

# Culture First!

Learning from the pioneers of the digital revolution  
Change Management Study 2017







# Contents

- 4 Preface
- 5 Executive summary
- 6 Objectives, approach and participants
- 12 I Why digitisation is a stroke of luck for change management
- 17 II Corporate culture as a turbocharger for change
- 27 III How cultural transformation works and its contributions
- 38 IV The study results in detail
- 54 V How culture change works
- 64 VI An invitation to a journey of culture transformation
- 70 Bibliography
- 71 List of figures, photo credits
- 71 Authors

**About Capgemini Consulting**



## Preface

It seems that everything to say about change management has already been said. Its objectives and conditions for success, its methods and approaches have long been part of the standard curriculum in business schools, universities and companies.

We have played no small part in this. In addition to our consulting work and active support for specific change projects, in the form of six comprehensive studies in 2003, 2005, 2008, 2012 and 2015, we looked at change management from a variety of perspectives and presented the results, as well as our conclusions and recommendations on the basis of the latest specialist literature in every case. Why was the change considered necessary? What models lay behind it? What do organisations which have earned the label of able to change look like? Does the level of resources match the scale of the task? Which measures have proved their worth, which haven't, and why? Which standard tools were used in critical situations? What were the tasks and self-perceptions of change managers during change projects? To what extent did the change leaders do justice to their roles?

We know now: only companies which have learned to change their business model, structures and processes on a systematic and sustainable basis can take advantage of the market opportunities that arise unexpectedly, and absorb internal and external shocks of every type.

Yet there is also a topic which only a few people consistently address, even though it is regularly cited as one of the biggest hurdles for a successful transformation: the company's own corporate culture.

In our opinion, digitisation and culture change must go hand in hand in order for companies to be able to truly operate successfully in the digital age. A multitude of transformation projects also show us ever more clearly in practice: only those who consciously examine their own culture can identify behavioural patterns and ways of thinking which promote digital transformation instead of hindering it.

But what exactly is a digital culture? Where do companies stand on the topic of digital culture change? Why is culture a key strategic factor? And how can companies achieve a successful transformation and achieve a digital corporate culture? These were the fundamental questions which we addressed in this study. We were even more interested in what the pioneers do differently and what we could learn from them. Last but not least, we asked ourselves how change management needs to change to be able to successfully support the digital culture change.

In the sense of a digital culture, this study was carried out in collaboration with an interdisciplinary team. We would particularly like to thank everyone who agreed to a personal interview, as well as our study team of Christopher Wolf, Yvette Zzauer, Svenja Berg, Nadine Poser and Dana Küber, without whom these results would not have been possible.



Dominique Schaefer

Munich, October 2017



Ursula Bohn

## Executive summary

- » There can be no doubt that digital transformation is the central challenge of change management. It is clear that technical processes and process redesign have long pushed the cultural dimension into the background.
- » The exciting question is: is corporate culture also considered during the digital transformation of companies? Do companies consider the cultural dimension to be key, or are they more likely to give it a marginal role?
- » In our view: if digitisation is to raise the company to a higher level of value creation, technology is only the most basic prerequisite.
- » Our hypothesis: companies with a digital culture achieve greater economic success and more satisfied employees. To be highly effective, digitisation must be integrated into an appropriate corporate culture. *The more firmly the digital culture is anchored in the company, the more successful the digitisation.*
- » A digital culture is the spirit of management and collaboration between managers and employees which is either aspired to or has been developed in companies which have successfully completed their digital transformation. Its key features are: customer focus, digital technologies and digitised processes, entrepreneurship, agility, autonomous working conditions, digital leadership, collaboration, learning and innovation. Its further sufficient conditions are openness, the willingness to learn, the eagerness to accept change, and diversity.
- » 1,139 participants responded to the online questionnaire on digital culture which we created. In this respect, we surveyed each of the eight cultural dimensions that we defined on the basis of four statements that were individually rated by the participants. A scale of 1 (= use existing) to 10 (= drive digitisation) expressed the participants' points of view. The results are shown in digital culture scores between 1 and 10.
- » The third of the participants with the highest overall score for digital culture are defined as the front runners, the middle third are defined as followers, and the bottom third are defined as late adopters. The differentiation is not a content-related evaluation. It simply illustrates where companies are on the timeline as regards digitisation.

### Our key results at a glance:

- » Companies with a more pronounced digital culture aren't just more financially successful than other companies, their employees are also more satisfied.
- » To achieve this, digital strategy and digital culture must be considered and implemented together.
- » Organisations which have an agile organisational structure/form have a higher digital culture score (5.99).
- » For the front runners, the exemplary role and active management of the digital culture change on the part of the corporate management form the key attributes of the leadership role.
- » The front runners evidently manage the culture change more successfully because they focus more strongly on people than on technology. This includes establishing a culture of trust, allowing people to make mistakes, emphasising the value of knowledge, and focusing more strongly on the employees' wants and needs. One of the key elements of such a "culture of trust" is the early incorporation of the employees in the transformation and a willingness to grant them the freedom to be proactive.
- » The respondents cited a lack of communication with employees, the silo mentality, and a lack of or insufficient handling of the employees' concerns as the biggest obstacles to digital culture change.
- » Appointing people responsible for the change and introducing new roles such as Chief Digital Officer (CDO) is a clear success factor with the front runners.
- » The study reaffirms the tried-and-tested methods of change management in terms of the trio of structure, organisation and culture. Over the course of the digitisation, the change management itself must also change, however it becomes more agile, short sprints and observation intermingle, and the focus is on learning orientation. In short: to the extent that the company becomes agile, change management also becomes agile.



## Objectives, approach and participants

2017 marks a milestone for the digital world. 3.7 billion people, roughly half of the global population, have access to the internet – that's 354 million more than in the previous year. And a lot more has happened between the beginning of 2016 and the beginning of 2017. Significantly fewer people are using their computer or laptop as a digital end device (minus 20 percent), while the proportion of people who go online with their personal mobile phone is increasing (plus 30 percent). Like their wallets and driving licenses, people want to have the internet with them while they're out and about. For many people, the internet is their gateway to the world, offering a wealth of activities and opportunities to contact others. Presently, some 2.8 billion people, or 37 percent of the global population, are interconnected online via social media.<sup>1</sup>

We live in a "crazy" world. Facebook has a bigger population than China. Researchers are successfully experimenting with DNA as a data carrier. Blogs reach more people than newspapers and magazines. Television is increasingly being targeted to the world of the retiree, with young people only tending to tune in when their phone is recharging or can't find a signal. The majority of those who are actively working today have found their circle of friends, their shopping mall and their home online. Digitisation was announced twenty years ago as the "information superhighway". It has become far more: a complete and coexisting virtual infrastructure to which the real world is expected to adapt.

It's about more than just technology. Production facilities and laboratories, offices and hospitals, retailers and service providers have come a long way on the "information superhighway". In an information technology sense, digitisation has been understood and is in the process of being implemented. The way in which people work is rapidly changing. More difficult to track and update is the mental shift in people: they applaud the freedom of choice and action which has been introduced with the digital transformation, and they want to make use of it in their leisure time, just as they do in their working hours. For the Munich-based professor of sociology Armin Nassehi, digitisation is as revolutionary as printing,<sup>2</sup> because it is increasingly influencing how people want to live and work. Self-determined. Casual. And connected to the world at the push of a button. Outwardly, to the markets, the change is clearly visible.

**The goal:**  
to track the status of digital culture, to understand the drivers, and to provide a roadmap

Digitisation is *the* entrepreneurial challenge of the present day. According to surveys and observations, it only shows its full strength if the cultural dimension is also taken into account alongside the technology and processes. In this respect, there is clearly reciprocity which has a significant impact on the success of the desired change. The expert reader will not be surprised that we have focussed on the relationship between digitisation and its interaction with corporate culture in this study. Ultimately, the core message of change management is that the critical variable in all change projects is people. Why should it be any different for digitisation?

Our interest didn't focus on the technical dimension, but rather on the cultural dimension of digitisation. This is a difficult and sensitive field of research. Difficult, because in the eyes of many managers, corporate culture is considered to be removed from the active influence of change management. And sensitive, because for change managers who are wholly committed to success, there is the risk that cultural factors may cause their project to fail. Particularly if they disregard its interdependencies with the culture of the company.

In the context of these considerations, we discussed whether digitisation requires a specific corporate culture, or whether such a corporate culture is at least beneficial for the process of digitalisation. How can companies manage their social transformation alongside their digital transformation? Where should you start? Last but not least, we raised the question, which is highly relevant from the company's point of view, of the timescale and the resources required for culture change.







**What was our approach, and whom did we survey?**

In contrast to previous studies, we chose a three-step process as the method.

**1st part: what is digital corporate culture?**

Qualitative interviews with 20 international experts (Google, IBM, SAP, etc.).  
Question: What dimensions describe digital culture and how can we measure them?

**2nd part: where do companies stand on digital culture change?**

Online survey with 1,139 participants  
Questions:  
How are various companies positioned with regards to digital culture?  
Is digital culture related to business success and employee satisfaction?

**3rd part: how do you make the transformation into a digital corporate culture?**

Qualitative interviews with 20 individuals from part 2 with the highest/lowest 33% of the digital culture scores  
Questions:  
What success factors, obstacles, best practices are there for digital culture change?  
How can the change be successful in creating a digital culture?

In the initial phase, we conducted qualitative interviews with 20 scientists and pioneers of digital transformation from companies such as Google, IBM and SAP. The questions were: What characteristics distinguish the culture of companies which have already come a long way in the digital transformation? Which ways of thinking and behavioural patterns, which values and standards, and what type of management characterise this digital culture? In collaboration with the University of Innsbruck, we were able to identify eight dimensions of digital culture.

1,139 participants from more than 10 countries took part in our study.

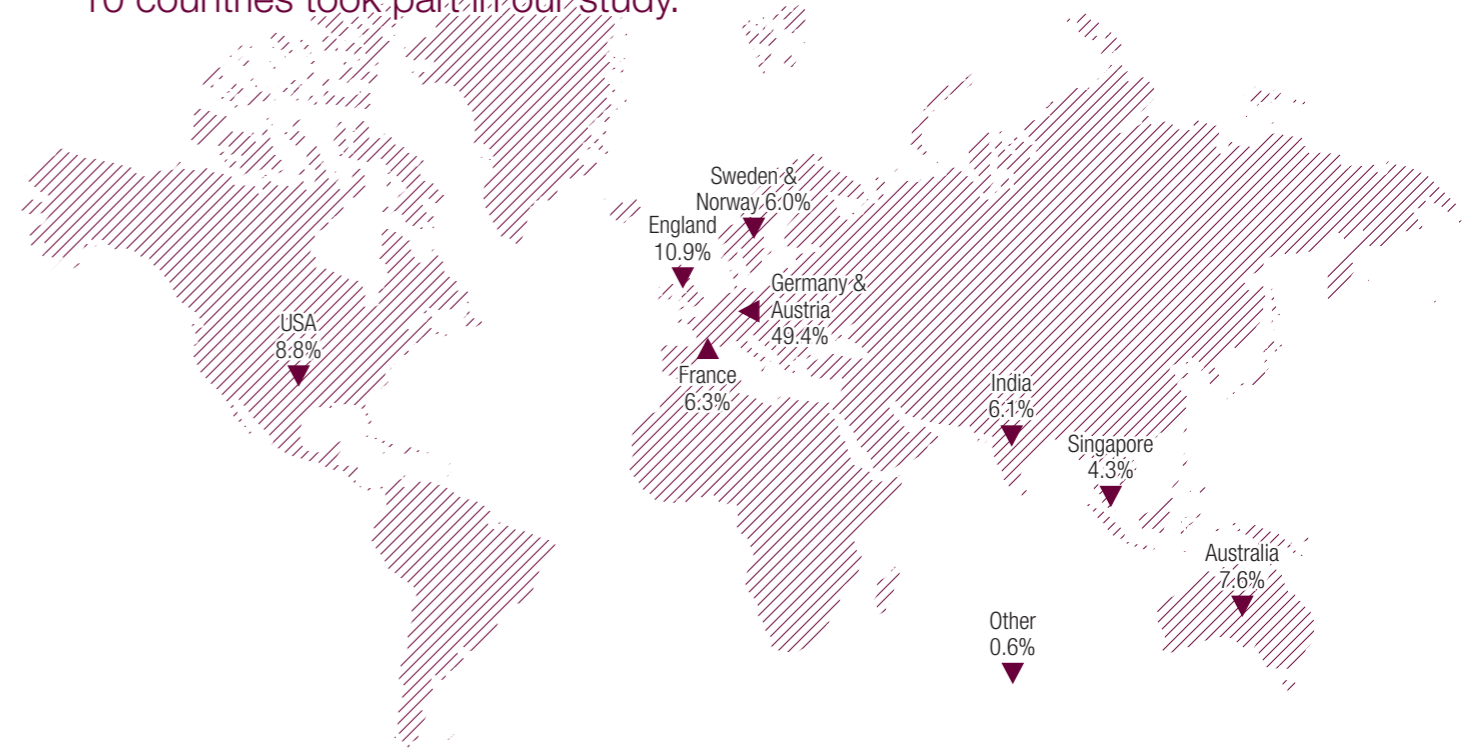


Fig. 2: In which country do you work?

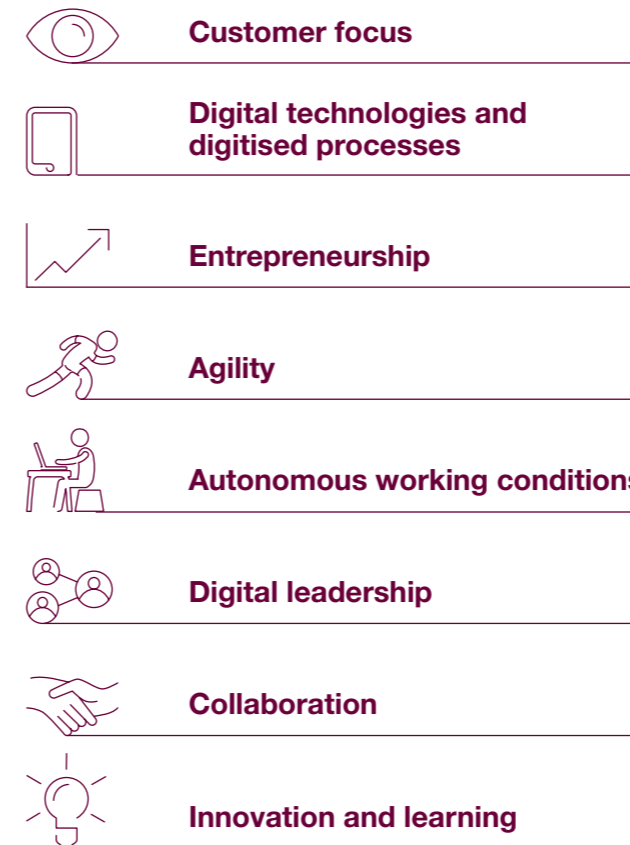


Fig. 1: The eight dimensions of digital culture.

In the second phase, we asked professionals in a range of industries and roles to share their experiences with us. We wanted to know: how are companies positioned regarding culture change? 1,139 participants from around the world answered our online questionnaire in spring 2017. This enabled us to calculate a value between 1 (= exploit existing capability) and 10 (= drive digitisation) for each company and for each of the eight cultural dimensions. In total, these eight values form the digital culture score for a company. As a small thank you for supporting our work, we presented the participants with the scores that were calculated for their company.

Following this evaluation, we conducted another 20 qualitative in-depth interviews with participants from the previous questionnaire. We drilled deeper in search of best practices. How did successful companies manage difficult culture change? What specific measures did they take? What surprised them, what could other companies learn from this? In order to produce a meaningful result with transferable dos & don'ts (see section V), we also considered what should be avoided in culture change. What things should, quite simply, be left alone? In the third part of the study, selectivity was important to us. For this reason, we spoke to two companies, drawing ten participants from each: one company in the upper third in terms of its digital culture score, and one in the lower third.

The companies analysed represent the full spectrum of industry.

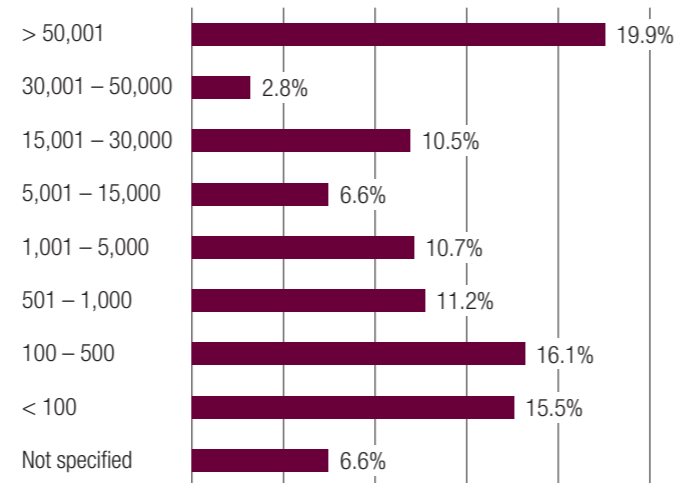


Fig. 3: How many employees work in your company?

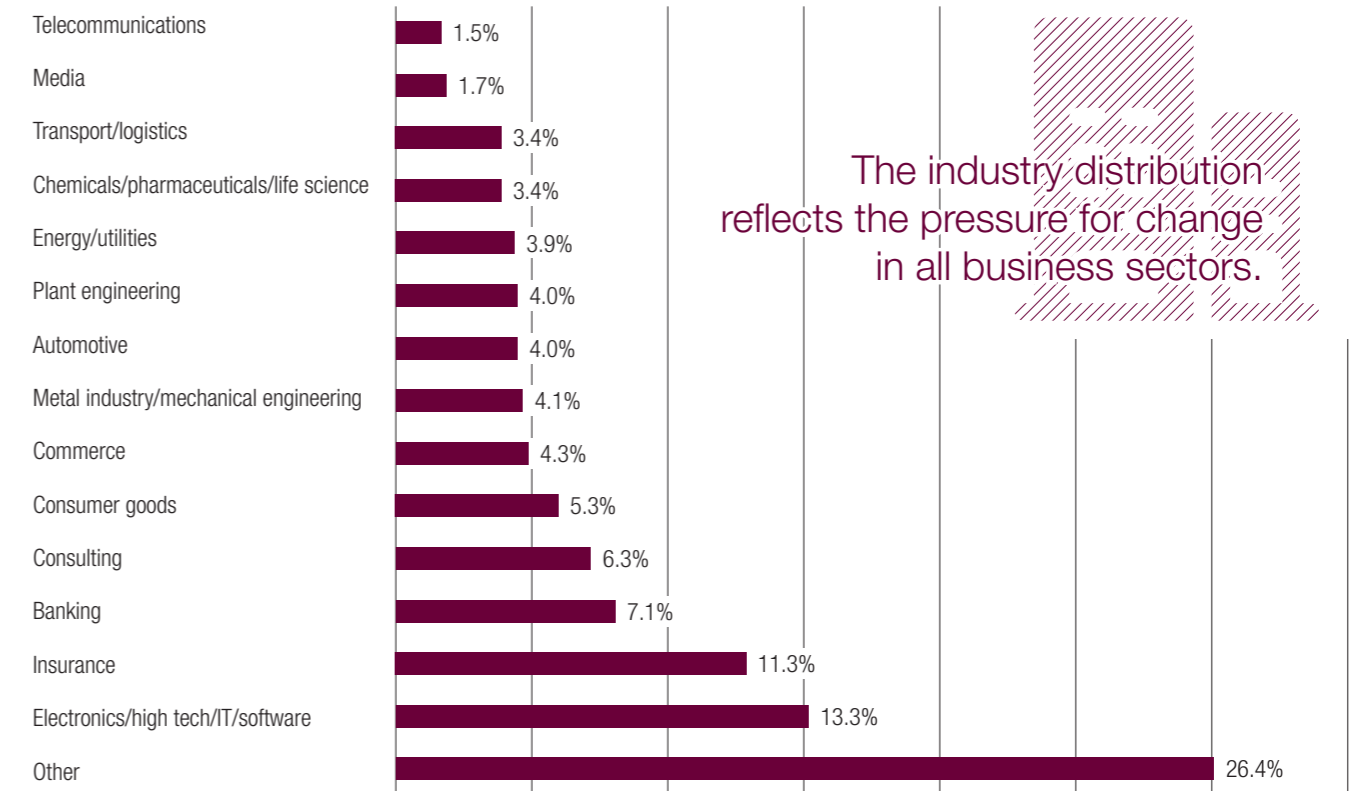


Fig. 5: Which industries is your company part of?

### Structure of companies analysed

The companies analysed represent the full spectrum of industry. Almost a quarter of the participants (23 percent) come from groups of companies with more than 30,000 employees. The larger medium-sized companies with 1,000 to 15,000 employees are represented slightly more strongly (28 percent). At roughly 43 percent, smaller companies with fewer than 1,000 employees are particularly prominently represented (Fig. 3). This indicates that digitisation is a burning issue for companies of all sizes.

Since digitisation affects the company in its entirety and invariably addresses organisational issues, we asked about the established organisational system in the respective companies. Roughly one fifth of the respondents in each case is employed in a divisional or process organisation (20 and 19 percent). Notably, around 5 percent indicate that they already work in an agile organisation. Thus far, the agile organisation has yielded very little in terms of a specific definition. It is characterised by terms such as rapid, flexible, networked and self-organising – capabilities which, without exception, should be beneficial for digitisation. Yet the traditional organisational formats are also represented in the results of the survey. (Fig. 4)

All common forms of organisation were surveyed.

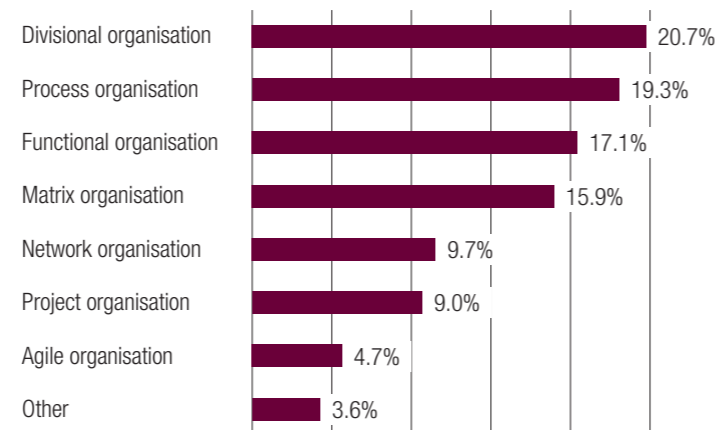


Fig. 4: Which organisational system describes your company?

The industry distribution reflects the pressure for change in all business sectors. At 18 percent, participants in banking and insurance predominate, followed by electronics and high tech/IT/software (13 percent). The subsequent frequencies are approximately in line with the economic strength of the industries. Their diversity ensures that the desired representative nature of the study is achieved. (Fig. 5)

### Structure of the contact persons surveyed

Diversity lives: in each of our previous studies, the proportion of female participants (43 percent) has become close to the proportion of male respondents (57 percent). One in six participant has long-time management experience (> ten years), two fifths have one to ten years of management experience (43 percent). A third of the questionnaire respondents have no or very little (< one year) management experience (Fig. 6). It is possible that this is linked to the fact that digitisation is a relatively new subject the management prefers to entrust to representatives of generation Y (those born after 1980). The exceptions prove the rule. However, younger employees appear most likely to have the necessary skills in this field.

Two thirds of participants have management experience.

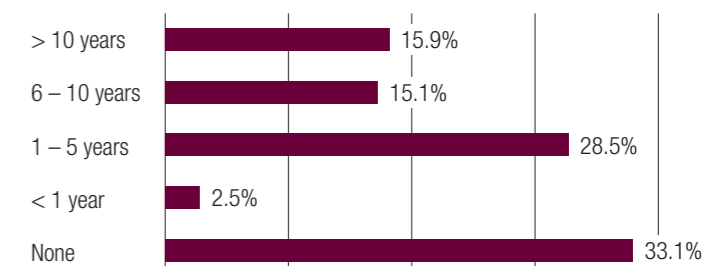


Fig. 6: How much management experience do you have?



## I Why digitisation is a stroke of luck for change management



Digital technologies and the mobile internet are changing the economy at a speed and to an extent which was last seen during the industrial revolution. Processes are becoming more streamlined and faster, supply chains are shortening, and it is now possible to communicate directly with customers, suppliers and employees for the first time, as supported by the opening and widespread acceptance of uncomplicated access paths.

Digitisation turn consumers into the co-designers of products, and products into the centre of consumers' lives. The best example: the digital US retail Amazon, which dominates online retail in the West. With its digital expertise, it has become an impressive player in the market for B2B cloud services. Amazon's counterpart in the Far East is sales platform Alibaba.com, founded in 1999. It is now the biggest IT conglomerate in China.

Commerce and distribution were the first to recognise the opportunities of digitisation. Manufacturing industry is now following with the Internet of Things (IoT). This enables production halls to communicate with customers' private spaces and manufacturing machines to communicate with machines without people being involved.

Internet-based technology also represents a milestone for management: business data is available everywhere and at a moment's notice, reducing the control rates to a fraction of what was previously considered normal. Network-suitable processing models such as crowdworking, scrum, design thinking, and flexible, open forms of collaboration have opened traditional silos. Where departmental egotism used to cripple progress, collaboration spurs business. on, and employees seem to like it.

Some top managers announce, with relief and pride, that their company has already completed the change process: fully digital! In practice, we are still a long way from every company being sufficiently advanced so as to reap the benefits of digitisation. Most are still on their way there. They are still on their way, being somewhere between the approval of their proposed project and milestones  $M_1$  to  $M_n$ . It is also necessary to bear in mind the fact that projects often go into extra time beyond their planned end date: with digitisation, there appears to be no defined end stage.

### What stands in the way of the digital transformation

According to other studies by Capgemini Consulting, eight out of ten Chief Digital Officers (CDOs) believe digitisation affects the business models in their industry and entails disruptive changes.<sup>3</sup> Top management has a similar view. In half of all major German companies, digitisation is among the top 3 issues for the near future. (What about the other half?) Three quarters of all CIOs have been given the task of driving digitisation by their management. 33 percent of companies in Germany and 57 percent of companies in the USA have established a separate division for digitisation. Two thirds of German companies appear to be relying on current capabilities: business as usual.

Experts consider this a fatal underestimation, as digitisation is not a parallel movement from analogue to digital, but rather a technological and societal revolution. So what is holding companies back? There is often a lack of digital vision. Coming in second with the barriers is the "defence of existing structures"<sup>4</sup>. This can be brushed aside as normal inertia within organisations. A survey by Capgemini Consulting in spring 2017 of some 1,700 employees from 340 companies around the world looked into this sore spot in greater depth.<sup>5</sup> Accordingly, 62 percent of the respondents consider the established corporate culture one of the biggest hurdles on the road to a digital organisation.

In Germany, the figure is even higher, at 72 percent. Even worse: in comparison with a previous study from 2011, the percentage was some seven points higher.

Our experience of change projects and discussions with those responsible for digitisation projects suggest that technical processes and process redesign have long pushed the cultural dimension into the background. In no small part because very few companies know how to approach the culture change. It is certainly hard Every company has its own culture which can be seen to shape its staff, but it is also invisible and intangible, just as water is to a fish. Server parks and cloud solutions, digitally styled processes and cool websites aim to make outward appearances shine in new splendour. But if the colour on the inside remains the same old analogue grey, nothing has really been gained. Things might as well have been left as they were.

In our view: if digitisation is to raise the company to a higher level of value creation, technology is only the most basic prerequisite. The adaptation, potentially a major reshaping, of the corporate culture must be included as a sufficient condition so that the leadership and the employees' actions, behaviour and attitudes fit into the digital context.



**Think start. Think up. Think start-up.**

Although it is possible a culture change is anything but trivial in its implementation. There is the shortage of skills, for example. While most companies have a good grasp of the technology, almost three quarters of all IT managers complain about the lack of qualified employees. Furthermore, those pressing for change lament rigid structures, insufficient planning, unclear responsibilities, and endless rounds of approval which they consider pointless. Digital natives flee from such cultures; to them, they are relics of the ice age. If they could do as they pleased, they would build everything from scratch in a green meadow where there is always a fresh breeze and nothing reminds them of the industrial age.

Those who grew up with digitisation look to the future. They combine their leisure time with their jobs: what's the difference if I like my job? Because they are communicating every waking minute, they need the internet as they need air to breathe. Being online is living. If employees are allowed to, they organise their workplace like a start-up – at the grindstone where necessary, in the swimming pool where possible. Although digital natives want to decide for themselves when to do what, they accept guidance – if it is fair and promises support.

For them, networking doesn't mean collecting business cards, but being close to like-minded people: every contact is a buddy. Technology plays into their hands. Social media is family, messenger and chat services, utilities. They find it cool to share their manager's holiday snaps on Facebook. As a team, they communicate in a WhatsApp group.

When it comes to business opportunities and the expectations of the markets and employees, there is no alternative to digitisation for companies. In one of our previous studies on change management<sup>6</sup>, we predicted: "With digitisation, the need for organisations to adjust to continuous change increases." As the digital transformation encompasses ever more areas of daily life and the next wave approaches due to the progress in artificial intelligence, we are willing to stand by and refine our earlier prediction: understanding the conditions of changes is *the* basic competence for agile companies.

As experts in change management, we know how to announce such changes, how to adapt them, how to integrate them into existing business models or transform them into exciting and innovative areas of business. This is a revolutionary challenge for the individual company: yet we have often provided support along journeys into the future.

**What makes companies agile companies?**

Digitisation is changing the economy and management more quickly than it is possible to follow. If adaptability secures an edge (and it does), then agility must be the top priority for every organisation. In our view, an agile company has the following characteristics:

- » It recognises *changes* early and actively integrates them into its strategies,
- » It has the ability to *recover* on its own time and again,
- » It promotes a culture of innovation and continuous *learning*,
- » It adapts and satisfies the requirements of changeable *markets* and well informed *customers*, and
- » It is constantly looking for opportunities to be *even more successful* in the market.

For change management, digitisation is a very particular type of transformation, namely that of a strategically important resource. It not only reaches into many spheres, it also raises the company's strengths to a whole new level. In formal terms, this equates to a re-evaluation: change management has morphed from the ideal tool to an essential lever for digital transformation. Companies are no longer asking why or when, but: how do we achieve it? Thoughtful managers or those with past experience add: what is necessary to consider when it comes to digital transformation?

**The cultural dimension of digitisation**

Experienced transformers of companies have learned from change management that the shortest route for changes seldom runs straight. The first seafarers didn't build ships because they wanted to get from A to B in the shortest time or because they wanted to save money on travelling overland. They built them because they wanted to look beyond the horizon, and were able to do so with a ship. Making people's ingenuity useful and channelling it into a common goal in collaboration with others also forms part of change management – in such a way that the enthusiasm and motivation of the group is stronger than that of the individuals. This added value can only be realised through the cultural dimension of change.

There is no doubt that the digital transformation is the key challenge of change management. Conversely, digitisation can be described as a stroke of luck for change management, since it is the once-in-a-lifetime challenge of digitisation that should occasion the comprehensive approach to change management to undergo a baptism of fire. And it is to be hoped that this is followed by the seal of approval: that it works.

Few change managers have experience of driving multiple digitisation projects. The requirement for support in the digital transformation is therefore high. To clarify matters: we are not talking about a technical change for which a couple of technicians are hired. We are talking about the transition of the entire organisation in terms of the requirements, opportunities and conditions of the digital era. A technical approach is necessary, but that alone is insufficient. As in early ship-building, it won't work without the will of the employees to look beyond the horizon. This is where change management comes in. For the company, this must also be accompanied by a change in cultural thinking - i.e. new ways of interacting.



“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, Airbnb<sup>7</sup>





### Culture change is hard work

The yes to digitisation and the internal awakening of the employees can only be achieved with the culture change. This, in turn, requires strategy and implementation, and the usual hard work. In this respect, the only thing that is new is the perspective of the digital era, according to which culture is also a strategically relevant resource and on the same level as location, capital and information. Here too, target-oriented and sustainable strategy work pays off in terms of time and money. This study embarks on a detailed discussion of the companies that have achieved this and how they achieved it.

The finely tuned tools of change management provide everything that digitisation projects require so as to be successful. It defines the framework conditions, roles, players, tasks, approaches, methods and tools. It doesn't just vaguely promise the return on investment, it helps you to quantify it and actually achieve it. As the economy transforms, there can be no doubt that change management must also change: agile processes and digital methods must be incorporated so as to fulfil the changing requirements. In this respect, we will provide an outlook at the end of this study.

Many things come, some things go, but the most important things remain: as a model for complex human activity, change management makes the connection between our own values, beliefs, observable behaviour and results clear. The internal position, the mindset, is the key to what we do. Consequently, change management uses the classic tools of mobilisation and communication, as well as specific and rarely used tools such as cultural analysis. This tool in particular should be clarified for digitisation projects. This requires a more detailed explanation, which we provide it for you in the next section.

## II Corporate culture as a turbocharger for change

The Ludwigsburg-based automotive supplier Borg-Warner manufacturers spark plugs on the basis of three-shift operations. If the order situation requires an extra shift at the weekend, a digital request for employees who have time is sent: whether it is text message, messenger or email, everyone receives the request at the same time and can register for the shift with the touch of a button. The holiday schedules and the employees' skills are integrated into the tool. The request is therefore only sent to available and technically versed employees, and no-one can complain that they were informed too late. The company was awarded a prize for smart idea in 2014. The process is made technically possible by digitisation. It has proven highly successful in practice because it is beneficial to all sides. The employees decide for themselves whether they want to give up their free time for the good of the customers and earn more money for it. The shift manager receives feedback within minutes. And the company management can respond flexibly to customer requests.

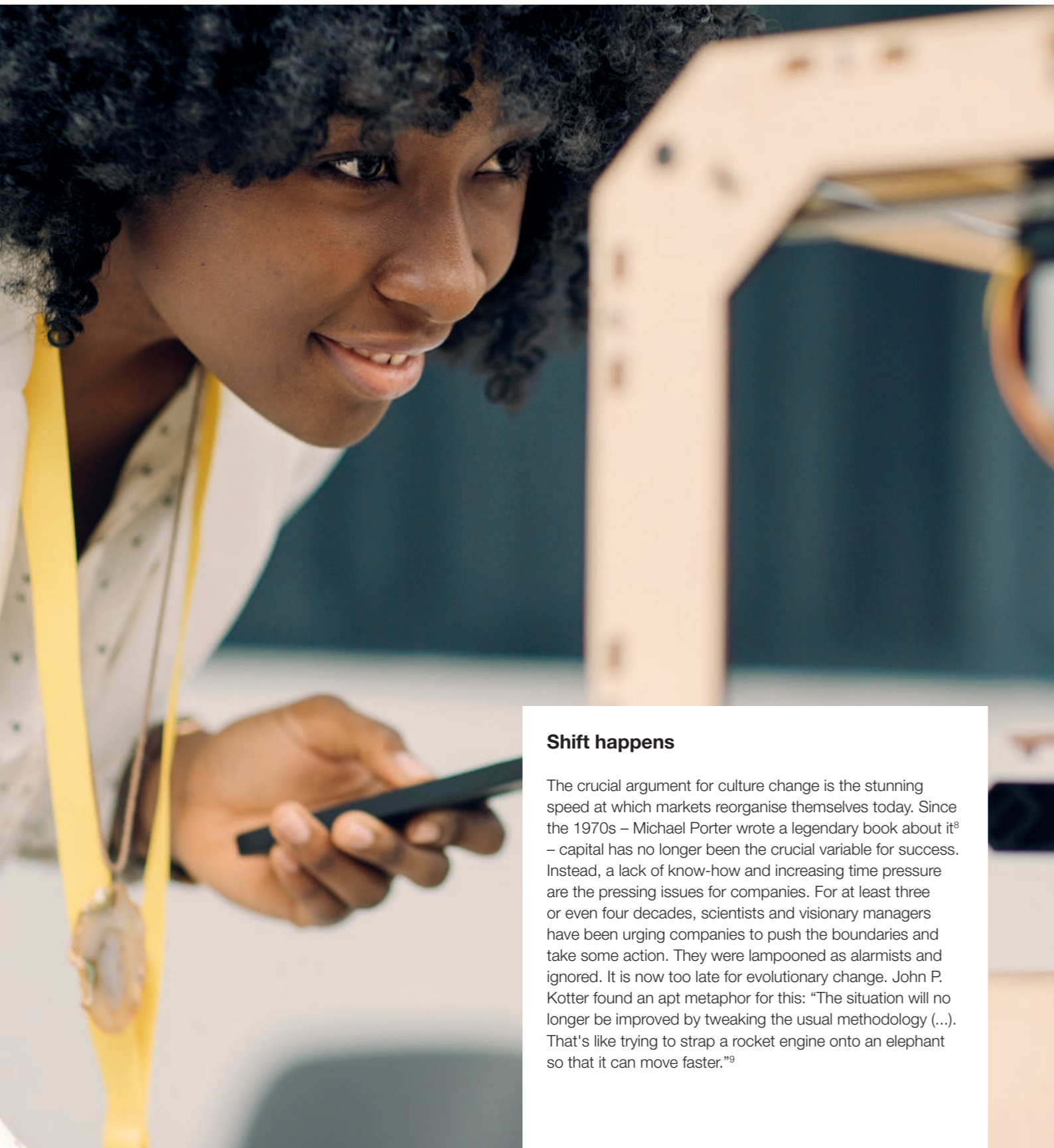
If digitisation is beneficial to everyone in the company and its advantageousness for all stakeholders is presented on a plausible basis, the natural fear of the new is dispelled and gives way to the realisation that it is to be welcomed. Most people approach unknown or implausibly explained goals with half of their energy at best. It is different if they can see tangible benefits for themselves. They then forge ahead because they reap material benefits or because they want to be among those who lead the field.

### Culture change always has a purpose

Regardless of the way in which the motivation is actually stored: there can be no better development for companies that are willing to change. Frustration and resistance do not arise, which means that they do not need to be painstakingly mitigated. Those who show excessive enthusiasm need to be reined in, as they say. Says who? Why is it so bad if employees invest all of their energy in the target range? Isn't it possible for those who are the quickest to discover shortcuts through omission? How, for example, to achieve the position of market leader in a future sector of the retail trade without any retail outlets (Amazon)? How to run a taxi business without professional taxi drivers and earn more money from it (Uber)? How to sell overnight rooms without your own hotel (Airbnb)? How to build an electric car without being part of the auto sector and to successfully market it (Tesla)? Corporate culture without conceptual barriers is perfect for the digital era.

Culture change is not an end unto itself. Most companies only get round to dealing with it when they have to. Because the world is establishing itself in bits & bytes all around you and is full of digital natives who think in win-win categories, for example. Or if a change promises benefits for companies. TINA – there is no alternative – and WIN apply equally to digitisation. This is because, according to our hypothesis, companies with a digital culture achieve greater economic success and more satisfied employees. If our study proves it, the matter must be resolved.





### Shift happens

The crucial argument for culture change is the stunning speed at which markets reorganise themselves today. Since the 1970s – Michael Porter wrote a legendary book about it<sup>8</sup> – capital has no longer been the crucial variable for success. Instead, a lack of know-how and increasing time pressure are the pressing issues for companies. For at least three or even four decades, scientists and visionary managers have been urging companies to push the boundaries and take some action. They were lampooned as alarmists and ignored. It is now too late for evolutionary change. John P. Kotter found an apt metaphor for this: “The situation will no longer be improved by tweaking the usual methodology (...). That's like trying to strap a rocket engine onto an elephant so that it can move faster.”<sup>9</sup>

Innovations are proving to be increasingly disruptive. According to the daily news reports, and this is something that people are also experiencing up close, executive boards are mired in difficulties. Multi-year forecasts are considered risky and long-term plans become waste paper, frequently before they are even printed out. Playing by ear is associated with fewer risks. Who would have predicted in 2008, when faced with Tesla's bankruptcy, that the American car manufacturer would be the first in the world to build an emission-free sports car in series shortly thereafter, and would sell even larger volumes of it? If the Model 3 electric car for almost 30,000 Euros is as well received by environmentally conscious consumers in the middle price bracket as the Roadster is by the rich & beautiful, automotive companies will have to rewrite their strategy documents by the caseload – and in no time at all. “Tesla boss Musk poses an incalculable threat to the automotive industry,” warned the *Süddeutsche Zeitung* in July 2017. Things can also be looked at differently, however. According to *Forbes*, Tesla was the world's most innovative company in both 2015 and 2016.

### Only those who break the old rules can make new ones

It is only now that many managers are realising that environmental considerations and digitisation are consigning the industrial era to the scrapheap, and setting new standards of success. Digitisation is in full flow and is changing companies from the bottom up. We are already seeing entire business models being transformed and turned on their heads. New ones are no longer being planned for eternity. With BHP, turnover, sales and profit per product sold, the automotive industry rolled along fine for more than a hundred years. In the future, here as in other industries, companies which break the rules out of nowhere and decide that they don't want to follow either standard principles or practices will stay ahead of the pack: those that offer something unprecedented which can catch the attention of the target markets. With digitisation, the promised consumer sovereignty has finally reached the consumer.

### From time to market to speed to market

This raises expectations which the providers must meet. Businesses must themselves be willing to launch into the boundless, networked, collaborative world and its mental prerequisite – *dexterity*: the ability to think quickly and effectively. The digital transformation can be seen to lever this ability. Digitisation poses risks to those who delay for too long, who play right into the hands of agile companies which can move in any direction. Time to market is a thing of the past. Speed to market is the future. And it is starting now.

To get onto the new track, track, turning the steering wheel a few degrees left or right is insufficient. This is because the journey into the future can lie alongside the present for miles, but may also enter a completely different dimension. It is just as little help to scatter IT tools widely throughout the company and assume that this is sufficient digitisation. It is naturally the case that digitisation doesn't work without cutting-edge technology, but at the same time, it isn't just about technology. Technology and culture change are different instruments which only create quality in combination. Receptive change leaders are aware of this. “It is crucial for success in this new world for (...) *the orchestration to take place in the correct way.*”<sup>10</sup>

### Culture change is, first and foremost, a question of will

We now find ourselves at the core of corporate culture. This is characterised by obligations and prohibitions, by thoughts and actions that are very welcome, and by explicit no-gos. After just a few days in a company, you can sense the unwritten house rules to which everyone works. You can sense the spirit of the company. In the old days, this was something that was unavoidable and to which employees were forced to adapt. These days, however, valuable employees only stay at a business if its corporate culture is commensurate with their ideas and expectations. Many an ageing culture no longer lives up to the colourful nature of modernity. A cultural analysis highlights the need for specific action.



### Cultural analysis reveals the need for change

It is wrong to confuse the analysis of a culture with a description of it. With even the most detailed description, it is only possible to learn how it is a particular way, and not why, and it certainly isn't possible to ascertain what needs to happen so as to make employees and managers act differently. If you ask a dozen employees who are relatively new to the company what the positive and negative aspects of working for that company are, and you then superimpose these subjective statements, you gain a relatively accurate description of the situation. Yet how did it come about? And how can it be changed?

Cultural analysis attempts to understand the internal logistics of attitudes and habits with the goal of isolating the aspects in which there is a need for change. Yet a hypothesis is necessary first: why do we believe that we have to change our culture? The question to be answered through structured interviews is: for what logically comprehensible reasons do employees and managers behave as they do? Behind this is the assumption that, for the most part, people have a logical reason for their behaviour.

Conflicts between the employees' rationale and the company's rationale come to light relatively quickly. Sometimes, behaviour which is logical for individuals is illogical, perhaps even dangerous, for the company as a whole. However, employees are only prepared to put their own interests aside if the company creates or allows an environment in which it is advisable for individuals, in their own self-interest, to act in a way which is beneficial for the company as a whole.

While the cultural analysis sheds light on the need for change, the digital culture assessment indicates the path towards change. Find out more in section VI (p. 64 & 69)

This link takes you to digital culture assessment: [soscisurvey.fr.capgemini.com/sosci/DigitalCulture\\_Teaser\\_de/](https://soscisurvey.fr.capgemini.com/sosci/DigitalCulture_Teaser_de/)



### Allowing employees to participate in digitisation

To return to our hypothesis: to be highly effective, digitisation must be integrated into a corporate culture appropriate for it. However, this statement also applies in reverse. Digitisation itself can make a significant contribution to culture change. It is the ideal vehicle for small and large organisations. All 25,000 employees from 120 countries are being included in the Hilti Corporation's "Cultural Journey" (» see the Hilti text box, p. 37).

Those who aren't bound by the cycle of machines have always wanted to decide when and how they work. They simply haven't dared to ask for it. Today, when specialist staff and skills required in the future are scarce and everyone can see what can be gained with digital technology, qualified and motivated employees are demanding their fair share. Some of the flexibility gained can be passed on to them: because it is fair, and because it pays off from the economic perspective.

Google, for example, considers employee participation in the accomplishments of digitisation to be a sensible investment. At the Google headquarters, employees don't need to worry about anything other than getting their brain cells to cooperate as effectively as possible. In return for this, Google expects a great performance. That's the deal. The trappings are just the external signs of a corporate culture which is carried by a positive image of man, is open, and relies on trust.

You don't have to be a fan of Google, but the constantly evolving data empire has understood how digital natives want to work: with the greatest possible freedoms and incentives for entrepreneurship. Voluntary participation is productive. Pressure causes commitment to dry up. This approach makes a new type of management necessary from both sides, and it works for both corporations and medium-sized companies. Milling machine manufacturer Hofmann & Vratny (» see text boxes on p. 26) has proved it. A new management style becomes possible as a result of digitisation. Culturally, it is achieved by trusting action as a role model. Both are required: one doesn't work without the other. Digital companies need a culture which is suitable for the digital world. And they are finding it, as the examples of the companies which participated in our survey proves.

### The eight dimensions of digital culture

In our view, the goal of companies which want to fully exploit the benefits of digitisation must be to turn on digital culture turbocharger as it were. But what exactly does that digital culture look like? To put it another way: on the basis of what organisational attributes can a company see how far it has come in terms of its culture change?

To give digital culture a face, in the first part of our study, we conducted 20 structured interviews with experts from companies which are pioneers in digital transformation. We extrapolated eight dimensions of digital culture from these interviews:





### What is a digital culture?

Digital culture is the spirit of management and collaboration between managers and employees which has already been developed by companies which have successfully implemented digital transformation. Its key features are:

- » **Customer focus**
- » **Digital technologies and digitised processes**
- » **Entrepreneurship**
- » **Agility**
- » **Autonomous working conditions**
- » **Digital leadership**
- » **Collaboration**
- » **Learning and innovation**

Added to this are openness, the willingness to learn, the eagerness to accept change and diversity.

Together, these eight dimensions describe digital culture. Without exception, the experts asked agreed that these cultural dimensions are essential for the success of digital transformation. Each stands for a quality in itself, none can be neglected. And in each dimension, the appropriate characteristic can be measured and therefore improved. This can only be done with the help of change management, as achieved by the front runners of digitisation and as we demonstrate in detail in part V. Before that, however, we would like to present the benefits available to a company that turns to digital culture.



## The eight dimensions of digital culture



### Customer focus

A culture with a strong customer focus is characterised by the fact that the customer is at the centre of the thought and action. Close contact with the customer - as well as individual interaction and communication - prevails. Solutions are developed together and are continually adapted to the customers' needs. The dialogue with the customers is supported by digital tools. The customer's needs and wishes are continuously analysed with digital data and tools.



### Entrepreneurship

Companies with a high value in the "entrepreneurship" dimension are characterised by the integration of market drivers and trends into their business model. Employees are encouraged and empowered to take risks and forge ahead with their own ideas. They therefore play an active role in shaping the company. Competition is perceived as a source of both motivation and ideas. The company's business model is continually analysed and adapted to suit changing market conditions and new technological trends. The company strives to bring about changes in the market, even if this bears risks.



### Autonomous working conditions

Companies which stand out due to autonomous working conditions give their employees the freedom to work autonomously. Flexible working models which allow employees to decide when and where they want to work, with digital tools for example, are used. As a result, the employees' independence, personal initiative and self-management are fostered and supported by the internal corporate structures. The employees experience a high degree of leeway and decision-making ability.



### Collaboration

Organisations and companies with a high value in the "collaboration" dimension promote interdisciplinary and interdepartmental exchange between their employees, customers and competitors, as well as with other companies. The gathering, sharing and structuring of knowledge is considered essential. The employees support one another, including across departmental and hierarchical boundaries. They use synergies and break down silo thinking. A high degree of participation and an open attitude are as much anchored in the company values as the underlying team spirit. Digital technologies, for example digital platforms, are used to promote collaboration.



### Digital technologies and digitised processes

The use of digital technologies and digitised processes is a key factor of this dimension. Digital tools and platforms are used for the further development of internal and external processes. Decisions are taken on the basis of data. There is openness to new technologies as the basis for forward-looking business models. User-oriented, effective processes further support this stance. Digital technologies are used within the company for the planning, implementation and analysis of work processes and results.



### Agility

Agile companies rely on dynamic thought and action. They are characterised by a willingness to rapidly adapt to changing conditions and customer needs. This willingness to adapt is supported by the management and employees' high tolerance of ambiguity and the flexibility of the company as a whole. New drivers are quickly adopted, analysed and implemented. The agile processes and structures are adjusted dynamically and underline the company's willingness to adapt. (See p. 14 » Reference to text boxes in section. I)



### Digital leadership

In this dimension, there is a stronger focus on the development of the employees, to whom management conveys a clear digital vision and strategy. Management also focuses strongly on the employees, empowering them to act as coaches so as to help them develop. Management places a considerable degree of trust in the employees, strengthening their commitment to the company and their loyalty. Management also exploits the opportunities presented by digital management, working together with the teams regardless of the time or the location.



### Innovation and learning

Companies with a strong focus on innovation and learning see the further development of the company and its employees as being a critical factor for success. An environment which promotes creativity is created, experimentation and openness to new ideas are encouraged. To adapt to the rapidly changing conditions, current practices and processes are critically scrutinised. Failures are accepted as part of the development process and coming unstuck is seen as an important learning process. This results in a willingness to rise to new challenges.



### Innovatively digital in the future

The milling machine manufacturer Hofmann & Vratny in Aßling, Upper Bavaria, is a traditional German family company in every respect. Founded in 1976, until a few years ago, its owner managed it in the traditional Bavarian style: rock solid in business, the employees on a short but tenable leash, everyone in their place, and the boss knows what's best. Its change of partners in 2014 may have been the best thing to happen to the company. Since then, Andreas Vratny (30) and Marius Heinemann-Grüder (27) have led the company and its 108 employees into the new era. The business IT graduates are well aware that digitisation reduces the value of physical products but increases the value of the information conveyed. Andreas Vratny adds with certainty: "Digitisation will only work if we take ethical principles as the basis for our work."

In relation to medium-sized companies, this means: digitisation must provide tangible benefits. "Some employees have been with us for 20 or 30 years," says Vratny. "They don't have the knowledge that is needed in the digital era." Both young businessmen sense their anxiety: what am I facing? Will I still be needed in the future? It went against Andreas Vratny's convictions to implement the necessary technological change with brute force. This, he anticipates, would only create resistance. Therefore, the new bosses tried something different: Open-minded employees now act as topic "messengers", telling their colleagues what's new. The management team puts plenty of time aside for explanations: why a change is advisable, how things will work, what is changing for the individual employees. And they listen to the employees: what's wrong with the improvement? Can we resolve our differences? How might things be done differently?



**Andreas Vratny**  
Managing Director  
Hofmann & Vratny OHG

What do you need so that you can work the way in which you will have to in the future? Do you require training? That's fine: but please pay attention in class!

In lifting its employees' obligation to work at fixed times with the use of clock cards, Vratny and Heinemann-Grüder has embarked on another radical change. Today, employees decide for themselves when they come and go depending on the workload. Home office arrangements are available, with employees recording their working hours and being fairly paid for their efforts: it is an approach that works. The changes have given the company's culture a boost. "Our staff have realised that we want to support them on this journey, and they are grateful," Vratny highlights. "They aren't giving 100 percent, they're giving 120 percent." This is further supported by the employees excellent ratings of their employer. Of course there have been, as always, employees who have been unwilling or unable to keep up. Those prepared to change are always welcome, however. "We offered everyone training in order to bring their knowledge to a higher level," reports Vratny. The company plans to use robots in its future manufacturing work. "People should take on the challenging tasks and leave the simple things to the robots," thinks Vratny. The employees like this approach. The bottom line: you don't need to be afraid of digitisation.

Customers and suppliers should likewise benefit. Hofmann & Vratny makes approximately 1.7 million milling machines every year. From 2018, each one will feature a data matrix code, a type of QR code for industry. As a result, each individual tool is uniquely identifiable. "We will know where the tool is, and the customer can find the the technical data quickly," says Vratny, explaining the first benefit of digitisation. This information makes it easier for customers to classify the measurement logs. In this respect, it isn't standard license fees that are collected; they are rather levied for a matter of Euro cents per product and on an individual basis. "In the old days, we went into battle against our competitors," explains Vratny. "Now we are saying let's implement digitisation together." Employees, customers and suppliers – everyone receives the same message, as expressed in the motto for 2017: "Innovatively digital in the future". And the company's performance hasn't been harmed in the slightest by the culture change, quite the opposite. "We are healthy, we're doing well," Andreas Vratny is pleased. "Our employees see the company as their baby. And they naturally want to see it grow."

## III How cultural transformation works and its contributions



Companies are prepared to spend a lot of money on digitisation. If it isn't because their decision-makers came of age with the internet anyway, they are taking this approach for three reasons: (a) because the markets, the customers and the stakeholders leave them with no choice – the logbook says: we're in the 21st century –, (b) because they want to further their strength through digitisation, and (c) because they expect a return on their investment. The question is very obvious: why should managers put the topic of digital culture on the agenda in addition to such a technical and organisational outlay?

The results of our study provide clear and significant evidence: because it pays off in two respects. Firstly, because the digital transformation only has a positive impact on the balance sheet if it is accompanied by a cultural transformation. And secondly, because it fulfils the employees' wants and needs. These are two very good reasons to put the culture of the company under the microscope. And we are convinced that additional sources of adaptation can also be discovered, enabling a company's culture to protect and support digitisation.





Fig. 7: Companies with a pronounced digital culture have more satisfied employees and greater economic success.

How do we come to this assertion? 1,139 participants – more than ever before in our long-established surveys on change management – responded to the online questionnaire which we developed. In this respect, each of the eight cultural dimensions defined by us (see section II p. 24) was surveyed using an average of four statements rated individually. A scale of 1 (= use existing) to 10 (= drive digitisation) expressed the participants' views and generated operable values. As a result, we were able to measure the status of the eight cultural dimensions individually as well as the overall status of digital culture in the company for each participant and their company. The results are expressed in digital culture scores between 1 and 10. The third of the participants with the highest overall score for digital culture are defined as the *front runners*, the middle third are defined as *followers*, and the bottom third are defined as *late adopters*. The differentiation is not a content-related evaluation. It simply shows where companies stand on the timeline with regards to digitisation.

We also asked the participants assess the employee satisfaction using a questionnaire. The financial success of the company was also taken into consideration and evaluated. Both result in operable values with which the business performance and levels of employee satisfaction can be measured and correlated with the digital progress.

In the last and crucial step, we wanted to find out whether and to what extent the digital culture achieved was represented in (a) business performance and (b) employee satisfaction. To this end, we compared the overall digital culture scores for the companies one by one, once with business success and with the employee satisfaction as measured by us. We thus correlated twice on a scientifically precise basis.

### Digital culture is connected to business success and employee satisfaction

The clarity of both results surprised us. Across all participants, there is a highly significant positive correlation between the overall digital culture score and financial business success (correlation coefficient  $r = 27$ ), and the overall digital culture score and employee satisfaction ( $r = 21$ ). (Fig. 7)

This is particularly clear for those survey participants who are advanced in terms of digitisation – the front runners. In this context, digitisation plus culture change is accompanied by a better result. This is because the costs are reduced, because additional revenue can be earned from more business with existing, more satisfied customers and with new customers who are approached and managed online, for example, and/or because entirely new business models have opened up.

Front runners encourage working conditions which open up design freedoms and call upon their employees' personal responsibility. The greater degree of personal freedom not only increases job satisfaction and motivation, it also fosters a team spirit which replaces the former competitive thinking with a willingness to collaborate. Front runners also rely more heavily on digital tools for communication. Where there is a trust-based relationship between management and the employees – that is the prerequisite –, such tools are willingly accepted by both sides.

### The digital transformation only succeeds with people

We will go into the specific results of the study in detail in section IV. At this point, we would like to focus on a central assertion and back it up as follows: the accompanying culture change affects the digital transformation like a powerful amplifier. There is some justification for saying that digitisation only yields its full effect with a corporate culture that is appropriate for it.

According to the results of the study, in the context of change management and to the best of our knowledge, we also observed a *twofold correlation*:

- » (1) There is a highly significant, clearly identifiable connection between the digital culture and economic success of a company. To put it plainly: the more pronounced the digital culture in the company is, the more successful it is financially.
- » (2) There is also a demonstrable connection between the digital culture and employee satisfaction. The more strongly the corporate culture fulfils the conditions of the digital age, the more satisfied the employees are. Naturally, this has a positive feedback effect on (1) as a result. To this extent, the two individual results are closely connected.

From these study results, we conclude that digital strategy and digital culture must be considered and implemented together. The reason, as explained by Twitter: because companies with a digital culture have greater economic success and more satisfied employees.





### How culture change boosts digitisation

Based on the rationale that digitisation provides employees with the freedom to experiment and optimise, we consider it to be highly probable that they will also use this freedom to continue developing the company in the desired direction. We are delighted that our study has now also provided sound evidence regarding the digital revolution. We will now describe the mechanisms of action and the capabilities of the cultural transformation using the eight dimensions set out in section II.



### Customer focus

The first gains from digitisation were in customer contact – and remains plenty of potential in this area today. Consumers are feeling and enjoying the digital revolution in many areas of their life. It has made calls, letters and personal meetings superfluous. Strict opening times are a thing of the past. Consumer sovereignty has reached a new level.

For companies, opportunities abound that were previously unimaginable. Customers' voices and opinions can be heard on social media. Companies can address and manage them directly. American coffee chain Starbucks connects with its customers via a smartphone app, with which customers can also pay. Starbucks' transaction costs have been drastically reduced as a result. Savings can be made when services such as banking transactions, customer data updates, travel, flight and train bookings, offer comparisons and product ordering processes are placed in customers' hands. New business becomes tangible when customers' wants are transformed into the right offers.



### Digital technologies and digitised processes

As equipment and devices become inter-connected via the internet, which is known as the Internet of Things (IoT), time-consuming, laborious tasks become a thing of the past. The customer decides what they want from what hardware. In return, companies gain information which they can use to optimise their products and services. Entirely new application possibilities are also conceivable. The robotic vacuum cleaner developed by American company iRobot, for example, optimises its vacuuming performance using apartment floor plans which it generates and transmits to the control centre. Co-founder and CEO Colin Angle is considering making this data available to other companies to drive the complete networking of the home (the "smart home").

Yet it isn't the (interchangeable) digital access routes, but the competence and helpfulness of the employees in the front office that is critical for turning the possibilities into demonstrable success stories. When it comes to service quality, the employees and the managers who guide them play a key role – and they know it. Companies which are aware of this will give their employees the amount of attention which they have earned and which they want. A greater, perfectly graduated degree of freedom in customer handling is a tried and tested route to a win-win situation. Of course, this must be upheld and be part of a corporate culture which is practised and doesn't just exist on paper.

The joint development of solutions (co-creation) also testifies to a strong customer focus. If the customers are involved from the design and planning phase, they feel like they are being taken seriously and are important. This enhances the customer relationship, saves on iterations and, in general, reduces the development time. The fact that digitisation also enables the collection and real-time evaluation of data regarding customer desires and user behaviour is often referred to with the keyword of Big Data. In digital cultures, striving for a more comprehensive understanding of customers is self-evident.

The benefits of digitisation are certainly based on a prosaic investment calculation. Yet they only flourish when management and employees are inwardly open to new technologies. Open-mindedness means holding frank discussions about opportunities and risks, as well as including those whose work will rest on new structures and those who will follow the new procedures.

This applies especially strongly to the use of digital tools and platforms for the further development of internal and external processes. Four years after announcing his digital vision, Pierre Remy, CEO of Pages Jaunes, the French Yellow Pages, was largely able to compensate for the sharp decline in sales of printed classified directories through digital alternatives and successfully position his business as a digital company.

It is naturally the case that not all of the employees are fired up for the new digital era. After all, digitisation disrupts routines. And what's more: in the opinion of employees, the use of digital technologies reduces the value of their experience. If management confirm this explicitly, or even only implicitly, the employees' willingness to use new technologies without reservation declines. If, by contrast, they are accompanied on the road to the digital era, they are allowed to discuss it, and they are consulted on it, they will feel that their experiences are being recognised and valued. Intranet pages and internal social networks have been created for this very purpose. All 19,000 employees of the French wine and spirits producer Pernod Ricard exchange views in the scope of a real-time dialogue across all channels. In 2013, an employee survey attested to a rate of satisfaction of 94 percent. More than four in five employees around the world use Pernod Ricard's social network, a quarter of them once a day.



Data-based decisions eliminate a great deal of uncertainty, because data is neither based on subjective experience (“It’s what the market wants”) nor listens to gut feelings (“I know my customers”). Experience is often based on testimonies from individual customers; it only gives you part of the picture. However, if you ask your data, you have the whole picture in front of you. Why do I buy the products that I buy? Why do I shop where I shop? Which target groups buy which products? If you combine this information with your own experiences and test results available from your own investigations, you gain real knowledge for making valid decisions. It isn’t about moving vast mountains of data, but about collecting the right data: Smart Data instead of Big Data.

Digitisation often begins with technical equipment. When the computer screens in the front office are lit up with Google Analytics and improved with apps and state-of-the-art web interfaces, locations are still scrambling for preferential installation of high performance WiFi so that it is technically possible for employees to log into the company network wirelessly with various devices at all. From a technical perspective, in many companies, the stone age and the ultra-modern remain very close together. This frustrates managers and employees. In this respect, successful digital companies haven’t just digitised their customer interfaces, they have also made their digital services internally available at the same time.

## Entrepreneurship

Even an excellent business model won’t last forever. Businesspeople know that they need to be constantly listening to the pulse of their markets. Entrepreneurs also understand how to incorporate trends and market drivers into their business models. They answer disruptive changes with continuous adaptation because they are never satisfied with the status quo and demonstrate the willingness to accept occasional failures. The internal drive pushes them to search for better solutions. Change doesn’t scare them. On the contrary, they welcome it: “Excellent. What can we do with it?”

This internal attitude cannot necessarily be expected from wage earners and salaried employees. Of course, companies want employees who can welcome new ideas as enthusiastically as the management. The good news is: it is also possible to develop those employees who have



been opposed to such changes can be convinced to accept them. Bavarian power plant constructor Areva pursues an approach to embedding a creative start-up mentality in its workforce. The experimental arrangement: seven employees selected by talent management were sent to devise new products and solutions: accompanied by experienced start-up advisers, they worked intensively on innovations for a year, six weeks of which were spent, exempted from work, at the Munich Technology Centre – just like real start-ups. All employees received the reports on their progress via the Intranet. The message: we need you. Get involved.

The prerequisite for establishing a comprehensive spirit of entrepreneurship is a culture in which fairness and participation are afforded more than just lip service, they are proven through the example set by the managers and actively promoted by the top management. This includes encouraging the employees to take risks and a willingness to tolerate mistakes. Digital culture demands doers. Yet it also needs an organisation that lets them do things (» Autonomous working conditions) and tools which make it easier to do things (» Digital technologies and digitised processes).



## Agility

Agile companies are companies which identify, act and respond at the speed of lightening. Outwardly, they can be recognised by their dynamism and willingness to change. Internally, agile companies distinguish themselves with a culture that has the following characteristics:

- » Individuals and interaction are more important than standard processes,
- » Results count for more than the road to them,
- » The quality of the collaboration with the customers is more important than insistence on contracts, and
- » Willingness to change counts for more than stubborn adherence to project plans.

The streaming service Spotify, with 60 million users worldwide and over 1,200 employees, is an agile company through and through. To depict the corporate culture on a two-dimensional matrix in which one axis measures the degree of autonomy and the other direction measures the corporate objectives, Spotify’s digital culture would be in the top right corner, where both factors are at their highest. The company got there through small teams (“squads”) which enjoy complete autonomy as cross-functional and

self-organised units. Each squad has the responsibility for what they do from beginning to end – from the design to the deployment. The squads have long-term goals, which relate to the company as a whole, and project goals. All teams therefore take on a shared challenge, and each individual searches for the best solution. The company is thus able to grow without dependencies and coordination problems applying the brakes. Naturally, not all companies can and will match Spotify. Agility doesn’t always make sense at any price.

This example makes it clear that revolutionary thinking lies behind the concept of business agility. It requires digital culture in a number of ways. It is devoted to people because it sees them as the key to business success. It values human curiosity and intelligence and places them above standards and routines. It makes use of the human desire to work together with other people rather than facing off against them. And it gives this yearning the space it needs to excel.





### Autonomous working conditions

Employees strive for autonomous working conditions that offer them the maximum freedom. This desire can neither be ignored nor talked away. It is part of being human. Instead of countering it as ingeniously as possible, digital companies make use of these demands and offer their employees a deal: degrees of freedom for performance. Employees who want to work in digital companies are generally happy to accept such an arrangement. In this respect, the first DVD mail order company Netflix has become one of the greatest innovators in the broadcasting industry and a cultural benchmark in Silicon Valley.

The company regards and treats its employees as adults (“as grown-ups”) and gives them as much freedom as they would have in a start-up. Honesty as an agreed basic virtue. Neither working times nor locations, nor holidays, are formally regulated. Performance management has moved aside for frequent team meetings. The result is the minimum bureaucracy – and a culture which was praised by Facebook COO Sheryl Sandberg as trendsetting.

Organisationally, flexible working models provide the framework. Increasing numbers of employers allow their employees to work from home on a daily basis or at their own discretion – thanks to digitisation, it is easily possible. Collaboration and coordination with customers and colleagues is largely left in the employees’ hands. Personal initiative is explicitly encouraged in digital culture. This significantly relieves the burden on management and gives them more leeway for other duties.

Arguments against this are a high pressure to perform which is hard for the employees to avoid and the fear of losing control on the part of managers. This can still be sensed in many teams and departments. Sometimes, entire companies labour under the delusion that employees working autonomously goes against the interests of the company per se. To put it plainly: such thinking is old school. It underestimates the human desire for cooperation and personal success. And furthermore, it no longer applies in an age in which it has easier than ever before for highly qualified staff to move from one company to another.



### Digital leadership

Managers in a digital culture know the precise differences between leadership and management. Leadership conveys a clear vision and strategy, management implements it. The greater the proportion of leadership, the easier the managers’ task. Executives who have understood this mechanism have confidence in their employees’ commitment, and they generally receive a positive response. When the commitment fails to materialise, it is time for managers to become leaders: explaining, providing reasons, listening and responding to objections, and to repeat the cycle if necessary. The result should convince, not persuade.

Digital tools make management easier, but they also make management more convenient. If the relationship of trust is stable, short calls from afar are generally sufficient so as to learn how things stand, answer employees’ questions, understand decisions or change them. This requires a willingness and desire from the management to take the digital tools into their own hands and set an example with their sovereignty. In this context, why not set up a WhatsApp group for their team and keep a management blog?

Above all else, managers in a digital culture see themselves as coaches to their employees: they recognise their talents and skills, and spare no effort in bringing them to fruition. It is not just employees who feel comfortable in such a corporate culture. The managers’ work becomes significantly easier and, for their part, they gain leeway for methodical and strategic tasks.



### Collaboration

A core element of digital culture is interdisciplinary and interdepartmental exchange between employees, as well as with customers and cooperation partners. Digitisation has made the gathering, structuring and distribution of information easier than ever before. This crucial advantage, in critical situations for example, can be completely ruined by an unsuitable corporate culture, though. In a culture which is appropriate for digitisation, however, it is multiplied. Collaboration is one of the most powerful levers for moving digitisation forward.

In 2012, Google set a group of scientists a real challenge: to find the blueprint for the perfect team. They were also tasked with testing the management’s hypothesis: a team of the best experts would work wonderfully together and achieve the best results. The project ran for three years and punished the naivety of the basic assumption. The experts explained that the individual team members’ expertise had no effect on the quality of the collaboration. The corporate culture was much more important – does the team feel secure? Does it trust the company? Is it allowed to make mistakes? – than the empathy of the team members: do they respect and value each other? Do they listen to one another? Do they pay attention to their feelings and needs? Google ensured that this result became worth every cent. Now that we know how relevant the employees’ mental state and inner convictions are to success, not only can we talk about it, we must do so. We go one step further and say that collaboration must be (re)learned step by step and practiced for it to really work.

When companies advance along the path of digitisation, they are looking to achieve more than just increase the efficiency of individual departments or divisions. Their operational concern is to improve the interactions between all business units, so their strategic goal is to achieve increased overall efficiency. Silo thinking that is demanded and supported by the culture is directly contrary to this undertaking and will inevitably undermine it. We often encounter the conflicts and frictional losses in large corporate groups. If our advice is solicited, we say: digitisation only makes the free and prompt flow of information possible as long as people don’t stand in the way of it. We then work together on making the collaboration smoother.







## Innovation and learning

At the heart of companies with a digital culture is a constant willingness to innovate and focus on learning. This succeeds in an environment which encourages creativity, and in which experimenting, making mistakes and new ideas are considered as the fuel for tomorrow's success. Customs, traditions, tried and tested processes are not sacrosanct, but are constantly reviewed: do we need it? Why? What does it achieve? What would happen if we simply did away with the rule? Asking questions like these is expressly desirable in digital cultures. In this way, the employees' enthusiasm for searching for unconventional approaches is encouraged. Naturally, it must also be possible to go a step further down the new paths to determine whether they are actually a shortcut or they go further. Ideas and a hunger for innovation can only be encouraged and have the chance of success if mistakes are seen as part of the development process and accepted.

At the Berlin-based innovation incubator The Dark Horse, mistakes are something of a tradition. Every year, a Fail Award is presented for the smasher of the year. The culprits nominate themselves, but the employees all get to vote on it. Yet instead of tearing the unlucky individuals down, the think tank discusses what could be done better in the future. As the crowning touch, the winner is presented a kitchen appliance, such as a toaster, and the employees have a good laugh about it. Failures therefore become a common cause.

And this approach works in more than just start-ups. The alternative in large organisations is a digital experiment lounge. A business unit, a team, a department tries out new approaches and methods. If it is determined in the process that the desired progress fails to materialise, the risk is manageable. In the event of success, the new processes are subsequently rolled out in the company.



## A "cultural journey" from the markets to corporate culture and back

The topic of culture change is far from new for the Hilti Corporation, the global company from Liechtenstein (25,000 employees, 120 countries). Even its founder Martin Hilti considered it his most important task to "create a corporate climate in which each individual can develop their desire for success and their commitment, and at the same time find joy in their work." In the 77th year of its existence, the management of the family-owned company remains faithful to the self-made entrepreneur's guidelines and values. The only difference: these days, the keywords are globalisation and digitisation.

With a perfect Swiss accent, Norway-born Eivind Slaaen, Head of People & Cultural Development, talks about the long journey, the "cultural journey", on which Hilti embarked at the start of the millennium. Without exception, all managers and employees withdraw for a few days every two years into so-called "team camps" to discuss the strategy implementation and the path towards the objectives. The process is complex. "First the executive board go into retreat, then the supervisory board, then the board members with their direct reports, the managers of the business units, and finally each manager with their employees. The discussion groups are moderated by 70 selected employees who are implicitly trusted by all sides. The topics in the team camps have a lot to offer: what tasks are on the agenda for the next year? Where does progress need to be made? What do we need to change about our culture? How do we approach this? And: how do we relate to one another? It shouldn't be all self-congratulation, affirms Slaaen. "We face the brutal facts and look unflinchingly at the markets, the customers and the employees. How satisfied are we with our financial performance? How satisfied are the customers with us? How satisfied are we with ourselves?" Once all 25,000 Hilti employees know the challenges and the strategic solutions, the second part of the team exercise starts. Eivind Slaaen phrases the key question as follows: "How do we need to behave to master the future?"

The "cultural journey" costs Hilti between seven and ten million Swiss Francs per year. A complete run-through lasts two to three years. "Then the next stage begins," says Slaaen. The team camps have become a ritual, and are considered to be a massive strong point for the company. "We have established a cultural process with which we can approach new topics without reservation." A recent example of such a topic is digitisation, and for a manufacturer that relies on direct sales, it is a topic that is anything but trivial.

"What is our role in the digital world," asks Slaaen on behalf of his colleagues. "What opportunities do the IoT/Industry 4.0 present for our products? Does direct distribution have a future, or will it be replaced? What digital solutions can we, must we, and do we want to offer our customers? And how are we advancing in this area ourselves?"

Will the costs of the cultural journey pay off? "Yes," says Eivind Slaaen with a firm voice. Under one condition: a longer-term planning horizon is needed. "You can't push a culture change through in six or twelve months. It takes years and requires complete commitment and role modelling from the top management." That can't be said often enough, the cultural designer stresses. The return on the "cultural journey" is always clear when team effectiveness topics come up in management meetings: "As for a start, you don't need to run big team-building exercises to create an awareness for the problems," says Slaaen. "People are already aware of them from the team camps. We get to the point quickly and organise the implementation." Meetings can therefore be shortened. And when it comes to recruitment, the Hilti culture represents a strong argument. "It has real clout," the "Liechtenstein Norwegian" enthuses. And that somehow goes fairly well with the company's products.



**Eivind Slaaen**  
Head of People & Cultural Development  
Hilti Corporation



## IV The study results in detail

Digitisation is the top issue in boardrooms. According to a survey of management consultants working in Germany by the market research company Lünendonk, 95 percent of all investment projects with a 2017/2018 time frame are aimed at digitisation.<sup>11</sup> In contrast to the past, however, the focus is no longer on increasing efficiency.

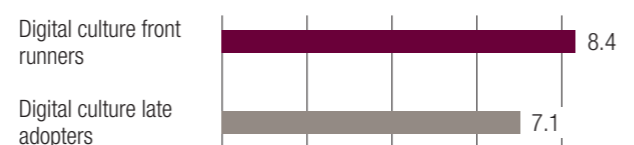
Our interview partners in the third part of the study – ten companies with a more pronounced digital culture and ten companies with a less pronounced digital culture, see also further on in this section – attest to the huge extent of the digital wave. They indicated that 70 percent of all change processes initiated in the last two years had the goal of achieving the digital transformation of business processes and IT innovations. Growth initiatives, new strategies and reorganisations are left a long way behind for the most part. However, it can be assumed that digitisation is also considered in other triggers for change.

The question is: does corporate culture also come under scrutiny here? Do companies consider the cultural dimension to be central, possible crucial for the success of digitisation? Or are they more likely to give it a marginal role? Because, as is often regretfully said, you can't influence the culture anyway?

Undoubtedly, the answer to these questions depends on personal experiences of change projects. Anyone encountering the challenge of profoundly reshaping an organisation for the first time generally pays more attention to the mechanics of the individual parts than to their connections. Mechanics is physical. The interaction of the effective forces which make up corporate culture is psychology, for the most part. It is telling that it is digitally advanced companies in particular which attribute great importance to culture change. (Fig. 8)

In doing so, as the results of our study show, they are doing exactly the right thing. What digital transformation requires – more leadership and less management, trust in the employees' performance capacity and motivation, a high degree of freedom and, above all, a climate which encourages experiments and aims for a rapid rate of innovation – can be defined strategically. Change management knows the ways and means. The condition: the company management must want it.

Both front runners and late adopters recognise the importance of a digital culture change.



1 = not important at all, 10 = very important

Fig. 8: How important do you consider further development of the corporate culture to be in connection with the digital transformation?

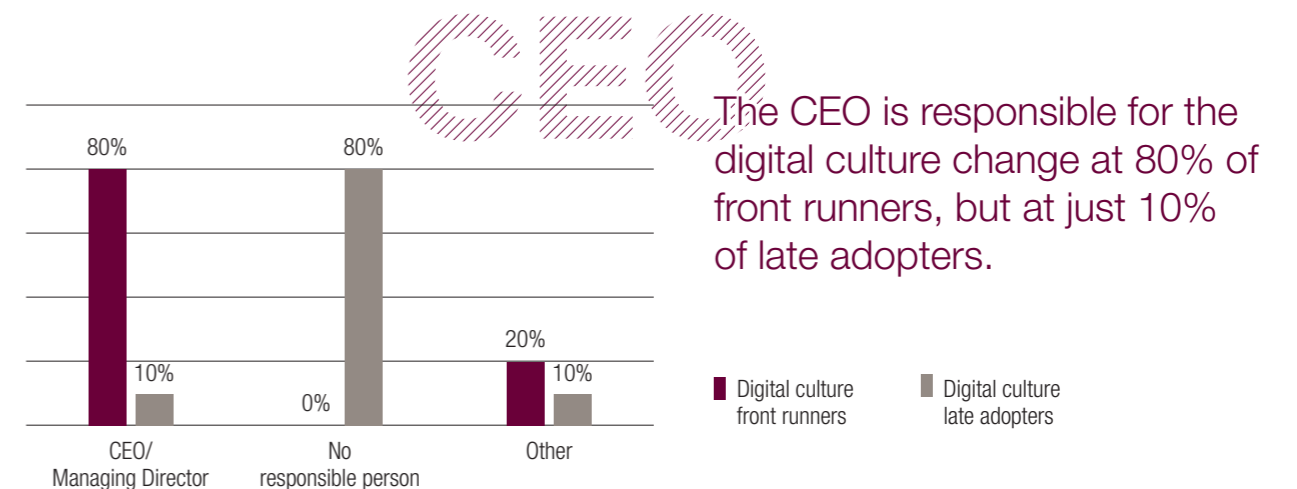


Fig. 9: In your view, who is generally responsible for digital culture change in your company?

The CEO is responsible for the digital culture change at 80% of front runners, but at just 10% of late adopters.

### Everyone says: the corporate culture cannot be neglected in digitisation

To link convictions with experiences, we sounded out where the companies stand with digital culture at the time of the survey using the eight dimensions set out in section II. (p. 9 & 24) For each of these eight vectors, we calculated a digital culture score of between 1 (= use existing) and 10 (= drive digitisation). We defined companies with values in the upper third as front runners, those with values in the middle third as followers, and those with values in the lower third as late adopters. After the evaluation of the questionnaire, we conducted qualitative interviews with ten front runners and ten late adopters respectively. The following statements result from comparison of companies with variably pronounced digital cultures.

The responses to our questions show that the companies we surveyed believe digital transformation to be very important. On a scale of 1 (= no influence/no importance) to 10 (= very strong influence/high importance), the digital culture score for companies with a more pronounced digital culture is 8.3. Where the digital culture is not so well developed, it is still 6.8 – still in the upper third, which attests to the fact that digitisation has high strategic relevance to companies of all sizes and in all industries.

We then asked whether the further development of the corporate culture was important for the digital transformation. The vast majority of those interviewed agreed that the cultural dimension cannot be neglected in digitisation. Where we had previously measured high digital culture scores, this question was answered more clearly with yes (8.4) than in companies with a less pronounced digital culture (7.1). It is revealing that four out of five of the digitally advanced companies, but just one in ten of the companies at the back of the pack, rated the assumption of responsibility by the top management positively. This means: companies which have been able to make good progress in the transformation have appointed a responsible person who drives the cultural change. (Fig. 9)





Management teams in companies with a cultural edge are well aware that top management stands for change in corporate culture and that this plays a major role as a topic which is considered difficult in digitisation. They value action.

The survey participants from companies with a less pronounced digital culture also view digitisation as being the task of the company management. They complain about the absence of leadership and communication ("the employees have to manage it on their own") and describe it as being a hot potato that nobody wants to touch, or complain of being bombarded with facts, data and figures ("culture is quickly dropped as a topic"). Statements such as these should give decision-makers food for thought. They should bear in mind the fact that if they disregard the topic of culture, their employees will have a great excuse as to why digitisation isn't advancing as intended in the management's plans... (fig. 10)

Fig. 10: Statements on the importance of digital culture change from the in-depth interviews.



### The topic of culture is only being tackled by the front runners

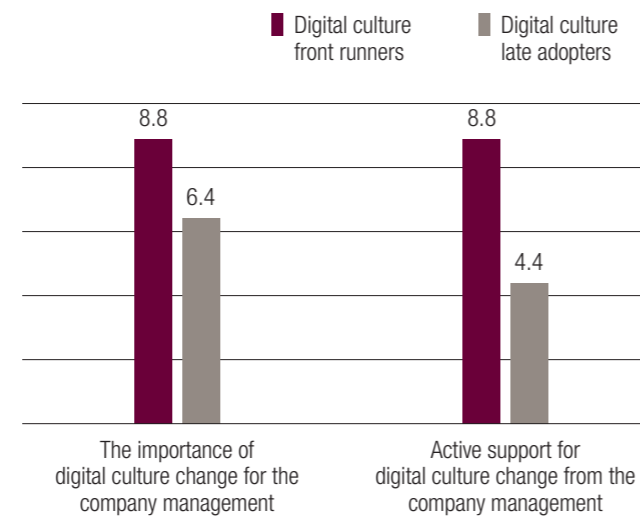
Thus far, we can see that there is a gap between awareness and implementation. This is because although the management teams in both groups recognise the necessity of culture change, it is only the front runners that respect the company management in terms of the active implementation of the plan. (Fig. 11)

For them, an exemplary role and the active management of the digital culture change by the company management are the key features of the leadership role. (Fig. 12)

In free text comments, a participant described digital change as “a topic which must be initiated from the very top.” Another confirms the accuracy of the statement and implicitly praises their top management: “The topic is so important that it is directly anchored in the senior management.” (Fig. 13)

In companies which are still a distance away from digital culture, there is therefore a real opportunity for the top management to drive the change.

The management in both groups recognised the importance of culture change, but only the front runners are active.



1 = not at all, 10 = very strong

Fig. 11: How actively does the company management support digital culture change?

### Front runners see the active management of the digital culture change and their exemplary role as the key features of the leadership role.

Actively shaping and driving digital culture change.  
 Exemplifying digital culture change and acting as a role model.  
 Giving the employees freedom and leeway.  
 Only the management has the necessary power and the necessary resources to drive the culture change.  
 The management should communicate clearly.  
 The management should support digital culture change.

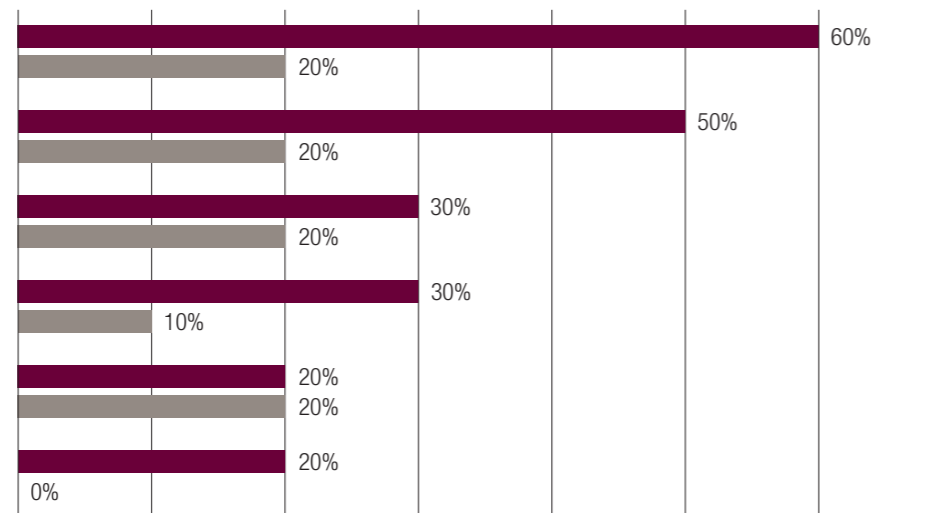


Fig. 12: The characteristics listed above were attributed to the role of the management in digital culture change by the interview partners.

■ Digital culture front runners ■ Digital culture late adopters

While front runners underline the positive effect of leadership in digital culture change, the respondents in companies with a less pronounced digital culture still see shortcomings in this area.



Fig. 13: Statements on the importance of management from the in-depth interviews.

■ Digital culture front runners ■ Digital culture late adopters



80% of front runners have a clear digitisation strategy, but only 40% of late adopters do.

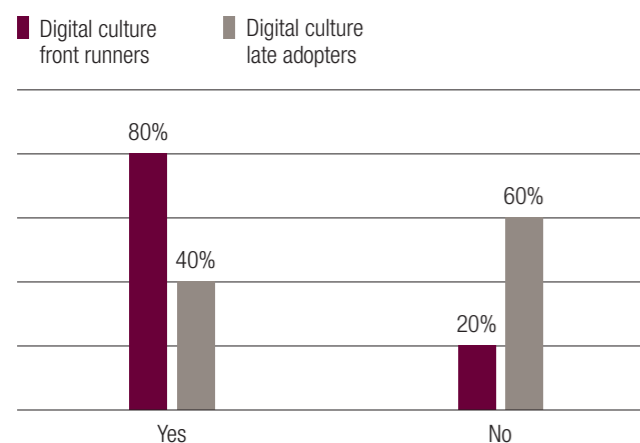


Fig. 14: In your opinion, is there a clear digitisation strategy in your company?

In the first step, digital culture is implemented through a formulated digitisation strategy paired with a clear cultural target vision: how do we want to work together, how do we want to behave, what spirit do we want people to feel from us? If, as our study shows, strategy work and culture change only yield the optimum results when combined, the two challenges must be tackled together and communicated to the employees in the second step: what do we want to achieve with our digitisation strategy, and what does our culture need to look like in the future so we can achieve our goal? (Fig. 14)

In the third step, the desired digital culture is made clear through modelling and demonstrating how it should be. The message to the organisation is: just look – it works. According to John P. Kotter, this is the true driver of change: “Nothing is as effective as a good example at making people receptive to new ideas, conveying important information to them, igniting their passion, and generating a strong sense of urgency regarding to a significant chance to compete.”<sup>12</sup>

The conclusion: if the exemplary role is not perceived, the digital culture will have no clout within the organisation. A manager from a company with a need to catch up puts it in brutal terms: “What hinders us is a top-heavy organisation.” Another identifies the following as the biggest hurdle: “There is always the risk that top management will lose interest in the topic and no longer see the need for further implementation.” The statement proves how attentively the example provided by the management team is perceived during change in a company. And at the same time, it indicates that the attitude and behaviour of top management are the most important levers for change. An interview partner puts it quite unequivocally: “I only take up the opportunity (...) if it is initiated from above.” (p. 43, fig. 13)

### Technocrats lose out in culture change

It is evident that the front runners manage culture change more successfully because they focus more strongly on people than on technology. This includes establishing a culture of trust (» positive attitude to people), allowing people to make mistakes (» attempt, failure, new attempt), emphasising the value of knowledge (» innovation = learning quicker), and a greater focus on the employees' wants and needs. (Fig. 15)

The positive effects are clear: since the pioneers of digital culture change give the human dimension no less consideration than the technical and procedural dimension, they have more satisfied employees and greater economic success. (p. 28, Fig. 7)

Front runners focus on the success factor of “people”, while late adopters largely rely on the use of new technologies.

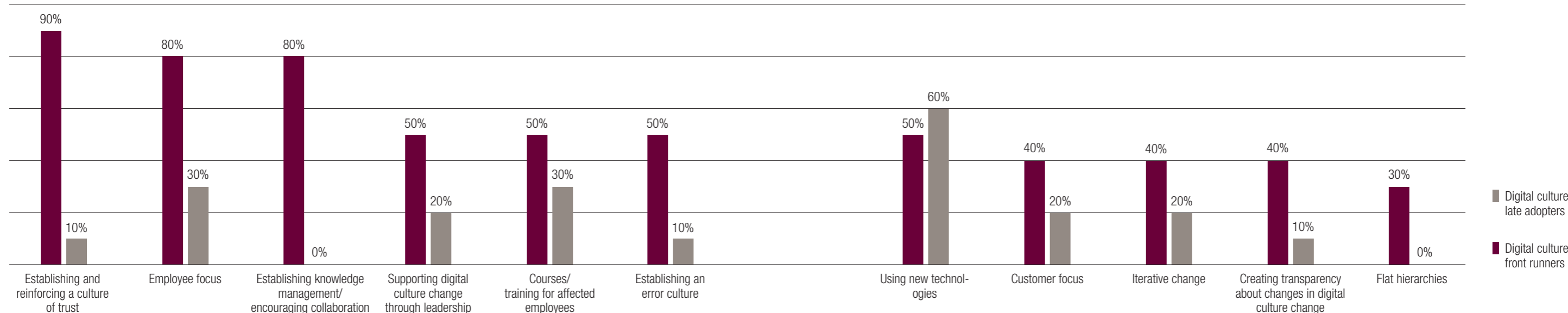


Fig. 15: What success factors for digital change were named by the participants in their companies.



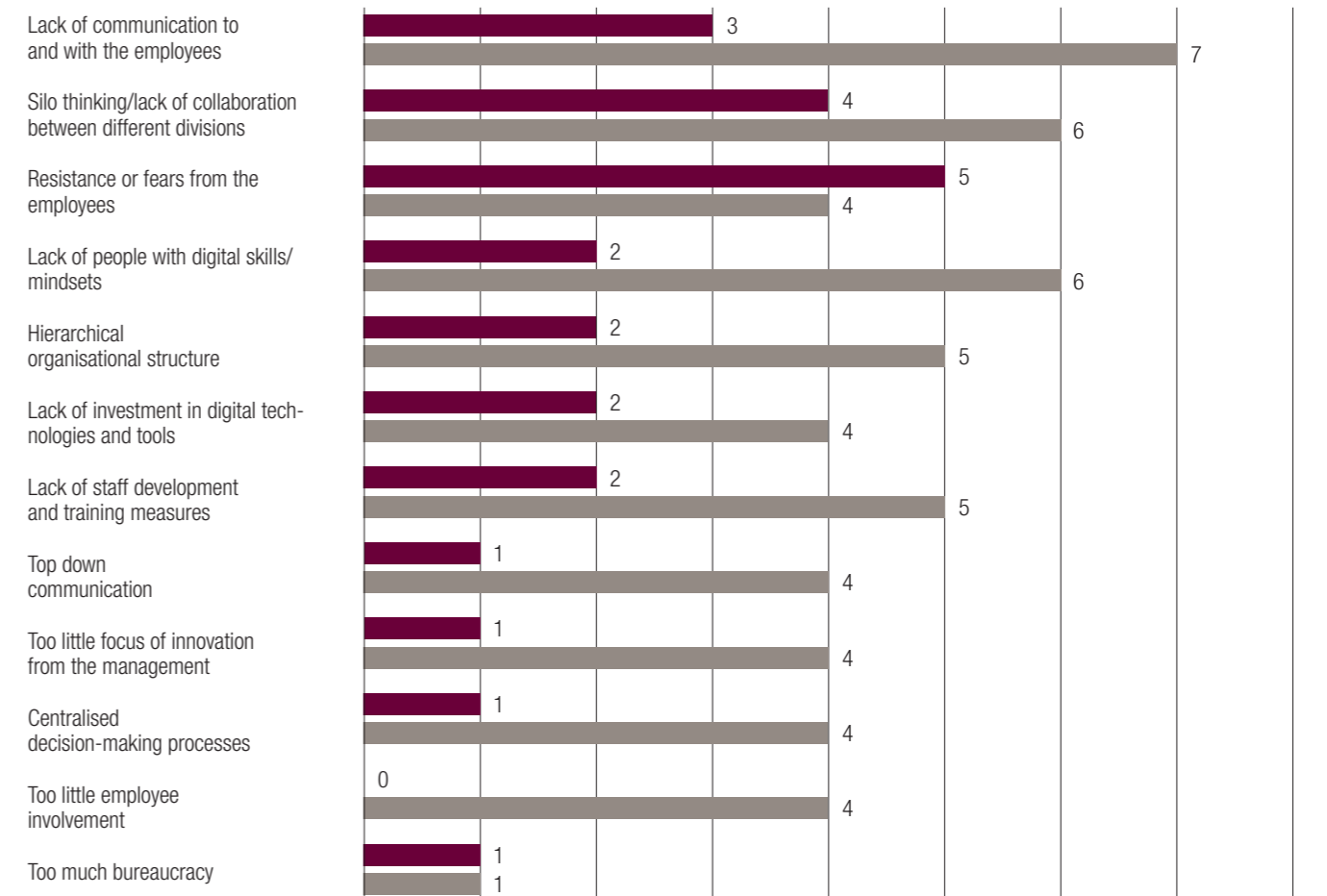
Front runners support their employees, promote collaboration and establish a culture of trust and the acceptance of mistakes; companies with a less pronounced digital culture have the potential to improve in this area.



Fig. 16: Statements regarding success factors and obstacles in digital culture change from the in-depth interviews.

■ Digital culture front runners ■ Digital culture late adopters

The biggest obstacles to digital culture change are a lack of communication and silo thinking.



1 = not pronounced at all, 10 = very pronounced

Fig. 17: How pronounced are the following hurdles to digital culture change in your company?

■ Digital culture front runners ■ Digital culture late adopters

These companies are better positioned in terms of their digitisation. Front runners define the goal and the path. They digitise with their employees, rather than in opposition to them. This is where we can see the greatest differences between companies with a developed digital culture, and companies that are unwilling to make the cultural change. (Fig. 16)

The respondents cited a lack of communication with employees, the silo mentality, and a lack of or insufficient handling of the employees concerns as the biggest obstacles to digital culture change. This encourages resistance, and a credible or sustainable culture change cannot be achieved in an opposing organisation. It is also clear, by contrast, that the front runners identify significantly fewer obstacles in their companies. (Fig. 17)

### Successful digital culture change is characterised by employee involvement and personal initiative.

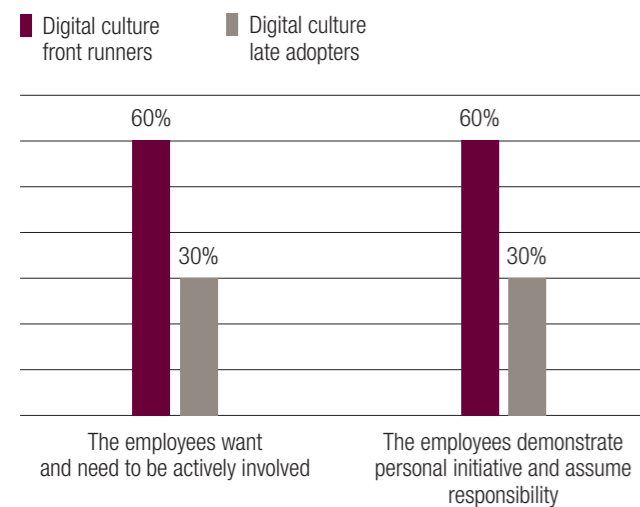


Fig. 18: Statements regarding the role of employees in digital culture change from the in-depth interviews.

This is also because the employees are better prepared for digital change. The “tolerability” of the transformation was indicated by the front runners with a digital culture score of 7.8, while companies with a less pronounced digital culture only achieved 5.0 on average. The pioneering companies clearly have more confidence in their employees’ ability and willingness to get involved in implementing change.

One of the elements constituting such a “culture of trust” is the early involvement of the employees and the willingness to provide freedom for personal initiative. Three of five front runners interviewed confirm: “The employees wanted and needed to be actively involved in the change” and “the employees demonstrate personal initiative and take responsibility.” Among the late adopters, only 30 percent say this. (Fig. 18)

### Have courage and dare to experiment – in small business units

During the course of digitisation, front runners do not impose a formal organisation structure on the company ad hoc. Instead, they test out the new operating principle and the effectiveness of the structures and processes in parallel to the existing organisation in digital business units. This was the case in at least one in two front runner companies. New roles were tested out in a protected unit in every third company. (Fig. 19)

Whether this unit is called a digital business unit, an innovation department or a digital lab, or whether a separate Digital GmbH is established for this, as at Porsche and Evonik, is of secondary importance. What is crucial is simply to get started: “Rapid experimentation in the tradition of a start-up is the right route. Implementing something if it is successful and moving on to the next idea if not is standard in these companies.”<sup>13</sup>

### Front runners introduce digital business units and adapt processes, while respondents from companies with a less pronounced digital culture have largely introduced new roles thus far.

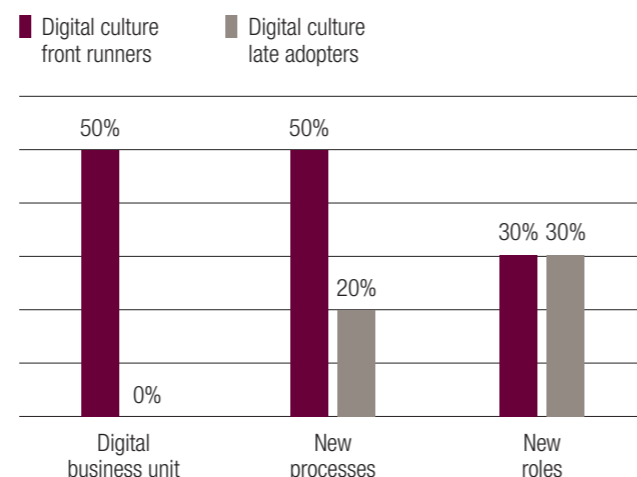


Fig. 19: Have you experienced/observed measures in your company in order to further develop the formal organisation for digital change?

### The front runners have introduced new ways of working, such as scrum and agile, and adapted the formal organisation.

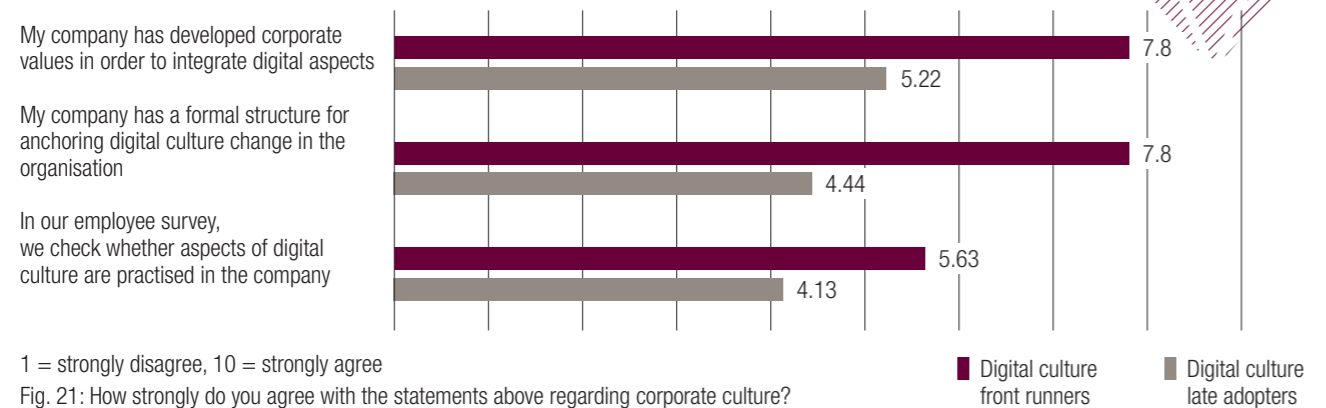


Appointing people for the change and introducing new roles such as Chief Digital Officer (CDO) are clear success factors among the front runners. Yet this alone is not enough. This method is neither quick, nor profound, nor comprehensive enough for digitisation. While “normal” change projects are aimed at improving efficiency (“doing things right”), digitisation increases the effectiveness of the company (“doing the right things”). This also includes the fact that the new ways of working must not be limited to the digital units, but must be embedded in all of the business units that work together with the units. Otherwise the “effort of translation” becomes too big. Either the participants in our survey know the difference – or they anticipate that methods from the 20th century won’t take their company to the digital future. (Fig. 20)

Fig. 20: Statements from the in-depth interviews regarding adaptation of the organisation during the course of digital transformation.



In the development of the corporate culture thus far, the digital front runners have a significant advantage.



### The proof: digital transformation and digital culture are closely linked

The study provides sound evidence of the clear link between success in digitisation and digital corporate culture. Specifically, this means: the further the company has progressed with its digital transformation, the more pronounced its digital culture is. However, the real power of this proposition only comes with the conclusion which its reversal permits: *the more firmly the digital culture is anchored in the company, the more successful the digitisation.* (Fig. 25)

Without a doubt, this is the “breaking news” of this study: the pioneers of digitisation are the most advanced with their digital transformation and score the highest marks in all cultural dimensions measured.

The comparison of the industries, company sizes and organisational forms makes differences clear. The fact that telecommunications and media lead the way in the digital culture assessment – i.e. the characteristics of all eight cultural dimensions as a whole – with a digital culture score of 5.71 (to remind you: 1 = use existing, 10 = drive digitisation) and that plant engineering (4.52) and the metal industry/mechanical engineering (4.59) lag behind is no surprise. While digitisation has long since changed business models in the industries which head up this ranking (fig. 22) from the bottom up, capital and personnel intensive industries still need to catch up in this area.

The fact that there are evidently many companies in the “old economy” in which the culture is appropriate for the new age or which understand culture change and have energetically enacted it themselves is surprising enough. The good performance of the consumer goods industry (5.26) – particularly in comparison with commerce (4.89) – may also cause surprise. Admittedly, the latter is very diffuse. While some companies recognised and seized the opportunities of digitisation in a flash – in 2016 the top 3 were Amazon, Otto Group and Zalando<sup>14</sup> –, others still struggle with the challenge. The banks, which Chief Digital Officers have worried about for a long time, have advanced significantly further. With a digital culture score of 5.23 for all of the cultural dimensions we analysed, they are in the green zone in Germany.

The telecommunication, media, consultancy and electronics/high tech/IT/software are ahead of the game in digital culture change.

Industry	Digital culture score
Telecommunications	5.71
Media	5.63
Consulting	5.58
Electronics/high tech/IT/software	5.53
Consumer goods	5.26
Banking	5.23
Transport/logistics	5.18
Automotive	5.01
Insurance	4.91
Other	4.90
Commerce	4.89
Chemicals/pharmaceuticals/life science	4.66
Energy/utilities	4.66
Metal industry/mechanical engineering	4.59
Plant engineering	4.52

1 = Use existing; 10 = Drive digitisation

Fig. 22: Digital culture assessment – comparison of average values.

### There are good reasons for differing perspectives

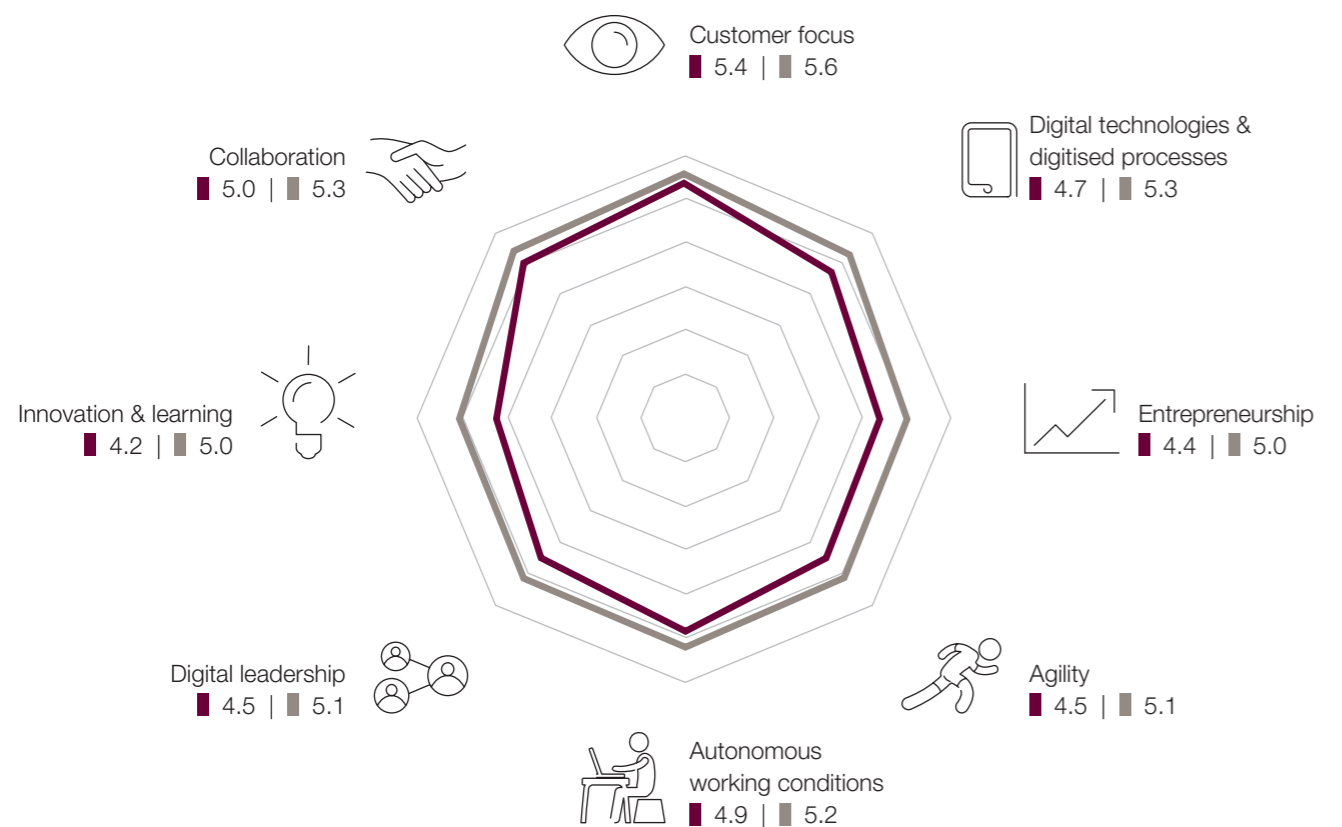
On average, managers rate the digital culture in a company better (5.22) than employees without management experience (4.69). This sounds paradoxical. Shouldn't youngsters be fired up by the trust that their superiors place in them, for the freedoms granted, for the appreciative feedback and by the encouragement to tread unconventional paths? And shouldn't managers, particularly in middle management, be critical, defensive and full of mistrust in face of the change? Our analysis indicates that both assumptions, while perhaps plausible, are wrong. (Fig. 23)

Managers see a more advanced digital culture in their companies than employees.

Time in management	Digital culture score
No management responsibility	4.69
< 1 year	5.33
1 – 5 years	5.10
6 – 10 years	5.40
> 10 years	5.21
<b>Average with management experience</b>	<b>5.22</b>
<b>Average with no management experience</b>	<b>4.69</b>

1 = Use existing; 10 = Drive digitisation

Fig. 23: Digital culture assessment – comparison of average values.



1 = Use existing; 10 = Drive digitisation

Fig. 24: The eight dimensions of digital culture: management vs. employees average value comparison. ■ Not management ■ Management

There are two explanations here. The first: only (on average somewhat older) managers have worked in both traditional and digital cultures. They are thus able to make a direct before and after comparison. Irrespective of personal preferences – who wouldn't prefer to see themselves and their skills in a culture of trust rather than constantly reined in by mistrust? – digital culture makes the leadership role easier. Even though it demands more time for justifications and explanations, it results in a reduction in the burden of management and control, and collaboration doesn't hold as many points of friction and as much conflict potential. For the front runners, managers and employees largely see things the same way. (Fig. 24)

There may be another reason why managers value the advantages of digitisation more highly than employees without management responsibility. Above all, rank and file employees benefit less from the digital achievements in their day-to-day work. While bosses are furnished with a tablet and a Twitter account, employees are often sitting at their desktop PCs and dreaming of WiFi and home office. For them, digitisation tends to be more of a threat than a relief. Which is one more argument for allowing employees to get involved in an active culture of digital participation.

The more advanced a company's digital transformation, the more advanced its digital culture change.



Degree of digitisation	Digital culture score
Companies which comprehensively promote and drive the digital transformation.	5.76
Companies which limit the topic of digital transformation to selected divisions.	4.68
Companies in which digital transformation is a topic which they will deal with in the future, but is not yet urgent.	4.26
Companies for which the digital transformation is not relevant.	3.72

Fig. 25: Digital culture assessment – comparison of average values.

1 = Use existing; 10 = Drive digitisation

Agile organisations have the best developed digital culture.



The following graphic (Fig. 25) shows how critical top management is as a driver for digital and cultural change<sup>15</sup>. The higher priority the company management assigns to the project, the more emphasis it places on the change, and the more business units are involved, the higher the average digital culture scores.

Ultimately, the comparison of organisational forms with digitisation success (Fig. 26) shows that companies with an agile organisation have the highest digital culture scores by quite some margin (5.99). In view of the characteristics of this organisational form, which suit digitisation, this is less surprising (see text box on p. 14, section I). Here, we see a further indication that the trio of strategy, organisation and culture yields the best results.

Organisation system	Digital culture score
Agile organisation	5.99
Matrix organisation	5.23
Functional organisation	5.23
Project organisation	5.17
Other	5.17
Network organisation	4.99
Divisional organisation	4.95
Process organisation	4.58

1 = Use existing; 10 = Drive digitisation

Fig. 26: Digital culture assessment – comparison of average values.



## V How culture change works



Companies which are as advanced as Apple, Google and Amazon enjoy role model status with sought-after employee demographics. Their top managers prioritise affirmative signals and are eagerly imitated: lightness of touch is a requirement for the executive board, ties stay in the wardrobe, beards indicate coolness. Our study can explain it: "Culture is a management issue," the front runners affirm (p. 39, fig. 9). For digital sprinters, it is bordering on an insult to be called an "analogue" thinker. These days, companies are committed to focusing fully on their customers' wants and needs. No-one wants to persevere in the old world and fall behind their customers' desires, or behind those of their employees.

### Front runners approach digital transformation comprehensively

Outwardly, to the markets, the change is clearly visible. According to our study, the most advanced companies are those that have changed internally at the same time: companies which have adapted their organisation and culture, i.e. their DNA, to suit the conditions of the digital transformation and have rejuvenated themselves more than just visually. Because they know that customer satisfaction and employee satisfaction are closely linked. And their employees, in particular the digital natives, want to work with modern technology.

Upgrading digitally without catching up culturally is a waste of resources. It means settling for sub-prime results. The pioneers of digitisation identified in our study who, as front runners, have also pressed ahead with culture change demonstrate that pairing of digital and cultural transformation is far superior in effectiveness and efficiency to either alone.

### Cultural transformation is hard strategic work

The transformation of culture to suit the conditions of the digital world is not a task which can be done in passing. The will and commitment of the top management are crucial. The company management must be prepared to look rigorously at the spirit of the company through the lens of digitisation and check whether it is suitable for the digital arrangement which is pursued. Without fatalism ("what can be really changed about it?"), without fear of contact ("do we really want to do this?"), and without an instinctively defensive attitude ("soft topics are always difficult.").

Just like the digital transformation goes best together with the cultural transformation, cultural restructuring is soonest achieved together with a clear digitisation strategy. The results of our study provide proof of this. Companies are therefore faced with two big challenges. Only tackling digitisation or the change to the corporate culture is legitimate. But the probability of a successful outcome is considerably lower than when they are tackled in parallel. (p. 44, Fig. 14)

The cultural transformation is feasible if considered as a strategic task and tackled accordingly. Because, contrary to what has long been assumed, the culture of a company is not constant over time. To be sure, it is often called the DNA of a company. But as in the building blocks of life, undesirable sections can today be cut away and desirable elements can be added, so corporate culture can also be adapted to suit the new era. It can also be carefully planned and operationally implemented, as is the case for digitisation, whereby the levers which also facilitate success in digitisation are fundamentally the same: strategy, structures/organisation and culture/people.

### The first question: do we want to, can we, should we stay as we are? What do we need to change?

Following or during the course of a decision by the top management to implement culture change, according to our interview partners, the "spirit of the company" comes under scrutiny. In this respect, difficult questions must be asked and discussed by management. To provide a better overview, we assigned them to the eight dimensions of digital culture as defined by us.



### Customer focus

How must our employees be if we want to be truly customer-oriented as a company? How should they behave, internally and in communication with our customers? What messages should they convey? What do they need to be able to do, what do they need to want, and what should they be allowed for that?



### Digital technologies and digitised processes

What digital technologies are we using or should we acquire so as to increase our pace? To get information more efficiently, in order to be able to make decisions with more certainty, to communicate more purposefully, to catch the market signals earlier, to more easily give the market what it wants, and to give it more than it wants? What technologies could make our business more secure?



### Entrepreneurship

How can we make employees co-entrepreneurs in spirit? How can they recognise and grasp opportunities on their own initiative? What risks should employees be able to take without needing to fear sanctions? What freedoms, what provisions, what leadership do they need to respond correctly, for the benefit of the company, to changes in the market?



### Agility

How do we bring a breath of fresh air into our organisation? What level of dynamism do we want, and how do we go about using it once we have achieved it? What allows our organisation to breathe? What makes us more flexible? What structures and processes might put the brakes on our drive? What could be omitted without us missing anything? What are we lacking?





### Autonomous working conditions

Do we need to prescribe every movement or is a stipulated goal including the period of completion sufficient? Are we prepared to give employees more autonomy in the management of their working time? How much more? Where is home office working possible? Can we trust employees to act responsibly for the benefit of the company with their new freedom? Can we try it out somewhere, somehow?



### Digital leadership

Do we trust our employees? How well can they develop their potential? What does management look like in our company, do we see ourselves as managers or leaders? To what extent do managers already use digital technologies to communicate with the employees? Does everyone join in with this? How can we convince those who are technically averse of the benefits?



### Collaboration

Do our employees discuss things openly and unbidden? Do they not hold back with constructive feedback? What visible and invisible barriers exist between the teams/departments/divisions? Have we previously encouraged competitive thinking or cooperation among the employees? How can we tip the scale towards collaboration?



### Innovation and learning

Are suggestions and ideas welcomed in our company? Do the employees know this? To what extent do we encourage and reward training? Do we make a distinction between formal and informal learning? Do we punish mistakes which result from enthusiasm for learning or work? To what extent do we as an organisation learn from our mistakes?

The companies identified in our study as front runners asked themselves these questions and others. At the end of the survey, they were aware of the gaps that needed to be filled, and they were able to describe the target culture they were aiming for. The next step is all about the way there – a classic challenge for experienced corporate strategists.

#### Variant 1: preparing for the transformation in a secure environment

Fundamental changes can be tackled using a variety of strategies. The traditional route is to define new roles and/or new processes for the entire organisation. The goal is to allow culture change to gradually become integrated into everyday operations through tangible actions by the management and employees. As long as sufficient feedback loops are provided and the effectiveness of new practices is reviewed, this is a tried and tested, though far from easy, method. It might also be called invasive, because the characteristics of the target culture intrude into the ecosystem of the company and are not “grafted on”. However, if the entire company needs to be reached, a lot of resources are required, and the implementation process takes a long time. Companies don’t want to wait that long to implement digitisation. The example of Spanish bank BBVA shows how

this can be done within a manageable period of time, however: within just four years, the business model, along with all processes, products and services, was transformed and developed into a customer-focused, digital bank – together with the 100,000 employees<sup>16</sup>.

Every second front runner we interviewed, already tending towards agility, takes the path of newly established digital business units for culture change (p. 48, fig. 19). This may also include part or all of the digital business. The chances are good that the employees will consider the digital culture to be self-evident and that new ways of working will be encouraged and practised accordingly. Furthermore, in such a “protected” unit, people can test out things which could cause unrest in the company if they don’t work. However, if everything goes as hoped, the things learned from this unit can be used to optimise the subsequent roll-out throughout the organisation. Our front runners therefore follow a model which has been enjoying increasing popularity over the last two to three years. This is also because it increases the desire of the employees in the traditional divisions to take advantage of the digital culture. Here are a few examples:

- » the *Zeppelin Group* has established a strategic business unit in which it collects new digital business models which are developed in addition to the existing business. A start-up, already established, is integrated into this new DBU. Transaction revenue of 300 million Euros is expected to be generated by 2020.
- » In the autumn of last year, *Siemens* established a new group of companies, *next47*, which are devoted to the advancement of disruptive ideas and pushing new technologies forward. One billion euros will be invested in the new division by 2021. The innovation division is represented in Berkley, Shanghai and Munich, and covers all regions of the world from there.
- » *DIS AG*, one of the leading recruitment agencies for specialists and managers in Germany, has established a new “Digital Business” business unit. In this unit, new digital pilot projects are being developed and driven forward for the entire Adecco Group in Germany.





## Variant 2: buy support for digital and cultural change.

More than every second major company in the USA (57 percent) already had a digital business unit in 2016. In Germany, only one third did. Here, people appear to prefer a different path into the future: major German companies work together with start-ups almost three times more often than American groups of companies (Germany: 35 percent; USA: 14 percent).

Speed and innovation – that's what young, agile start-ups stand for. Medium-sized businesses in particular hope for more speed and access to new technologies.<sup>17</sup> But this can also be the way to secure access to innovations earlier and, at the same time, gain experience of digital culture for groups of companies. For large companies, the acquisition of start-ups or investing in them generally occurs in parallel to the founding of the company's own digital business unit.

- » *Mediengruppe Oberfranken (MGO)* in Bayreuth establishes or invests in new digital companies to focus more strongly on the future. Mistakes, they say, should be expressly allowed on the way there.
- » The Freiburg-based *Herder Verlag* invests in start-ups such as the developers of web applications. The justification from the publisher Manuel Herder: "Digitisation cannot happen by decree. That's why we decided to proceed from the outside and therefore to acquire investments. (...) My argument was that it would be much more expensive for us if we didn't take advantage of the new opportunities. We therefore started buying start-ups with the aim of expanding our network. We (...) were thus able to approach our own employees. That makes it fun rather than stressful."<sup>18</sup>
- » In 2014, *Commerzbank* established its own holding company for innovative Fintech start-ups. The first investment by Commerz-Ventures was in the social trading platform Etoro.

The message is: if the digitisation of the appropriate structures is introduced upstream as a framework and modelling function and the cultural transformation is experienced

"in a nutshell", if key performance indicators (KPIs) and new incentive systems document the status of the change and are communicated as an example, then transference to the entire organisation happens more easily and quickly. Pull instead of push triumphs: because it is eagerly awaited by the other employees.

### What the front runners advise

While companies with a less pronounced digital culture concentrate on technology, the pioneers of digital culture rely on people as the factor for success. In these companies, the establishment of a culture of trust is well advanced. Mutual trust and confidence are the key. This doesn't happen at the touch of a button or on command. To the best of our knowledge, there's no app for that. If employees trust that their commitment to the company is appreciated, if they can be sure that it won't be held against them if they rush ahead too quickly, and if they are not worried about being called to account for mistakes, then they take a deep breath. They follow, give more and take greater pleasure in their work.

Wherever there is a need for specialist training, it should be provided. Wanting to and being able to are two sides of the same coin.

Of course, there can be exceptions. However, sociologists have long been in agreement that leaps of faith regularly pay off in terms of motivation, commitment and loyalty to employers. That's why 90 percent of the front runners in our study say: the establishment and strengthening of a culture of trust is the be all and end all in cultural change. For four out of five front runners, support for collaboration, as well as the dissemination and entrenchment of knowledge in the organisation are the key success factors. At least every second respondent highlighted the central importance of leadership in digital culture change. Not the technical parts of management but the leadership.







### Front runners push digital culture change more strongly through the implementation of important enablers.

Provision of resources for coaching, mentoring, training to support digital skills for existing employees.

Modern workplace design which promotes collaboration between the employees.

Selection of managers and management development strategy in order to have people with the skills for the digital transformation in key positions.

Employment/recruitment of talented people with a strong understanding of digital culture.

Provision of digital technologies and tools which facilitate collaboration and the exchange of knowledge.

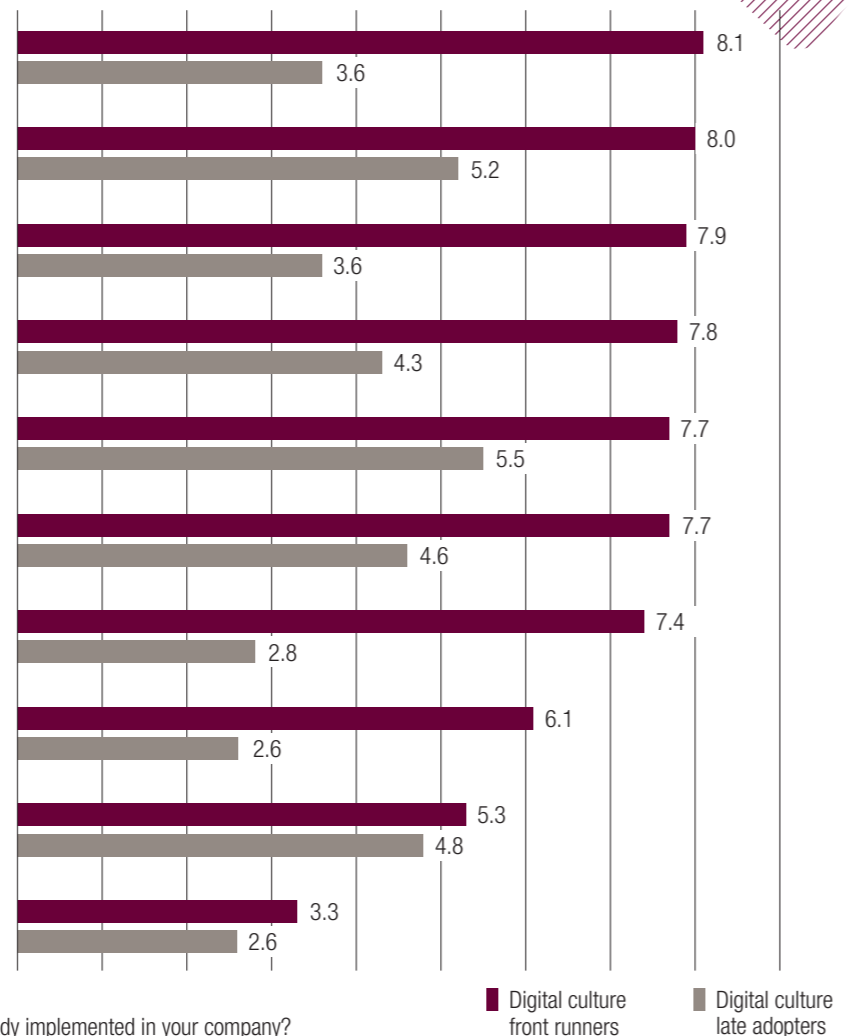
Development of external networks/collaborations e.g. with digital start-ups, technology and service partners, incubators, etc.).

Job descriptions and KPIs which clearly indicate the way from the analogue to the digital world to the employees.

Promotion of behaviours which suit digital culture through the remuneration and reward system.

Establishment of innovation centres or labs which develop and test new disruptive solutions.

A defined approach for measuring digital culture change.



1 = not implemented at all, 10 = fully implemented

Fig. 27: How strongly are the following enablers already implemented in your company?

■ Digital culture front runners  
■ Digital culture late adopters

### The other key player in digital culture change - enablers

The pioneers of digitisation rely significantly more than those companies which lag behind on a range of instruments for promoting culture change. In particular, coaching, mentoring and training (7.7) are named here as tried and tested enablers, closely followed by a workplace design which encourages collaboration (7.4). Why not bring a breath of fresh air to long-forgotten mentoring programmes by bringing innovative digitisation partners into the company from the wider network? Companies with a less strongly pronounced digital culture achieve significantly lower digital culture scores here, of just 4.6 and 2.8.

The choice of managers and management development – of great relevance anyway when striving for digital leadership – clearly provide tangible benefits in the cultural transformation (7.9), along with targeted employee recruiting (7.8), in the interests of filling control centres and positions which are critical to success with people who have an affinity with and enthusiasm for the digital transformation to the greatest extent. This can be done, for example, by developing new modules for the traditional management development programme in order to provide managers with a digital direction<sup>19</sup>.

We have already demonstrated the importance of external networking with start-ups, incubators, technology partners and service partners for the success of the digital and cultural transformation earlier in this section using specific business examples. It is therefore no surprise that the front runners attest to the high practical relevance of this point as an enabler for change (7.7). Job descriptions and key performance indicators (KPIs) which serve as signposts to the employees for the digital awakening are also reported as helpful (7.4). (Fig. 27)

At this point, however, we should also warn that the pendulum can also swing too far from the technical direction. This is because the focus was on the use of new digital technologies for 60 percent of the late adopters, but only 50 percent of the front runners (p. 44, fig. 15). Certainly, the use of tools and technology encourages social change, but it cannot be achieved through this alone.





### What should companies which are only at the beginning of the journey do?

Those who genuinely want to achieve culture change must do so with great consistency, since there will always be pressure to revert to the mainstream. The more conformist the employees are, the less effort they will put into changing their thinking and their behaviour. Those who are made to feel validated in their analogue culture by top management and their managers have no reason to learn anything new. It is therefore clear: if digital culture purports to be a new lap in the race to please the market, if only short sprints rather than an endurance run appear to promise success (and they do), then digital culture will only be understood by the employees if management both explains it to them and leads the way on an exemplary basis. And management shouldn't shy away from giving a hand up and words of encouragement to inexperienced runners who may fall down now and again, either!

By this point at the latest it should have become clear that it is top management and the managers who can make cultural change succeed or cause it to fail. The employees will follow one way or the other. Even though it is inconvenient for them to try new things. Yet because digital culture focuses on people and promises to make things easier for them – from more autonomy with working hours, to an acceptance of mistakes, to promises by the organisation that learning will be encouraged and rewarded – they will support the transition to digital culture.

For this to succeed, the structural framework conditions must also be sounded out to determine how suited they are to the new digital strategy and where new behaviours can best be embedded into the (new) structure.

To summarize, we are of the view that investment in culture change pays off on the following basis:

- » Approach the culture change strategically and subject practices as well as structural, technical and procedural frameworks to scrutiny.
- » Define responsibilities for digitisation and the associated culture change.
- » Formulate a clear digitisation strategy and vision, and communicate it from the outset.
- » Give employees the confidence to take the same path as you by including them from the planning of the measures.
- » Prepare managers for their key role as change leaders and train them in the necessary digital skills, preferably with support from HR.

### Dampfradio goes digital

The RPR group of companies includes the two radio broadcasters Big FM National and RPR1, which are based in Stuttgart and Mannheim. The programmes, which are produced in eight studios, go on air from Cologne to Ulm. And people tune in: according to the current media data, on average, the two broadcasters reach almost half a million listeners per hour. Some 150 employees create the programmes and work on ensuring the success of the group in the back office. "As a radio broadcasting group, we are also strong in the area of cross-media marketing," says Human Resource Manager Irena Marasek. "We have two target audiences: the radio listeners, who also visit us online and contact us via social media, and our advertising customers." In addition to its advertising, the broadcasting group organises numerous events at which the two target audiences meet. Whether on air, on social media, or at open-air events: the Dampfradio of the old days has changed beyond all recognition.

At a time in which the internet is the dominant form of media, digitisation is essential for a radio station. "Our survival depends on it," clarifies Irena Marasek. "We began by establishing digital platforms to communicate with our listeners," she says. "The idea for this came from our employees." Because Managing Director Kristian Kropp approved of their commitment to the cause, he gave his employees plenty of creative freedom and the resources for turning their ideas into reality. This resulted in online portals like BigKarriere.de, FashionZone.de and Vereinsleben.de. These address the listeners in their daily working life and leisure time and offer an exciting mix of utility and entertainment. This couldn't have succeeded without the leap onto the internet. "Kristian Kropp is so convinced by digitisation that he, in principle, is also our Chief Digital Officer," extols Irena Marasek. "What we have today and what we are is proof of his intellect, his spirit. He drove our digitisation, provided impetus, and took inspiration from the employees. This allowed us to naturally become an agile company." Today, the broadcasters can react much more quickly to changes in the market. The Human Resource Manager speaks of a high energy level, short decision-making paths, networked working, a positive acceptance of mistakes, and a faster pace than before. "Being first on the market means trial and error,

trying things out and evaluating them. If it is a failure, you have to draw lessons from it. If it is a success, you can be pleased. We then continue with the next step. We are proud to be the most innovative broadcasting group in Germany."

The digital change was accompanied by a culture change. The company and its employees also have their tireless leader to thank. "At Big FM, our digital culture existed right from the outset," says Irena Marasek. "Kristian Kropp was a Managing Director who was there for us from the start. When he took on this role at RPR1, he brought the new cultural understanding with him. And that cultural understanding is indispensable for digitisation to succeed." Everyone in the company was happy about the development, assures the Human Resources Manager. "We are the first broadcaster to implement it so consistently. Many people now want to take this path because they can see that you can be successful. To stay successful in the future, there's no alternative."



**Irena Marasek**  
Human Resources Manager  
RPR Group



## VI An invitation to a journey of culture transformation



Companies always sail in dangerous waters if customers are ignored, managers lead in name only, employees defend their own desks like a safety zone, and both give even the slightest risks a wide berth in silent agreement. Top management once had the choice. It could trust in understanding and better times, or it could crack down on these deadly economic sins. In the digital world, this is no longer an option. The tempo is increasing. Action must be taken now. Companies can see and perceive digital change, and are in the process of adapting to it.

### Beam me up, Scotty

When it comes to what we can all experience, implement and do today, the eyes of managers from the baby boomer generation light up. The digital transformation allows insights into and the integration of worlds which they could previously only dream of. Plenty is conceivable and is possible today, or in some cases, tomorrow. The future can be planned with a well-founded vision. Those currently investing in server parks, mobile applications, Cloud computing, virtual points of sale or the industry 4.0 have undertaken nothing less than beaming their company straight into the digital age.

This momentum is unique. That's why it must be harnessed. The digital universe which is coming into being before our very eyes will change the economy as a whole, just as much as it will change the way in which we have been doing business for decades. Which means: to arrive safely in the target grid after the new beginning, the people in the organisation must be encouraged, emboldened and enabled to get involved in the journey into the digital future. Only then, as proved by our study, will the expectations of the digital transformation be met – or even exceeded. Digital and cultural transformation must go hand in hand. So that you can go head to head with the objective.

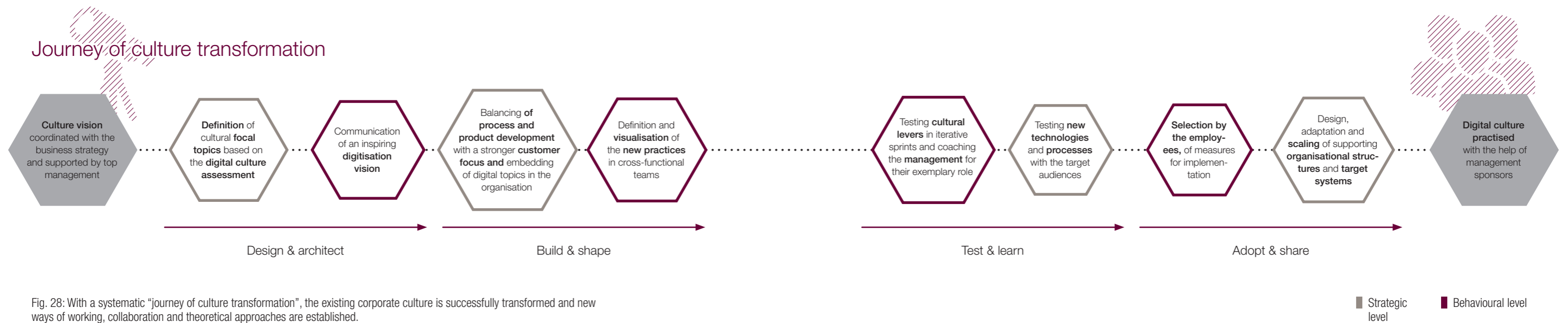
### Twice the challenge? Simple change management

For companies, the combination of the digitisation project with the culture change only means twice the challenge at first glance. On closer examination and during the course of the change process, you realise that change management is ideal for yielding valuable synergies, especially with a parallel approach. This is because the same mental map is used for both digitisation and culture change. It is always about the trio of structures, organisation and people, and the successful combination of ability, willingness and permission.

However, digitisation requires change to change management itself. Traditional change projects can be given plenty of assistance with the conventional model. However, firstly, the task before us is multidimensional, and secondly it is taking place in a highly volatile environment. Companies become agile, projects become agile. Change management must adapt to this. It becomes more flexible and quicker, and focuses strongly on learning. In short: change management also becomes agile. In our Change Management Study 2012, we predicted this, as we noted: "As change experts, we know that standing still in times of great uncertainty and fundamental change is particularly risky. (...) The imminent change to the discipline of change management itself ... will become necessary to continue to fulfil the high expectations as an enabler and guide for transformations in the future."<sup>20</sup>

Modern change management therefore focuses more strongly than before on the mental change in the minds of managers and employees. Digital technology is a means to an end. The end is business success. The carriers of digital change, those who make the company successful, are the people.





### Let the journey begin...

It is rightly claimed that travel broadens the mind. You should therefore get to know the new, agile change management on a virtual “journey of culture transformation”. In the process, you will learn how the existing corporate culture is transformed into a digital culture and new ways of working, collaboration and theoretical approaches are established. This means that a comprehensive transformation can start. (Fig. 28)

#### Design & architect

The journey starts with decision-making by top management and the firm resolution to make a start: GO. The commitment is underlined by the appointment of one or two responsible managers. They are the project sponsors. Ideally, they are managers who are familiar with the principles of digital culture (“the eight dimensions of digital culture”, p. 24) and therefore make it easier for the employees to identify with the digital culture. Our interview partners for the third part of the study also say this. Two in five named a lack of people with digital skills or ways of thinking as the biggest obstacle to digital culture change.

The preparations for the journey include a systematic digital culture assessment (cf. “The cultural analysis reveals the need for change”, section II, p. 20 & p. 69). We use an online tool, developed in-house for this purpose and validated with more than 1000 respondents, with which a representative selection of employees are surveyed. The more the better! Of course, you can also proceed by division or department to draw internal comparisons. The goal of the measure is to determine the status of the eight dimensions of digital culture in the company as accurately as possible. After analysing the survey, we discuss the digitisation strategy with management in conjunction with their cultural vision – we have proven the necessity of driving both

with our study – as well as the key points of the desired change: the cultural focal topics.

It goes without saying that the project should not be treated as a secretive operation, but rather communicated to the organisation with objectives and a route description. For more than half (55 percent) of the participants we interviewed from companies with a less pronounced digital culture, this was, astonishingly, not the case. Comparatively, most of the respondents also considered the lack of communication to and with the employees to be the biggest obstacle to digital culture change.

The departure towards digital culture with which the company makes itself fit for the future must be implemented quickly and with momentum. Depending on the number of employees involved, two months should be sufficient.

#### Build & shape

In the next phase, cross-functional teams of managers and employees define and refine the target culture and the desired behaviours. The company determines the prioritisation, with its strategic direction. It isn't necessary to approach all of the eight dimensions with the same vigour. However, there is one point we won't back down from: the customer is always involved. What the customer wants should be the yardstick for the employees as well as for the process and product development.

Of course, some things will already be moving in the right direction. The teams identify best practice examples in the company's ecosystem, among the customers, suppliers and, where possible, among the competitors. The latter cannot be done in every company. But in those industries in which providers use the same infrastructure, it will work. Why not learn from those who are more advanced? Together, we achieve better results. The discussion about securing future

technological viability then takes place in a small group once again. After all, what works for one company doesn't always work for another. And there are some “got it!” solutions you prefer to keep to yourself.

If there are a lot of employees involved in workshops during this phase – also with digital support, for example through crowdsourcing – then it will take around two to three months. We can only leave this station on the “journey of culture transformation” when there is a model for the target culture consisting of customer focus, entrepreneurship, shared responsibility and open feedback.

#### Test & learn

The question of whether and how the digital culture can be brought to life is now tested in a small group. This can be called prototyping. How will the culture of “good mistakes”, namely those which can be learned from, be received by the employees? How do we achieve interdepartmental collaboration? How does the collaboration achieved change the quality of our work? What cultural levers prove to be particularly effective? Where are there obstacles, and how can they be overcome? What experience do we gain if we switch our mode from endurance running to quick sprints?

We recommend an iterative approach. Trial & error. Trying it out and drawing the right conclusions from the results. If it works: will it therefore work in the entire organisation? If it doesn't work: why not? Under what conditions can we achieve the objective? We call this part of the journey “test & learn”. But you could also add “attract”. After all, what is the likelihood that the employees in the divisions of the company which have not yet been included have long since become curious?

At the strategic level, the vision for digitisation is translated into specific technologies and processes. These are likewise tested in protected zones in order to gather experience and keep the risks within acceptable limits.

This stage is the longest on the journey. As people don't change their behaviour overnight, it takes a certain amount of time to determine whether the attitudes consciously striven for are being adopted by the employees. To firmly embed the digital culture dimension by dimension, it is necessary to proceed step by step and to circle back once in a while. The process can take two, three months, sometimes up to half a year. It should never last so long that the momentum starts to flag, however.

#### Adopt & share

Now we are almost there. In the last stage of our “journey of culture transformation”, the lessons learned along the way are collected together and the measures which promise the greatest and quickest success are evaluated. They are then implemented throughout the organisation. During the implementation of the digital culture, the project sponsors provide valuable support with their process know-how and the acceptance of their digital leadership. Their enthusiasm, their zeal and their example strengthens the employees' willingness to participate in the reconstruction of the culture and therefore helps make the digital transformation a success.



**The passengers can get on board with the “culture transformation journey” gradually. Or they can start the journey together.**

It is not advisable for every company to tackle all eight cultural dimensions at the same time. Although our “culture transformation journey” has a fixed itinerary, it is nevertheless designed so that a company can proceed according to its requirements. This means: you determine your greatest need through analysis of the actual status first, and then concentrate on changes in the dimensions in which visible and measurable successes can be expected most quickly (agility!). The next objectives are then tackled.

This process has the advantage that the benefits of the change which are critical to the company have already been realised when the next step is taken. The organisation as a whole has learned that digital culture provides a tangible benefit – for the managers and not least for the employees.

The benefit of a comprehensive change in which multiple, or even all dimensions of digital culture are hauled into the modern era can clearly be seen in the synergy effects which can be achieved. The characteristics of the new thinking and ways of acting overlap to some extent. If you start by improving the customer focus, you quickly and inevitably reach a point where measures to break down silo thinking must be discussed. If it is primarily about digital leadership in which the focus is on the managers, then you will find that it is also beneficial for the employees to be granted more autonomy for managing their working conditions. During the “culture transformation journey”, all of the wheels mesh together.

However, care must be taken not to overload the change. Make no mistake: there are a lot of new things for the organisation. Too much pressure often results in overburdened employees. It would be a shame if the “pull” from the employees were to be lost in the louder “push” from the company management. Every company must find the right balance.



**What fosters and what impedes change?**

Talking of balance: to ensure that the spirit of the organisation originating from the decision to make a culture change is picked up and responded to equally energetically, top management must achieve a balancing act: forging ahead energetically while at the same time patiently holding to the goal. This comes not from us, but from top managers who have already completed the process. “Changing culture must also involve a certain element of fear, restlessness, and even insecurity,” affirms Pete Blackshaw, Global Head of Digital & Social Media at Nestlé. He also says: “Collaboration needs to be constantly encouraged at all levels.”<sup>21</sup> His words illustrate the challenge for the company management perhaps better than a thousand change management compendiums.

Top management finds support from the managers in middle management. As the co-sponsors of the change project, they are at the interface between old and new, between analogue and digital culture. They understand the necessity of the change, as well as the forces of inertia in the workforce.

It is therefore essential that they are involved in the change. Some of the best seats should therefore be reserved for the middle management.

Other success factors to bear in mind are the starting point and the expected duration of the journey. Sometimes the pressure is so high that the change project has to be pushed through within half a year. We warn against setting goals which are too ambitious. Changing behaviour takes as long as it takes. If the employees feel overwhelmed, then the initial enthusiasm will run dry and their commitment will drop. On the other hand, projects which seem to go on forever can also easily run into difficulties. The feeling that nothing is happening is perceived by more than just the company management. A reliable instinct for when the pace needs to be upped and when the speed needs to be reduced is therefore required. It is a journey, and in the end, everyone should say: it was worth it.

Do you want to know where your company stands on digital culture change in comparison with the competition?

Try our digital culture assessment free and receive a personalised results report for your company.

[soscisurvey.fr.capgemin.com/sosci/DigitalCulture\\_Teaser\\_de/](https://soscisurvey.fr.capgemin.com/sosci/DigitalCulture_Teaser_de/)



## Bibliography

- 1 We are social (2017) Digital in 2017: Global Overview (<https://wearesocial.com/special-reports/digital-in-2017-global-overview>)
- 2 Handelsblatt (2017) Der Buchdruck war auch schon gefährlich, 25/5/2017 (<https://www.handelsblatt.com/my/technik/it-internet/soziologieprofessor-nassehi-ueber-digitalisierung-der-buchdruck-war-auch-schon-gefaehrlich/19844306.html?ticket=ST-846304-yabdYdAGxn1hyx3SJIEF-ap2>)
- 3 Capgemini Consulting (2017) IT Trends 2017
- 4 Eventure Study (2017) Digitale Transformation
- 5 Capgemini Consulting (2017) The Digital Culture Challenge: Closing the Employee-Leadership Gap, March/April 2017
- 6 Capgemini Consulting (2015) Superkräfte oder Superteam? Wie Führungskräfte ihre Welt wirklich verändern können. Change Management Study 2015
- 7 Medium (2013) Don't F\$#@ Up the Culture“, October 2013 (<https://medium.com/@bchesky/dont-fuck-up-the-culture-597cde9ee9d4>)
- 8 Michael Porter (1985) Competitive Advantage
- 9 John P. Kotter (2015) Accelerate: Strategischen Herausforderungen schnell, agil und kreativ begegnen. P. 12
- 10 Eric Schaeffer (2017) Industry X.O. Digitale Chancen in der Industrie nutzen. P. 34
- 11 Lünendonk Study (2017) Managementberatung in Deutschland
- 12 John P. Kotter (2015) Accelerate: Strategischen Herausforderungen schnell, agil und kreativ begegnen. P. 90
- 13 Eric Schaeffer (2017) Industry X.O. Digitale Chancen in der Industrie nutzen. P. 136
- 14 EHI Retail Institute (2017) E-Commerce-Markt Deutschland 2016
- 15 Cf. results of the Eventure Study (2017) Digitale Transformation
- 16 Capgemini Consulting (2016b) BBVA: Rebooting Banking for a Digital Economy
- 17 Eventure Study (2017) Digitale Transformation
- 18 [https://www.haufe.de/marketing-vertrieb/e-commerce/interview-mit-manuel-herder-der-buchhandel-ist-nicht-mehr-tot\\_128\\_402228.html](https://www.haufe.de/marketing-vertrieb/e-commerce/interview-mit-manuel-herder-der-buchhandel-ist-nicht-mehr-tot_128_402228.html)
- 19 Cf. Capgemini Consulting (2016a) Leader 4.0 - Leading in the context of the industrial revolution
- 20 Capgemini Consulting (2012) Digitale Revolution. Ist Change Management mutig genug für die Zukunft? P. 59
- 21 Digital Transformation Institute (2017) The Digital Journey: All on Board. In: Digital Transformation Review, 10th Edition 2017, P. 7

**Capgemini Consulting (2012)** Digitale Revolution. Ist Change Management mutig genug für die Zukunft? Change Management Study 2012

**Capgemini Consulting (2015)** Superkräfte oder Superteam? Wie Führungskräfte ihre Welt wirklich verändern können. Change Management Study 2015

**Capgemini Consulting (2016a)** Leader 4.0 - Leading in the context of the industrial revolution. Point of View

**Capgemini Consulting (2016b)** BBVA: Rebooting Banking for a Digital Economy. Point of View

**Capgemini Consulting (2017)** IT Trends

**Capgemini Consulting (2017)** The Digital Culture Challenge: Closing the Employee-Leadership Gap Eventure (2017) Digitale Transformation 2017

**Kotter, John P. (2014)** Accelerate: Building Strategic Agility for a Faster-Moving World

**Porter, Michael (1985)** Competitive Advantage

**Schaeffer, Eric (2017)** Industry X.O. Digitale Chancen in der Industrie nutzen

## List of figures & photo credits

Fig. 1–28 Capgemini Consulting, Change Study 2017  
Title: © Cecillie\_Arcurs – gettyimages.de  
P. 2–3: © monkeybusinessimages – istockphoto.com  
P. 6: © Rawpixel – istockphoto.com  
P. 8: © Geber86 – istockphoto.com  
P. 12: © nd3000 – istockphoto.com  
P. 14–15: © LDprod – shutterstock.com  
P. 16: © xavierarnau – istockphoto.com  
P. 18: © vgajic – istockphoto.com  
P. 21: © Vesnaandjic – istockphoto.com  
P. 22–23: © Rawpixel – istockphoto.com  
P. 26: © Hofmann & Vratny OHG  
P. 27: © Georgijevic – istockphoto.com  
P. 28: © beer5020 – istockphoto.com  
P. 28: © Tomwang112 – istockphoto.com  
P. 30: © g-stockstudio – shutterstock.com

P. 32–33: © GaudiLab – shutterstock.com  
P. 34: © Xavier Arnau – istockphoto.com  
P. 36: © Georgijevic – istockphoto.com  
P. 37: © Hilti Corporation  
P. 40–41: © Sashkin – shutterstock.com  
P. 43: © Sashkin – shutterstock.com  
P. 46: © Sashkin – shutterstock.com  
P. 49: © Sashkin – shutterstock.com  
P. 54: © PeopleImages – istockphoto.com  
P. 56–57: © goodluz – shutterstock.com  
P. 58–59: © andresr – istockphoto.com  
P. 60–61: © JohnnyGreig – istockphoto.com  
P. 62: © alvarez – istockphoto.com  
P. 63: © Melanie Leibinger  
P. 64–65: © Geber86 – istockphoto.com  
P. 68–69: © sanjeri – istockphoto.com

## Authors



**Dominique Schaefer**

Principal Investigator  
[dominique.schaefer@capgemini.com](mailto:dominique.schaefer@capgemini.com)



**Dr. Ursula Bohn**

Head of Embedded Change Management  
[ursula.bohn@capgemini.com](mailto:ursula.bohn@capgemini.com)



**Claudia Crummenerl**

Head of Executive Leadership & Change  
[claudia.crummenerl@capgemini.com](mailto:claudia.crummenerl@capgemini.com)

### Our thanks to the study team

- » Christopher Wolf
- » Svenja Berg
- » Yvette Zzauer
- » Dana Küber
- » Dr. Nadine Poser

### Requests for brochures

Capgemini Deutschland GmbH  
Marketing  
Berliner Straße 76  
D-63065 Offenbach am Main  
[achim.schreiber@capgemini.com](mailto:achim.schreiber@capgemini.com)

The study online: [www.capgemini.com/consulting-de/resources/change-management-studie-2017/](http://www.capgemini.com/consulting-de/resources/change-management-studie-2017/)  
Our website: <https://www.capgemini.com/consulting/service/people-transformation/>



## Your personal contact for this study and for transformation topics:



**Dominique Schaefer**

Principal Investigator  
dominique.schaefer@capgemini.com



**Dr. Ursula Bohn**

Head of Embedded Change  
Management  
ursula.bohn@capgemini.com



**Claudia Crummenerl**

Head of Executive  
Leadership & Change  
claudia.crummenerl@capgemini.com



**Felizitas Graeber**

Head of Digital  
Strategy & Transformation  
felizatas.graeber@capgemini.com

## About Capgemini Consulting

Capgemini Consulting, the global strategy and transformation consulting service of the Capgemini Group, supports organisations around the world in the design of innovative strategies through to their implementation. In the context of the far-reaching changes to the economy and society owing to digitisation, Capgemini Consulting supports companies and public institutions in their individual digital transformation with a clear focus on results. Our profound expertise in the field of digital business models, industry-specific business transformations and organisational change forms the basis of our support.

Learn more at [www.capgemini-consulting.com](http://www.capgemini-consulting.com)

### Requests for brochures

Capgemini Deutschland GmbH  
Marketing  
Berliner Straße 76  
D-63065 Offenbach am Main  
achim.schreiber@capgemini.com

## About Capgemini

With more than 190,000 employees, Capgemini is represented in more than 40 countries and celebrated its 50th anniversary in 2017. As one of the leading global providers of management and IT consulting, technology services, and outsourcing services, the Group achieved a turnover of 12.5 billion euros in 2016. Together with its customers, Capgemini develops business, technology and digital solutions which are tailored to the customer's individual requirements. Innovations are enabled and competitiveness is increased as a result. As an international organisation and with its Rightshore® worldwide delivery model, Capgemini stands out with its particular form of collaboration – the Collaborative Business Experience™.

Learn more at [www.capgemini.com](http://www.capgemini.com).

Rightshore® is a registered trademark of Capgemini