The Digital Culture Challenge:
Closing the Employee-Leadership Gap
Why culture should be on top of CXOs’ agenda

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

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

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

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

Why culture should be on top of CXOs’ agenda

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

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

Hurdles to digital transformation (Percentage indicates responses ranking the issue in top two)

<table>
<thead>
<tr>
<th>Hurdles to digital transformation</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Cultural issues</td>
<td>62%</td>
</tr>
<tr>
<td>Presence of archaic IT systems and applications</td>
<td>48%</td>
</tr>
<tr>
<td>Lack of digital skills</td>
<td>43%</td>
</tr>
<tr>
<td>Lack of clear leadership vision</td>
<td>38%</td>
</tr>
</tbody>
</table>

Respondents who reported culture among the top two hurdles (Breakdown by geography)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>75%</td>
</tr>
<tr>
<td>Germany</td>
<td>72%</td>
</tr>
<tr>
<td>Spain</td>
<td>71%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>68%</td>
</tr>
<tr>
<td>Sweden</td>
<td>65%</td>
</tr>
<tr>
<td>Italy</td>
<td>64%</td>
</tr>
<tr>
<td>UK</td>
<td>55%</td>
</tr>
<tr>
<td>US</td>
<td>54%</td>
</tr>
<tr>
<td>Global average</td>
<td>62%</td>
</tr>
</tbody>
</table>

Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations
To understand why organizations are struggling and what they can do about it, we undertook an extensive research program based on a clear definition of digital culture (see “What is digital culture?”). We surveyed 1,700 people—including not only senior executives, but also managers and employees—in 340 organizations across eight countries and five sectors. We also interviewed senior business executives from a range of organizations across industries, as well as academic experts. The research methodology at the end of the report provides more details on our approach.

**What is digital culture?**

Corporate culture is the result of how a company works and operates. It is composed of the collective experiences of employees; what they believe in and what they value. Leadership, purpose, and how work can implement a vision also play a role in describing a corporate culture. Building on our research with MIT and what we consider to be a digital organization, we have defined digital culture as a set of seven key attributes.

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

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

What is at the heart of companies’ struggles with digital culture? From our own experiences working with clients on digital transformation, and drawing on our discussions with executives and academics for this research, we consistently heard three main obstacles:

1. The leadership neglects, underestimates or misunderstands the importance of culture in their digital transformation planning.
2. The existing culture and way of doing things is so deeply ingrained that it becomes very difficult to effect change.
3. Like customers, employees too are becoming more digital. They see first-hand when leadership lacks digital literacy and this can create a disconnect that hampers the development of digital culture.
4. Most behavioral change initiatives accomplish little because employees are not empowered to take on new challenges, they are not compensated for learning new expertise, and they are not incentivized to break new ground and build new models.

“Employees will resist because they still see the old behaviors as critical to their success and central to who they are while seeing the new norms as risky.”

Professor Deborah Ancona
MIT Sloan School of Management
Digital culture: the disconnect between leadership and employees couldn’t be wider

Employees don’t see their organizations’ culture as “digital”

Our research reveals that there is a significant perception gap between employees and leadership. While 40% of senior executives believe their organization has a digital culture, only 27% of the employees felt the same way (see Figure 2). This gap is particularly pronounced in France and the Netherlands, with the US showing the closest level of alignment as shown in Figure 3. (For details on potential reasons explaining these disparities, see “Understanding the leadership–employee divide”).

![Figure 2: Percentage of leadership and employees who agree that there is a high prevalence of digital culture in their organization](image-url)
Gap in percentage points (pp): PP difference is positive when leadership response percentage is higher than the employee response percentage.

- pp between -10 to 10
- pp between 11 to 20
- pp between 21 to 30
- pp more than 30

Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations
Understanding the leadership—employee divide

Several studies have pointed to an implicit relationship between national cultures and organizational cultures. It is possible that the leadership–employee gap in France, Germany, Italy and Netherlands is in part influenced by national socio-cultural influences. As a senior executive of a leading insurance company in the US says: “There is a reality of geographical locations impacting culture. Some environments such as Silicon Valley have something in the air where people are constantly trying to find new things.” This could help explain the closer alignment in the US across certain key dimensions (See Figure 4).

However, by examining the data closely, we also found that leadership actions—or lack thereof—play a significant part in defining corporate culture. We found that senior executives in these countries have failed to do a number of things including:

- Articulate the culture vision in order to give managers and employees a standard for their work
- Adapt cultural pursuits to accompany a digital vision
- Act as mentors and role models to achieve over-arching cultural ambitions
- Adjust KPIs or the incentive structure to align with the transformation goals, or embed desired behavioral changes in core value statements (see Figure 4).

Figure 4: Percentage of leadership and employees who agree with the following statements:

<table>
<thead>
<tr>
<th></th>
<th>Organization has a digital vision which is well communicated through the company</th>
<th>Leadership acts as role models in displaying openness to change and adopting new behaviors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>US</td>
<td>68%</td>
<td>78%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>57%</td>
<td>63%</td>
</tr>
<tr>
<td>France</td>
<td>50%</td>
<td>58%</td>
</tr>
<tr>
<td>Germany</td>
<td>45%</td>
<td>50%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Role descriptions and KPIs aligned to digital transformation goals</th>
<th>Redesigned company core values to include digital culture attributes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>95%</td>
<td>90%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>93%</td>
<td>68%</td>
</tr>
<tr>
<td>Germany</td>
<td>90%</td>
<td>68%</td>
</tr>
<tr>
<td>France</td>
<td>78%</td>
<td>65%</td>
</tr>
<tr>
<td>US</td>
<td>65%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations
Not surprisingly, the lack of congruence between employees and leadership was consistently found in all the seven dimensions of digital culture with pronounced gaps found in innovation and collaboration (see Figure 5). Clearly, employees do not share their top executives’ enthusiasm for their organizations’ digital proficiency.

Figure 5: Percentage of leadership and employees who agree that there is high prevalence of digital culture dimensions

- We easily collaborate across functions and business units
  - Leadership: 41%
  - Employees: 85%

- We use digital technologies to create stronger customer engagement
  - Leadership: 71%
  - Employees: 80%

- We have a culture of innovation, experimentation and risk-taking
  - Leadership: 37%
  - Employees: 75%

- We have a culture of openness to the outside world: we work closely with start-ups and partners
  - Leadership: 65%
  - Employees: 34%

- My organization has a culture of flexibility and agility
  - Leadership: 40%
  - Employees: 56%

- My organization always prioritizes digital solutions in all areas of work
  - Leadership: 31%
  - Employees: 56%

- Data-based decision-making is strongly promoted and practiced in all parts of my organization
  - Leadership: 33%
  - Employees: 53%
Our research found that management teams are equally out of sync with leadership, as shown in Figure 6. The disconnect is most prevalent in the Netherlands, closely followed by France, Italy, and the UK. This is concerning given that management has the most influence on an employee’s day-to-day work and experiences. They act as vital agents of change to communicate to the employees the behaviors that the organization values.

When we looked at this more closely, we found that the disconnect stemmed from a number of sources. Firstly, management does not believe that the leadership teams embody the new behaviors that the organization advocates (See Figure 7). Moreover, a large percentage of managers do not believe that the organizations’ digital vision is communicated adequately or that their role and KPIs align well with the transformation goals (See Figure 7).
Leadership believe they have a digital vision, employees disagree

Uniting the entire organization on a bold, clear vision is vital to achieving your digital transformation goals. But most organizations seem to be failing to engage employees. Our research found considerable differences between leadership and employees on what constitutes a meaningful, and achievable vision (see Figure 8). The reasons for this disconnect are clear: leadership fails to communicate a digital vision that is concrete enough for employees to internalize.

**Figure 8: Percentage of leadership and employees who agree with the following statements on digital vision:**

- **Our organizations’ digital vision is pragmatic and can easily be translated into concrete projects and initiatives**
  - Leadership: 69%
  - Employees: 36%

- **A well-defined strategy and action plan exists for achieving our digital vision**
  - Leadership: 62%
  - Employees: 37%

- **The digital strategy and vision are well communicated to the whole organization**
  - Leadership: 61%
  - Employees: 38%

Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations
Innovation exists in theory, but not necessarily in practice

One employee that we interviewed told us that: “Working in agile, innovative environments doesn’t come naturally to our company and neither has it been an area of focus from our leadership.” Our survey validated this: 75% of senior executives believe they have a culture of innovation, but only 37% of employees feel the same (see Figure 5). In Italy, this gap is amplified: 95% of senior executives believe that innovation culture is highly prevalent, while none of the employees agree.

For innovation to take root, you need ways of working that allow for failure, encourage new thinking and experimentation, and facilitate commercialization of ideas. As one pharmaceutical company employee told us, “Leadership thinks that innovation needs to come from startups. But we also need to build innovation capabilities from within.” Our research indicates that the behaviors, processes, and systems that germinate in an innovation culture do not exist in reality in many organizations, as shown in Figure 9 below:

Figure 9: Percentage of leadership and employees who agree with the following statements on innovation initiatives:

- Employees can set aside time from core work to innovate
- We do not have to deal with bureaucracy to submit ideas
- There are dedicated avenues for sharing innovative ideas with senior leadership
- Employees are engaged in the operational implementation of new ideas
- My organization is investing in building digital capabilities of employees
- We are empowered to experiment and deploy at pace in defined areas
- There are established processes for commercializing ideas
- Although lab(s) is in place, innovation is carried out across the organization

Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations
Collaboration is a myth, say employees; leadership disagrees

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

- just 41% of employees believe their organization has a collaborative culture, while
- 85% of senior executives feel that the culture is collaborative (see Figure 5).

This disconnect is particularly high in Italy, the Netherlands, and Spain, where the differences are as high as 90 percentage points between leadership and employee responses.

Upon taking a closer look, we found that employees are struggling to leverage the power of collaboration, and are still being managed through traditional hierarchical norms and operational silos. As Figure 10 shows, there is a fundamental disagreement between employees and leadership on all aspects of collaboration.

Figure 10: Percentage of leadership and employees who agree with the following statements on key collaboration initiatives:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Leadership</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>My organization has a culture of promoting collaboration and exchange of ideas across different departments and functions</td>
<td>95%</td>
<td>52%</td>
</tr>
<tr>
<td>My organization has redesigned the workplace to foster more collaboration among employees</td>
<td>82%</td>
<td>44%</td>
</tr>
<tr>
<td>Discussions around novel business initiatives that leverage newer technologies are open for all employees</td>
<td>76%</td>
<td>41%</td>
</tr>
<tr>
<td>In my organization hierarchy does not really matter, it is the value of your ideas that makes a difference</td>
<td>76%</td>
<td>45%</td>
</tr>
</tbody>
</table>

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

Employees, who are crucial to the culture change agenda, are disengaged from the process. This undermines the chances of pervasive and sustained success.
Where are organizations lagging in the culture journey?

Consistent progress across all seven culture dimensions is rare. Overall, organizations are making the most progress in terms of collaboration and a customer-driven mindset. However, they still have a long way to go in other areas.

Percentage of organizations with high prevalence of the seven digital culture dimensions

Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations
Innovation and co-creation is a significant and ongoing problem across organizations, with only 7% feeling that the organization can test new ideas and deploy them quickly.

For many, data is still not being utilized fully to make decisions.

Organizations lack agility and flexibility, and are failing to empower their workforce to move in new directions.

And many do not see digital as a business-as-usual solution or approach.

Innovation
- We can test new ideas, learn and deploy at pace: 7%
- Although lab(s) is in place, innovation is carried out across the organization: 28%
- We have access to a wide ecosystem and co-develop solutions with partners: 18%

Culture of openness
- We use analytics to identify new business opportunities and make future predictions: 32%
- We make decisions based on data and analytics: 30%

Data-driven Culture
- Organizations lack agility and flexibility, and are failing to empower their workforce to move in new directions:
  - Our company encourages bold, rapid and independent decision-making: 33%
  - The processes in our company are flexible and adapted as required: 31%

Agility and Flexibility
- People naturally think of digital technologies when we consider ways to improve: 37%
- We take advantage of digital solutions wherever possible: 31%

Digital-First Mindset

What sets digital culture leaders apart?

Who are the digital culture leaders?

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

1. They have performed consistently well across the seven dimensions of digital culture
2. Their leadership has largely succeeded in aligning the wider organization to the desired culture.

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

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

Front-Runners exhibit a higher alignment between leadership and employees

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

Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations
Strong representation of Front-Runners in the UK, Sweden and the US
(Front-Runners by geography)

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

Automotive has the highest proportion of Front-Runners
(Front-Runners by sector)

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

**Front-Runners align KPIs and incentive systems**

Front-Runners align their KPIs and incentive systems with their digital transformation strategy: in fact, 70% have aligned their compensation structure to their transformation objectives, and likewise, another 75% have aligned their role descriptions and incentive mechanism. Less than one-fifth of Slow-Movers (see Figure 11) have managed this shift. Aligning KPIs and incentive systems is key to delivering culture change. Lisbeth Rees, Executive General Manager, People and Culture, NRMA—Australia’s largest membership organization focusing on mobility and transport—while speaking about her firm’s performance management program said: “We have changed our recognition program to mirror the new values, and subsequently they will also be a part of our performance framework and will drive individual bonus. This will bring greater alignment.”

**Front-Runners hire differently**

Front-Runners also take the lead in overhauling their hiring strategy. More than 8 out of 10 organizations consciously look for behavioral traits such as creativity and autonomy when recruiting (see Figure 11). At Southwest, for example, recruiters consciously look for specific set of attributes on the top of core skills. These include—innovation, fortitude, the ability to put other’s interests first, and a fun-loving attitude. Employees who consistently display these qualities over a period of time often go on to assume leadership positions.  

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**Figure 11: Percentage of Front-Runners, Followers, and Slow-Movers who agree with the following statements on hiring, KPIs and incentives:**

- **Hiring practices in my firm have incorporated behavioral characteristics such as creativity and autonomy to recruit entrepreneurial talent**
  - Front-Runners: 83%
  - Followers: 41%
  - Slow-Movers: 29%

- **Increasingly, my firm is hiring from start-ups, fintech firms, and digital native firms such as Amazon, Google, Apple, and Facebook**
  - Front-Runners: 82%
  - Followers: 37%
  - Slow-Movers: 23%

- **My firm adjusts role descriptions and KPIs to align with our overall digital transformation**
  - Front-Runners: 75%
  - Followers: 19%
  - Slow-Movers: 17%

- **My firm aligns compensation structure to digital transformation objectives**
  - Front-Runners: 70%
  - Followers: 21%
  - Slow-Movers: 13%

Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations
**Front-Runners measure and monitor culture evolution**

Culture change efforts, especially in large and traditional global companies, are costly and intensive. Therefore, measurement of effectiveness is critical. Front-Runners are around 2X times more likely to measure culture evolution using tools or balanced scorecards than Slow-Movers. We found that 44% use that approach, compared to 23% of Slow-Movers. By putting measures in place, Front-Runners spotlight what is working versus what is not while constantly monitoring progress.

**Front-Runners have their leadership drive the digital culture change**

Committed leadership is crucial to culture change. As the Chief HR Officer of a leading global industrial company told us: "The first thing about culture transformation is that the person at the top of the organization needs to fundamentally believe and be the best and biggest example of what change needs to occur. Only then, can it be driven across the organization."

Front-Runners get their leadership to drive the culture agenda and align their senior executives behind transformation efforts. We found that 72% of Front-Runners ensure that their leadership acts as role models in displaying openness to change and adopting new behaviors. In comparison, only 1% of Slow-Movers involve their leadership in this process (see Figure 12).

**Figure 12: Percentage of Front-Runners, Followers, and Slow-Movers who agree with the following statements:**

- **My organization has redesigned company core values to include digital culture attributes**
  - Front-Runners: 75%
  - Followers: 23%
  - Slow-Movers: 10%

- **Leadership acts as role models in displaying openness to change and adopting new behaviors**
  - Front-Runners: 72%
  - Followers: 20%
  - Slow-Movers: 1%

Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations
Employees in organizations that are Front-Runners, have a positive perception of leadership involvement in the digital game (see Figure 13).

**Figure 13: Percentage of employees who agreed with the following statements on their organizations’ leadership:**

- **Our leadership/senior management understands the importance of having a digital culture**
  - Front-Runners: 83%
  - Followers: 25%
  - Slow-Movers: 3%

- **Every employee is encouraged to share thoughts with senior leadership and there are dedicated avenues for doing so**
  - Front-Runners: 70%
  - Followers: 16%
  - Slow-Movers: 1%

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

**Front-Runners have a clear vision for digital transformation**

A strong and clearly articulated vision means that Front-Runners offer their employees a compelling picture of how the company will operate differently in the future. It also helps employees understand the extent to which former assumptions may no longer be valid. We found that:

- 77% of Front-Runners have a concrete digital vision, a clearly defined strategy, and a plan of action
- But only around 3% of Slow-Movers have a similar vision and commitment (See Figure 14)

**Figure 14: Percentage of organizations that agreed with the following statements on digital vision and strategy:**

- **A well-defined strategy and action plan exists for achieving our digital vision**
  - Front-Runners: 77%
  - Followers: 25%
  - Slow-Movers: 3%

- **The digital strategy and vision are well communicated to the whole organization**
  - Front-Runners: 76%
  - Followers: 28%
  - Slow-Movers: 3%

- **Our organizations’ digital vision is pragmatic and can easily be translated into concrete projects and initiatives**
  - Front-Runners: 70%
  - Followers: 31%
  - Slow-Movers: 3%

Source: Capgemini Digital Transformation Institute Survey, Digital Culture; March-April 2017, N = 1700, 340 organizations
How to evolve your digital culture?

Creating a digital culture is a mammoth task. It’s a multi-year endeavor that requires patience, tenacity and constant vigilance. As the Chief HR Officer of a leading global industrial company told us: “I think given our size, complexity and work environment, we are going to find it is going to be above five years.” Peter Vrijsen, Chief HR Officer of DSM, a Dutch multinational health, nutrition and materials company, agrees, saying “That depends on the appetite of the organization, but four to five years if you really want to get things done.”

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

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

Figure 15: Coding a Digital DNA

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

- Set a clear vision and have visible leadership involvement
- Take a systems thinking approach to culture change
- Invest in the digital skills that matter
- Use collaboration tools to increase transparency and reach out to employees
- Make digital culture change tangible
- Design new digital KPIs focused on behaviors rather than successes or failures
- Deploy change agents and empower employees to drive digital culture
Deploy change agents and empower employees to drive digital culture

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

Design new digital KPIs focused on behaviors rather than successes or failures

Evaluating employees on outcomes and traditional KPIs might set them up for failure and create greater resistance to culture transformation. Therefore, organizations need to shift the dial to create performance systems that reward positive digital behaviors. As Professor Deborah Ancona from MIT’s Sloan School told us, “Organizations need to move away from the traditional ways of evaluating an individual or an experiment. An experiment should be judged not on its success or failure but on what it taught the organization. Employees should be assessed not on their success or failure but on their adoption of the new behaviors.” Such questions could include:

- Are employees collaborating across business units?
- Are they engaging with the wider ecosystem?
- Are they encouraging other teams to use new behaviors?

The Chief Digital Officer of a multinational consumer products company suggests that metrics should focus on evolution of behaviors. He asks, “Are the silos softening? Is the line between sales and marketing diminishing? Are there structures or positions that emerge that don’t really think about those distinctions?”
AT&T: Creating digital employees of the future through a first-of-its-kind re-training agenda

AT&T, the world’s largest telecoms company, acknowledges that many of its legacy businesses were increasingly on the path to becoming obsolete. The company envisioned a dramatically different future for the firm, where it would replace 75% of its hardware with software systems by 2020. To enable its 270,000 strong workforce to adapt to this radical change, the leadership team devised a “Workforce 2020” initiative. This initiative aims to re-educate about 100,000 employees to do very different new jobs. Vision 2020, a more than billion dollar investment, combines classroom-based and online classes in areas like data science and digital networking to elevate people’s technology skills. Some results have already started to emerge. In 2016, AT&T filled more than 40% of open jobs with internal candidates and at least 50% of the employees are undergoing some sort of training program that prepares them for a new job in the future.³

Make digital culture change tangible

Our research shows that employees are not engaged in the culture change journey. This disengagement is often due to generic organizational vision-and-mission statements that make little sense to employees focused on day-to-day objectives. Leadership and management need to translate the broader digital vision into compelling and tangible business outcomes to which employees can relate, for which they feel accountable, and that they can internalize in their current roles.³ Employees also need to feel like they understand the rationale for change. As Magnus Egeberg, Senior Vice President at Nets Group, a payment solutions company, explained, “Leadership has to be sharp and clear in communicating why a change was made and be transparent about the objective and the bigger picture.” It is here that middle management plays a key role, as a vital touch point between the leadership and the bulk of the organization. As a senior executive of a leading insurance company in the US says, “I think middle managers play a crucial role, since they are the ones who actually help make the culture a real thing. They take the high-level vision and then break it down to meaningful outcomes.”

Use collaboration tools to increase transparency and reach out to employees

Internal social networks oil the wheels of employee collaboration and help to connect the bottom and top parts of the organization. A senior executive at a multinational consumer products told us: “One of the biggest inefficiencies in large enterprises is duplication. […] Organizations that do make things happen quickly are those that have a smart sharing system and a strong sense of sharing across the organization.”

Tools should be developed and deployed while keeping employee interests in mind. As Ethan Bernstein, a Harvard Business School Professor explained: “Imagine the difference between an employee-centric and management-centric approach: ‘Here is a tool for you to track your steps’ (employee-centric) or ‘Here is a tool for your manager to track your steps for you’ (management-centric). If you know your manager is tracking performance, you deliver compliance with her or his expectations. If you are the only one tracking it, you experiment to see how different behaviors trigger different results, yielding improvement and innovation and change.”

Invest in the digital skills that matter

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

Digital technologies can bring significant new value, but organizations will only unlock that potential if they have the right digital culture ingrained and in place. Currently, that is not happening. Employees are being sidelined and disenfranchised in the culture change journey, and the gap between leadership and employee perceptions is stark.

Acknowledging the gap is the first step in resolving this issue. As our Front-Runners show, organizations need to begin with a clearly articulated vision and ensuring their leadership walks the talk. At the same time, they need to re-design KPIs to measure behaviors rather than outcomes, deploy change agents to cross-pollinate desired behaviors, and invest in digital skill training and collaboration tools for employees. Organizations that invest in people, and align the values and mission of the company to employees, set the stage for working with purpose. Ultimately, this creates an ecosystem that promotes learning, experimenting and growth. As such, employees rally together to achieve something greater than just individual execution. If they plan early, and execute with clarity and purpose, organizations can turn their digital culture identity into a significant competitive advantage.

Take a systems thinking approach to culture change

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

Set a clear vision and have visible leadership involvement

Culture change is first and foremost a leadership act. Leadership must visibly live the values that they are trying to embed into the organization. As Melissa Hartmann, Head of Digital Strategy, IAG, Sydney says, “It is the responsibility of leadership to role model the culture we desire, failing which the employees will not see the value. It needs to start there and if done well, it gives the opportunity for the rest of the organization to adopt and engage with that approach.”

However, this is easier said than done. As Tom Goodwin, EVP, Head of Innovation of Zenith Media says: “There are a lot of leaders who do a good job talking about digital but only few are actually walking the talk.” To enable senior executives to act as role models, some organizations are experimenting with more immersive experiences for leadership outside the organization. For example, to change the company’s hierarchical management culture, Axel Springer (AS) sent three of its most senior leaders to California to learn from the technological and entrepreneurial companies in San Francisco. They spent nine months there on sabbatical. The AS team networked with startups and studied the dynamics of the US start-up culture to understand how they fostered innovation, openness, and collaboration. These executives became role models, motivating their direct reports to drive digital change in the business.
There are a lot of leaders who do a good job talking about digital but only few are actually walking the talk.”

Tom Goodwin
Head of innovation at Zenith Media
Research Methodology

Our research drew on quantitative and qualitative techniques:

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

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

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

8. Fortune, “Can AT&T retrain 100,000 people?”
9. Capgemini interview with Deborah Ancona, professor at MIT, April 2017
Accelerate your digital culture transformation journey by partnering with Capgemini

Our value proposition
Our purpose is to guide organizations through cultural change in an era of digital disruptions. We design, shape and grow the culture and talent of next-generation organizations.

Capgemini’s culture transformation approach is rooted in our firm belief that culture and behaviors are at the core of a successful digital transformation strategy. We help our clients transition to a digital culture and drive tangible outcomes from their digital transformation initiatives.

How we do It—our approach

Three key steps:
• Understanding and empathising
• Finding patterns and generating insights
• Co-creating recommendations

Four key principles:
• Co-creation: Enables true ownership of the evolution by empowering team members
• Empathy and data-driven: We embed real human stories into data to cross-validate emotional insights with numbers
• Positive Psychology: This strength-based methodology taps into current strengths, skills and capabilities.
• Behavioral Science: To effectively design experiences, rituals and motivational triggers that shift beliefs and behaviors

We have also created numerous tools that we use throughout the digital culture journey. Our Digital Culture Assessment benchmarks companies’ digital culture and measures the maturity of all the digital culture dimensions. Our Digital Leadership Assessment examines whether a leader has adopted digital in his/her leadership style and is capable of driving the organization’s culture towards a digital future.

Why us?
Our proven and innovative methods have helped organizations in a number of industries—retail, financial services, mining and automotive—to ensure a sustainable and successful digital culture transformation. Our iterative approach helps shift the corporate culture in an effective and successful way towards a digital mindset.
Discover more about our recent research on digital transformation

- Organizing for Digital: Why Digital Dexterity Matters
- Digital Transformation Review 8: The New Innovation Paradigm for the Digital Age: Faster, Cheaper, and Open
- When Digital Disruption Strikes: How can Incumbents Respond?
- The Innovation Game: Why and How Businesses are Investing in Innovation Centers
- Fast Thinking: Reinventing Strategy for a Digitally-Disrupted World - Interview with Rita McGrath (Columbia Business School)
- Telefonica: Innovation through Intrapreneurship – Interview with Director of Innovation at Telefonica and Head of Telefonica’s Barcelona R & D lab
- SAP: Interview with Claus von Riegen, Vice President and Head of Business Model Innovation (BMI) at SAP: Innovating at SAP – the Delicate Balance between Incremental and Radical Innovation
- Ctrl-alt-del: Rebooting the Business Model for the Digital Age
- Frugal Innovation: Interview with Navi Radjou
- GE: An interview with Transform to the power of digital Beth Comstock, Vice Chair of GE, How an Industrial Leviathan became a Digital Giant
- Cracking the Data Conundrum: How Successful Companies Make Big Data Operational
- Being Digital: Engaging the Organization to Accelerate Digital Transformation
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About Capgemini

A global leader in consulting and technology services, Capgemini is at the forefront of innovation to address the entire breadth of clients’ opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of 200,000 team members in over 40 countries. The Group reported 2016 global revenues of EUR 12.5 billion.

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