

Becoming a digital-first organization: Making the most of crisis-driven digital transformation

Companies are using digital tools and automation more than ever. Now, as leaders reimagine and reset their businesses for the future, those who focus on purpose and culture while they seek to make the most of technology will be in the best position to thrive.

Since the onset of the COVID-19 pandemic, every company has had to adapt the way it works, and most have become much more digital. The latest Fortune/Deloitte survey of US CEOs revealed that 77% say the pandemic expedited their digital transformation. Full-time virtual workers in the United States went from less than 4% to more than 50% in a matter of weeks. Digital banking, online grocery ordering and delivery, and telemedicine have also seen step changes in growth.

Some companies were already highly digitally dexterous before the crisis and didn't miss a beat. Others, whose digital transformations were partial, unconnected, or stalled, have had a harder time adapting to the sudden requirements for remote, contactless functions. Now, companies have an opportunity to build on the digital gains they made, however haphazardly, over the past few months. Indeed, many executives are patting themselves on the back for virtualizing their business. But the technology side of digital is the easy part. The real prize is becoming a digital-first organization: one in which technology and culture are interwoven to enable a greater level of agility. Achieving this goal will require leaders to take a step back and truly reimagine the business and how it operates. They will have to champion digital technologies and mindsets while leading with empathy and purpose.

To start, executives must take stock of their company's starting point—the progress they made through the crisis and the gaps that remain. Then, they can focus on building technical skills where needed in parallel with embedding a digital mindset in the organization by investing in leadership and culture. These efforts, like everything else companies are doing in the wake of the pandemic, should be guided by a renewed sense of purpose—for the business, its leaders, and its culture. Executives who do all this thoughtfully will put their organization in a better position to thrive in the long term.

Assessing organizational digital dexterity

For years, many companies have allowed a segment of employees to work from home for some portion of the work week, and digital tools have enabled collaboration for dispersed teams. These arrangements and tools seemed to represent the outer bounds of what was feasible and prudent for remote working. Indeed, an in-person presence was widely believed to be critical to productivity. When the pandemic forced companies to transition the whole of their operations to remote working at an unprecedented pace, executives were forced to revisit conventional wisdom. In parallel, both customer and employee expectations around convenience, speed, and safety, in the form of low- or no-contact experiences and operations, have ratcheted up dramatically.

This transition has forced organizations to recalibrate their approach to digital transformation. Companies that were making steady progress on a carefully defined digital transformation had to set their road map aside to make changes that would ensure immediate survival. Others that had yet to embark on a digital journey, or were stalled, have now found themselves further along, in some ways, than they ever could have imagined. For example, companies previously had to carefully manage the rollout of digital collaboration tools to ensure uptake throughout the enterprise. In the immediate response to COVID-19, employees embraced new ways of working quickly and with little prodding.

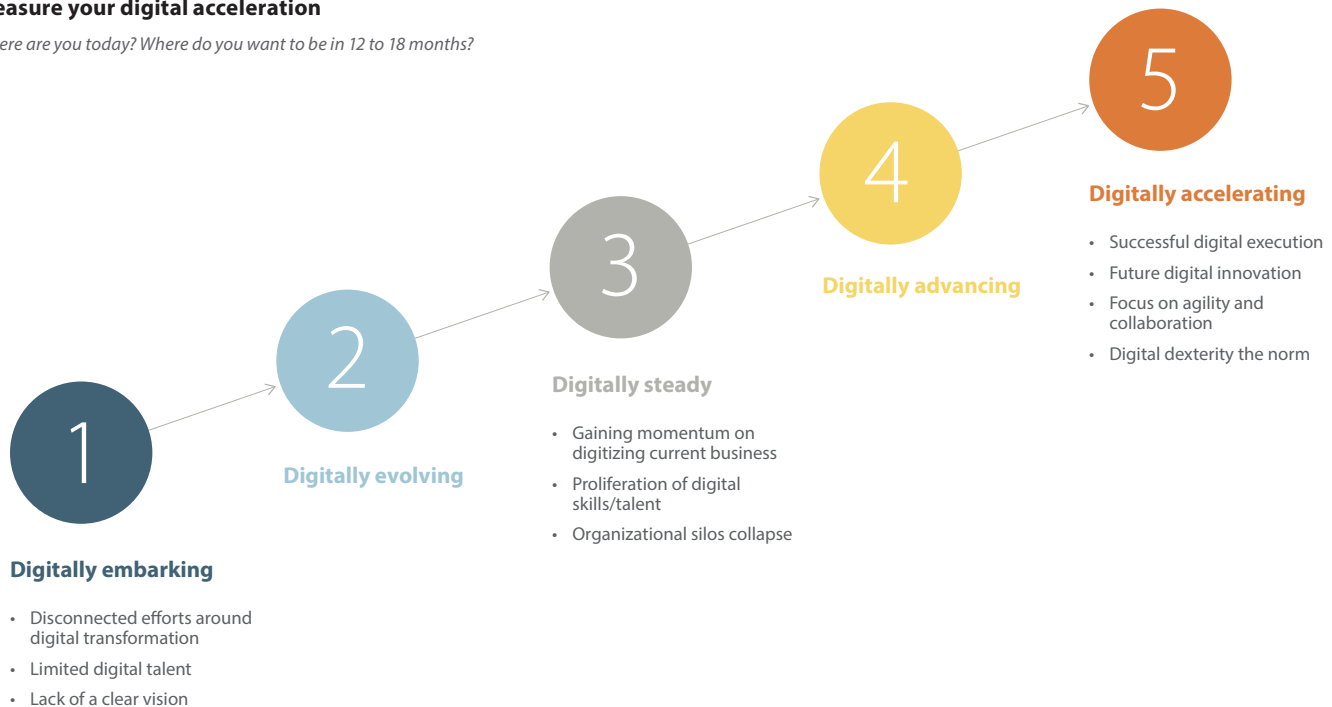
Such initial successes have given thoughtful leaders a head start in further accelerating their digital progress. Heidrick & Struggles research has identified several cultural factors that can undermine a digital transformation—resistance to change, passive-aggressive attitudes, and working in silos.¹ The pandemic and resulting mandatory shift to remote-work arrangements have broken down many of these legacy barriers and mindsets.

The challenge for companies now is figuring out how to build on the momentum of their jury-rigged digital efforts to develop a coherent plan that creates sustainable advantages for the business without losing pace. Leaders must assess the current state of their organization's digital dexterity to determine progress, identify new capabilities, and develop a plan to build additional skills and address gaps. This process will also involve deciding which new ways of working should be retained and which need to be adjusted further or even reimaged.

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Measure your digital acceleration

Where are you today? Where do you want to be in 12 to 18 months?



¹ For more on the cultural factors that can undermine a digital transformation, see Chad Carr and Scott Snyder, "Building a digital culture," Heidrick & Struggles, June 4, 2019, [heidrick.com](https://www Heidrick.com).

Leaders should, broadly, look at competencies and mindsets. Competencies include not only the use of digital technologies to engage and collaborate with remote teams but also the ability to reengineer processes and implement new ways of operating such as virtual sales and support in industries historically based on physical customer interactions. Mindsets, of course, are the attitudes that enable employees to embrace change and remain open to new ideas and ways of working. In addition to an openness to change, the pandemic elevated the importance of other mindsets, including psychological safety, hyper-collaboration, inclusion, and connection to purpose. Many of these mindsets can be harnessed to help restart digital transformation efforts—if they can be embedded in the culture.

Adding to the degree of difficulty, organizations will have to develop and nurture a digital mindset either remotely or in very different working conditions compared with even a few months ago. On the other hand, workers—and leaders—may be more open to sweeping change than ever before. Companies that take a bold approach to reinventing how the organization engages workers, offers opportunities for development, and encourages collaboration and connectivity will get the people side of digital transformation right.

Several questions can guide leaders' exploration:

- What tools have we adopted since remote working started, and how do they fit into our preexisting ways of working?
- What new kinds of collaboration are we seeing with our additional digital capabilities?
- What opportunities have been opened up to us from the rapid progress we've made?
- Have the changes increased employee engagement and productivity?
- What have we heard from our customers about how their needs are changing?
- How are we accelerating innovation to meet those needs with differentiated value?



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Defining digital leadership

Just as an organization must adapt to a remote, digital workspace, executives must also change their approach to leading a digital transformation in a post-COVID-19 world. Heidrick & Struggles analysis has identified a few key traits among leaders at tech-enabled and relatively high-performing companies that will help companies take full advantage of this digital opportunity.

Empathy

Far beyond digital, empathy was especially relevant in the immediate response to the pandemic: the entire workforce was dealing with disruption to their personal and professional lives as well as increased anxiety about the well-being of their immediate and extended families. The most effective leaders balanced a steadiness and resolve with genuine concern for and understanding of what their colleagues were experiencing.² When Satya Nadella took over as CEO of Microsoft in 2014, empathy for employees and customers was a key element for driving innovation and enabling Microsoft employees to uncover unmet needs in their customer base. In navigating the pandemic's challenges, Nadella again relied on empathy to rally his workforce and respond to customer needs.

Now that companies are eyeing recovery, and work arrangements that once seemed temporary increasingly appear permanent, executives will need to model different modes of engagement and find ways to remain visible to their colleagues. Empathetic leadership will be at the core of every issue leaders are addressing. In a digital context, our analysis shows that high levels of empathy are a stark differentiator for leaders at digitally successful companies. What's more, a lack of alignment between leaders and colleagues is significantly correlated with lower levels of digital acceleration. So, maintaining regular contact with employees beyond the C-suite and understanding their thoughts and concerns will be even more crucial in a post-COVID-19 future.³

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² For more on effective leadership in times of crisis, see Rose Gailey, "Leading through the crisis by counting on purpose and values," Heidrick & Struggles, March 31, 2020, heidrick.com.

³ Based on Heidrick & Struggles analysis of proprietary data from some 14,000 surveys describing 2,134 executives at 26 companies, as well as additional public information on those companies' digital acceleration and financial performance.

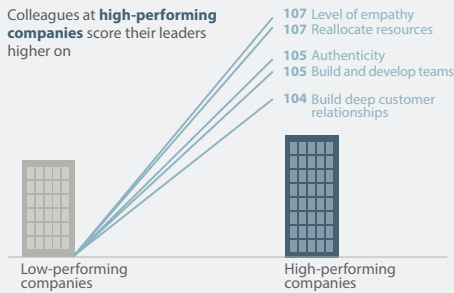
Empathy wins

There are just a few leadership traits among all 33 we study on which leaders at high-performing companies score themselves higher than those at low-performing companies. The difference is largest on empathy—and, most notably, colleagues in both groups of companies agreed.

That empathy and other softer leadership traits stand out at high-performing companies suggests strongly that although many tenets of traditional digital transformation programs are important to have within a company, they are not crucial for leaders themselves.

Level of empathy

All data compare colleagues' views on leaders at low-performing companies and at high-performing companies. Data have been normalized, with the lowest score = 100 and the figures shown denoting the percentage difference to the higher scores.

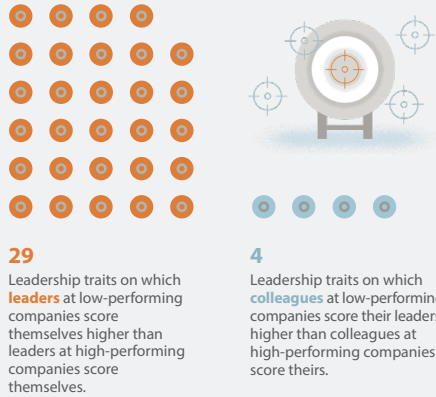


Lack of alignment = lack of acceleration

Leaders at low-performing companies score themselves higher than leaders at high-performing companies on 29 of the 33 leadership traits we study—while their colleagues score them higher on only 4.

At the least this shows a **lack of alignment**, and likely a significant **lack of self-awareness** among leaders at low-performing companies. Both are associated with lower organizational performance.

Lack of alignment at low-performing companies



Purpose

When the world outside of work has been characterized by such upheaval, clearly articulating the organization's purpose can stabilize and inspire employees. Food and beverage retailers needed to flex their operations to get essential goods and services to those in need, automotive manufacturers redirected manufacturing resources to produce ventilators, luxury goods companies produced sanitizers and masks, and many companies have relied on their core purpose to guide tough decisions about layoffs.

Before the pandemic, one of the greatest barriers to establishing a thriving digital culture was defining a clear business rationale for why employees should embrace both new technologies and new ways of working. The crisis has solved that problem to a great extent, but the transition being sudden and necessary does not guarantee that purpose will automatically follow.

Connecting employees to the company's broader purpose can reinforce the mindset that their own efforts in supporting a digital transformation contribute to the organization's long-term ability to fulfill its purpose. During Hubert Joly's tenure as CEO at Best Buy, for example, he led a daunting turnaround effort. Joly emphasized the company's purpose "to enrich people's lives with the help of technology" and helped employees connect their own personal dreams with that purpose.⁴ This mindset shift has fueled a new wave of growth for Best Buy, including a successful move into digital health.

The best leaders will focus on new ways to model and communicate purpose and values. They must still reinforce the benefits of the digital transformation, a task that might require backfilling the transition to remote working with resources and additional support. Organizations might also need to build overt links between the new ways of working and the new ways the company will seek to thrive in the post-pandemic economy.

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⁴ John Vomhof Jr., "Best Buy volunteers help 400 students build computers," Best Buy, October 4, 2017, corporate.bestbuy.com.

Driving reimagination

A digital transformation is an all-hands-on-deck exercise. An organization is truly digital-first only when finding new ways to apply digital technologies. Such efforts aren't the exclusive domain of the C-suite. Leaders must ensure they inspire, motivate, and mobilize people in the middle of the organization to participate in reimagination; become evangelists for new tools and processes; and share their perspectives on innovation.

Communication is a common thread across these three traits, but it must take on new and different forms with a remote workforce. For example, weekly emails could quickly get lost in the deluge of competing priorities, and a company-wide video call won't have the same impact or immediacy as an in-person meeting. The challenge for executives is to find ways to vary their outreach, ensuring that broader communication is reinforced by engagement with small groups. They can focus on a couple of areas. First, leaders should celebrate initial wins and report on the hard-won business success of reimaginings. Championing continuous large- and small-scale innovation—based on reimagination—is an important characteristic of digital-first companies.

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Building a digital culture remotely

Getting culture right is critical because it is one of the main accelerators of digital transformation and overall organizational performance. Culture has a direct impact on mindsets: good cultures support good mindsets, and harmful cultures can destroy the open mindsets needed for digital transformation. But even before the crisis, culture change was a delicate undertaking that required a carefully orchestrated set of actions reinforced with persistent communications across the organization. Executives set the tone by modeling the desired behaviors through in-person interactions and then creating incentives and recognition for exemplary behaviors across the workforce.

Now, every company is struggling with how to maintain their organization's culture and turn it in a more digital direction without the benefits of physical interactions. To set the pace, leaders should focus on three priorities.

Reinventing ways of working. The shift to remote work is more than just using digital technologies to carry on with existing processes. It provides a unique opportunity to rethink everything from meeting cadence to team structure to the tools needed to be a digital-first organization. Rather than structuring processes to conform to digital tools, companies should reconceive team interaction based on what they learned during this disruption, and then draw from the palette of available digital technologies to enable new ways of working.

The success most companies have seen with remote working will give organizations a sense of confidence that should bolster the chances of success of additional change right now—before new norms have entirely settled in. An agile approach, especially the focus on quick decision making, accountability, an empowered workforce, and small teams, is tailor-made for a remote working environment.⁵

Translating co-creation and collaboration to remote work. An ecosystem-oriented mindset is crucial to digital acceleration, so organizations must pay special attention to implementing new approaches to creativity and collaboration both within and outside the organization. For example, translating brainstorming and whiteboard sessions—a staple of in-person problem solving—to a virtual environment will require experimentation and the full engagement of teams to establish productive digital approaches. Virtual environments provide an opportunity for more voices and new connections across different functions and geographies to be part of the innovation process, which can improve both the quantity and quality of ideas if managed well.

Fostering diversity and inclusion. In a virtual world, everyone's profile can be viewed on an equal playing field no matter what background they come from or what level they are. While a workforce of digital "haves and have-nots" could increase existing divides, companies have an opportunity to use new collaboration tools to create a sense of community and ensure all voices are heard. Leaders are struggling with this task in many contexts, most notably in countries where organizations of all kinds are redoubling efforts to address long-standing racial and social inequities. Successful leaders will make diversity and inclusion an integral part of their digital transformation efforts, continue to focus on connecting with team members, and create cultures that value new ideas and innovation.

⁵ For more on the core characteristics of agile leaders—learning, foresight, adaptability, and resilience, see Steven Krupp, "From blame to gain: Leading with agility in a crisis," Heidrick & Struggles, April 2, 2020, heidrick.com.

Getting to digital-first

Having come through the disruption of the pandemic and all the accompanying changes, leaders might worry that plunging back into a digital transformation would create too much upheaval. In truth, the organization, employees, customers, and other stakeholders have likely never been more open to continued change. A focus on several priorities can provide the necessary direction to build on the digital gains of the immediate crisis response:

- Continue to reimagine the organization as a digital-first enterprise and prioritize investments in leadership, culture, and technology accordingly.
- Assess the mix of talent and the culture's alignment with the desired future state and undertake a mix of reskilling and external hiring to fill any gaps.
- Ensure leaders are digitally minded and can set the pace, build alignment around the company's growth ambition in a digital world, and connect these efforts with the broader organizational purpose. Empathy for both customers and colleagues will be a crucial ingredient to foster an environment that encourages innovation.
- Establish a solid digital culture, with a particular focus on remote-work arrangements. Foundational agile principles many organizations have already succeeded with, such as accelerated decision making and finding new ways of collaborating in smaller teams, will be important building blocks for lasting digital acceleration.

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For many companies, the blur of the past several months has given way to a mixture of relief at their resilience and uncertainty for what lies ahead. Rather than simply continuing to hurtle forward, executives should hit pause, harness their hard-won knowledge, and take the opportunity to reimagine their organization as a digital-first company. This commitment to a clear purpose can ensure that the unexpected digital gains made during the pandemic translate into a continued digital transformation.

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