walking the talk. I am a very active practitioner in my personal life on Facebook, Twitter, LinkedIn, and it has taught me a lot about getting things done. When I created my first parenting blog back in 2005 after my wife and I had twins, I learned about the power of community management. I applied that learning to Nestlé, where I helped to build one of the largest internal social networks. We now have about 200,000 employees that use the Salesforce chatter platform and it brings tremendous potential to the enterprise. We have to leverage what we learn on the outside in our

personal digital lives and apply it at work. Every time my kids go skiing we produce a video, post it on Facebook, and study the results. And I produce everything on my iPhone... which sometimes makes my agency partners cringe. I don't need a crazy expensive Nielsen study to tell you that online video effectiveness is dependent on how you engage in the first two seconds. Personal insights power breakthrough at work.

“I am a very active practitioner in my personal life on Facebook, Twitter, LinkedIn, and it has taught me a lot about getting things done

Create an equal relationship between start-ups and Nestlé:
Henri@Nestlé

You recently launched your Henri@Nestlé platform, how is it affecting the way people innovate internally?

We designed Henri@Nestlé, an open digital platform that enables start-ups to pitch projects in response to innovation challenges that we are trying to resolve. It

takes a certain degree of humility to do it. You recognize that you can't build everything internally and that we have a lot to learn from the start-up community.

“To really maximize the synergy, you have to treat the entrepreneur as a partner of equal

We have really tried to create a coequal relationship between the enterprise and the entrepreneur. Big companies often make the mistake with open innovation of creating a hierarchical relationship. To really maximize the synergy, you have to treat the entrepreneur as a partner of equal, and we really try to do that. We even require our businesses to put money on the table before they put their business brief up, because we don't want to be in a position where we are misleading or even teasing that start-up on the outside. That was something that certainly frustrated me a great deal when I was on the start-up side, and I think companies need to build their own credibility that they are trusted, real, authentic partners. And we're having great results so far on everything from Nespresso and Sustainability to micronutrient deficiency.

Measuring progress – are

Culture Change – a Key Ingredient for Digital Transformation

Winning in digital is... managing tensions between:

- Formal versus informal power
- Enabler vs. gatekeeper



Creating a sharing mindset



- Develop a sharing economy model within organizations with free information flow
- **200,000 employees** use Salesforce chatter platform bringing tremendous potential to the enterprise

Leveraging the relationship between personal “digital lives” and business transformation

“ We have to leverage what we learn on the outside in our personal digital lives and apply it at work. ”



Creating an equal relationship between startups and Nestlé

- Built an innovation outpost in Silicon Valley to work with start-ups
- Designed Henri@Nestlé: an open digital platform that enables startups to pitch projects in response to innovation challenges that Nestlé is trying to resolve



“ To really maximize the synergy, you have to treat the entrepreneur as a partner of equal. ”

Measuring progress

“ Cultural change is one of those areas where you know it when you feel it. ”



We also monitor softer elements: are the silos softening? Is the line between sales and marketing diminishing?

silos breaking down?

Do you measure the progress you are making on the cultural transformation front?

There are different metrics we analyze. We look at overall business growth and then attribute some of it to the work we are doing. But we also monitor softer elements: are the silos softening? Is the line between sales and marketing diminishing? Are there structures

or positions that emerge that don't really think about those distinctions? Then again, this is something that defies traditional KPIs. Cultural change is one of those areas where "you know it when you feel it."

Cultural change is one of those areas where 'you know it when you feel it'



Why is it so difficult to evolve culture?

“Culture is one of the slowest things to change. It is deeply ingrained and often tacit. [...] In addition, peoples’ identities get tied to the existing work that they do. This produces inertia that limits change to resolve new challenges.”

– Deborah Ancona

“The challenge of cultural change arises when the architecture becomes increasingly more digital (a shift common to most organizations today). Even as the architecture becomes more digital, the culture—originally generated in an ‘analog’ world—may present barrier to change (for better or worse).”

– Ethan Bernstein

“Most organizations don’t understand the degree of disruption that’s happening. [...] Despite the disruptions, many companies still have an old mindset and follow old mantras, such as: ‘that’s the way we’ve always done it’ or ‘if it’s not broke, don’t fix it.’”

– Vala Afshar

“Larger organizations can be very codified in their ways of working and calcified in their habits.”

– Pete Blackshaw

“Culture evolution is an ongoing process and it is therefore difficult to define the perfect starting point. [...] You have to recognize that this is a journey – you have to start and pivot along the way.”

– Jennifer Waldo



A Chief Architect for GE's Culture Transformation



Janice L. Semper

GE's Culture Transformation Leader

Janice L. Semper, GE's Culture Transformation Leader, has been with the company for over 20 years, holding a range of senior leadership positions in HR. She began her career with PepsiCo, working across HR domains that included Management Development, Organization Development and Training.

Capgemini's Digital Transformation Institute talked to Janice to understand the critical success factors in culture transformation.

Culture transformation for the long-term

As culture transformation leader, can you tell us more about your role and your mandate?

It is a brand new role that was created four years ago when we really started the transformation of GE to a digital industrial organization.

My mandate is to be one of the chief architects of the culture transformation that we are undergoing in GE. I am obviously not the only person involved, but I am the one person whose sole role is to focus on culture transformation. We realized the magnitude of the transformation we had to undergo, and we felt it was necessary to have a full-time leader dedicated to the journey. We knew it would be a long journey.

We have a small central team and our primary role is to run experiments focused on culture change. We also partner with many people across the organization within and outside the HR function to get things done. Within the businesses and regions, we have organization and talent development leaders whose responsibility includes the culture of the company.

We have a small central team and our primary role is to run experiments focused on culture change

An agile, customer-focused and innovative culture

What is the culture that you want to create within GE?

The culture that we are creating is one that supports GE's transition to a digital industrial company. It's a culture that is very focused on speed, agility, testing, and learning. It's a culture focused on doing things as simply as possible and being very disciplined about stopping activities that don't add value. It's a culture that's really customer-driven, where we create a mindset that is obsessed with customers' pain points.

How do you translate these high-level principles into really concrete behaviors and make them meaningful to employees?

Our key question was: "how do you signal to our 300,000 employees—across multiple industries in 180 countries – that the company is making a dramatic shift?" It's not incremental. It's substantial. So we did it in a few different ways. We used three major levers to

completely revolutionize the culture of the company.

First, we took the values that almost every GE employee knows by heart and we adapted them. We introduced the GE Beliefs (see 'The Five GE Beliefs'). These statements articulate the mindset, as well as the behaviors, that we want in our digital industrial organization. They have become the "North Star" for the company and for our 300,000 employees. Underneath each one of those beliefs we described really specific behaviors. Then, we tried to actually activate each belief in the company. For example, we took these beliefs and embedded them into everything that has to do with talent. We changed our recruitment approach to make sure that we are bringing in talent that either already has this mindset and way of working or has propensity to learn it. We also changed our entire leadership and learning curriculum, as well as redefined the role of manager in the company around these beliefs.

Articulate the mindset, as well as the behaviors, that we want in our digital industrial organization

The Five GE Beliefs

GE Beliefs

Customers determine
our success



Stay lean
to go fast

Learn and adapt
to win

Empower and
inspire each other

Deliver results in
an uncertain world

GEBeliefs.ge.com

Secondly, we introduced a new way to work in the company based on Lean Start-up. We partnered with Eric Ries, customized the Lean Start-up principles for GE, and created FastWorks – our new way of working in the company. It is about understanding your customer, what their pain points are, and what a successful outcome would be from their perspective. You then test and learn your way to the best solution.

The third major lever we pulled was to totally redefine our performance management system. It is the one process that really drives human behavior in a company. So we have created a more continuous process throughout the year. It's also completely aligned with the FastWorks way of working, as well as the GE beliefs. We call this approach: Performance Development at GE, or PD@GE.

Anyone in the organization can give an employee feedback [...] a point-in-time piece of feedback that is behaviorally-based

Continuous feedback on adoption of behaviors

How do you assess employees and their adoption of the new behaviors?

Our new approach is really meant to reinforce those behaviors. Anyone in the organization can give an employee feedback. This is what we call 'insight at any point throughout the year.' It's not a 360. It's literally a point-in-time piece of feedback that is very behaviorally-based to reinforce the behaviors around the GE beliefs. We are holding people accountable for the new behaviors.

We are holding people accountable for the new behaviors

How do you measure your progress on culture transformation? What are the metrics that you use?

We introduced a tool last year called the Culture Compass. It's a very simple 10-question survey that we administer twice a year company-wide. It gives us a gauge as to where we are at. It is also meant to be a culture change tool that teams actually use. They can look at the results and ask: "where are we making progress? What areas are still challenging for us?"

Culture change isn't a one-way communication

Beyond quantitative metrics, do you use other ways to assess the evolution of culture?

What we have learned is that culture change isn't a one-way communication. If you want to change mindsets and behaviors, it really requires dialogue. We have a lot of opportunities across the organization for dialogue around what's happening in the company and how we are expecting our employees to now think and act. That qualitative data, combined with the quantitative data, really gives us a sense for what's happening in the organization.

Culture change isn't a one-way communication

Can you tell us about some of the successes you have experienced so far?

We launched the third Culture Compass a couple of weeks ago and we have seen progress in most of our businesses and across many of the 10 behaviors that we are measuring. The organization as a whole is definitely getting more comfortable with testing and learning. We are also making progress in shifting from a more historic command-and-control leadership style, which was synonymous with the industrial era, to what we call an “empower-and-inspire” leadership model, which is aligned with a digital industrial organization.

We also put a very big effort into redefining the role of a “manager”. We have actually moved away from the term “manager” to “people leader” and moved to a new performance development process. However, change is not always consistent across the company and does not move at the same pace across the entire organization. So we have learned to embrace the messiness: going with where there are pockets that are embracing the new behaviors and creating more pockets so that the new culture becomes pervasive across the company.

Do you have champions that you use to disseminate the new behaviors across the organization?

We started with champions and ambassadors but we have now moved to a more powerful model. We work with the natural leaders that have emerged – people that are really leading the change on the ground. We help them do more, amplify their success stories and leverage them across the company.

“
Culture transformation requires dialogue”



Culture Transformation @ GE



Culture Change at GE



A small central team

- Runs experiments focused on culture change.
- Partners with people across the organization within and outside the HR function

GE's target culture

- Speed, agility, testing, and learning
- Customer-driven and obsession with customers' pain points
- Simplicity
- Disciplined about stopping non-value adding activities



Translating high-level principles into concrete behaviors



- Introduced GE Beliefs: articulating the new mindset and behavior
- Introduced new ways of working based on Lean Startup
- Redefined performance management system: providing continuous feedback as opposed to a yearly exercise –
“ Holding people accountable for the new behaviors. ”

Measuring progress through Culture Compass

- 10-question survey, administered twice a year company-wide
 - Used by teams as a self-evaluation tool – “Where are we making progress? What areas are still challenging for us?”



Recommendations

- 1 Have a dedicated culture transformation leader
- 2 Be really bold and constantly question yourself
- 3 Create simple and practical solutions that connect really well to the vision.

We work with the natural leaders that have emerged

Culture transformation is a continuous process

How will you know that you have reached your objectives in terms of culture transformation?

We will never be done! Culture transformation is a continuous process. Because of the pace of change, we don't expect that things are going to stay static. We will need to continue to evolve and change.

The larger the organization, the simpler things have to be

What would be your recommendations to a company that is starting a culture transformation program?

First, have a dedicated culture transformation leader. Second, be really bold and say, "There is nothing sacred that we are not going to question. I know we used to do this – and maybe we have done it for decades – but is it time to give it up?" So you have to constantly question yourself and make sure that you are pushing the organization hard and fast enough. Third, create simple and practical solutions that connect really well to the vision. The larger the organization, the simpler things have to be, which is very challenging. The more complicated the tools are, the more you can lose people. Making the culture change very real, pragmatic and practical is absolutely key. Finally, embrace dialogue. Figuring out how you create forums and dialogue in the company will be crucial, because even the most beautiful one-way communication material is just not going to get you there .

Even the most beautiful one-way communication material is just not going to get you there

Building digital culture in leading organizations

“The culture that we are creating is one that supports GE’s transition to a digital industrial company. It’s a culture that is very focused on speed, agility, testing, and learning. [...] It’s a culture that’s really customer-driven, where we create a mindset that is obsessed with customers’ pain points.”

– Janice Semper

“Our social nature means that we have a culture of transparency, collaboration and continuous learning.”

– Vala Afshar

“We aim to create an organization where digital is an operating principle and fundamental to all that you do. [...] I really want to create a strong culture of sharing and collaboration. [...] Also an organization that is religiously externally focused and insanely consumer centric.”

– Pete Blackshaw

“We have created a non-hierarchical culture where people are not afraid to speak their mind or contribute an idea. [...] Google’s culture is fundamentally data-driven where data drives decisions. A culture where every conversation is expected to be at least informed by the facts demonstrated on the ground, even if not data-driven.”

– Tariq M. Shaikat



GE Digital: Cultivating a Digital Culture to Connect the Organization



Jennifer Waldo

Chief HR Officer at GE Digital and a board member of the Internet of Things Talent Consortium

GE officially formed GE Digital in late 2015 (initially organized as a Software Center of Excellence in 2011) in a move to bring together all the digital capabilities of this industrial giant into one organization. GE employs more than 26,000 people and is driven to become a Top Ten software company by 2020 by unleashing the power of the industrial Internet.

Jennifer Waldo is the Chief HR Officer at GE Digital and a board member of the Internet of Things Talent Consortium. Her role is to ensure that GE Digital's capabilities, culture, and talent management programs drive GE's vision for the industrial Internet and its business results.

Capgemini's Digital Transformation Institute talked to Jennifer to understand GE's digital industrial transformation.

GE Digital leads the way

How does GE Digital help foster collaboration in the workplace?

When GE Digital opened up the San Ramon Software Center of Excellence in California in 2011, we strategically placed it near the Silicon Valley in order to access great talent as well as the Technology ecosystem. Our goal was to create an office space that was open, while being focused on teams and agile software development. It looks more like the office space of a start-up (with open areas and pods for collaboration) than a typical industrial company (with mostly offices and cubicles). San Ramon soon became a showcase of how a physical workspace supports better team collaboration and a vibrant environment for employees. Many of GE's locations are now moving to a similar model.

San Ramon soon became a showcase of how a physical workspace supports better team collaboration and a vibrant environment for employees

GE Digital – developing leaders and educating employees across businesses

What is the role of GE Digital in GE's culture transformation?

GE as a company has been undergoing large-scale cultural change over the last several years. We moved from the GE Values to the GE Beliefs, which leverage many of the great principles found in start-ups and tech companies. We created FastWorks, (our philosophy of constantly experimenting, learning, iterating and putting the customer at the center of everything we do), as a way to introduce principles around capital allocation and iterative development. We totally revamped our highly-benchmarked performance management system to create Performance Development (PD), which empowers our employees to co-create their priorities and seek insights from colleagues, peers, and direct reports, as well as their manager. At the same time, GE Digital formed, becoming a showcase in the company of a culture where FastWorks principles were inherently woven into everyday work.

When GE Digital formed, it became a showcase in the company of a culture where Fastworks were inherently woven into everyday work

Is GE Digital leading the charge in training all GE employees on digital?

At the time GE Digital was created, GE also shared its intent to be a digital industrial company: one that leverages our industrial domain expertise but also embraces the power of digital to transform our industries and products. As a result, GE began to educate our professional workforce about digital. For example, in the past year we have led the design and launched two new Massive Open Online Courses through the Crotonville organization: Becoming a Digital Industrial Leader and Thinking Like a Digital Industrial Leader. Both courses have extremely strong enrollment and consistently receive very high evaluations for the content, instructional design, and strength of delivery. GE Digital is frequently leveraged to support learning content for our leadership programs as well as our Crotonville courses.



“
There is a leap of faith required to get started given that digital impacts business models, products and jobs

Start, learn and tweak

When undertaking a digital culture transformation, what is the one thing that organizations should consider?

For most well-established organizations, embracing digital requires transformational versus incremental change. With incremental change, the ultimate destination is typically known, stakeholders are treated equally, and the change is felt but not all encompassing. With transformational change, the ultimate destination isn't necessarily known at the beginning, requiring organizations to try new things and be willing to pivot when they don't work. Stakeholders are vast, and have varying knowledge of what digital is and where it is heading, and there is a leap of faith required to get started given that digital impacts business models, products and jobs.

How should large organizations begin their culture transformation programs?

The person at the top of the organization needs to have a digital vision. He or she has to be the biggest-and-best example of the change that needs to occur. So, the CEO and senior leadership have to be bought-in and drive the transformation they envision for the firm. Secondly, organizations need to start somewhere, learn from that and be willing to tweak along the way. Culture evolution is an ongoing process and it is therefore difficult to define the perfect starting point. If GE had waited to find the right beginning or the required start, we would not have been able to achieve what we have today. You have to recognize that this is a journey – you have to start and pivot along the way.

“
The person at the top of the organization needs to [...] be the biggest-and-best example of the change that needs to occur

GE Digital: Cultivating a Digital Culture to Connect the Organization

Fostering collaboration in the workplace

Fostering collaboration in the workplace

- Opened San Ramon Software Center of Excellence in California in 2011:
 - Strategically placed near the Silicon Valley to:
 - Attract great talent
 - Access the technology ecosystem
 - Like the office space of a start-up (with open areas and pods for collaboration)

“ San Ramon soon became a showcase of how a physical workspace supports better team collaboration and a vibrant environment for employees. Many of GE’s locations are now moving to a similar model. ”



Initiating culture transformation in large organizations

- Have a digital vision to drive the transformation
- Do not wait for the perfect starting point; start the change process immediately



Institutionalize vision and values to guide teams to stay aligned to organization’s priorities

“ There is a skills transformation that is occurring across the workforce. It is going to require employees at all stages of their career to be perpetual learners. ”

- Have a learning mindset
- Own your skill relevance
- Embrace the new and unknown



There is a skills transformation that is occurring across the workforce. It is going to require employees at all stages of their career to be perpetual learners

What would make it simpler for organizations to adopt a digital culture?

Organizations should strive to foster a learning culture. If you want to learn you have to seek answers yourself. There is a skills transformation that is occurring across the workforce. It is going to require employees at all stages of their career to be perpetual learners, whether the employee is a millennial, a gen X or a baby boomer.

How can you motivate employees to be perpetual learners?

The speed of technology change has implications on skills. Digital natives have a healthy level of paranoia about the relevance of their skill set with the rise of things like cloud, big data and platforms. Digital will eventually touch every industry and every job globally. This requires the workforce to have a learning mindset, own their skill relevance and embrace the new and unknown.

If GE had waited to find the right beginning or the required start, we would not have been able to achieve what we have today



How to kick-start digital culture transformation?

"It's actually really hard to change the way people think, so you need to change what people do instead. [...] Neuroscience shows that it is difficult to erase existing neuropathways, it is easier to create new neuropathways. So rather than focusing on changing mindset, organizations need to change ways of working."

- Deborah Ancona

"Organizations may find it increasingly beneficial to shift to a more informal, bottom-up approach to a 'digital culture,' as that is the way learning typically happens."

- Ethan Bernstein

"Winning in digital is about managing, not resolving tensions between hierarchy and collaborative management. One of the most important tensions is balancing formal versus informal power."

- Pete Blackshaw

"Be really bold and say, 'there is nothing sacred that we are not going to question. I know we used to do this – and maybe we have done it for decades – but is it time to give it up?' So you have to constantly question yourself and make sure that you are pushing the organization hard and fast enough."

- Janice Semper

"You have to shift from a push model to a pull model. [...] You have to create an environment where employees decide to connect to an executive voluntarily and learn from him or her, thus pulling your audience into understanding your vision and goals."

- Vala Afshar

"The person at the top of the organization needs to have a digital vision. He or she has to be the biggest-and-best example of the change that needs to occur."

- Jennifer Waldo

"The big moment for an organization is when they have embraced the fact that digital transformation isn't a technical issue, but a cultural change."

- Ian Rogers



LVMH: When Luxury goes Digital



Ian Rogers

Chief Digital Officer at LVMH

LVMH is one of the world's leading luxury goods conglomerates. With brands that include such names as Christian Dior, TAG Heuer, Sephora, and Louis Vuitton, its 2016 revenues reached over €37 billion.

Ian Rogers is the Chief Digital Officer at LVMH. He joined the company from Apple, where he was Senior Director of Apple Music. Prior to that, he was the CEO of Beats Music, which was acquired by Apple.

The LVMH Model
– leveraging the
entrepreneurial spirit of
each company

**What are your core
responsibilities as Chief Digital
Officer at LVMH?**

LVMH is a holding company with 70 different companies under the same umbrella. These 70 companies come under four broad segments - fashion leather goods, perfumes and cosmetics, wine and spirits, watches and jewelry. The key word here is “holding”. LVMH is not centrally managed and the companies in the LVMH group are quite independent.

My role as Chief Digital Officer is about trying to find the ways that each of the companies can take advantage of the collective scale of the entire group, while helping to manage the individual digital transformation of each. We are not about building centralized platforms. It’s more about making sure that each of the companies has the resources they need to be successful individually, while taking advantage of the collective scale whenever possible.

“My role as Chief Digital Officer is about trying to find the ways that each of the companies can take advantage of the collective scale of the entire group, while helping to manage the individual digital transformation of each

From a digital perspective, what are the advantages of having a portfolio of companies?

You have a true entrepreneurial spirit in all LVMH companies and this creates natural competition between them. And when there is natural competition and success, it’s really contagious. If an individual or a team sees success, then everybody else wants to know what’s going on. They want to know why their approach is working, and how they are making it happen, so they can apply this new approach to their own part of the business. We have a lot of diversity in the group and we all learn from each other. We certainly do not want to take away the entrepreneurial experience from any of the brands.

Do not put “digital” in a corner – integrate it in everything you do

Why do you think many traditional companies often struggle with their digital transformation?

Digital is a capability that should exist across the organization and across every single team. Some companies tend to view “digital” as something different, separated from the rest of the organization. And this is the biggest mistake you can make, saying “let’s call it digital and put it in the corner”. At Apple, talking about “digital” is like talking about oxygen. It is so pervasive that you don’t talk about it anymore. The big moment for a company is actually when they get rid of that top-level digital role and integrate it into the core of their organization.

“At Apple, talking about “digital” is like talking about oxygen

There is also a governance challenge. Technology should have a much more important role in companies and this should be reflected in the organizational structure. A CTO, for example, should be reporting to the CEO, not the CFO.

Technology should have a much more important role in companies and this should be reflected in the organizational structure

How do you percolate learning across the organization?

Communication is the key. It is a big part of my job. You need to find a consistent rhythm to your communications: make people buy the vision of the company and your expertise. And most importantly, you need to go out and talk to people – this is the favorite part of my role.

You need to go out and talk to people – this is the favorite part of my role

Digital transformation: a cultural change – not a technical issue

What is the key tipping point in a digital transformation?

The big moment for an organization is when they have embraced the fact that digital transformation isn't a

technical issue, but a cultural change. Organizations need to accept that digital culture is something that they really need to invest in.

The big moment for an organization is when they have embraced the fact that digital transformation isn't a technical issue, but a cultural change

How do you make sure that digital is actually embedded in the whole organization?

There are multiple ways to tackle this but one thing will definitely help: the leadership team needs to realize that there is no such thing as a “digital” P&L. Offline marketing leads to online sales. And vice versa. You need to look at the whole picture. In other words, look into digital and physical metrics side-by-side. And at this point, very few businesses are doing that.

Organizations need to accept that digital culture is something that they really need to invest in

The leadership team needs to realize that there is no such thing as a “digital” P&L. Offline marketing leads to online sales. And vice versa

In-house innovation

How do you think organizations should go about driving a digital culture?

At LVMH, we allow each brand to take its own direction and evolve over time. There are two broad strands to it – one is the people side and the other is the technology side.

We have an entrepreneurship initiative that's happening from the HR department. The objective is to see how we can upgrade the culture, becoming more entrepreneurial from the inside-out.

The other side of it, which I am responsible for, involves building the craft of software development inside the company. It is about trying to bring some of the innovation that would have been previously outsourced to agencies or partners and getting it all in-house.

One of the other advantages of being a very diverse organization is that we have a lot of homegrown projects that are almost like startups. If you couple that with the fact that we have multiple investment arms, we have the flexibility to experience a lot of innovation first-hand without having to go outside.

I predict that in ten years' time, the Chief Digital Officer title will go away. It is a transitional role

Do you think organizations need roles such as a Chief Digital Officer in order to drive the culture change that is required in digital transformation?

I predict that in ten years' time, the Chief Digital Officer title will go away. It is a transitional role. It is the role of a change agent. You need it right now because you need people who understand the levers of innovation that large organizations have, but which they don't utilize. But over time, these "digital" titles should be fully eliminated. The bottom-line is that you need a strong technology person who reports to the CEO and

whose job is to move at Internet speed and enable the rest of the company. Technology is behind the scenes and touches the consumer everywhere. What this means is that organizations are increasingly interfacing with their customers via software.

Technology is behind the scenes and touches the consumer everywhere



The Academic Outlook





Distributed Leadership: Engaging the many rather than the few to create an innovation culture

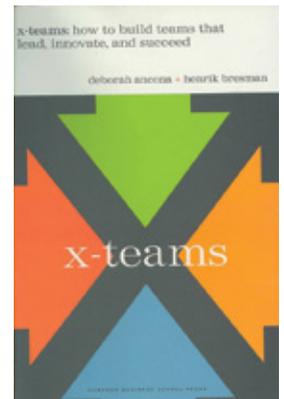


Deborah Ancona

*Director of the MIT Leadership
Center at the MIT Sloan School of
Management*

Deborah Ancona is the Seley Distinguished Professor of Management, a Professor of Organization Studies, and the Director of the MIT Leadership Center at the MIT Sloan School of Management. Her work focuses on the concept of Distributed Leadership and the development of coaching models that enable organizations to foster creative leadership at every level. She is the author of *X-Teams: How to Build Teams That Lead, Innovate, and Succeed*¹.

Capgemini's Digital Transformation Institute talked to Deborah to understand how organizations can ensure that culture challenges do not put a brake on digital transformation.



¹ Harvard Business School Press, "X-Teams: How To Build Teams that Lead, Innovate, and Succeed", Deborah Ancona and Henrik Bresman, 2007

Culture is one of the slowest things to change. It is deeply ingrained and often tacit

The great culture challenge: why culture is so difficult to change

In our research, we found that culture was the number one hurdle to digital transformation. Why is it so difficult to crack?

Culture is one of the slowest things to change. It is deeply ingrained and often tacit. It is so embedded in our mindset that it triggers automatic behaviors that we do not even truly perceive. People behave in a particular way, which they think is the ‘right way to operate’, because they have been rewarded for these behaviors over many years. In addition, peoples’ identities get tied to the existing work that they do. This produces inertia that limits change to resolve new challenges. Employees will resist because they still see the old behaviors as critical to their success and central to who they are while seeing the new norms as risky. And, very often, leadership is not conscious of the need to take culture into account.

Do you feel that leadership teams fail to take culture seriously enough?

Leadership often underestimates the importance of culture. Senior executives take a lot of time and effort to do what we call ‘sense making’ and strategizing. In other words, executives consider what market to approach, what technologies to invest in, what direction the competition is headed, and so on. But they often underestimate the time and effort needed to implement change, shift cultural norms, and fail to give enough attention to communicating with—and educating – employees. So, when employees hear words like ‘agility’ and ‘innovation’, they don’t know what it means for them.

People behave in a particular way, which they think is the ‘right way to operate’, because they have been rewarded for these behaviors over many years

Success factor: focus on changing ways of working rather than mindsets

How do you evolve a company’s culture?

It’s actually really hard to change the way people think, so you need to change what people do instead. And once they do things differently, it shifts the way they think. Neuroscience shows that it is difficult to erase existing neuropathways, it is easier to create new neuropathways. So rather than focusing on changing mindset, organizations need to change ways of working. Once employees start acting in this new way and seeing positive effects, they begin to feel comfortable in the new ways of operating. Slowly, over time, you secure a change in the overall mindset.

Leadership often underestimates the importance of culture

Success factor: encourage ‘Distributed Leadership’ or ‘Leadership at all Levels’

What should organizations do to steer a culture of innovation and collaboration?

A good way to start would be to break the norms of bureaucracy and empower people at all levels. We have developed the concept of Distributed Leadership or Leadership at all levels. It’s all about developing an entrepreneurial culture at lower levels in the organization.

When employees hear words like ‘agility’ and ‘innovation’, they don’t know what it means for them

Getting people to innovate cannot happen by snapping your fingers and saying ‘go and innovate!’ Creating an innovation culture requires a lot of mentorship and coaching. You first need to identify a strong base of leaders that will coach and mentor less senior but entrepreneurial employees on what’s changing and how to shift gears. The role of these leaders is to help employees navigate the new organization and avoid any pitfalls as they seek to execute their ideas.

How can organizations manage a Distributed Leadership model where decisions are made at all levels?

The distributed decision-making structure has its own risks. If it’s not managed well, it could result in confusion. Organizations need to have guardrails in place to ensure that too much freedom does not

result in chaos. These guardrails are simple rules put in place to ensure organizational interests are protected, while providing employees with enough freedom. Employee awareness of these guardrails comes from clear communication, training or mentorship. Senior executives are also given responsibility for making sure that employees understand the organization’s strategic direction and are rewarded for strategically aligned behavior.

A good way to start would be to break the norms of bureaucracy and empower people at all levels



Creating an innovation culture requires a lot of mentorship and coaching

What is the process that companies should put in place to select new ideas?

Southwest Airlines provides a good example. They developed a body they called the 'Choice Committee', which selects the ideas that will be implemented organization-wide. It worked well because it was very clear and transparent to all employees, encouraging them to come forward with new ideas. Your people have to feel that there is a fair selection process when they submit their ideas. Organizations need to set up simple rules on what type of innovations will be

rewarded and implemented and communicate them widely. For example, if organizations don't want to have too many small projects that add no significant value, then you could set a rule saying that the minimum market valuation for a product innovation should be 50 million dollars.

You talked about inertia earlier. How do you break this inertia and get started?

You have to work with the most innovative, excited people and send them out across the organization. Once they have successfully worked with a team, the team members then need to populate lots and lots of other teams. In this way, the new ways of operating begin to infiltrate the rest of the system. Executives need to highlight stories, not only of successes, but also of solid attempts to change. Employees need to be coached and encouraged to go outside of the organization to learn new ways

You have to work with the most innovative, excited people and send them out across the organization

of operating.

What steps should organizations take to change their culture?

The one thing you shouldn't do is try to change culture through a linear way of thinking. Changing an organization's culture is much more complex than changing a process, where you follow a sequence of simple steps. A system change is required to drive cultural changes. You need to trigger multiple changes at the same time so that the organization develops reinforcing cycles of behavior.

It's actually really hard to change the way people think, so you need to change what people do instead

You need to trigger multiple changes at the same time so that the organization develops reinforcing cycles of behavior

“The problem with most transitions is that things will get worse before getting better. As you are asking people to act in different ways and try new things, their performance is likely to decline

Success factor: Prepare for a slump before success

Risk of failure is often a barrier for employees to innovate and try new ways of working. How should organizations deal with this challenge?

The problem with most transitions is that things will get worse before getting better. As you are asking people to act in different ways and try new things, their performance is likely to decline. This is something that my MIT colleague Nelson P. Repenning has documented in-depth². And organizations need to be prepared for that eventuality because that's not an easy thing to tell stakeholders.

How should reward mechanisms evolve?

First, organizations need to move away from the traditional ways of evaluating an individual or an experiment. An experiment should be judged not on its success or failure but on what it taught the organization. Employees should be assessed not on their success or failure but on their adoption of the new behaviors. For example, an organization trying to become more externally oriented might ask: “did you go out and collaborate?”, “What learning did you bring to the organization? Have you been building your external network?, Do you know who the best partners might be?”

Similarly, organizations need to change their hiring strategy. Rather than know-it-all employees with a fixed mindset, organizations need to hire employees that have a learning mindset and who are willing and curious to try new things.

“Employees should be assessed not on their success or failure but on their adoption of the new behaviors

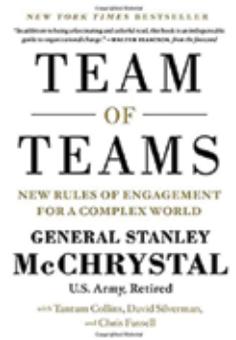
The US Military – a Successful Example of Culture Change

Are there large organizations that have managed to radically evolve their culture?

The US military is a good example and it's something General Stanley McChrystal explained in his book *Team of Teams*³. When you are

fighting a different enemy, such as terrorist groups, you need an operating structure that is flexible and responsive to changes at ground

level. The US military changed its operating structure, providing a lot more autonomy to military personnel operating at ground level. Nevertheless, a very clear command structure is still maintained that drives all major decisions and maintains equilibrium and clarity within the whole organization.



² Nelson P. Repenning is the School of Management Distinguished Professor of System Dynamics and Organization Studies at the MIT Sloan School of Management.

³ Penguin, “Team of Teams: New Rules of Engagement for a Complex World”, General Stanley McChrystal et. al., 2015.

Distributed Leadership to create an innovation culture



Why is culture so difficult to change?

Deeply ingrained and often tacit, triggers automatic behaviors:

1. Leaders **underestimate** culture change

2. Employee **resists** it

How to evolve culture?

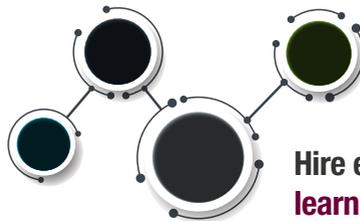
Do not try to **Change Mindsets**...
...But, instead try to **Change ways of working**

Recommendations

Encourage 'Distributed Leadership' or 'Leadership at all Levels'...

... and create simple **guardrails**,
"Ensuring that too much freedom does not result in chaos."

Monitor **new behaviors**, not success or failure.



Hire employees with a **learning mindset**

US Military—a profound culture change

Facing **new threats**, the US military:



Result: Better **success** at fighting new threats

Organizations need to hire employees that have a learning mindset and who are willing and curious to try new things

How do you measure the evolution of culture?

There is no formal indicator designed to measure success of a culture change. However, you can say that a cultural transformation has been successful when you start seeing people thinking and

acting in new ways. Have the ways of operating changed? Are employees truly agnostic to whether or not the solution comes from internal resources or from external collaborations? Are people experimenting? Are they building their network?

How much time would it take for an organization to undergo a complete culture transformation?

It takes a lot of training and experimenting. An optimistic timeline for an organization to change its culture could be around five years.

You can say that a cultural transformation has been successful when you start seeing people thinking and acting in new ways



How to measure culture evolution?

“There is no formal indicator designed to measure success of a culture change. However, you can say that a cultural transformation has been successful when you start seeing people thinking and acting in new ways.”

– Deborah Ancona

“Measuring culture is very hard – I believe one should measure the underlying behaviors instead. To create a case for change, one might therefore help employees become aware of the gap between their current and desired behaviors.”

– Ethan Bernstein

“We introduced Culture Compass last year; [...] a culture change tool that teams actually use. They can look at the results and ask: ‘where are we making progress? What areas are still challenging for us?’”

– Janice Semper

“We look at overall business growth and then attribute some of it to the work we are doing. But we also monitor softer elements: are the silos softening? Is the line between sales and marketing diminishing? [...] Cultural change is one of those areas where ‘you know it when you feel it.’”

– Pete Blackshaw

“We have weekly all-hands meetings to help stay connected to each other. [...] It creates an inclusive and transparent environment that provides us with constant feedback on how our culture is perceived by the employees and what can be improved.”

– Tariq M. Shaikat



Creating an Employee-Centric Digital Culture



Ethan Bernstein

Assistant professor in Organizational Behavior, Harvard Business School—Boston/ US

Ethan Bernstein is an assistant professor in the Organizational Behavior unit and the Berol Corporation Fellow at Harvard Business School. Professor Bernstein studies the impact of workplace transparency on productivity, with implications for leadership, collaboration, organization design, and new forms of organizing. His work includes *‘Beyond the Holacracy Hype’* (*Harvard Business Review*, July-August 2016) and *‘The Transparency Trap’* (*Harvard Business Review*, October 2014).

Capgemini’s Digital Transformation Institute talked to Ethan to understand how organizations can work towards creating an employee-centric digital culture.

Culture—the glue that keeps us doing things well or poorly

How do you define organizational culture?

Edgar Schein defined organizational culture as “a pattern of shared basic assumptions—learned by the group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.” In short, because certain assumptions have produced success in the past, we adopt them as the way of doing business going forward. The way we describe it here at Harvard Business School is that culture is the glue that either keeps us doing things well... or keeps us doing things poorly.

How do you change culture and what are the key challenges of trying to do so?

I do not view culture as a lever for change. Instead, I view culture as an output of the way we architect our groups, teams, and organizations. To change culture (as an output), we therefore need to change the conditions under which it grew (as an input).

Consistent with that perspective, I view what you are calling “digital culture” as a culture that emerged

Culture as an output of the way we architect our groups, teams, and organizations

in a group, team, or organization with a primarily digital architecture. I suppose the challenge of cultural change arises when the architecture becomes increasingly more digital (a shift common to most organizations today). Even as the architecture becomes more digital, the culture—originally generated in an “analog” world—may present barrier to change (for better or worse).

From a management-centric culture to an employee-centric one

In our research, we have seen a strong disconnect between leadership and employees. How do you explain this divide?

Many organizations fail to address one important question in digital transformation: who does the digital architecture serve? In large organizations, digital tools have often served the manager because managers are the ones with the budget to implement digital tools and the authority to decide how such tools get used. In short, the managers are the clients, and all

structures and tools are designed around them. Let’s put it this way—most companies have developed a management-centric digital culture, with little or no importance given to developing digital tools the way employees—not managers—would ideally use them.

Most companies have developed a management-centric digital culture, with little or no importance given to developing digital tools the way employees—not managers—would ideally use them

What are the consequences of this management-centric approach to digital transformation?

For the sake of illustration, imagine the difference between an employee-centric and management-centric approach to a digital tool many of us are now

familiar with: a Fitbit tracker. In an employee-centric model, the tool would be presented as “a tool for you to track your steps.” In a management-centric model, it would be presented as “a tool for your manager to track your steps for you.” The behavioral responses to those two framings are likely quite different. If you know your manager is tracking performance, you deliver compliance with her or his expectations. If you are the only one tracking it, you experiment

to see how different approaches might trigger different results, yielding improvement, innovation, and change.

“Imagine the difference between an employee-centric and management-centric approach to a digital tool many of us are now familiar with: a Fitbit tracker

Are there companies that have adopted a true employee-centric approach in their digital transformation?

Consider Zappos. They have designed most of their latest workplace technologies, under the umbrella of their Holacracy implementation, to serve the individual frontline employees—not to serve the manager. In part, that has been easier for Zappos because Holacracy doesn't have individuals designated as “managers” per se.



HEALTH TESTS



“A true shift from a management-centric to employee-centric approach will happen when organizational leaders or managers use digital as a tool for learning, rather than a tool for control

The challenging role of middle managers in organizations with increasing flows of data

What should organizations do to move to an employee-centric digital culture?

A true shift from a management-centric to employee-centric approach will happen when organizational leaders or managers use digital as a tool for learning, rather than a tool for control. Imagine if managers were telling front-line employees: “this data is for you—not for me. Use this data to improve and experiment.” Organizations may find it increasingly beneficial to shift to a more informal, bottom-up approach to a “digital culture,” as that is the way learning typically happens.

Does it mean that middle managers don't really have a role anymore in the organization?

That is a good question, and only time will tell. That said, there is certainly the potential for increasingly digital workplaces to lead to a thinning out of middle management in the medium-to-long term. We need to ask ourselves the question—what does it mean to be a middle-manager in an organization where flows of data travel directly between the front line to senior management (via dashboards, electronic communication, social technologies, etc.)?

What does it mean to be a middle-manager in an organization where flows of data travel directly between the front line to senior management

Make employees aware of their behaviors so that they can change

Can culture change be measured and, if so, how?

Measuring culture is very hard—I believe one should measure the underlying behaviors instead. To create a case for change, one might therefore help employees become aware of the gap between their current and desired behaviors. Lots of digital tools now enable employee behavioral monitoring. To the extent that they allow employees to see their own data, behaviors can change as a result. So the real value comes in creating self-awareness for change.

Measuring culture is very hard—I believe one should measure the underlying behaviors instead

Is there a risk that being monitored will actually restrict employees' behaviors?

Of course. Much of my research has been about that. But when technology is used not to control people, but to keep them informed and help them work things out amongst themselves, then I think we will see a world where improvement becomes easier than in a traditional, analog organization.

Let individual teams own the culture change

Who should take the lead in driving digital culture change in an organization?

Culture change should not be owned solely by global functions but also by local teams. Digital tools make it far easier to decentralize the process of culture change—a significant opportunity for many large organizations.



Culture change should not be owned solely by global functions but also by local teams

What is the role of digital tools in this culture transformation?

Generally, digital tools provide transparency about what people know, do, say, decide, etc. That results in a huge amount of data to process, analyze, and deliver to those who can benefit from it. Such data may be overloading for humans to process, thus creating a demand for artificial intelligence (so-called “bots”) that can help us get the digitized information to those who need it when they need it.

And what is the role of the leadership in this culture transformation?

Vision, strategy and values play a very important role in a world where you are using digital tools to provide much more autonomy to individuals and teams. In an organization in which people use that autonomy, combined with readily accessible digitized information, to allow workers to focus their attention on those projects in which they can have the greatest impact, the biggest challenge for the top of the organization is figuring out how to help people focus their attention. Vision, values, and strategy help senior management ensure that the collective attention of the employees is focused around the organization’s *raison d’être*.

Creating an Employee-Centric Digital Culture



Move from a management-centric culture to an employee-centric one

Make digital tools more employee centric:

Ask the question: who does the digital architecture serve – the employees or the management

Use digital tools for learning rather than for control..

“ Imagine if managers were telling front-line employees: ‘this data is for you – not for me. Use this data to improve and experiment. ”

Fitbit as a digital tool:



Employee-centric model:
'a tool for you to track your steps.'



Management-centric model:
'a tool for your manager to track your steps for you.'

Make employees aware of current behaviors vs. desired behaviors

Tools for employee behavior self-monitoring



Empower local teams to own their culture change

- Higher accountability
- Greater autonomy

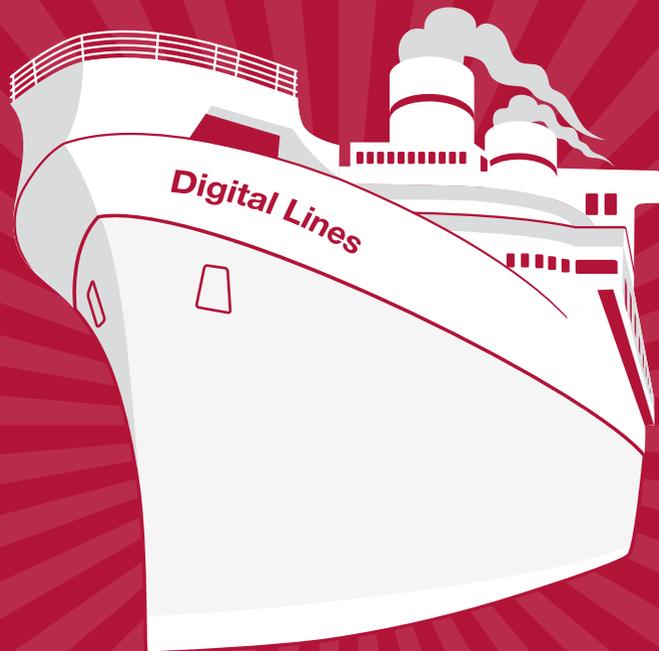


Institutionalize vision and values to guide teams to stay aligned to organization's priorities

“ Vision, values, and strategy help senior management ensure that the collective attention of the employees is focused around the organization's raison d'être. ”



The Digital Natives' Perspective





Culture at Google: Transparency and Collaboration



Tariq M. Shaukat

President of the Customer Team at Google Cloud

Tariq M. Shaukat is President of the Customer Team at Google Cloud. In this role, Tariq is responsible for customer and revenue operations for the Google Cloud service offerings, which include G Suite, Google Cloud Platform, Cloud Machine Learning, Android, Chromebooks, and Google Maps.

Prior to joining Google, Tariq was Executive Vice President and Chief Commercial Officer of Caesars Entertainment, where he oversaw Marketing, Sales, Information Technology, Analytics, Distribution, and Product.

Capgemini's Digital Transformation Institute talked to Tariq to understand what makes Google's culture a key asset for the organization.

A culture where people share—and implement—innovative ideas

What is really special about Google’s culture, and how would you describe the key attributes?

Google’s culture is really one of the core strengths of the company. And we spend a lot of our time and energy working on culture, talking about culture and monitoring culture. The company’s culture is one of the key reasons why Google is such an attractive proposition for employees and candidates.

We have created a non-hierarchical culture where people are not afraid to speak their mind or contribute an idea. We firmly believe that good ideas come from everywhere within the organization—they don’t come just from the most senior people. Therefore, having an inclusive model is absolutely key.

We spend a lot of our time and energy working on culture, talking about culture and monitoring culture

Another key component of our culture is the freedom we give employees to pursue their own interests while at the same time working towards the common goals of the company. The ‘20% program’—the portion of work hours where Google employees can work on new projects that could benefit the company—is a good illustration of how the company allows employees to pursue their own interests. What are the lessons you have drawn from the program?

We have created a non-hierarchical culture where people are not afraid to speak their mind or contribute an idea

What I find most remarkable about the 20% program is how much it is both valued and stewarded by teams. On my team, I have folks who regularly identify challenges and opportunities for a 20% project. Team members can choose an opportunity that they are passionate about – it does not have to be directly related to what they are currently doing. Some of the best solutions at Google have been created—and continue to be created—as 20% projects.

A culture where data drives decisions

Google has the reputation of having a strong data-driven culture. Can you give us some examples?

Google’s culture is fundamentally data-driven where data drives decisions. A culture where every conversation is expected to be at least informed by the facts demonstrated on the ground, even if not data-driven. And we don’t just use data in areas that have been traditionally quantitative. We have a people analytics team, for example, which is figuring out what makes teams work. This data actually helps us improve our culture further.

A senior leadership team that is visible and accessible

Are you monitoring Google’s culture?

We conduct regular surveys of our workforce like many other large organizations. But more importantly, we have weekly all-hands meetings to help stay connected to each other. Larry and Sergey chair these town hall meetings every week with the entire organization. At these meetings, a considerable amount of time is dedicated to answering

questions from employees. Googlers can vote the questions up and down, and the management team answers the questions in the order in which they have been ranked. It creates an inclusive and transparent environment that provides us with constant feedback on how our culture is perceived by the employees and what can be improved.

Larry and Sergey chair these town hall meetings every week with the entire organization

The company has dramatically grown over the past few years. How do you manage to maintain Google's original culture and avoid all these layers of bureaucracy that are common in large organizations?

It is something we are paying a lot of attention to. Our all-hands meetings help identify shifts we want to realign. If you give employees a forum to speak their mind about how we can make Google and our services better, they can highlight any bureaucratic problems or blockers that are getting in the way of their work.

Googlers can vote the questions up and down, and the management team answers the questions in the order in which they have been ranked



Leaders embody a non-hierarchical culture of collaboration and transparency

Collaboration is a key component of a digital culture. How do you help people talk to each other and collaborate in such a large organization?

At Google, we use our own cloud-based collaborative tools – G Suite – which allows teams to work together seamlessly no matter where they are located. But creating a collaborative culture starts with hiring; the first step is hiring people who want to work in teams.

What is the role of the leadership in the creation of this collaborative culture?

You have to create an environment where there is incentive and reward for collaboration as well as freedom for someone to speak their mind. It won't work if you have an environment where leaders ask you to collaborate but, there is a negative response if you say the wrong thing.

It won't work if you have an environment where leaders ask you to collaborate but, there is a negative response if you say the wrong thing

Leaders need to embody this non-hierarchical approach to collaboration and transparency. It means being open to feedback and acting upon this feedback. Leaders are responsible for role modelling the culture that they want to create.

Leaders need to embody this non-hierarchical approach to collaboration and transparency

What are the other levers that you are using to transform Google's culture?

What is remarkable to me is how much the 70,000+ employees of Google are active advocates and stewards of the culture. If a Google

employee believes that you are acting in a "non-Googley" way, they will call you out. That is true whether you are the most senior person at Google or a brand new team member. Culture is viewed as a core obligation that we need to preserve and protect.

If a Google employee believes that you are acting in a "non-Googley" way, they will call you out

No training or employee survey can replace this attitude, which is deeply ingrained in the fabric of Google. When you join, you pick it up from the people that you work with.

Culture is viewed as a core obligation that we need to preserve and protect

For most companies, culture is the number one obstacle to digital transformation. Why do you think that is?

A digital transformation doesn't work unless you develop a culture that is more agile, more flexible, more transparent and with faster cycle times. The ways of working that companies need to adopt to succeed in a digitally enabled world are not the ones they have typically had in place.

I speak to many executives who say: "let me put in the tools and then the tools will take care of everything." There are also many executives who say "it is all about role modeling and hiring new people." From my perspective, you need to have the combination of the tools, like G Suite, which facilitate and enable collaboration; the culture, which is more agile and less hierarchical; and the processes to ensure that collaboration can occur. Google is successful because we have all three of these, and our most successful customers and partners are equally thoughtful across all of these dimensions.

Pull employees to change rather than pushing them

What would be your recommendations for companies that are trying to create a digital culture?

First, you need to *have a group of employees who can be role models and advocates for the change*. They are early adopters of the new behaviors and they show the rest of the organization that the change actually works. Organizations have to create a pull rather than only pushing employees to change. And this pull should come from peers rather than just top down. In our own experience, we have found that the role model or champion approach accelerates change. Once role models start using and advocating an approach or a tool, it suddenly generates a lot of credibility and excitement.

“Organizations have to create a pull rather than only pushing employees to change. And this pull should come from peers rather than just top down

Secondly, having a new culture with the old tools is very hard. If you are saying: "please be more collaborative", but you don't let people have collaboration tools, this change won't happen. So *you need the right tools in place to allow the transformation to happen*.

Finally, and this is the most intimidating part for many companies, *you need to enable employees to participate*. You need to create an environment where leadership is available for people to ask questions and get feedback. By giving employees the permission to speak, to collaborate, and to contribute, organizations end up moving people towards a more digital culture.

Culture at Google - Transparency and Collaboration

Promoting a culture of collaboration

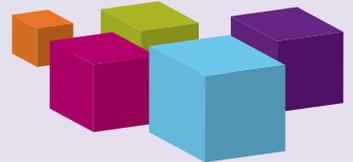
- Hire people who want to work in teams
- Have tools that allow teams to collaborate:
- Reward and incentivize collaborative behaviours
- Have leaders embody this non-hierarchical approach to collaboration and transparency



“ Leaders are responsible for role modelling the culture that they want to create. ”

Creating an environment for successful digital transformation

- Tools to facilitate and enable collaboration
- An agile and non-hierarchical culture
- Processes to ensure that collaboration can occur



“ Google is successful because we have all three of these, and our most successful customers and partners are equally thoughtful across all of these dimensions ”

Kickstarting a digital culture

- Have a group of employees who can be role models and advocates for change
- Have the right tools in place to allow the transformation to happen
- Enable employees to participate



Netflix's disruptive culture: minimizing rules and building a workforce of highly effective people

Key Figures (2016)

Revenue



8.83
billion USD

Employee
Headcount

4,500



Global Streaming
subscription



Creating a culture of excellence through HR process innovations

1. Hire "stunning colleagues":



- ▶ Pay top-of market

- ▶ Adequate performers given a generous severance package to hire a high-performer in that position

2. Seek excellence in performance:

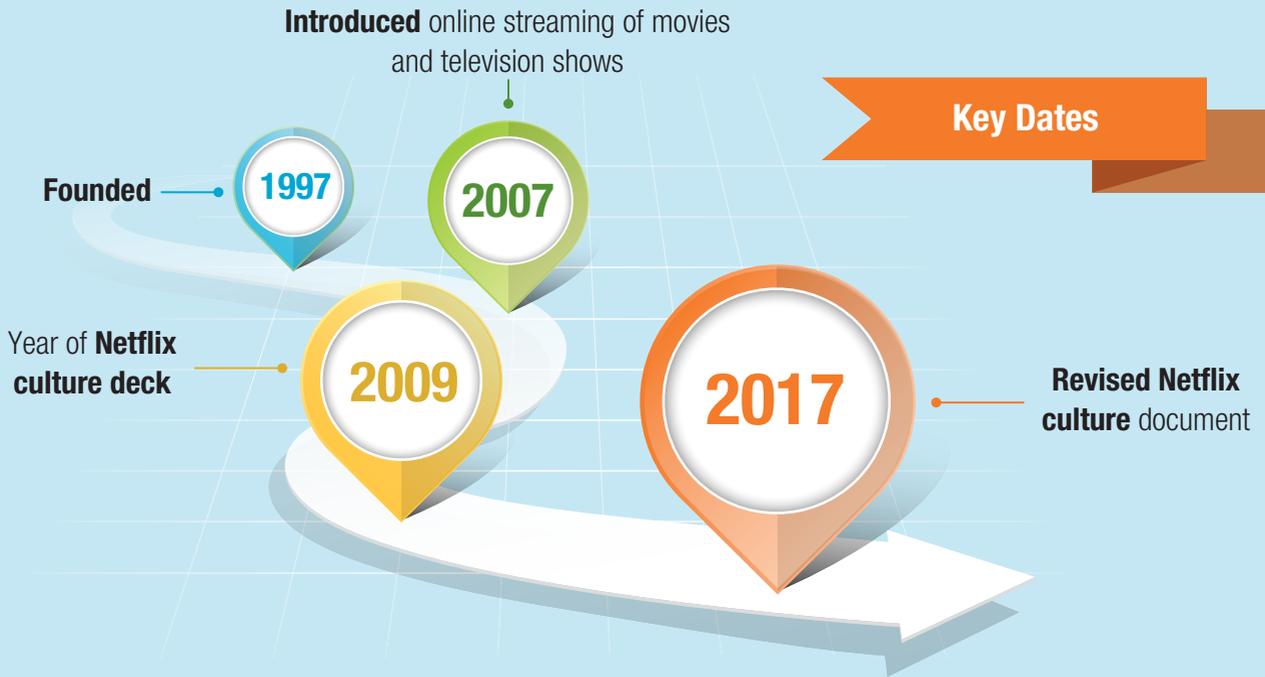


- ▶ No rating curve
Keeper test: *"if one of the members of the team was thinking of leaving for another firm, would the manager try hard to keep them from leaving?"*

3. Minimize rules:



- ▶ No policy for tracking vacation
- ▶ Parental leave: to be taken as required
- ▶ Expense policy: *"Act in Netflix's best interests"*



Promoting collaboration and innovation through “freedom and responsibility”



Empower employees with to make **decisions** and **innovate**



Enable management to provide **context** and **help**, while not being a roadblock



Build dream teams by “**bringing highly effective collaborators**”

“

Freedom and responsibility includes having the courage and curiosity to try risky projects, when it makes sense to do so, as these can lead to important innovations.”

– Employee testimonial¹



Source: Company website and news articles

¹Brendan Gregg, "Working at Netflix", Brendan Gregg's Blog, 2015.



Vala Afshar

Chief Digital Evangelist at
Salesforce.com

Salesforce: Creating a Digital Culture of Transparency, Collaboration, Continuous Learning and Humility



Vala Afshar is Chief Digital Evangelist at Salesforce.com. The author of *The Pursuit of Social Business Excellence*, he contributes technology, business and leadership articles to Huffington Post, INC Magazine, and Forbes.

Capgemini's Digital Transformation Institute talked to Vala to understand how Salesforce is using the power of social to create a culture of transparency, collaboration, and continuous learning.

A culture based on collaboration and transparency

Could you tell us about your role as a Chief Digital Evangelist at Salesforce?

My role is to bring innovation from the field back into our company. It's all about listening to our customers and hearing opportunities for digital change. I am collaborating with CIOs, CMOs and CEOs to understand how to best leverage information and technology to both drive their performance and improve the overall experience.

Culture is the number one success factor for digital transformation

What are the critical success factors for digital transformation?

Culture is the number one success factor for digital transformation. Then I would add talent, process and lastly technology. I've spent more than 20 years in the technology field and I have realized that even if you have the best tools, you won't achieve your full potential if you don't have the right culture.

How would you define Salesforce's culture?

We are first and foremost an incredibly social company and this is one of the key determinants of our culture. We, for example, use Chatter—our internal collaboration tool—more than we use email. Our social nature means that we have a culture of transparency, collaboration and continuous learning.

Our social nature means that we have a culture of transparency, collaboration and continuous learning

Using Chatter, a subject matter expert can get invited at any moment into a conversation in real-time. There are workflows and triggers that alert experts across domains, whether you're in sales, IT or engineering. It's an amazing amount of workflow automation, designed to enrich the conversation. It does this by connecting you to people that you may not personally know, but who are experts in the conversation that you're currently having. And this is driving a culture of continuous learning and collaboration.

You mentioned "transparency" as a key trait of your corporate culture. How is that manifested in your everyday activities?

V2MOM is a perfect illustration. It's probably one of the most innovative and disruptive processes we have in our company. The V2MOM acronym stands for Vision, Values, Methods, Obstacles and Measurements. It is the list of objectives I have as an employee for the year as well as the obstacles that I perceive I will have to overcome. Every single employee at Salesforce—all 28,000 of us—have this V2MOM, from our co-founders to newly-joined interns. What is very innovative is that you can look at anybody's V2MOM. All of my individual goals and measurements of success are transparent to everybody in the company and this brings alignment and commitment to each other.

The alignment that exists in our 28,000-strong company is much stronger than in any of the smaller firms I have been working with.

All of my individual goals and measurements of success are transparent to everybody in the company and this brings alignment and commitment to each other

The danger of the “That’s the way we’ve always done it” mindset

Why do most companies struggle with their digital transformation?

Most organizations don’t understand the degree of disruption that’s happening. And there are perhaps plenty of reasons for that confusion when you look at the extraordinary changes we are going through. Tesla sells 25,000 cars a quarter, yet has a larger market capitalization than General Motors, which sells 2.3 million cars a quarter. The World Economic Forum forecasts that 7 out of 10 kids in elementary schools are going to have jobs that don’t exist yet. And, if you believe current predictions, the biggest companies by 2030 aren’t even born yet.

Despite these disruptions, many companies still have an old mindset and follow old mantras, such as: “That’s the way we’ve always done it” or “if it’s not broke, don’t fix it.”

You have to shift from a push model, where you’re just pushing information throughout the company, to a pull model, where employees choose to follow a senior member or an executive

How do you start tackling those old mindsets and aligning people around a digital culture?

You have to shift from a push model, where you’re just pushing information throughout the company, to a pull model, where employees choose to follow a senior member or an executive. You have to create an environment where employees decide to connect to an executive voluntarily and learn from him or her. This is the power of a model where you pull your audience into understanding your vision and goals.



You know you're making progress when an intern is comfortable enough to post a comment to the CEO's social page

Make the best ideas win—not the best titles

How do you know that you are on the right track and developing the right culture?

You know you're making progress when an intern is comfortable enough to post a comment to the CEO's social page or to volunteer a point of view. This is when your culture has allowed you to flatten hierarchy so that the best ideas win, not just the best titles.

When your culture has allowed you to flatten hierarchy so that the best ideas win, not just the best titles

Certain traditional organizations are using reverse mentoring to accelerate the transformation of their organization. Do you think this is a good approach?

We even embrace reverse mentoring at Salesforce, where we pair senior executives with new hires across the business. And this is absolutely crucial to keep abreast with the latest trends. Let me give you an example. There are now 2.6 billion active messaging app users. This is a phenomenon that is two or three years old and one that the younger generation understands very well. If, as an executive, you ignore messaging apps as a channel, you're missing out the next generation workforce. For them, that's where the conversation is happening. Our younger employees really understand the power and scale of some of these emerging technologies and they bring their understanding to our senior executives.

As a leader, you need to be visible and engage with the frontline staff all the time

Consider your frontline staff as CEOs of customer service

In our research on digital culture, we found out that most employees do not really feel empowered to drive change. How do you empower all staff across the organization?

As a leader, you need to be visible and engage with the frontline staff all the time. In my previous organizations, I considered my frontline staff as the CEOs of our customer service and support. This was because data showed that nearly 80% of all our customer engagements came through our call center. If you want to find opportunities for innovation, go to where the work is taking place, especially if that work intersects with customers and partners. And it's amazing the amount of smart feedback that you will receive from frontline staff. This will help shape a culture of empowerment, where employees feel that they are truly contributing to the key decisions of the company.

There are always more smart people on the outside

Openness to the outside world is also a critical dimension of a digital culture. How do you encourage the organization to be more open?

At Salesforce, working with our community of developers has brought tremendous value to the company. We have 2 million active enterprise app developers and they regularly open our eyes on really important issues. We invite many of these developers to have quality face time with our senior leadership.

What is clear is that no matter how big your company is, there are always more smart people on the outside than on the inside. The most innovative companies embrace the work that is happening outside the walls of their company, bringing that back inside the organization.

Earlier, you mentioned the importance of continuous learning. How do you cultivate a learning culture?

You have to be humble. I'm amazed at the humility of Salesforce's senior leadership. As a leader in Salesforce, if you realize that you are going down the wrong track, you can just raise your hand and say that you were wrong. You won't be blamed for that. It gives me more courage to try new things knowing that. In his book, Marc Benioff highlighted the importance of a beginner's mindset: a mindset that is free of prejudice, always hungry, open and flexible. This is a really good summary of how you can create a continuous learning environment. As part of our learning initiatives, we have also gamified online training and that's free for all our stakeholders, customers, and partners. We've issued over 2 million badges across 150 learning tracks. That's an incredible corporate designed learning innovation.

“As a leader in Salesforce, if you realize that you are going down the wrong track, you can just raise your hand and say that you were wrong. You won't be blamed for that”



Best practices

Innovation

“We designed Henri@Nestlé, an open digital platform that enables startups to pitch projects in response to innovation challenges that we are trying to resolve. [...] You recognize that you can't build everything internally and that we have a lot to learn from the start-up community.”

– Pete Blackshaw

Performance management and alignment

“V2MOM is probably one of the most innovative and disruptive processes we have in our company. It stands for Vision, Values, Methods, Obstacles and Measurements. It is the list of objectives I, [...] along with the 28,000 other employees, have for the year. [...] All of my individual goals and measurements of success are transparent to everybody in the company and this brings alignment and commitment to each other.”

– Vala Afsbar

New way of working

“We introduced a new way to work in the company based on Lean Startup [...] and created FastWorks – our new way of working in the company. It is about understanding your customer, what their pain points are, and what a successful outcome would be from their perspective.”

– Janice Semper

Learning and development

“We have led the design and launched two new Massive Open Online Courses through the Crotonville organization: Becoming a Digital Industrial Leader and Thinking Like a Digital Industrial Leader. Both courses have extremely strong enrolment and consistently receive very high evaluations for the content, instructional design, and strength of delivery.”

– Jennifer Waldo

Collaboration

“At Google, we use our own cloud-based collaborative tools – G Suite – which allows teams to work together seamlessly no matter where they are located. But creating a collaborative culture starts with hiring – the first step is hiring people who want to work in teams.”

– Tariq M. Shaukat

Fostering entrepreneurship

“We have an entrepreneurship initiative that's happening from the HR department. The objective is to see how we can upgrade the culture, becoming more entrepreneurial from the inside-out”

– Ian Rogers

Building a Digital Culture for the Future - Focus on Generation Z

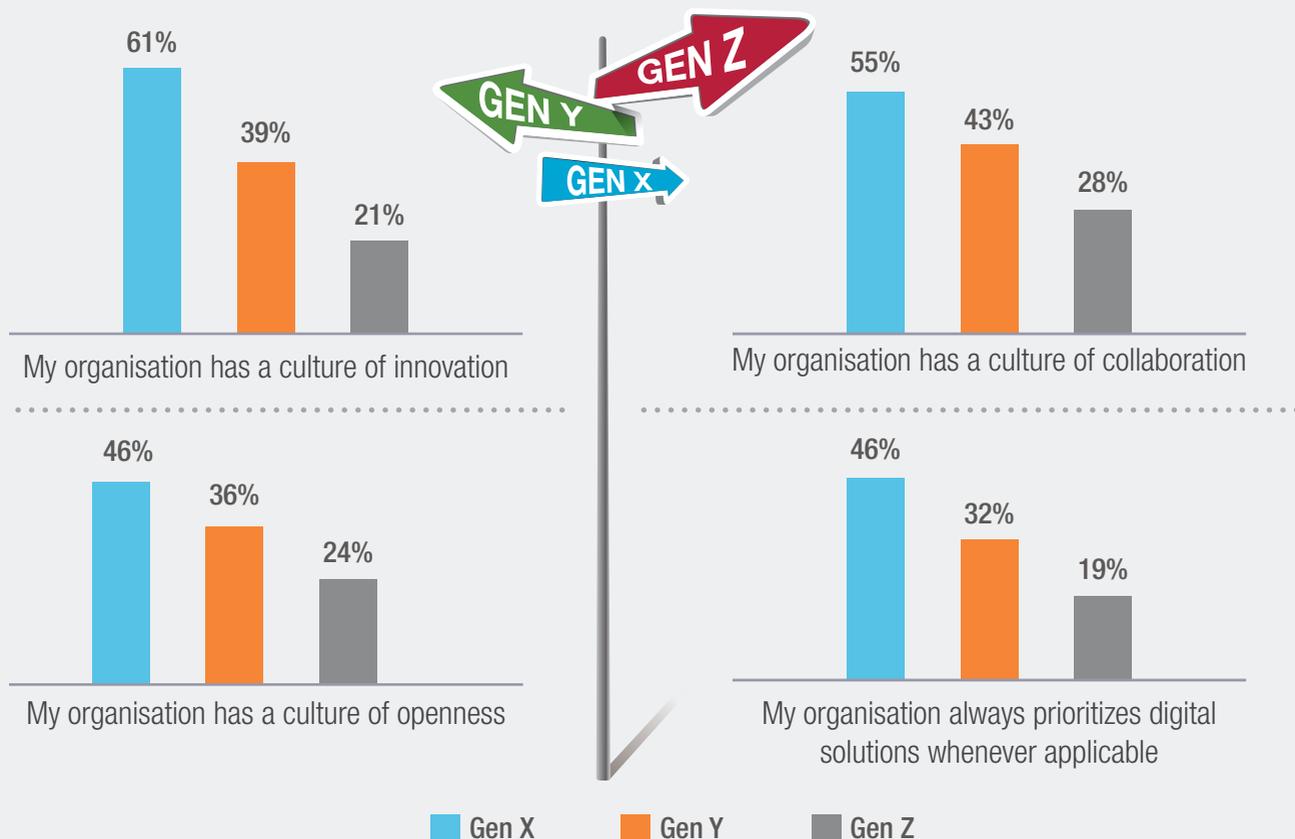
“They were born during the financial meltdown and don't know a world without the Internet. They will become the most entrepreneurial, conservative, diverse and educated generation in the world.”

Dan Schawbel¹



Gen Z, least optimistic about digital culture in the workplace

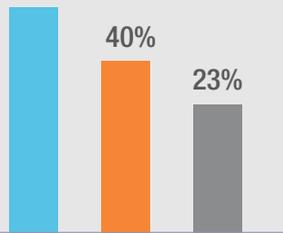
Percentage of Gen X, Gen Y, and Gen Z employees who agree that there is high prevalence of digital culture dimensions



How Gen X, Gen Y, and Gen Z experience digital vision and change in the workplace

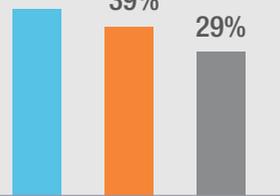


61%



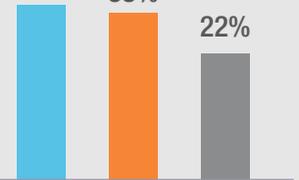
The digital strategy and vision are well communicated to the whole organisation

46%



I notice a positive change in the way me and my peers interact and work

41%



Leadership as role models in displaying openness to change and adopting new behaviours

■ Gen X ■ Gen Y ■ Gen Z

Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations

Why we should listen to Gen Z

By 2020, 20% of the workforce will be Gen Z employees¹

Close to 30% of Gen Z employees will switch jobs if their organization has no innovation culture³



¹ Dan Schawbel "66 Of The Most Interesting Facts About Generation Z." 2014.

² Information Week. "Gen Z Hits The Workforce: Are You Ready?" 2016.

³ Capgemini Digital Transformation Institute Survey, Digital Culture, March – April 2017, N = 1700, 340 organizations.

The Digital Culture Challenge



The Digital Culture Challenge: Closing the Employee-Leadership Gap

Culture – a roadblock or a catalyst for digital transformation

Ian Rogers, Chief Digital Officer at LVMH - *“The big moment for an organization is when they have embraced the fact that digital transformation isn’t a technical issue, but a cultural change.”*

The Chief Digital Officer of a global consumer products company says: *“Culture change is a prerequisite of digital transformation.”*

Unfortunately, it’s a pre-requisite that is beyond the grasp of many companies as they look to drive innovation and change through smart technologies and data. For most, cultural issues continue to block digital transformation and it’s a problem that’s worsening. In 2011, a majority of respondents (55%) said that culture was the number one hurdle to digital transformation¹, but in our latest research, this figure has actually risen to 62% (see Figure 1).

 **The big moment for an organization is when they have embraced the fact that digital transformation isn’t a technical issue, but a cultural change**

- Ian Rogers,
Chief Digital Officer at LVMH

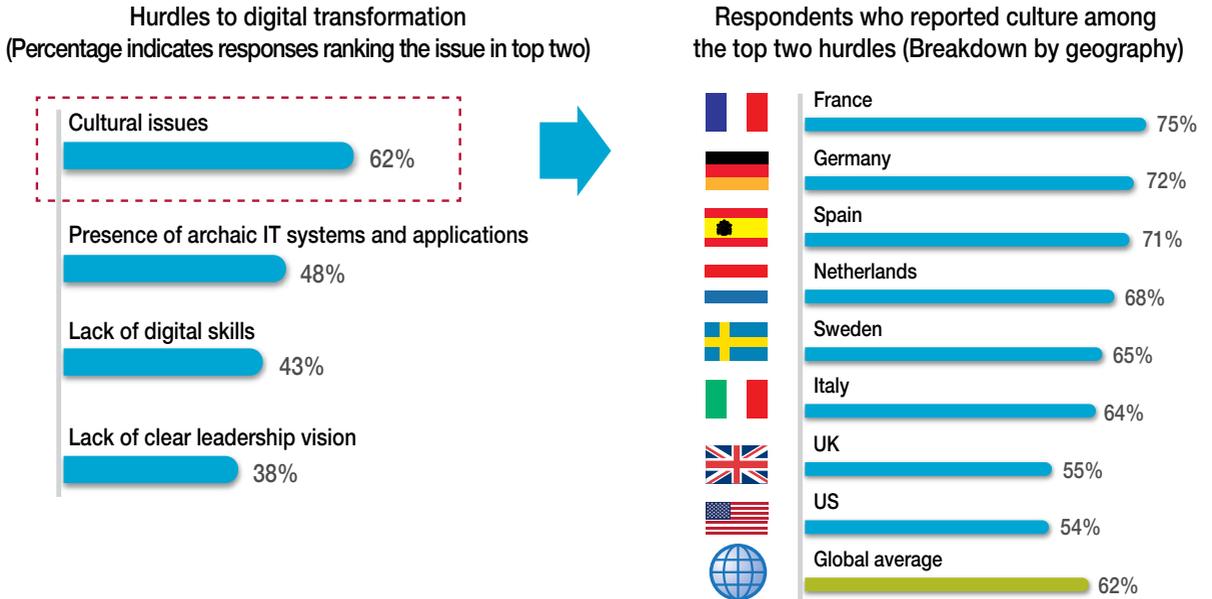
Why culture should be on top of CXOs’ agenda

As Deborah Ancona, MIT Sloan School professor, noted *“Leadership often underestimates the importance of culture”* and yet, culture is one of the most important sources of competitiveness. Having a culture that empowers staff and gives them a sense of purpose has become crucial in a world, where only 13% of employees feel engaged². Without laying a strong foundation for culture and aligning employees to a digital vision, it will be extremely difficult to make any meaningful progress on digital transformations. As Professor Ethan Bernstein of Harvard Business School explained in a recent discussion with Capgemini. *“Culture is the glue that either keeps us doing things well or keeps us doing things poorly.”*

1 Capgemini, “Digital Transformation: A Roadmap For Billion-Dollar Organizations”, 2011

2 Gallup, “The Worldwide Employee Engagement Crisis”, January 2016

Figure 1: Culture is the number one hurdle to digital transformation



Source: Capgemini Digital Transformation Institute Survey, *Digital Culture*; March-April 2017, N = 1700, 340 organizations

“Culture is the glue that either keeps us doing things well or keeps us doing things poorly

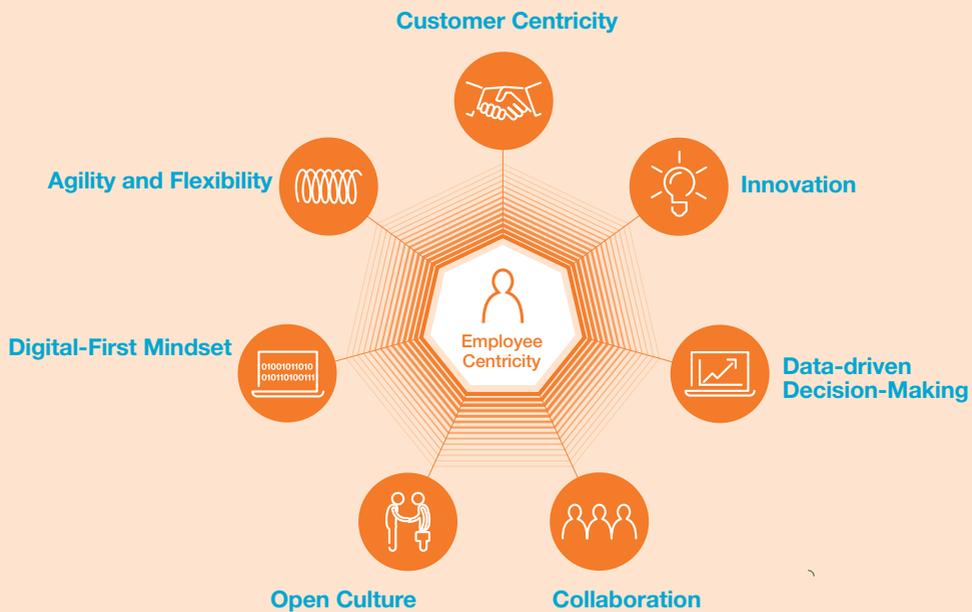
To understand why organizations are struggling and what they can do about it, we undertook an extensive research program based on a clear definition of digital culture (see ‘What is digital culture?’). We surveyed 1,700 people—including not only senior executives, but also managers and employees—in 340 organizations across eight countries

and five sectors. We also interviewed senior business executives from a range of organizations across industries, as well as academic experts.

The research methodology at the end of the report provides more details on our approach.

What is digital culture?

Building on our research with the MIT and what we consider to be a digital organization, we have defined digital culture as a set of seven key attributes.



- **Innovation:** The prevalence of behaviors that support risk taking, disruptive thinking, and the exploration of new ideas
- **Data-driven Decision-making:** The use of data and analytics to make better business decisions
- **Collaboration:** The creation of cross-functional, inter-departmental teams to optimize the enterprise's skills
- **Open Culture:** The extent of partnerships with external networks such as third-party vendors, start-ups or customers
- **Digital-First Mindset:** A mindset where digital solutions are the default way forward
- **Agility & Flexibility:** The speed and dynamism of decision-making and the ability of the organization to adapt to changing demands and technologies
- **Customer Centricity:** The use of digital solutions to expand the customer base, transform the customer experience, and co-create new products

We also applied the lens of employee experience across these seven dimensions, for example, the engagement of employees and their empowerment or the weight of bureaucracy and hierarchy.

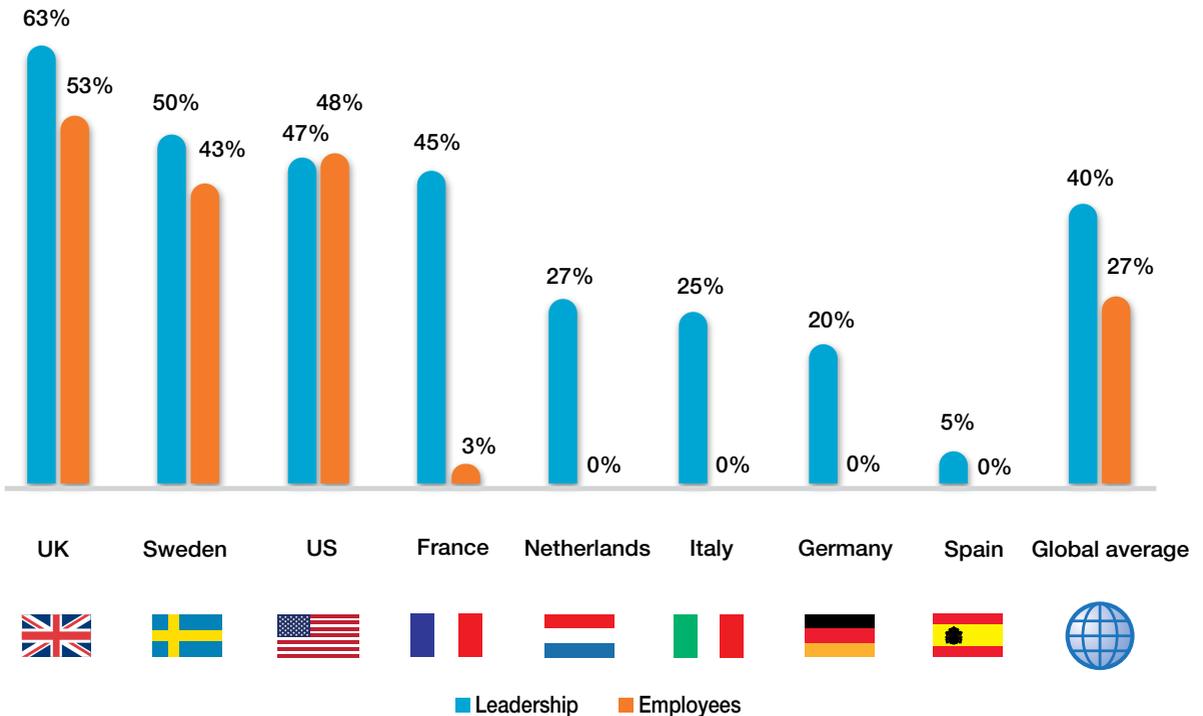
Digital culture: the disconnect between leadership and employees couldn't be wider

Employees don't see their culture as 'digital'

Our research reveals a significant perception gap between employees and leadership. While 40% of senior executives believe their organization has a digital culture,

only 27% of the employees felt the same (see Figure 2). This gap is particularly pronounced in France and the Netherlands, with the US showing the closest level of alignment.

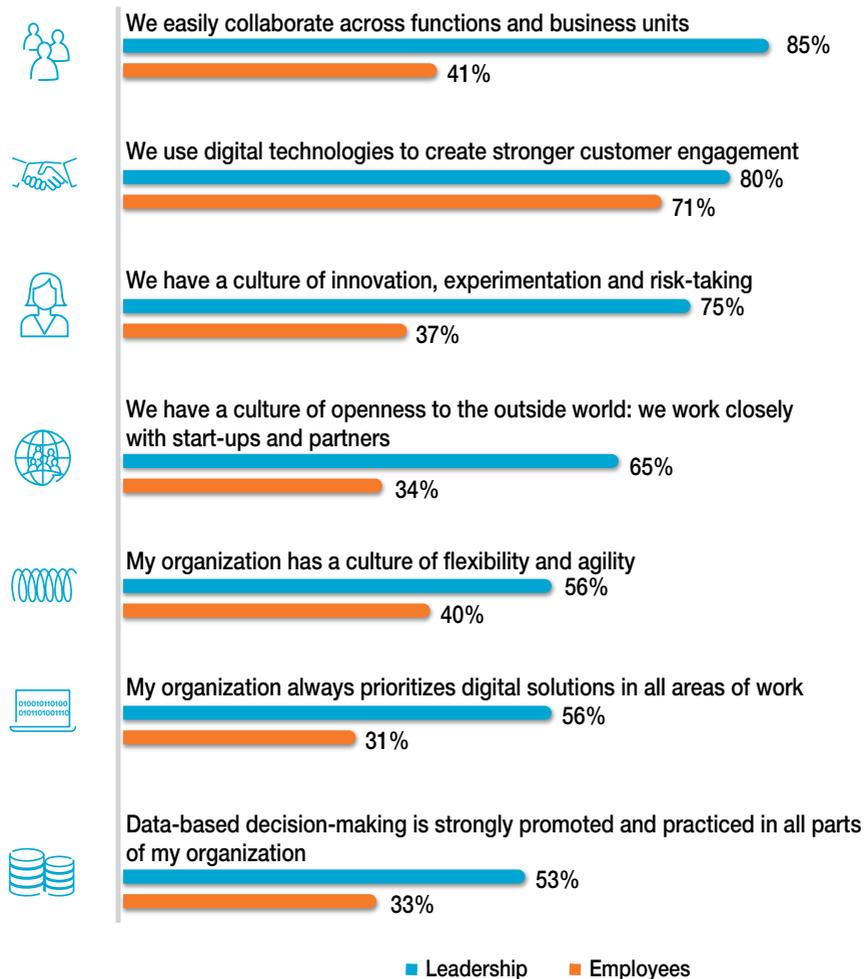
Figure 2: Percentage of leadership and employees who agree that there is a high prevalence of digital culture in their organization



Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations

Not surprisingly, the lack of congruence between employees and leadership was consistently found in all the seven dimensions of digital culture with pronounced gaps found in innovation and collaboration (see Figure 3). Clearly, employees do not share their top executives' enthusiasm for their organizations' digital proficiency.

Figure 3: Percentage of leadership and employees who agree that there is high prevalence of digital culture dimensions



Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations

Innovation exists in theory, but not necessarily in practice

One employee that we interviewed told us that: *“Working in agile, innovative environments doesn’t come naturally to our company and neither has it been an area of focus from our leadership”*. Our survey validated this: 75% of senior executives believe they have a culture of innovation, but only 37% of employees feel the same (see Figure 3).

For innovation to take root, you need ways of working that allow for failure, encourage new thinking and experimentation, and facilitate commercialization of ideas. 56% of leadership believe that they are empowered to experiment and deploy at pace in defined areas, while only 17% employees feel the same way. As one pharmaceutical company employee told us, *“Leadership thinks that innovation needs to come from start-ups. But we also need to build innovation capabilities from within.”* Our research indicates that the behaviors, processes, and systems that germinate in an innovation culture do not exist in reality in many organizations. 74% of senior executives believe that they can set aside time from core work to innovate, but only 42% of employees feel the same.

We are pretty isolated, and we don’t have any incentive to work with other departments either

Collaboration is a myth, say employees; leadership disagrees

One of the employees we interviewed remarked, *“We are pretty isolated, and we don’t have any incentive to work with other departments either.”* This sentiment is echoed through our survey:

- Just 41% of employees believe their organization has a collaborative culture, while
- 85% of senior executives feel that the culture is collaborative (see Figure 3).

Upon taking a closer look, we found that employees are struggling to leverage the power of collaboration, and are still being managed through traditional hierarchical norms and operational silos. Only 45% employees believe that in their organization hierarchy doesn’t really matter while as high as 76% of senior executives think that hierarchy is not important. Our research laid bare that there

is a fundamental disagreement between employees and leadership on all aspects of collaboration. 95% of leadership believes that their organization has a culture of promoting collaboration and exchange of ideas across different departments and functions, while only 52% of employees agree with this statement.

Just 41% of employees believe their organization has a collaborative culture, while 85% of senior executives feel that the culture is collaborative

Employees, who are crucial to the culture change agenda, are disengaged from the process. This undermines the chances of pervasive and sustained success.

What sets digital culture leaders apart?

Who are the digital culture leaders?

We have identified a group of digital culture leaders, whom we call the “Front-Runners”. The Front-Runners represent close to a third of the organizations we surveyed (34%) and are characterized by a combination of the two following key features:

- They have performed consistently well across the seven dimensions of digital culture.

- Their leadership has largely succeeded in aligning the wider organization to the desired culture.

The Front-Runners’ performance contrasts greatly with a laggard group we call “Slow-Movers.” They also comprise 34% of the organizations surveyed. The Front-Runners also outdo another cohort, known as the—Followers (32% of organizations)—who are better placed than Slow-

Movers in developing all the seven culture attributes and in aligning their employees.

Figure 4: Representation of Front-Runners by Geography

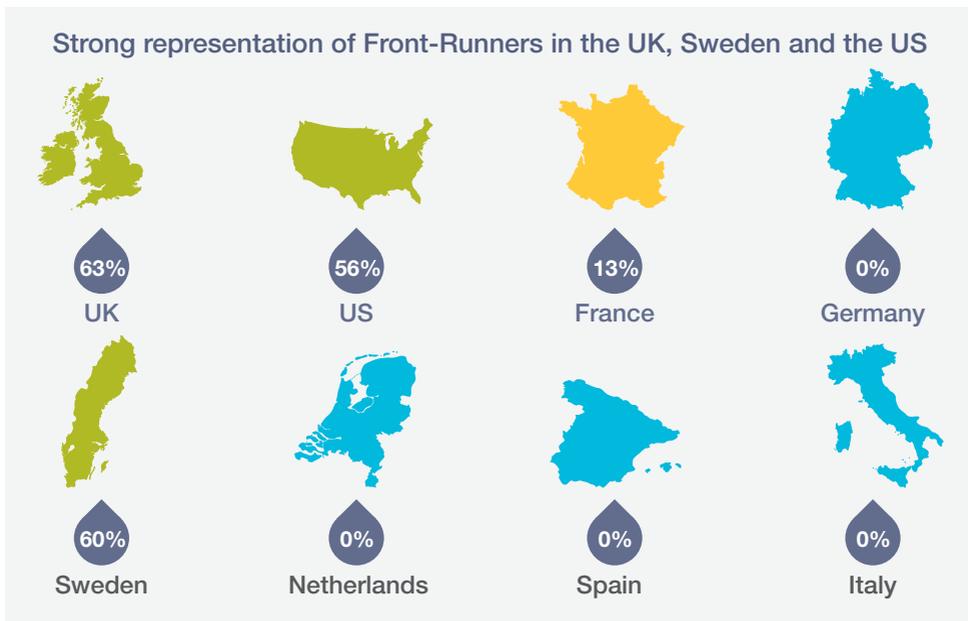
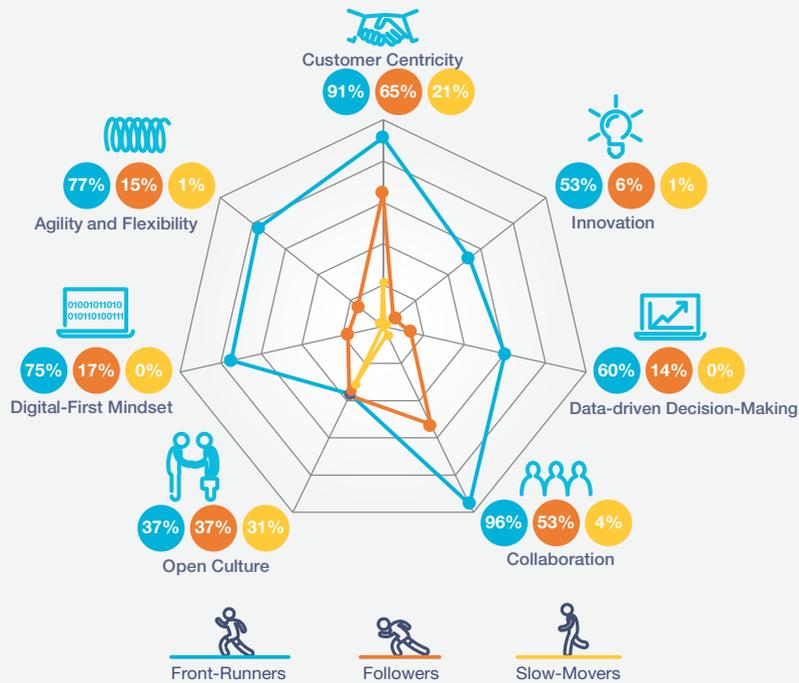


Figure 5: Profile of Front-Runners

Front-Runners outperform Followers and Slow-Movers on all seven dimensions of digital culture (percentage of organizations who agreed on high prevalence of digital culture dimensions in their organizations)



Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations

Front-Runners exhibit a higher alignment between leadership and employees

Percentage of leadership and employees who agree that there is a high prevalence of digital culture dimensions in their organizations



Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations



Characteristics of Front-Runners

Front-Runners align KPIs and incentive systems

75% of Front-Runners adjust role descriptions and KPIs to align with overall digital transformation as compared to only **17% of Slow-Movers**



70% of Front-Runners align compensation structure to digital transformation objectives while only **13% of Slow-Movers** do so

Front-Runners hire differently



83% of Front-Runners focus on **behavioural characteristics** to recruit talent, as compared to **29% of Slow-movers**

Front-Runners measure and monitor culture evolution



Front-Runners are **2 times more likely** to measure culture evolution using tools or balanced scorecards than **Slow-Movers (44% vs 23%)**

Front-Runners have their leadership drive the digital culture change



72% of Front-Runners ensure that their leadership acts as role models in **displaying openness to change** and **adopting new behaviors**. In comparison, **only 1% of Slow-Movers** involve their leadership in this process

Front-Runners have a clear vision for digital transformation



77% of Front-Runners have a **concrete digital vision**, a **clearly defined strategy**, and a **plan of action**, but **only around 3% of Slow-Movers** have a similar vision and commitment

How to evolve your digital culture?

Creating a digital culture is a mammoth task. It's a multi-year endeavor that requires patience, tenacity and constant vigilance. As the Chief HR Officer of a leading global industrial company told us: *"I think given our size, complexity and work environment, we are going to find it is going to be above five years."* Peter Vrijssen, Chief HR Officer of DSM, a Dutch multinational health, nutrition and materials company,

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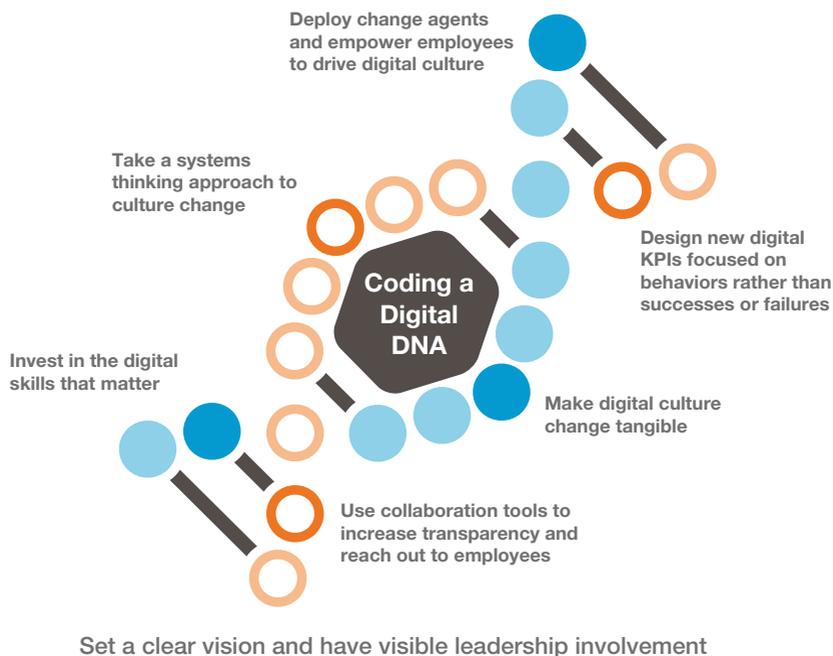
agrees, saying *"That depends on the appetite of the organization, but four to five years if you really want to get things done."*

To create a digital culture, organizations will need to have the right blend of top-down and bottom-up approaches that engage, empower, and inspire employees to build the culture change together.

This long-term program will need to contain a number of key elements:

Figure 6: Coding a Digital DNA

Blend top down and bottom up approaches to code a Digital DNA



To create a digital culture, organizations will need to have the right blend of top-down and bottom-up approaches

Deploy change agents and empower employees to drive digital culture

Organizations need to identify and encourage the employees who can be change agents or “digital ambassadors,” demonstrating to others that new behaviors are not a risk. Nestlé makes significant use of digital change agents. The company set up a “Digital Acceleration Team” in its headquarters in Vevey, Switzerland to host top talent from various Nestlé countries. The objective is to develop their digital expertise during a period of eight months and then send them back to their local markets. The model went viral and now 26 of these hubs have been set up in local markets³.

Design new digital KPIs focused on behaviors and not success or failure

Evaluating employees on outcomes and traditional KPIs might set them up for failure and create greater resistance to culture transformation.

Therefore, organizations need to shift the dial to create performance systems that reward positive digital behaviors. As Professor Deborah Ancona from MIT’s Sloan School told us, *“Organizations need to move away from the traditional ways of evaluating an individual or an experiment. An experiment should be judged not on its success or failure but on what it taught the organization. Employees should be assessed not on their success or failure but on their adoption of the new behaviors.”*

Organizations need to shift the dial to create performance systems that reward positive digital behaviors

Make digital culture change tangible

Our research shows that employees are not engaged in the culture change journey. This disengagement is often due to generic organizational vision-and-mission statements that make little sense to employees focused on day-to-day objectives. Leadership and management need

to translate the broader digital vision into compelling and tangible business outcomes to which employees can relate, for which they feel accountable, and that they can internalize in their current roles⁴.

Leadership and management need to translate the broader digital vision into compelling and tangible business outcomes

Use collaboration tools to increase transparency and reach out to employees

Internal social networks oil the wheels of employee collaboration and help to connect the bottom and top parts of the organization. Such tools should be developed and deployed while keeping employee interests in mind. As Ethan Bernstein, a Harvard Business School Professor explained: *“Imagine the difference between an employee-centric and management-centric approach: ‘Here is a tool for you to track your steps’ (employee-centric) or ‘here is a tool for your manager to track*

3 Nestle, “Nestlé drives digital innovation with Silicon Valley outpost”, November 2013

4 Brian Solis and Jostle Corporation, “The Engagement Gap: executives and employees think differently about employee engagement”, 2015

your steps for you' (management-centric). If you know your manager is tracking performance, you deliver compliance with her or his expectations. If you are the only one tracking it, you experiment to see how different behaviors trigger different results, yielding improvement and innovation and change."

Invest in the digital skills that matter

The lack of digital skills is one of the top hurdles to culture transformation. Companies need to assess the gaps between existing capabilities, expertise and needs. Front-Runners prioritize building the digital skills of their employees. 73% of them make investments in new digital skills compared to just 11% of Slow-Movers. As a result, employees feel more engaged in the transformation process as their skills are aligned with digital ways of working. Cosmetics major L'Oreal made a significant commitment to its employees by partnering with a leading digital training specialist to build an online learning program focused on digital marketing skills for its 7,000 global marketing employees.

Take a systems thinking approach to culture change

It is difficult to transform culture by using a linear change approach. For example, organizations will struggle to jump start an innovation culture by solely setting up an innovation center without the backing of multiple complementary behaviors, an innovation and collaborative mindset, or partnership approaches to working with start-ups. A system thinking approach is required to drive cultural changes. This approach hinges on enacting multiple changes at the same time so that the organization develops reinforcing loops of behavior⁵.

Set a clear vision and have visible leadership involvement

Culture change is first and foremost a leadership act. Leadership must visibly live the values that they are trying to embed into the organization. However, this is easier said than done. As Tom Goodwin, EVP, Head of Innovation of Zenith Media says: "There are a lot of leaders who do a good job talking about digital but only few are actually walking the talk." To enable senior executives to act as

role models, some organizations are experimenting with more immersive experiences for leadership outside the organization. For example, to change the company's hierarchical management culture, Axel Springer (AS) sent three of its most senior leaders to California to learn from the technological and entrepreneurial companies in San Francisco. They spent nine months there on sabbatical. The AS team networked with start-ups and studied the dynamics of the US start-up culture to understand how they fostered innovation, openness, and collaboration. These executives became role models, motivating their direct reports to drive digital change in the business^{6,7}.

There are a lot of leaders who do a good job talking about digital but only few are actually walking the talk

5 Capgemini interview with Deborah Ancona, professor at MIT, April 2017

6 NYTimes, "An Old-Media Empire, Axel Springer Reboots for the Digital Age", December 2015

7 Stanford Business School, "Axel Springer in 2014: Strategic Leadership of the Digital Media Transformation", 2014

Conclusion

Digital technologies can bring significant new value, but organizations will only unlock that potential if they have the right digital culture ingrained and in place. Acknowledging the gap is the first step in resolving this issue.

As our Front-Runners show, organizations need to begin with a clearly articulated vision and ensuring their leadership walks the talk. At the same time, they need to re-design KPIs to measure behaviors rather than outcomes, deploy change agents to cross-pollinate desired behaviors, and invest in digital skill training and collaboration tools for employees. Organizations that invest in people, and align the values and mission of the company to employees, set the stage for working with purpose.

Ultimately, this creates an ecosystem that promotes learning, experimenting and growth. If they plan early, and execute with clarity and purpose, organizations can turn their digital culture identity into a significant competitive advantage.

The full report is available here:

https://www.capgemini-consulting.com/resource-file-access/resource/pdf/dti_digitalculture_report.pdf

Research Methodology

Our research drew on quantitative and qualitative techniques:

Survey: We surveyed 1,700 respondents in 340 organizations from March to April 2017:

- 20% were senior executives at Director level or higher, 40% were middle management, and 40% were employees in non-supervisory roles.
- It spanned five sectors: Automotive, Banking/Insurance, Consumer Products, Retail and Telecommunications.
- We covered eight countries—the United States, United Kingdom, France, Germany, Italy, Sweden, the Netherlands and Spain.

Focus Interviews with academicians, industry leadership and employees: We conducted a number of interviews with academics, industry senior executives and employees. This was to build a rounded perspective on culture challenges and understand the latest theoretical frames of reference.

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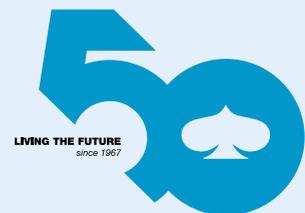
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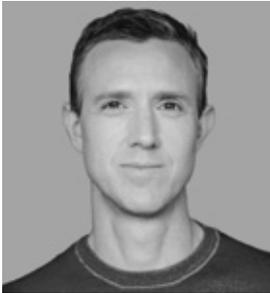
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