Andrew Rutsch explains how companies can prosper in the digital age

Leading growth in the digital age

A cross-sector perspective and call for action

The digital age has arrived. Massive public and private investments into IT infrastructure now allow doing things not possible a few years ago.

Positively, entrepreneurs can tap thousands of people to take their new businesses off the ground through crowd funding. Negatively, terrorists can build a bomb with a plan and ingredients sourced online and deploy it with the help of supporters found on Facebook.

Even if this is already a major shift, Massachusetts Institute of Technology's (MIT) Principal Research Scientist, Andy McAfee, argues that "we haven't seen anything yet" and that the impact of digital technology on our economy will be transformational.

In a three-year study with Capgemini Consulting on the impact of digital technologies on over 400 companies worldwide, they found that 2006 marked the start of a new phase with an explosion of new media, the arrival of smart phones and tablets, computers driving cars and humanoid robots in factories – all expected to drive further acceleration (Figure 1).

So how are we dealing with this unprecedented level of change – are we falling victim or are we taking advantage of it?

The EFMD CLIP Sharing Best Practice Workshop hosted by French IT services group Capgemini on 17 October 2014 near Paris, France, brought senior managers together from a variety of sectors tasked with people and management development at its state-of-the-art Les Fontaines Campus.

The objective was to engage on and work out a collective view on how to increase the capacity of the corporate learning function to address major business issues in the digital age. Best practices where showcased by Capgemini, Siemens, Santander Group and salesforce.com.

What we can learn from digitally advanced organisations

Insights from the study by Capgemini Consulting and MIT on the impact of digital technologies helped set the scene for the workshop and its objective. According to the study, most large enterprises are taking action but few are capturing real business benefits. Those that do have a "digital advantage" – called Digital Masters – by mastering the "what" and the "how" of Digital Transformation to drive increased profitability and growth.

- **Digital capability**, the "what", ie technology-enabled initiatives to improve customer engagement and internal operations or reinvent business models
- **Leadership capability**, the "how", ie capabilities including vision, governance, organisational engagement and business-IT relations

More specifically, the study found that Digital Masters outperformed average industry performance by 9% on revenue generation efficiency and by 26% on profitability.

For instance, cosmetic firm L'Oréal uses digital technology to enhance its physical distribution channels in order to multiply how its brands create emotion-filled customer relationships; while Commonwealth Bank of Australia is digitally enabling its customers to play a greater role in designing customised and intuitive products (Westerman, Bonnet & McAfee 2014).

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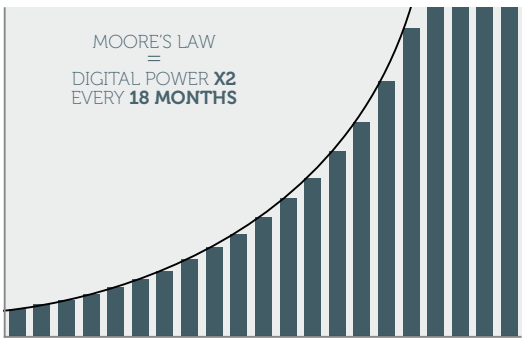
FIGURE 1:
DIGITAL TRANSFORMATION
WE HAVEN'T SEEN ANYTHING YET (CAPGEMINI 2013)



Recognising organisations and their markets as social systems

Hence, we can learn much from digitally mature companies – and we can create even larger impact. To realise sustained profitable growth, organisations and their markets need to be rallied around a shared purpose (the "why") and reinforced through additional types of assets beyond digital (ie physical, intangible) thus recognising them as social systems and how these work.

Notably, social systems are populated by actors with diverging motivations and needs and objections to continuous change and they very often hold us back from moving forward, for example, through their ingrained beliefs, practices, language, structures and culture.

The notion of organisations as social systems was underlined through the main conclusion that surfaced over the course of the workshop and applies to any person in a managerial position, whether as chief executive of an organisation or contributing to it through a functional role such as Strategy, Marketing, Communications, IT or Human Resources.

Specifically, the key insight emerged as follows:

We have it in our own hands to create a larger impact. If we grow individually, grow our teams and work together with *organisational* leadership in tackling major business challenges, we can do anything.

Participants agreed to build better listening, consulting and coaching skills, work on their teams' positioning and competencies such as digital capacity, but also how they are structured and governed, and influence other parts of their organisations such as making business and functional leaders co-responsible in tackling larger issues.

In short, they recognised they need to impact their organisations as whole social systems rather than partially.

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Procter & Gamble's Pampers business unified managers, staff, customers and partners around a deeper purpose to transform an engineering culture focused on functional benefits and turf wars between its regions from a $3.4 billion into a $9 billion business between 1997 and 2010 (Stengel 2011)

We are not good at dealing with social systems

Recognising that we are all part of and have to influence larger social systems to increase our impact in an increasingly digital environment is important. Research, however, shows that we – including our colleagues from other functions – are not particularly good at this. We tend to operate in silos and not work well together (Vermeulen, Puranam & Gulati 2010).

In their study of corporate functions and the contributions to firm performance, Campbell, Kunisch & Müller-Stewens (2012) report that less than one out of 10 functions received sufficient guidance on how to contribute to their firm's strategy, and instead were asked to develop their own plans, necessitating role definition and collaboration.

This lack of guidance is not a surprise. Professors from IMD Business School in Lausanne, Switzerland, who work with top managers find that executive "teams" are seldom really teams. They are typically made up of overachieving, rationally biased individuals intent on delivering results in clear accountable areas. They are disinclined to commit emotionally to shared purposes and objectives in ways that would unleash their collective performance potential but rather engage in one-on-one relationships with their CEOs (Killing, Malnight & Keys 2005).

> *So what is the way forward in the digital age? The EFMD CLIP workshop participants concluded that we need to better influence the social systems of which we are part to increase our impact*

From digital maturity to leading growth in the digital age

So imagine what would be possible if you no longer marvel at the likes of Apple, Google, Uber or Airbnb but start unleashing the full power of your organisation as a social system to become an industry shaper itself.

Increasingly, practice and research are telling us that this requires engaging key stakeholders rationally and emotionally at scale through purposes built on shared fundamental beliefs and values (the "why"), mission-critical assets and performance (the "what"), and practices that drive shared meaning and action as well as systemic change (the "how").

Such growth leadership practice able to shape social systems and create larger impact then becomes a *purposeful* and mission-critical *content*-focused, orchestrated social *process*. And the evidence is building up. For example:

- A 10-year growth study found 50 businesses that outperformed the S&P 500 index by creating and bringing deeply resonating purposes to life – for example, Procter & Gamble's Pampers business rallied and unified managers, staff, customers and partners around a deeper purpose to transform an engineering culture focused on functional benefits (the most absorbent diapers) and turf wars between its regions from a $3.4 billion into a $9 billion business between 1997 and 2010 (Stengel 2011)
- In my own research on six key growth initiatives of a global professional services firm over five years and benchmark organisations from different sectors, I found that the outperforming initiatives – those with yearly, double digit profitable revenue growth – built initial stronger purposes substantiated by mission-critical assets and performance. And they evolved and grew these faster through practices that emotionalised and rationalised their ventures at scale (Rutsch 2015)

The way forward – growth leadership in the digital age

So what is the way forward in the digital age? The EFMD CLIP workshop participants concluded that we need to better influence the social systems of which we are part to increase our impact. And what better tools have we ever had than what the digital age offers: truly social in its very nature such as social media, networks or co-creation tools.

However, digital alone will not solve the challenge. A true shared purpose, the right assets and performance, and practices are equally at the core. Thus, it starts with each one of us tackling three key questions:

1. **Why** am I and my colleagues motivated to work for our organisation? Do our core beliefs align with fundamental values, such as joy, connection or exploration, of the customers we serve?
2. **What** mission-critical assets – digital and non-digital – and performance do we need to grow in the short- and long-term in order to satisfy the fundamental values of our customers?
3. **How** can we make this happen, ie which practices – digital and non-digital – can we use to drive shared meaning and action as well as systemic change in realising sustained growth?

Building rational and emotional strength at scale by aligning and acting on these three dimensions – the "why", the "what" and the "how" – we can create what Boyatzis and McKee (2005) call collective resonance that delivers exceptional results.

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ABOUT THE AUTHOR

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