

ACHIEVING SUCCESS WITH TWO HANDS ON THE WHEEL

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The digital transformation requires the implementation of alternative management methods, applied as an extension of existing practice. With two hands on the wheel, organizations can further develop their core business through the use of new technologies, while also establishing a culture of rapid innovation.

Companies from Germany, Austria, and Switzerland enjoy a good reputation and often hold a leading position in their markets – one factor contributing to this is that most of these companies have a strong corporate culture focused on continual, incremental refinement of their product and service portfolio. However, in the context of the digital transformation, it is becoming apparent that this focus on well-planned innovation is not sufficient. Digitization brings profound societal change, similar to what we have seen historically in the development of the steam engine or electric motors. The “real” benefit and therefore the broad societal effect of new technologies is only felt decades after they become available – in other words, only when we have learned how to reorganize ourselves using this technology.

We are currently experiencing this process in the course of the digital transformation. New business models mean that society is undergoing change right now, in some cases with technologies that have been available for decades. At the same time, following Moore’s law, technological opportunities are expanding exponentially – and complexity is increasing as a result. Traditional management theory has few answers for dealing with the uncertainty that this creates – apart from avoiding it at all costs.

THE UNCERTAINTY PARADIGM

That is why companies today must learn to invest in uncertainty. Entrenched methodologies which target the minimization of risk systematically fail in the face of the uncertainty that comes with the digital transformation. That said, this paradigm does not apply for all areas. The majority of core business will continue to be managed as it is today.

This means that it is necessary for companies to establish distinct sets of rules and management methods – both for core business and for the uncertain challenges posed by the digital transformation.

The latter requires alternative organizational structures. Examples of these could be embedded teams of entrepreneurs who safeguard strategic options in forming markets, test new technologies, or validate innovative business models. These teams should also make a contribution back to the core organization with respect to transformation, and support its organic further development. After all, while markets may be subject to disruptive change, organizations can’t handle it. Any attempt to implement a great leap into digitization is doomed to failure, as it means destroying the organization’s corporate culture and the core of its success.

A BIRD OR A BICYCLE?

As such, the digital transformation presents the challenge of using a variety of rules and methods to manage companies in various contexts, with both of the organization's hands on the steering wheel – something we might call ambidextrous implementation. This means a continued focus on specialization and optimization for core business, and concentrating on learning, experimentation, and fault tolerance for the strategic innovation of digitization. Conflicts may arise in this process, resulting in significant need for clarification. In this respect, change intelligence must be applied by management seeking to bring together a “constant improvement” culture with a “constant acceleration” culture. But the effort is worth it. A study from the 1960s, by Vance Tucker, offers an excellent metaphor for how tools can enable peak performance. Tucker analyzed which species were most efficient in how they move. Unsurprisingly, humans didn't do too well, and birds were the most successful – with the condor coming out on top. However, a person on a bike beat all of them by a wide margin.



Change intelligence in management is essential to successfully bringing together an existing “constant improvement” culture with a “constant acceleration” culture, and in this way to implement ambidexterity in companies.

With this in mind, for industrial companies digitization means using the new technological opportunities it offers to leverage their strengths from their core business, thereby considerably further developing the culture which forms the foundation of their success. The “bicycle” represents a change of this type. It is a tool that enables large, established companies to successfully compete with startups – the “birds” of digitization – and even helps them to achieve advantages.

It's just as impossible for an industrial company to become a startup as it is for a human to transform into a bird; but you can still keep up if you get hold of a bicycle. ■



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