Why Culture is a Critical Component in Your Digital Transformation Journey

Digital Transformation Series

Dr. Deborah Soule
Companies around the globe are collectively investing hundreds of millions on “digital transformation” initiatives, but often invest far less on the employees responsible for fulfilling these new digital strategies. Leveraging technology to accelerate business processes and gain competitive advantage is important, but without a clear understanding of the human impact of digital transformation, these investments are unlikely to deliver the anticipated return.

To seize new opportunities and successfully transform into a 21st century operation, organizations must first understand the fundamentals of digital transformation and how this has the potential to impact their business and their people.

At Copyright Clearance Center, we help organizations of all sizes clear the path to integrated data and information, accelerate knowledge and advance copyright. And though we’ve built our brand around creating innovative, award-winning software and licensing products and integrating complex technology solutions, we’ve built strong, enduring customer relationships by designing what users need. Whether creating a knowledge management workflow solution for one of the world’s largest pharmaceutical companies or helping a century-old scientific publisher design and build a new content publishing system, we begin each engagement at the same point: understanding how people need to integrate, access and share information.

Throughout the course of this white paper series, we provide the “why does this matter” foundation for organizations undergoing digital transformation. Dr. Deborah Soule brings decades of experience and targeted research to answer questions like:

- Why is the process of “becoming digital” so difficult?
- How should leadership teams approach digital transformation?
- How are employee needs evolving as they experience digital transformation?

As we move toward this new frontier of digital dexterity, CCC is committed to partnering with organizations in all stages of the digital transformation journey, delivering human-driven solutions that turn information and insights into knowledge.

*This white paper is one in a three-part series on Digital Transformation. To access the full series, please visit https://www.copyright.com/digital-transformation-series
Changing how an organization thinks and behaves can be a hard and slow process. This means that the rate of change in technology always outpaces the rate of change in organizations. But as digital technologies affect different spheres of activity, organizations will need to adapt and fluidly reconfigure skills, relationships, and operations to address those digital influences.

Culture is the sum of values, attitudes, customs and beliefs that distinguishes one group of people from another. In societies, culture is disseminated through language, material objects, rituals, institutions, and art, and similarly is transmitted from one generation to the next.

In organizations, culture comprises the shared values and practices that focus collective attention and engage individual effort, and help an organization succeed in its chosen environment. When ways of doing things seem to work well over time, people start to take them for granted, and implicitly teach them to newcomers as the right way to think and act “around here.” Culture can be evident in visible artifacts like logos, dress code, and workplace design. It also aggregates invisibly in taken-for-granted values, unspoken attitudes, and unwritten norms that have benefited the organization in the past.

The good thing about culture is that it provides coherence and continuity even as the individuals within an organization come and go. It helps the collective of individuals act as one. It shapes and guides collective attention, energy and effort, enabling an organization to function efficiently and effectively in a known environment.

Environments change, however, and so organizational cultures need to evolve to remain effective as the organizational environment changes. The challenge is that culture — shared but also subconscious — can be hard to change. Like fish in water, insiders cannot easily see the culture in which they operate. Beliefs, values, and norms cannot be questioned when they are no longer explicitly acknowledged. Newcomers who try to examine assumptions or offer countercultural ideas may face resistance and an uphill fight. So, culture is often associated with stability and maintaining the status quo.

But is it possible that an organizational culture can be associated with change? Where openness to novelty and speed are central values? Can we learn from the cultures of successful digital companies? Do they have a different kind of culture that helps them to perform in today’s digital economy? And can this kind of culture be cultivated elsewhere?

Our research suggests that the answer to all these questions is yes.
CHARACTERIZING A DIGITAL CULTURE

In the first phase of our research, we aimed to characterize a “digital culture” in terms of values and prominent behavioral practices. That research highlighted a set of four values that are common to many high-performing digital organizations. These include:

- **Impact**: They value having big aspirations to change the world, one customer at a time, and using technology to get there.

- **Speed**: They value an action orientation, preferring to move fast and iterate rather than waiting to have all the data or all the answers before acting.

- **Openness**: They value open and broad engagement with diverse sources of information, rather than being secretive or selective in seeking and sharing information.

- **Autonomy**: They value having high levels of discretion to engage flexibly in productive and experimental activities, more than relying on controls and formally structured coordination.

We also identified a common set of digitally enabled practices in these organizations, practices that reflect their values in action (i.e. values-in-practice). These include:

- **Rapid experimenting**: Constantly and systematically (e.g. A/B testing) experimenting, learning from the results, and quickly applying new insight.

- **Self-organizing**: Collaborating fluidly across functional, geographic, and organizational boundaries to solve complex problems and get things done.

- **Driving actions and decisions with data**: Collecting and using accurate data to make decisions, solve problems and design solutions that can scale rapidly and economically.

- **Obsessing over customers**: Intensively focusing on and quickly addressing the stated and unstated needs of both current and potential customers.

- **Focusing on results**: Being accountable for achieving goals and continually striving for measurable results that really make a difference to customers.

In sum, a “digital culture” is one that enables rapid adaptation and innovation in fast-changing technological and competitive environments. These values and practices sustain organizational **coherence and continuity** in the face of digital’s transformative possibilities and, at the same time, enable the inevitable, ongoing change required of the organization.
**IMPORTANT CULTURAL DIFFERENCES ACROSS ORGANIZATIONS**

We conducted a survey to explore cultural differences across a range of organizations. We asked respondents about the values and practices associated with successful digital companies. We also asked about practices that past research has identified as common elements of culture in traditional organizations. In addition, we asked respondents about their organizational environment, organization performance, and the availability, quality and use of digital resources at their organizations. Respondents self-categorized their organizations as "born-digital" or "traditional."

Here are some key findings:

- The cultural profiles of self-described born-digital organizations closely matched the values and practices of successful digital companies, as described earlier.
- The cultural profiles of self-described traditional organizations exhibited some markers of digital culture. Digital values and practices were weaker or less common across this subset of organizations. This is good news is that digital values and practices are not completely out of reach for traditional organizations.
- Practices such as *acting with integrity and seeking stability* were common among both born-digital and traditional organizations, suggesting that the values underlying these long-standing cultural norms are still important in the digital world.

**Digital Values are Present but not Prevalent at Traditional Organizations**

Overall, traditional organizations place significantly less value on having impact, speed, openness and autonomy than born-digital organizations.
Digital Practices are Lacking in Traditional Organizations

At the behavioral level, we found divergence between traditional and born-digital organizations. Overall, “digital” practices such as rapid experimenting, self-organizing and driving decisions with data were significantly less typical of traditional organizations than born-digital organizations.

Some “Digital” Practices are common in both Digital and Traditional Organizations

Customer responsive behaviors and results focused behaviors featured prominently in our data on high-performing digital organizations, but these practices are not unique to digital organizations. Past research on cultures in traditional organizations has found norms of focusing on customers and results. Organizations of all types, born-digital and otherwise, are increasingly customer focused and results focused.
Digital and Traditional Organizations Share Some Important “Traditional” Practices

Our survey also captured behaviors associated with cultural practices that prior research had identified, but which were not highlighted at successful digital companies. These included acting with integrity, seeking stability and conforming to rules.

- **Acting with integrity**: being honest, behaving ethically, and striving for positive and fair outcomes for all stakeholders.
- **Seeking stability**: aiming for reliability and predictability in stakeholder interactions, operations and employee work life.
- **Conforming to rules**: seeking to avoid problems and maintain reliability through a strong rules orientation.

![Bar graph comparing Digital and Traditional Organizations](image)

**DIGITAL VALUES AND PRACTICES MATTER**

Our survey results confirm that traditional and born-digital organizations have different cultures, as reflected by the strength of their different values and practices. This is not necessarily a problem if their respective cultures are well adapted to their respective contexts. To explore further, we analyzed relationships between culture and organizational performance outcomes such as profitability, growth, innovation, and customer satisfaction.

There are important relationships between culture and performance:

- **ALL** digital values were positively correlated with different metrics of organizational performance. Values of *speed* and *openness* were most strongly associated with outcomes like innovation and revenue growth. The value of openness was strongly and positively associated with outcomes such as customer satisfaction and reputation.
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Digital practices are associated with important organizational outcomes like innovation and growth. However, other practices are also important, especially for outcomes like customer satisfaction and company reputation.

- Digital practices such as rapid experimenting, self-organizing, driving decisions with data, customer responsiveness and focusing on results were strongly and positively associated with innovation and growth, as well as reputational outcomes.
- The practice of acting with integrity was strongly and positively related to outcomes like customer satisfaction and reputation, a reminder that not all "traditional" values and practices should be discarded in pursuit of digital success.
- Conforming to rules was negatively associated with all measures of organizational performance, suggesting that too much conformance inhibits the ability of an organization to engage flexibly with customers and partners, or to innovate and grow.

Practices override the effects of values on performance. In other words, outcomes ultimately depend more on behaviors and practices ("walking the walk") rather than just espousing suitable values ("talking the talk").

These relationships between culture and organizational performance held even when accounting for an organization's digital resources.

CULTIVATING A “DIGITAL-READY” CULTURE TO SUPPORT DIGITAL TRANSFORMATION

Digital transformation must involve transforming the organization at a deeper level so that it can continually make the most of emerging digital opportunities. The ultimate goal is to build capabilities for constantly learning, innovating and growing. The right culture for the digital age matches the speed and innovative nature of successful digital organizations without sacrificing integrity and stability. We call this a “digital-ready” culture.

There are no silver bullets to get there. Culture comprises a mutually reinforcing set of values and practices. Values on their own are not enough. The real results for performance come from practices.

Leaders of traditional organizations can follow these three principles to cultivate a digital-ready culture:

- **Grow the practices that set digital leaders apart.** Encourage and reward rapid experimentation and self-organization, within a framework of data-driven decision-making. Focus on promoting autonomy and openness to encourage employees to seek out new sources of information and let them know that they have the freedom to experiment.
• **Preserve valuable legacy practices.** Recognize that integrity and stability are assets appreciated by customers, employees, regulators and shareholders. Create guidelines that enable speed and autonomy without sacrificing integrity, and develop easy ways to monitor and adjust guidelines without jeopardizing stable processes.

• **Reorient practices still optimized for the pre-digital world.** The speed and interconnectedness of the digital world demands a new approach to customers, results and rules. Shift from asking about customer needs to anticipating customer desires. Shift from periodic performance assessments to ongoing attention to transparent goals and metrics. Shift from strict rules and controls to broader guidelines and transparent monitoring.

To get started:

• Reframe the vision for more radical impact to focus employees’ attention, energy and effort.

• Start selectively, perhaps with a separate unit that can safely experiment with these new ways of thinking and behaving.

• Create opportunities for everyone to be engaged in the transformation, and strengthen employee, customer and partner relationships even as you push for faster, data-driven action.

• Use your digital resources to make it easy for employees to collaborate and access data easily, quickly and securely.

• Use those same sources of information to ensure accountability and monitor results.

• Balance short-term results and your brand’s reputation over the long term.

Becoming “digital-ready” does not require sacrificing integrity, stability, employee morale, or the company’s heritage. Traditional organizations can — and do — thrive in the digital economy by selectively melding digital values and practices with certain traditional values and practices that set them apart in the past.
About the Author

Dr. Deborah Soule conducts research on the interaction between technology and organizations, with particular attention to the dynamics of learning, collaboration and change. She has over 15 years of experience leading research and development projects in both industrial and academic settings, including MIT and Harvard, plus ten years of client-facing responsibility as an organizational and technical subject matter expert. Earlier in her career, she worked on product development programs for a large chemical company in Europe.

1 This white paper draws from research conducted at MIT with George Westerman, Principal Research Scientist at MIT. We have studied the organizational aspects of digital transformation for over five years. To understand the cultural challenges and opportunities associated with success in a digital age, we first researched the nature of a “digital” culture, one that is well adapted to a highly connected, fast-moving digital world. With this characterization in hand, we then surveyed representatives from organizations around the world. The survey asked about culture in terms of traditional markers (identified in a long history of organizational culture research) as well as in terms of the more novel digital markers (from the earlier research phase). Participants self-categorized as traditional or born-digital organizations. The survey data enabled us to confirm dimensions of organizational culture in the digital age, document cultural patterns across different types of organizations, understand the relationship between digitization and organizational culture, and examine how culture relates to organizational performance in the digital age.


2 A rating for each cultural value was determined from responses to multiple items about competing values, each measured on a bipolar 7-point scale. A rating for each practice was calculated from responses to multiple items about typical organizational behaviors, each measured on a 5-point scale.