

Lessons On How To Make Digital Transformation Work For You

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The rapid digitalization across various fields exposes tremendous opportunities for both companies and society. A recent survey of directors, CEOs, and senior executives by Harvard University found that digital transformation risk is their number 1 concern. Yet 70% of all digital transformation initiatives do not reach their goals. Of the \$1.3 trillion that was spent on digital transformation in 2019, it was estimated that \$900 billion went to waste. Why do some digital transformation efforts succeed and others fail?

Fundamentally, it's because most digital technologies provide possibilities for efficiency gains and customer intimacy. But if people lack the right mindset to change and the current organizational practices are flawed, digital transformation will simply magnify those flaws. Although digital transformation will vary widely based on the organization's specific challenges and demands, there are a few constants and common themes among existing case studies and published frameworks that all business and technology leaders should consider as they embark on digital transformation.

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For instance, these digital transformation elements are often cited:

- Customer experience
- Operational agility
- Culture and leadership
- Workforce enablement
- Digital technology integration

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Here are five key lessons that have helped lead organizations through digital transformations that succeeded.

Lesson 1: Figure out your business strategy before you invest in anything. - Leaders who aim to enhance organizational performance through the use of digital technologies often have a specific tool in mind. But digital transformation should be guided by the broader business strategy. Rather than focusing on cost savings, IT has become the primary driver of business innovation. Embracing this shift requires everyone in the company to rethink the role and impact of IT in their day-to-day experience.

Lesson 2: Leverage insiders - Organizations that seek transformations (digital and otherwise)

frequently bring in an army of outside consultants who tend to apply one-size-fits-all solutions in the name of “best practices.” Our approach to transforming our respective organizations is to rely instead on insiders instead of staff who have intimate knowledge about what works and what doesn’t in their daily operations.

Lesson 3: Design customer experience from the outside in - If the goal of digital transformation is to improve customer satisfaction and intimacy, then any effort must be preceded by a diagnostic phase with in-depth input from customers.

Lesson 4: Recognize employees’ fear of being replaced - When employees perceive that digital transformation could threaten their jobs, they may consciously or unconsciously resist the changes. If the digital transformation then turns out to be ineffective, management will eventually abandon the effort and their jobs will be saved (or so the thinking goes). It is critical for leaders to recognize those fears and to emphasize that the digital transformation process is an opportunity for employees to upgrade their expertise to suit the marketplace of the future.

Lesson 5: Bring Silicon Valley start-up culture inside - Silicon Valley start-ups are known for their agile decision making, rapid prototyping, and flat structures. The process of digital transformation is inherently uncertain: changes need to be made provisionally and then adjusted; decisions need to be made quickly, and groups from all over the organization need to get involved. As a result, traditional hierarchies get in the way. It’s best to adopt a flat organizational structure that’s kept somewhat separate from the rest of the organization.

This need for agility and prototyping is even more pronounced than it might be in other change-management initiatives because so many digital technologies can be customized. Leaders have to decide on what apps from which vendors to use, which area of the business best benefit from switching to that new technology, whether the transition should be rolled out in stages, and so on. Often, picking the best solution requires extensive experimentation on interdependent parts. If each decision has to go through multiple layers of management to move forward, mistakes cannot be detected and corrected quickly. Furthermore, for certain digital technologies, the payoff only occurs after a substantial portion of the business has switched to the new system. For example, a cloud computing system designed to aggregate global customer demand can only generate useful analytics when stores in different countries all collect the same type of data regularly. This requires ironing out differences in existing organizational processes across different regions. If the details of how new technology will be used are chiefly developed by employees from one workstation, they might not be aware of the potential incompatibilities.

The digital transformation worked for these organizations because their leaders went back to the fundamentals: they focused on changing the mindset of its members as well as the organizational culture and processes before they decide what digital tools to use and how to use them. What the members envision to be the future of the organization drove the technology, not the other way around.

The goal of a digital transformation is to use technology to solve traditional problems, which means integrating technology into every area of the business. When done right, digital transformation allows companies to provide unprecedented value to customers. Over the last decade, the typical HR function

has worked hard to meet the needs of a constantly changing business environment. To a great extent, keeping costs low while moving quickly to meet company and employee needs, focusing on streamlining transactions, and helping employees comply with policies.

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