

Making Change Stick:

The Human and Organizational
Dimensions of Digital Transformation



Digital transformation is most often seen as an information technology initiative. After all, the digital part is the most significant investment. But, in many respects, the technology is the most straightforward aspect. Equally challenging, if not more so, are the human and organizational dimensions of the change that can stall or, in some cases, even derail benefits.

"Culture eats strategy for breakfast," the late management guru Peter Drucker was said to have quipped. He had a point. In the case of digital transformation, change affects an organization not just at a strategic level but also at a very personal one that pervades a company's culture. Work responsibilities change, processes change, lines of reporting change, budgets and power hubs change. It is human nature to hold onto the "known" instead of the "unknown," so resistance can be strong on both a personal and structural level. However, these changes can be both anticipated and thoughtfully managed.

In our work with companies that have realized success with the personal and organizational dimensions of transformational change, a number of words keep surfacing—words like flexible, agile, diverse, responsive and collaborative. For digital transformation to succeed in the long term, it's those kinds of adaptive qualities that companies need to create for their people, culture, organization, leaders and teams. Below, we outline five important working practices that can enable organizations to more effectively manage the human and organizational dimensions of digital transformation.

“ Culture eats strategy for breakfast. ”

- Peter Drucker

Five keys to successful human and organizational change



Flexible and responsive leadership



Agile execution



A culture of curiosity



Collaborative IT



Diverse teams

1 Flexible and responsive leadership

Many large companies and their leaders have built their success on executing repeatable, highly structured activities at scale. They excel at developing reliable, effective processes, and they can usually carry out a specific digital initiative just fine. However, the capabilities required to succeed with digital transformation are not necessarily those that leaders have used to achieve success in other areas.

In terms of leadership, previous approaches often translated into a command-and-control style that focused on executing a series of discrete activities. "Project completion" and "new technology adoption" became the goals instead of achieving the kind of flexibility and responsiveness that could enable a company to, for example, alter its product or marketing mix on short notice, or even pursue new strategies altogether.

More fluid and adaptable leadership is needed for digital transformation. Instead of a specific strategy cascaded down the hierarchy, leaders need to aim the business at a general direction and then steer the organization using real-time data and customer insights. Achieving that level of agility is not only about carrying out specific projects, but managing a broad-based transformation in the organization—the collective and perpetually evolving approach to digitalization.

Projects should be treated as dynamic, strategic investments to be monitored carefully for results and then adapted in real time in response to rapidly changing customer feedback and performance in the marketplace. Leadership needs to be able to rapidly respond, making data-based decisions along the way to maximize value delivered at every stage of the journey. Set up swift feedback systems with frequent assessments to better explore the fast-changing market pulse. Adjustments in mid-stream are to be expected and embraced, not avoided. The goal is not to reach some well-defined future state, but to manage a continuously evolving set of strategies and goals.

2 Agile execution

“Agile” development originated in the software field but its central emphases—iterating quickly, pushing decision responsibilities down the hierarchy, and staying closer to business needs—are increasingly relevant to broader programs such as digital transformation. With an Agile approach, requirements, plans and results can be continuously assessed so teams have a natural mechanism for quickly responding to change.

For example, with a recent project, a major telecommunications company realized that its success in digital transformation depended on its ability to increase the speed of strategic execution. Senior leadership, assisted by an Hitachi Consulting team, decided to address this situation by mobilizing Autonomous Cross-Functional Teams (ACFTs).

ACFTs are a tactical approach designed by the Hitachi Consulting Organization Effectiveness Practice to cascade strategic execution throughout the organization and to offer stretch leadership opportunities to middle managers and high-potential employees. This approach provides teams with the autonomy to implement special projects by allocating subject matter experts from various functional areas within an organization to strategic opportunities.

Typically, ACFTs operate in near full autonomy, with robust support and sponsorship from organization executives. ACFTs are tasked with specific, time-bound strategic objectives. Once an objective has been achieved, the corresponding team is adjourned. ACFTs are a powerful mechanism to execute organizational strategy while creating a culture of innovation, empowerment and collaboration—elements that are essential for digital transformation.

This particular telecommunications operator gave multiple ACFTs the authority to make strategic decisions. One of the initiatives involved improving the company’s touchpoints with customers, under the assumption that underperformance in call centers and other communication channels was hurting business. A team studied the touchpoints and found that these channels were actually working reasonably well. However, the team also noticed that technical failings in the cellular towers were a major sore spot for customers.

Rather than setting the problem aside as outside their mandate, the team quickly reported it with a recommendation to create an additional ACFT. The company’s executives eventually decided to phase out the touchpoints ACFT and shift resources to a new team dedicated to fixing the towers. Such agility can ensure that real business needs are being met and that money is not being wasted on the wrong initiatives.



Companies need to instill a spirit of inquiry across their culture.

3 A culture of curiosity

Most corporate cultures emphasize reliability and focus. Companies look for disciplined efforts to support a well-oiled machine. But in the digital world, “reliability” can too often become “rigidity,” which can make an organization vulnerable to rivals better suited to a changing marketplace.

To make their organizations truly responsive, companies need to instill a spirit of inquiry across their culture. If all projects are tentative investments, to be closely monitored and always tuned based on feedback from the marketplace, then people need to be receptive to that feedback. When anomalies appear, these are to be explored rather than dismissed as distractions. Like the touchpoints team in our example above, employees and executives need to be open to surprises. They need disciplined curiosity, examining the big anomalies in addition to clear opportunities.

4 Collaborative IT

With digital transformation, the role of IT will change, as well, especially IT leadership. Many companies have a CIO handle the back-office systems, while marketers or business units work on digital customer outreach. Today, it’s important to ensure close collaboration between traditional IT, marketers, front-line staff and relevant business units. Making that happen is now often the responsibility of a person in a new role: Chief Digital Officer (CDO).

What kind of person should be a CDO in a digital transformation environment? Rather than the “Steady Eddies” of the past few decades, companies need innovation advocates who are willing to shake up existing processes to make them responsive to customers. Equally important, the CDO needs to be a strong force of cultural change, building organizational momentum and transformational grit.

5 Diverse teams

A generational transition is underway, as Millennials now outnumber Baby Boomers in the workplace. Millennials were teenagers when the Internet and e-commerce took off, so they’re quite comfortable with the digital world and are less likely to be constrained by traditional practices and structures.

As a result, Millennials might be seen as the dominant force within Agile teams, with support coming primarily from the true digital natives born after them. But we’ve found that strong teams need a mix of talents, experiences and outlooks. Veteran employees bring crucial long-term perspective and familiarity with the organization. They also should be used to asking tough but constructive questions, and experienced at pushing through adversity. When matched with more recent hires who often have more of an outsider’s perspective, the result can be creative tension resulting in unexpected opportunities for collaborative innovation. Such diversity helps Agile teams avoid falling into groupthink.

Conclusion: The best-laid plans

The best planning associated with digital transformation needs to bear in mind that people ultimately deliver results. People are the prime asset of any business, the source of key knowledge and experience, and can be both the enablers and inhibitors of change. At the same time, people are sometimes only as effective as the structures and leadership that guide and manage their work. The companies most successful at digital transformation keep a close eye on what their people and organization need to perform effectively.



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