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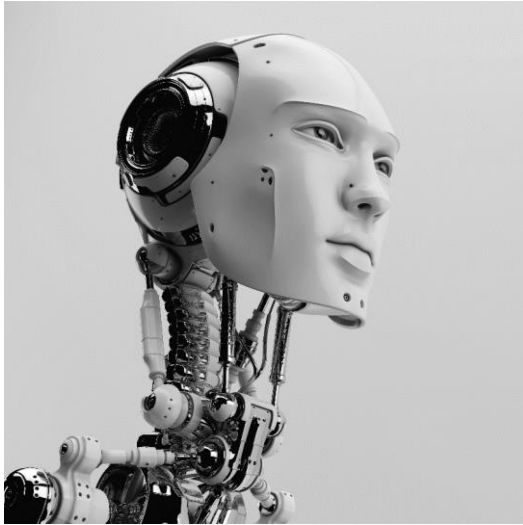
Digital
Transformation
Are people still our
greatest asset?

Human Capital Consulting | Deloitte Leadership UK



Thought leadership

In the digital era, are people *still* our greatest asset?



'Digital is not just a thing that you can buy and plug into the organisation. It also requires **continuous monitoring and intervention**, from the top'²

In a world of exponential technology and digital transformation are people still our greatest asset? The HR world has long subscribed to the adage that 'people are your greatest asset', but in a digital era it is leaders who make the real difference. However, the resources invested into understanding and developing people is vastly outstripped by the investment in products, customers and technologies within most organisations. If the investment has been poor in the past, how will it fare in the age of transformation and digital?

As you consider the impact of exponentials and begin thinking more deliberately about how and where to innovate, it is easy to become distracted by thinking 'this is all about technology'. Alarming, this rationale has also infiltrated the boardroom. As many as two thirds of CEOs believe technology will create more value in the future than people will as senior leadership prioritise investment in the tangible (technology), at the expense of the intangible (people)¹.

History is littered with examples of failed transformation efforts, it happened in e-commerce, with the likes of Staples and Walmart, it happened with analytics and big data, when Sears and Zynga invested big in analytics centres that never returned on the investment. And now it's happening with digital transformation².

70% of transformation efforts fail and it takes around three years for organisations to even begin competing in the digital market, even when they get it right. At the heart of most failures is not the technology, it's the people. The most prevailing reasons for failure? 'management behaviour not supporting change' and 'employee resistance to change'³.

Failures are often characterised by a lack of urgency, a reluctance to adopt, a fear of change and a lack of clarity about 'where we're headed and why', all factors that are rooted in the psychology of an individual or team, and all factors that can be addressed by good leadership. It's important not to lose sight of the fact that people remain at the heart of any business. Therefore, understanding the psychology of human behaviour is critical to leading successful transformation. It is our assertion that in the digital era that: **Good leaders are our greatest asset.**

1 - Korn Ferry global study: majority of CEOs see more value in technology than their workforce, (2016)

2 - HBR, Why So Many High-Profile Digital Transformations Fail (2018)

3 - McKinsey Quarterly Transformation Executive Survey (2008)

Digital leadership: Energising the change fatigued



‘In digital transformation, the **transformation** is more important than the digital’⁵

Many industries have undergone significant change and transformation in recent times, perhaps none more so than the Pharmaceutical sector. Stiff competition, a lack of blockbuster drugs and the soaring cost of R&D continue to jeopardise revenue, forcing organisations to innovate, explore new partnerships and business models and become more agile. After a decade of cost cutting, restructuring, transformations, and turnarounds, the pharmaceutical industry is change fatigued and digital is another change threatening an already beleaguered workforce with yet more disruption. However, there is much the industry can do to learn lessons from the past.

Research suggests that pharma companies are suffering a loss of external focus, a lack of clear direction and an overemphasis on near-term delivery. Only 1 in 9 employees believe the top teams in pharma provides the necessary thought leadership and direction, and 83% believe their organisation does not have enough people with change management skills⁴. As market volatility increases there is greater pressure on leaders delivering in the immediate term, resulting in leadership styles that are counterproductive to successful transformation. Our research indicates greater levels of autocratic leadership, with 20% having the potential to derail due to an overinflated sense of self-confidence, 50% struggling to inspire followership and 40% needing to do more to communicate a vision that engages people⁵. This leadership gap represents the greatest threat to digital transformation. When leaders do not empower, engage and inspire their people about the change journey, transformation programmes quickly falter.

What becomes apparent from the research is that leadership is critical to transformation, but also that not all leaders are able to lead digital transformations.

If you are reading this and questioning if your organisation has the right leaders to embrace the digital revolution, you are not alone. In partnership with MIT Sloan Management, we surveyed 1,500 C-level executives across 19 countries to explore a core question: How ready are the leaders of business and government agencies to harness the full potential of industry 4.0? Despite 87% believing that digital will disrupt their industry, 87% acknowledged that they don't have the right leaders⁶.

Current approaches to digital transformation are heavily focused on the process, technology and the execution plan. However, this approach is short-sighted. The greatest obstacle to digital maturity, as George Westerman Principal Research Scientist from MIT Sloan puts it, is where organisations ‘think about transformation as a technology challenge instead of a strategy or leadership challenge’, and that ‘in digital transformation, the transformation is more important than the digital’⁶.

If digital is the ‘What’ of a transformation, then Leadership is the ‘How’.

4 - McKinsey (2014) A health check for Pharma: Overcoming change fatigue in the pharmaceutical industry

5 - Unpublished Deloitte research on Pharmaceutical Leadership trends

6 - Deloitte and MIT Sloan (2018) Coming of age digitally: Learning, leadership, and legacy

Thought leadership

Digital transformation: The leadership imperative

For digital transformation to deliver on the considerable resource investment, organisations must leverage their most valuable asset: Leadership.

These three pillars will provide a strong foundation for success in the midst of the digital revolution:



Identify 'digital will': It is not enough to simply command that an organisation become more digital. The transformation must be driven by a shift in the leadership culture and people's willingness to adapt and evolve. At a leadership level, this requires individuals who embrace uncertainty, who can connect across boundaries, who can visualise new possibilities, and who can ignite others behind an exciting vision for the future. **Looking for these adaptable traits in your leadership** is critical to facilitating the organisation's adaptation to disruption.



Build 'digital skill': Becoming conversant in technology can help all leaders understand the realities of today and the possibilities of tomorrow. As such, leaders need to develop digital skill, understand the change they are making and foresee the impact it will have. To compete, make your organisation a talent magnet that recruits, retains, and develops leaders with digital skills. While it's possible to hire contractors and recruit digital leaders to advance your efforts, our research shows that it's imperative to **develop digital leaders from within**.



Keep leadership at the heart: At present, technology cannot simulate many workplace behaviours that are uniquely human, such as empathy, persuasion, and verbal comprehension. While the 'no-collar workforce' continues to build and augment the new look organisation, business remains a human-centred environment. Central to the transformation, there is a clear leadership demand to navigate change and enthuse people behind the new future of work. **Developing the transformation leadership skills to energise, empower and connect** the organisation is at the centre of the digital revolution.

The leadership imperative is clear: Are you leveraging your greatest asset to its fullest, or are you leaving it to chance?



Despite 87% of organisations believing that digital will disrupt their industry, 87% acknowledged that they **don't have the right leaders**⁶

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If you would like to find out more about Digital Leadership tools and the approaches we use to measure it and develop it, please get in contact.



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