

# Managerial Effectiveness in Digital Transformation

*Digital transformation requires a strong leadership with efficient management skills.*

A Sloan survey of over 50 companies with \$1 billion plus sales establishes that the best impact of technology resulting in transformation is when strong leadership intervenes. The pace, the scope and the success vary. The three key areas of impact are customer experience, operational processes and business models. These three key areas each have three elements that are changing.

**The nine elements which form the building blocks are:**

- A. Transforming Customer Experience:** Companies are digitally transforming customer experiences through Customer Understanding, Top-line Growth and Customer Touch Points.
  - i. **Customer Understanding:** Technology helps in understanding the factors that lead to customer satisfaction and customer dissatisfaction.
  - ii. **Top line Growth:** Technology has replaced the personal interactions between the companies and customers with digital interactions. This is to update the customer data faster and to provide customized services. Tablet based presentations; mobile tools, iPad with video etc are able to increase company's overall revenue.
  - iii. **Customer Touch Points:** Digital tools like twitter, online shopping and Smartphone apps linked to customer profiles that allow integration across SMS help companies to offer their services based on customer feedback. They enable them to shop from home and thereby save their time.
- B. Transforming Operational Processes:** Companies adopting the operational process transformation are now able to focus more on Process Digitization, Worker Enablement and Performance Management.
  - i. **Process Digitization:** Automation of services allowed the companies to reduce the labor requirements and to reduce product development lifecycle by 30%. It resulted in improved product quality and enhancement in environmental, health and safety performance.
  - ii. **Worker Enablement:** Knowledge sharing and networking tools available for the collaboration allowed the employees to virtually connect with the organization. Customers are able to gain access to a single and global view of the company's interaction.
  - iii. **Performance Management:** Digital transformation is changing the process of strategic decision making by keeping the executives and top managers well informed and updated with detailed information about the products, regions and customers.
- C. Transforming Business Models:** The three building blocks for this transformation are Digitally Modified Businesses, New Digital Businesses and Digital Globalization.
  - i. **Digitally Modified Businesses:** Companies have understood the important role of digitization in sustaining and achieving growth in the market. Some companies go for digital offerings while some go for building digital wrappers around the traditional products.
  - ii. **New Digital Businesses:** Companies are refining their business models through digitization by integrating their businesses with the multichannel and value chains to complement the traditional products.

- iii. **Digital Globalization:** The companies going digital are able to offer better customer services with integrated global information.

None of the best companies are working on all nine elements. It requires management skills and strong leadership to drive the change.

Managers need to possess management skills such as technical skills, human skills and conceptual skills to successfully perform their jobs. The technical skills of managers in the field of accountancy, personnel management, operations research, marketing, information system, etc help them in performing their jobs better. Possessing human skills like the ability to understand people, the ability to communicate, and the ability to motivate makes it easier for managers to maintain peace and cooperation among the employees to ensure smooth functioning of the organization. Conceptual skills are the ability to analyze complex situations and to rationally process and interpret available information.

### Discussion Questions

1. What are the changing managerial skills required in the days of digital transformation?  
(**Hints:** In addition to technical, human and conceptual skills managers require leadership skills)
2. Discuss the three key elements in digital transformation  
(**Hints:** Transforming customer experience- operational processes- business models)

*Source: George Westerman et al., The Nine Elements of Digital Transformation, MIT Sloan Management Review, January 7, 2014*