

Everything Is IT, but IT Is Not Everything

How Incumbents Manage Digital Transformation Towards Continuous Change



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Digital technologies require incumbents to engage in digital transformation (DT) efforts




Impact of digital technologies:

- Novel features
- Exponential speed
- Novel opportunities
- Changing market rules



Incumbents' challenges:

- Fast-changing business environment
- Deep structures
- Historical assumptions about customers' needs
- Changing patterns of value creation

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- DT is a widespread topic in practice
 - Many incumbents are involved in DT efforts
 - The question remains what incumbents focus on in their DT journey

We shed light on how incumbents approach digital transformation



Motivation:

- Dire need of theorizing the challenges incumbents experience
- Examination needed on the status quo of incumbent's DT journey
- Resolve the current discourse on the nature of DT: punctuated change vs. continuous change



Objectives:

1. Understand Incumbents' digital transformation activities
2. Understand DT's contribution to continuous change



Research Question:

What are incumbents' approaches to DT and how do these efforts contribute to continuous change?

We conducted an explorative interview study



Time period: Nov 2020 to Feb 2021

Our interview partners are engaged in three major transformation efforts in their digital journey

Digital Transformation



Client-Centric Business Models



Technology & Data



Organizational Setup



Strategic Planning

Agile Transformation



Decision Making Process



Incentive Structures



Work Environment

Cultural Transformation



Leadership



Psychological Safety



Cultural Values

Organizations approach DT differently



Client-Centric Business Models

- Customers at the center



Technology & Data

- Complex IT landscape, legacy systems, manual processes, and data silos as impediments



Organizational Setup

- anchored under the Executive Board
- anchored within Business areas



Strategic Planning

- Inherent part or accelerator
- Ongoing process without a precise end

Agile Transformation seeks to establish new ways of working

»» Decision Making Process

- Slow decision-making due to managers without necessary knowledge
- Strive for competence-based and decentralized decision-making

🏆 Incentive Structures

- New incentive structures required to encourage employees to take on responsibility
- Measurement of team performance and focus on personal development

🌐 Work Environment

- Creation of environment that fosters creativity and collaboration
- Creation of an engaging and motivating environment in times of remote work

DT and Agile Transformation require a Cultural Transformation to exploit their full potential

Leadership

- Environment where employees act out their intrinsic motivation
- Removal of hierarchy leads to resistance

Psychological Safety

- Fear and uncertainty as obstacle
- Employees must feel safe to question the status quo

Cultural Values

- Trust leverages the potentials of employees and accelerates work
- Experimentation and learning as challenge for organizations with zero-failure tolerance

The digital, agile and cultural transformation efforts cannot be considered in isolation ...

Digital Transformation

 Client-Centric Business Models

 Technology & Data

 Organizational Setup

 Strategic Planning

Agile Transformation

 Decision Making Process

 Incentive Structures

 Work Environment

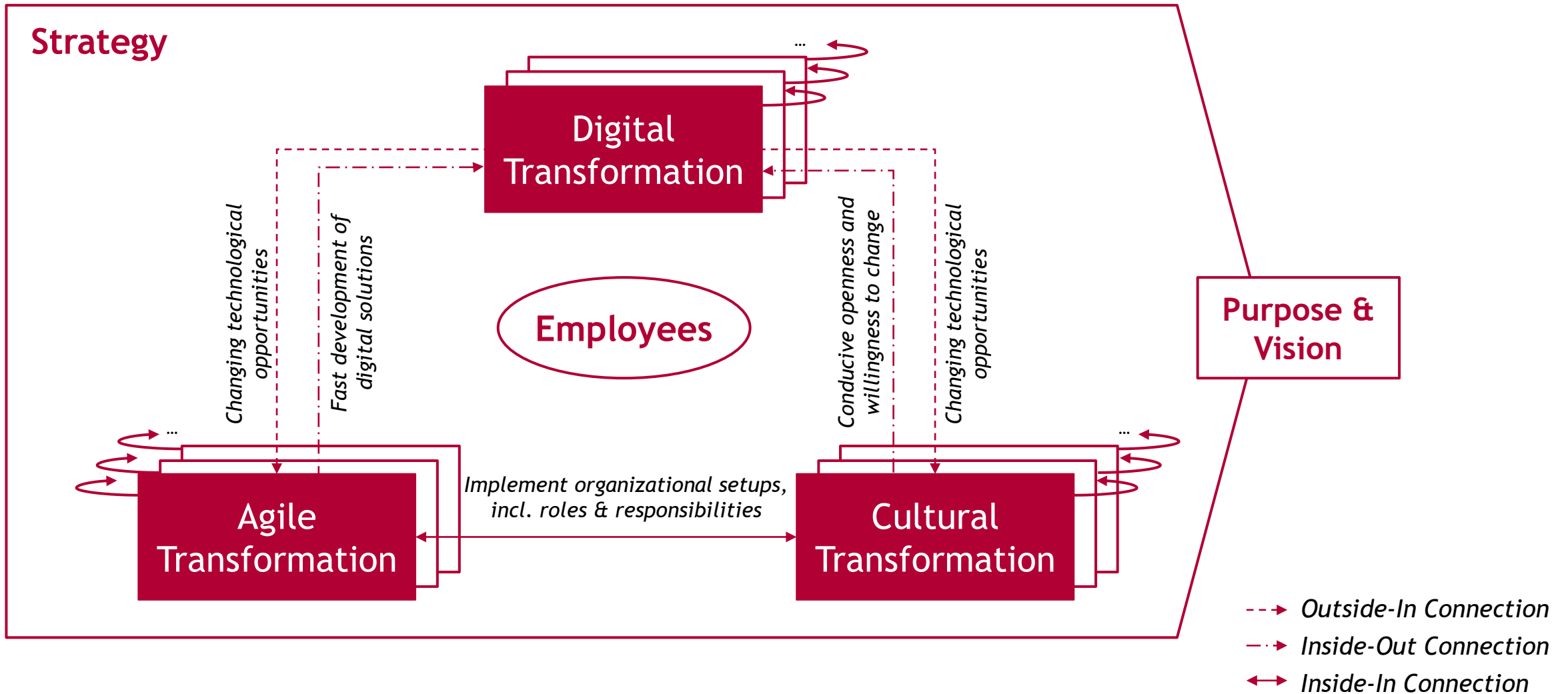
Cultural Transformation

 Leadership

 Psychological Safety

 Cultural Values

... but their interplay form the Transformation Triad which fosters the capability of continuous change



Contribution and limitations



Theoretical contribution

- Transformation triad and their connections
- Changing role and contribution of employees in DT
- Important factors in organizations' DT



Practical implications

- Transformations' different roles
- Focusing on employees
- Rethinking ways of working and corporate culture



Limitations

- Interpretation of Data
- Interview partners' perspective
- Focus on German organizations



Outlook

- Underlying mechanisms of the Transformation Triad
- How people become engine of organizational change
- Prioritization procedures of digital initiatives

Thank you for your attention



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