



Leading for
Innovation and Growth:

FIVE STRATEGIES FOR DRIVING DIGITAL TRANSFORMATION

Introduction:

Why digital transformation is crucial to growth

Growth isn't just about building value; it's fundamental to long-term survival. Consider this: 30 years ago, almost half of the 100 largest companies on the New York Stock Exchange that enjoyed strong shareholder returns but did not post top-line growth have since been acquired or delisted.

Today, growth seems to be tied to a conspicuous buzzword: **digital transformation**. But what is digital transformation, exactly? And how is it relevant to growth?

Digital transformation can refer to many things, from changes to organizational activities and processes to shifting competencies and models. But the goal for digital transformation remains consistent: making information available, accessible and usable—anywhere, anytime, from any device. It offers the opportunity to reinvent products, processes and technologies. It drives the efficiency and agility needed to create customer experiences that improve performance and drive revenue.

While the idea of shifting toward digital business was speculative for most CEOs a few years ago, it became a reality for many in the past year. According to Gartner, 42 percent of CEOs began digital transformation initiatives in 2017.

Leading successful digital transformation requires a commitment to change—yet you may find that your organization needs transforming more than your technology. By implementing a thoughtful approach to digital transformation initiatives, leaders can build and foster a team with a compelling vision; effectively communicate an agenda for change; encourage and expand a digital culture throughout the organization; and inspire an innovative environment where teams embrace change and look toward the future.

1

Foster a leadership team with a vision and strategy



Every successful digital transformation initiative begins with a compelling vision—and that starts at the top. CEOs must build the vision for transformation, shift ingrained behaviors to reshape organizational culture and set tangible targets.

Jürgen Meffert, co-author of *“Digital @ Scale: The Playbook You Need to Transform Your Company,”* believes that *“The only one who can do it is the CEO. She needs to embrace the topic and make it a priority. She needs to consistently communicate to the organization. She needs to act decisively. She needs to empower people who help drive the transformation. She needs to also sideline people who are in the way. And I think one very important point: there is no return ticket, and this is what a CEO needs to radiate. She needs to radiate that it’s a marathon, not a sprint.”*

1

So where do you start? First, by openly engaging the organization. Talk about change—and make it personal, by sharing success stories from various business units. It's also up to you to model change, by engaging with new technologies and new ways of thinking.

At the same time, CEOs can't do it alone. If you are leading a digital transformation initiative, you must build commitment and alignment within your senior leadership. Senior leaders provide day-to-day guidance for the organization. Their cues—both spoken and unspoken—help teams understand what's really important about your initiative.

You must put the right people in place to drive change. Digital transformation affects every area of the organization, from sales and IT to marketing and operations, and requires teams to coordinate and collaborate like never before.

Many organizations default to including only people who have been previously deemed visionary and inspiring in their leadership groups. But remember: Digital transformation also requires the participation of leaders who understand the technologies and strategies that currently enable work to be completed. CIOs can be of great value to CEOs in this regard, as their perspective on technology innovation can help CEOs lead digital transformation initiatives and avoid stagnancy.

"It is time for CEOs to scale up their digital business ambition and let CIOs help them set and track incisive success metrics and KPIs, to better direct business transformation. CIOs should also help them toward more-abstract thinking about the nature of digital business change and how to lead it," said Mark Raskino, vice president and Gartner fellow. *"The disruption it brings often cannot be dealt with wholly within existing frames of reference."*

Both the senior leadership team and the organization as a whole need a strong set of priorities and a clearly communicated path on how you'll go after them. For example, [one organization's](#) leadership team realized that their business relied heavily on a small number of big corporate customers, revealing the need to move into different markets to grow. The increased volume required a reevaluation of the company's many manual processes. The organization launched a program to automate as many processes possible, which ultimately increased efficiency by an estimated 2,600 percent. The clearly communicated goals and strategic vision, coupled with the right technology, positioned the company to meet its growth targets.

So, your first step is simply this: **Set your vision and strategy, engage outside help where necessary, and make sure your senior leadership and management teams understand where you're headed.**

2

Communicate a leadership agenda for change



When you're leading a digital transformation initiative, you have an exciting opportunity: the chance to create and communicate an agenda that will drive change. You can build excitement around a new way of working, deliver better experiences to your customers and position your organization for long-term success.

But to do that, you have to set the vision and rally everyone behind it. This type of communication can be a challenge for those schooled in conventional management thinking. Traditionally, senior leaders recognize a need to change, pick a task force of people (maybe the head of HR, a couple of mid-level managers, a senior VP) to oversee the change effort, assign the team their roles and instruct them to make it happen. They don't always articulate the opportunity and then communicate it widely to create a broad-based sense of urgency before pressing ahead.

2

You can't simply sanction digital transformation. You must share your vision of what must be achieved, and why, in order for everyone to understand how crucial it is. Without a clear understanding of its importance, it's far too easy for the organization to fall back on old habits.

When you take the time to articulate the opportunity for change and share your vision, it can be shocking to see how quickly change happens. That's because choice motivates people far more than being told to do something. It engages people who are passionate about making their organization better, harnesses their enthusiasm and empowers them to drive change. It's something that seems very simple, but it's rare for organizations and senior leaders to work this way.

At this stage, four communication strategies can help:

- **Brand your initiative.** Work with trusted colleagues in your marketing and public relations organizations to develop talking points and slogans that are easy to remember. Then use them repeatedly and consistently.
- **Stay on message.** Frame your discussions in terms of how change impacts your overall goals. Whether you are discussing technology changes, staffing changes, training or new product launches, tie it back into the overall goal. Help the organization see how every action is a part of the larger strategy.
- **Model the behaviors you want to see in your organization.** If you are leading digital transformation, you cannot rely on paper forms and email. Use technology such as electronic forms, mobile devices (including smartphones and tablets) and social media to build credibility with your organization.
- **Sell your vision.** Reinforce your goals through various channels. Externally, use the press, corporate social media channels, speaking engagements or TV appearances. Internally, use all-hands meetings, web conferences and one-on-one meetings to emphasize the importance of this initiative. For employees, this creates an internal environment of excitement, rather than fear, about the change. For potential customers and talent, this brands your company as an innovative organization.

A new set of skills focused on communication is required for senior leaders. You must decide what to say, how to say it, and how long to say it. Because any digital initiative without a strategic communications plan is not likely to last long enough to be truly transformative.

3

Encourage a digital culture

It is easy to launch change initiatives. It is hard to keep them afloat.

In the seminal books *“Leading Change”* and *“The Heart of Change: Real-Life Stories of How People Change Their Organizations,”* Dr. John Kotter shared research revealing that 70 percent of organizations that needed or had started major change initiatives either failed, never launched them, or succeeded only partially.

One reason so many change efforts fail is because big ideas don’t take hold or have the desired impact due to lack of support.

Shortcomings in organizational culture are one of the main barriers to success in the digital age. That is a central finding from a recent survey of global executives conducted by McKinsey, which highlighted three digital-culture deficiencies: functional and departmental silos, difficulty forming and acting on a single view of the customer, and a fear of taking risks.

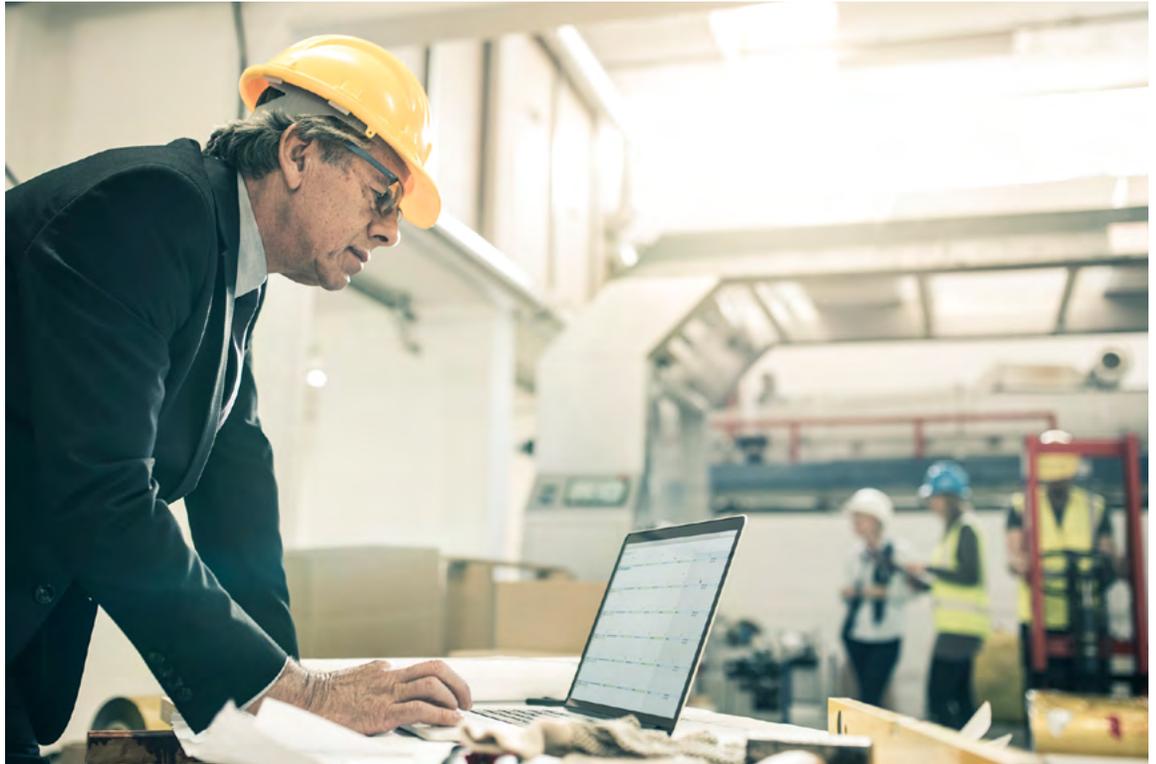
Even in companies or departments, such as IT, that are focused on technology, these three deficiencies are often commonplace. When an organization’s culture is fast-moving and digital-dependent, employees often use their own preferred tools and solutions without collaborating or sharing information. This can lead to inconsistent perspectives on customers and their needs. And while technology gives us the opportunity to optimize, organizations can end up focusing on optimization over innovation, dampening experimentation and potentially slowing growth.

Grasping the imperative for digital transformation can be a challenge, especially if nothing seems to be wrong with the way your organization operates currently. Jürgen Meffert, co-author of *“Digital @ Scale: The Playbook You Need to Transform Your Company,”* points out the top challenges enterprises face while undergoing digital transformation:

- **Clarity:** What does digital mean, both in your industry and for your organization?
- **Urgency:** Why should you change, especially if your organization is still performing well?
- **Planning:** How will you change?
- **Structure:** How is your organization set up, and how must it change to adapt to your new environment?

3

Embracing a digital culture can be a challenge, as employees struggle to mobilize around consistent touchpoints, new technologies and new ways of working. Leaders must be intentional in building a digital culture, including changing legacy technology and structures that hinder transformation.



Organizations must move beyond traditional structures, processes and systems to change individual and collective behavior, including culture, mindsets and capabilities, as well as team and group dynamics. This is key to growth, as digital transformation eliminates silos, enabling quick reaction to signals about customer needs, regardless of where in the organization they're originating.

These benefits extend to digital ways of working, which will impact recruitment and people management strategies. **Digital skillsets—the ability to work and think quickly, collaboratively and boldly—will become the default for new hires.** You will also have to build these skillsets in existing team members, so consider investing in continuing education or training programs.

4

Organize to enable agility

It's been said that change management is a dolphin, not a whale. Traditionally, organizations have approached change as a large splash—a whale. An agile, iterative approach that relies on small changes over time—more like a dolphin—is key to success in driving digital transformation.

Today, technology and consumers are evolving faster than traditional roadmaps can deliver. Rapidly changing conditions and digital technologies require rapid change in corporate, product and marketing strategy to match.



"Agility has always been important for companies," says Wouter Aghina, principal with McKinsey. *"Take the high-tech sector, where I've done most of my work. In that sector, you're often only as good as your last product. That means you have to be agile. Now, having said that, you could think, 'I'm not in the high-tech sector, so that's less relevant for me.' But with today's levels of uncertainty, ambiguity, volatility in the markets, and globalization, this is starting to be true for any company. It's critical to be agile and quickly respond to change and actually benefit from change. And if you think that you're still in a corner where this doesn't hold true, wait for the disruption to come. Tomorrow it will be relevant for you."*

4

To drive agility, leaders must reinforce digital skills, processes and technologies within their organizations.

- **Embrace clarity.** Everyone at every level of your organization should understand what they are accountable for, what they can decide on their own, and where they should be spending their time. This isn't a job description—this is a clarity of role and purpose.
- **Empower cross-functional teams.** Digital transformation projects should have experts from different areas to ensure that all perspectives are accounted for. Some departments to draw from are sales, finance, marketing, operations and human resources.
- **Fail fast.** A traditional tenet of agile software development, "*failing fast*" relies on trying something, getting feedback, then quickly deciding to change or end the project before more money is spent. This is an important model for digital transformation initiatives. Not everything will work, and that's fine. Sometimes you'll fail multiple times before you find a solution.
- **Tell the truth about what didn't work.** It's better to try new things than remain stuck. Encourage team members to truthfully share what didn't work so the entire organization can learn from failed projects. What didn't work and why? What can be improved for future initiatives? Agility isn't just about trying many things quickly—it's about learning and growing quickly from those things, too.

Digital transformation is a process. The traditional mindset toward change is to approach it as a program, but the reality is that the majority of these programs fail. **For digital success, you must lead differently**—with an agile mindset and an iterative approach that can adapt to changes in the customer and competitive landscape.

5

Inspire collaborative, forward-thinking teams that embrace change

One of the biggest roadblocks to successfully driving change is getting people on the frontline to not only understand that change is coming, but to agree on why change is necessary.

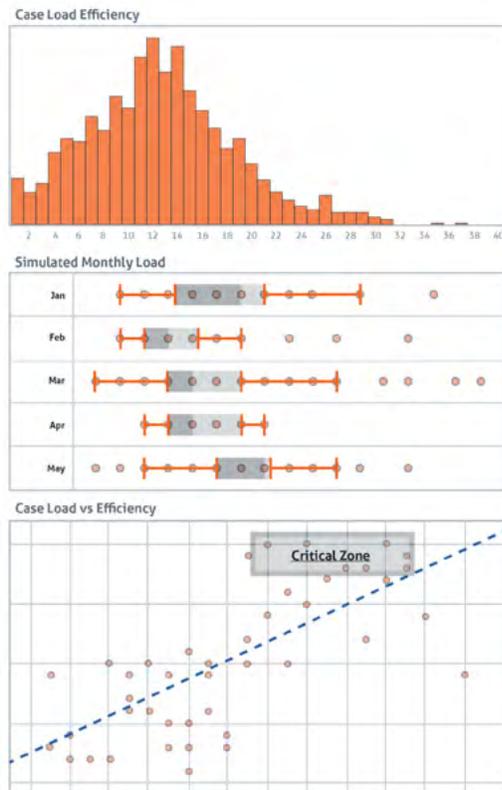
Digital transformation initiatives often fail to take into consideration talent management strategies, particularly when it comes to managing and rewarding performance. While you must build skills, develop leaders and manage talent to move the organization in a new direction, you must also align goals, compensation and motivators with that direction.

Shaping organizational culture is a crucial—and often undervalued—factor in enabling successful digital transformation. Leaders must be intentional in building a culture where employees feel comfortable trying things that might fail. Focus on empowering employees by eliminating bureaucratic decision making, shifting your focus to innovation (rather than strictly efficiency), and celebrating the iterative nature of progress.

Yes, failure may happen, but are employees learning from it? Do you trust your front line to make decisions that matter?

5

Myriad data analytics strategies can help here. The 2017 Data & Analytics Report by MIT Sloan Management Review found that companies' usage of data and analytical insights for strategic purposes—including innovating business functions and entire business models—is on the rise. The same report found that, in many cases, leveraging analytics gives companies a competitive edge.



Real-time dashboards give organizational leaders the insight they need to determine whether a process is working.

From machine learning to advanced analytics, you have new opportunities to measure the effectiveness of initiatives and processes, analyze them faster and make decisions more quickly. Analytics that include descriptive, diagnostic and predictive insight can provide evidence to drive strategic decision-making. And real-time dashboards enable departmental and organizational leaders to see whether a process is working, instead of solely depending on historical information.

Measuring challenges and successes with these strategies can fuel excitement about your initiative, encourage cross-departmental collaboration and connect employees to your strategic vision. By regularly sharing findings across the organization, innovation will become embedded in your organizational culture and have long-lasting influence on organizational behavior.

Conclusion:

Leading transformative change



A few years ago, John Kotter and Holger Rathgeber wrote a parable about an emperor penguin colony in Antarctica called *"Our Iceberg Is Melting."* Unsurprisingly, this fable focuses on the difficulties of adjusting to change in an often-frightening world.

One of the story's main characters is named NoNo. As Kotter writes in his book, *"A Sense of Urgency,"* *"It requires very little imagination to predict how he reacts to any new idea."*

Neutralizing *"NoNos"* is crucial to long-term change, because NoNos thrive on stasis. Great leaders, Kotter writes, *"do not accept the notion that an organization must put up with people who relentlessly work to kill urgency."*

The digital economy has changed a lot about how organizations operate. Customers expect higher quality services, delivered faster. Yet when it comes to digital transformation, successful organizations understand that technology is just an enabler—that true transformation only comes by transforming the mindsets and skillsets of leadership teams and frontline employees alike.

Changing the culture within organizations is much more complex than simply installing technology. It's vital for leaders to nurture an organizational culture that is collaborative and agile, keeps the customer's experience front and center, and remains focused on results.

Next Steps

In the most successful organizations, innovation never stops.

To ensure your organization continues to evolve and grow with changes in the market and new technological advancements, it's imperative to look ahead. The demise of innovation can be sudden and unplanned, or a creeping development that infects all organizational corners.

So how do you innovate your company?

Who has the right answers?

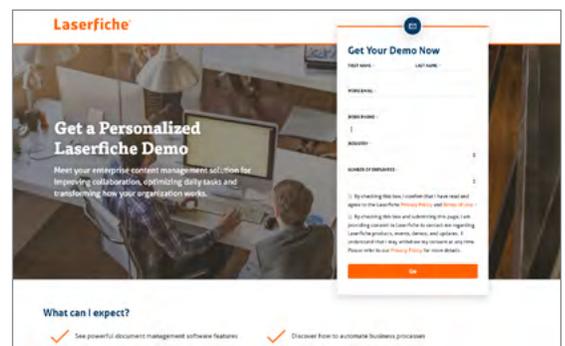
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