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## Digital Transformation and Leadership – The Five Big Questions

Recently I was with Bill Ruh, CEO of GE Digital, talking to a group of executive leaders about digital transformation and winning in the digital world. To address the competitive environment, he told the old story of two guys out in the jungle who see a lion. As the lion starts to head towards them, one of the guys sits down and gets out his running shoes. “What are you doing?” asks his companion. “Even with spikes you can’t outrun a lion!”

“No,” agrees the first. “But I don’t have to outrun the lion, I just have to outrun you.”

The bad news is that the lion that is the future digital world is headed straight for all of us. Digital is coming for you whether you see it or not. Some will make it and some won’t. You had better get your shoes on, get going, and give it your all. Your organization is going to have to *transform* to survive and thrive. I’m going to give you the five questions that will help you do just that.

But first, an observation about where I think most of us get digital transformation wrong: transformation is a noun. But it isn’t about *a transformation*, it’s about *transforming*. The secret is to embrace the active verb and jettison the static noun. If we are going to make it in a world that is transforming to digital then we have to be transforming, not just have transformed. Once is not enough.

So, if digital transformation is about the journey, not the destination, how do you get started and keep moving? My experience has led me to five big questions that can become the engine of transformation for you and your organization. You need to ask these questions of many people, and you need to keep asking them until you truly understand them. Then you can start to sort through the answers and develop your ideas about what’s most useful for you now – not forever, just for now. But then you have to be willing to ask the questions again and again.

Think of these questions like oars in a boat. They can move you forward a little bit when used once. But if you and all your team are asking them all together, all the time, so it becomes a way of working, then you’ll have continual forward motion.

### Big Question #1 – What does ‘digital’ actually mean?

Let’s begin by defining what we’re talking about. To my mind, the question, ‘How do you *define* digital?’ does not matter as much as ‘How do *you* define digital?’ I think that switch in emphasis is where the magic lies. ‘Digital’ can mean many things, from technology, to developing new products or creating new opportunities, to ways of working and thinking. It’s important that you understand that ‘digital’ is a very inexact term but that you need to be exact in the ways you use it.

One multinational financial services firm has completely redefined how it looks at its world because of digital. It has reorganized everything according to the three personas of its customers, asking *What do they want?* and *How do we best advocate for them?* There are no more traditional functional and business silos. Everyone collaborates to deliver value for the customer personas.

You need to be asking if your organization comprehends what digital means *to you*. Have you identified what digital’s most important meanings are for you and your business? What is the impact of that on your brand and strategy? Do you have the right sensing abilities and eyes on what is happening out there to allow you to see the possibilities of what digital can mean to you? How are you making decisions about which ones matter most and what actions you will take as a result?

### Big Question #2—How will your company cope with digital transformation?

While you are starting to ask these questions, is your organization preparing for what happens when you start to answer them? Sadly, it probably isn't. Your organization has probably worked very hard to build structures, systems, processes and operating models to run and grow based on what you do today, not tomorrow or (more importantly) the day after tomorrow.

Unless you are in a very small minority, your Human Resources function values consistency, risk mitigation, compliance and scalability of solutions. I'm not saying HR is broken, but it is not leading, and it is not built to change. What will it take to create an HR function in your company that sees its purpose as instilling curiosity, courage and adaptability in your people? Does your HR have an active plan for automating low-value work? Is it seeking out talent and passion, or filling fixed positions with people whose résumés say they've already done those tasks elsewhere? Do you have an HR function that is finding, reskilling and preparing the right people for an unknown tomorrow?

How about your culture? 'Culture' may be the one word that is even more over-used and vague than 'digital', but it is key to digital success. Culture can be defined in many ways but I favour *how work gets done around here* – your organization is going to have to figure out different ways of working to compete in the digital landscape and that definition means your culture has to change! And here's the big thing about culture: changing it is not a programme and it's not the job of HR or a consulting firm – it's the job of everyone.

Do you have a culture that supports its own reshaping? There are a lot of ways to think about this. Google split itself into three sub-cultural groups: the 'traditional' Google group manages and evolves products to do with search and mapping; Google Ventures explores innovations that will become tomorrow's products; Google X handles 'moonshots' and futuristic exploration of what might become possible. All three are a part of Alphabet and share core cultural values, but their operating models and structures are different because of their different purposes and sizes. Does your culture allow for something similar, or would it try to kill and consume the rebels that stray from the current norms (which are probably outdated but deeply ingrained)?

### Big Question #3—What happens to the people who can't or won't go digital?

In this transformation, it's inevitable that some are going to make it and some aren't. The non-converts will drag you down and keep you from changing meaningfully or quickly. That spells disaster if you are trying to transform in time to meet the challenges of the digital world.

Who decides who will go and who will stay? Maybe somewhat counterintuitively, the first thing you need to determine is how your people will have their say over your digital direction. Will people feel free to question the vision or will they quietly sabotage it? The folk who are going to embrace it and go digital need to be able to have the dialogue, to recognize and say goodbye to the past and find their place in the new future. Do you have a way to hold that dialogue, and will your leaders and culture encourage a frank, difficult discussion, or discourage it? In fact, is there real opportunity for your people to amend or improve on the direction and influence your thinking? Because you will need them to do that on an ongoing basis to stay relevant.

You need to be able to clearly assess the talent you have and determine what you will need. Then you have to make the changes that take you from a company that just *executes* to a company that *innovates* at all levels. This means changes in what people are doing, and it means changes in people (especially leaders, which we will talk about next). There is no easy fix here.

You will need to mix new talent and mindset in with legacy talent. Some people won't make the switch. Maybe it is too hard for them to start over and learn new ways of working. Maybe they don't see their place in this new world. Maybe you just need less of their skills and more of others. I'm not advocating indiscriminate terminations of long-term employees. You have to operate with what Kim Scott, author and start-up leader, calls *radical candour*. You must articulate a clear direction that some will opt out of and that some will just not be made for, and you have to get clarity on that pretty quickly.

I have worked with a company that realized its resources had to be radically repurposed for its digital future and made some historic changes. In the 60 years of its existence it had never had any large-scale workforce changes. Recently, it replaced 20-30 percent of its workforce and put the new talent to work on innovating the company's future. This was not cost-cutting – it was investment, on a large scale!

### Big Question #4—Are your leaders doing what digital leaders have to do?

There are three sub-questions you must ask about your leaders:

- **Are they ready as individuals?** Do they approach what they do with what Stanford University professor Carol Dweck calls a 'growth mindset'? Are they committed to a shared context or 'north star' – even if they don't know how to get there? The leaders of winning digital firms are very happy to set goals they have no idea how to achieve. Whatever else you think about serial entrepreneur Elon Musk and his businesses, he's got a team of leaders at SpaceX who are seriously planning to land a manned vehicle on Mars in their lifetime. It's not just a motivational metaphor; it's their clear goal.
- **Are they ready as a team?** Do they support and hold each other accountable to the shared context and goal? Patrick Lencioni, an expert on teams and their dysfunction, asks whether the executive team see each other as their 'first team'? Or do they see themselves as the leader of their function or division first? The problem with that is that even small differences at the top can grow into big divides as they filter down through the organization. If the leadership team is not functioning smoothly as a team, helping each other and sacrificing their own short-term gains for the greater good of the business when needed, then your ability to move quickly and with synchronicity is in grave danger.
- **Do they believe?** Not *Do they agree with everything you say?* but *Do they share the belief in your digital future and the urgency with which it must be pursued?* Will they fight to make it happen? As the new CEO, Satya Nadella reinvented Microsoft as an open, agile, highly networked and ecosystem-friendly leader in cloud and mobile by ensuring that his executive team shared his vision and context for the future, even when the cloud was an insignificant, and far from core, part of Microsoft's very successful software and hardware empire. Will your leaders embrace the potentially radical shift in what your company is and does, and will they thrive in the ambiguity that exists in between? Will they be bold enough to force clarity and put the real problems on the table? Do they have the capabilities and skills to lead in the new culture that you are asking them to build? And, finally: Will they be willing to drive change by starting with the changes they have to make themselves and modelling these for their followers?

This takes us to the last question to be asked, but probably the most important:

### Big Question #5—Are you personally ready, willing and able to go digital yourself?

Leading this transformation will be the hardest thing you've done in your career. But now is the time and there is no-one better.

I had the pleasure a few months back of talking with noted innovation guru Clayton Christensen about digital transformation and leadership. At one point he observed: "It used to be that we had to build the skills to get the job. Now we've got the job and have to build the skills." That is the reality today. You have been selected to do the job of leading the entire organization towards its digital future, but the skills you have are no longer right. You have a lot of learning to do, and that's deeply unsettling.

However, there's something reassuring in Clay's comment you might have missed on first reading: *You are still the right man or woman for the job.* You are probably the CEO for many reasons. No-one knows better what the current reality is, where the pressures come from in your industry, and what competing forces impact your decisions daily. You're needed in your role. Your job now is the hardest (and probably most rewarding) of all – it is to embody the digital transformation of your company through your own digital transformation.

I am reminded of a CEO who decided that she needed to personally embody the change in her organization, so she set out to become a thought leader on a brand-new technology that, most agree, will profoundly affect her industry. She has no technology background, but she realized that if she did not model personal transformation and step boldly into an area that was completely foreign to her, no one else would either.

I'm going to end with a bonus question for you, the leader: Who can you trust to tell you, with all the love in their heart, that you've got blind spots? Who cares enough, and knows how, to tell you the truth about when you're not making sense? Seek those people out. Cherish and nourish them. Hear what they have to say, and then decide what you will do today, and do it.

### Changing makes starting up look easy

I have had the pleasure of getting to know Tony Hsieh, the somewhat controversial but very inspiring CEO of Zappos. Tony was discussing digital transformation with a group of C-level leaders, describing the culture at Zappos and how everything it does centres around that culture. One of the participants then asked him: "How do I get my organization to change and become more like that?" Tony paused thoughtfully, looked up and said, "I don't know. That sounds really hard!" Zappos didn't have to transform, he explained, that's how it built its culture from the get-go. But most of us can't just start over.

Digital transformation is *really* hard. But either you transform or you fade – there's no other choice. It starts with you; but other people are figuring it out, so you can too. Ask the questions and ask them again. Ask for help in asking them and find the questions those questions lead to and ask those as well. In the end, you are the one who can do this; you just have to start. Because there is some good news: You're reading this and you're trying. You hear the lion roaring and you've decided to do something about it.

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