Implementing successful digital transformation with emotional intelligence-based change management

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Abstract: - Digital transformation is a top-of-the mind preoccupation for all businesses today. For many different reasons: some believe it is an opportunity to reduce operating costs, as digital technology allows processes to function quicker, with less resources and with less failures. Others want to increase their sales channels (including e-commerce), increase their communication scope with digital marketing) and gain new customers. A small but increasing number of companies perceives the risk of being disrupted by new-comers: startup companies) and want to redesign their business models to avoid disruption and get out of business. Whatever the reasons of preoccupation, all are experiencing the difference between their expectations and reality: only a small part of the investments is paying off. One of the principal barriers seem to be organizational culture. We will analyze why change management programs are necessary, but insufficient. And that the missing link between success and failure may well be the lack of emotional skills to cope with rapid and radical change- the one that digital transformation needs. We will propose a specific methodology that build and reinforce the emotional skills most related to change, and how and why it can have a dramatic positive effect in executing digital transformation.

Key-Words: - digital transformation – emotional intelligence – change management – emotional skills -disruption.

1 Introduction

Digital transformation in business is one of the subjects which have attracted more attention in the last 15 years. This has accelerated in the last 3 years due to practical examples of disruption which has astonished the world because of its impact, its unpredictability and how consumers have adapted new business propositions. Here are some facts that indicate the turmoil that digital transformation is producing in the business world:

a. By the end of 2017, two thirds of the CEOs of the Global 2000 companies will have digital transformation in the core of their strategy [1].
b. 85% of enterprise decision makers feel they have a timeframe of two years to make significant in-roads on their digital transformation before suffering financially and/or falling behind their competitors [2].
c. 45% of executives expect digital to grow their revenue, and 25% of executives expect to create better customer experiences [3].

Most experts today agree that digital transformation is more a business issue than a technological one. More strategic than tactic. The CEO will do well to consider it their most critical opportunity or threat, because it affects the survival of the company in the long term. Until companies acknowledge this, most of digital initiatives will fall short in reaching their objectives.

2 Problem Formulation

We have defined digital transformation as a challenge that all types of companies must address, because its long-term survival depends on adapting to a new digital environment (seamless internet communications in real time worldwide, new start-ups, platform and collaborative economy models, etc.), while considering players who have deeply changed their behavior when adapting digital technologies (customers, suppliers, competitors, staff, investors, stakeholders). This is a great change that involves all functions of the company (not just technology or marketing) and as such requires a "change management" plan.

In practice most of the companies- except for those who have decided a strategical approach to digital transformation- have not planned any type of change management program. Many leaders believe that the issues that lay below the waterline- the company culture, the unwritten values and the assumptions people make about what they need to do to get the work done- won´t cause a problem if the digital initiative or digital strategy is good enough.

Consequently, well designed technological initiatives have failed in the execution phase. This is acknowledged by several research and surveys in recent years. There is also anecdotal evidence that supports that culture is the greatest barrier for implementing digital transformation. The former COO of ING, a financial services giant at the forefront of applying agility enterprise-wide, reflected that "culture is perhaps the most important element of this sort of change." He noted that ING has spent "an enormous amount of energy and leadership time trying to role model the sort of behavior—ownership, empowerment, customer centricity—that is appropriate in an agile culture."

Companies who have foreseen the challenge of changing culture in order to execute digital transformation, have applied a systematic change management methodology: ADKAR, Dale Carnegie or Kottler are the most known. These methodologies are great in building a context that facilitates change. I call this acting "from the outside to the inside": people are supposed to react positively. At least a large proportion of them.

The question is: does change happen only telling people what to do? We are supposing that they can, and they know how to change, and we only need to motivate them. But this is not the case in practice: people do not have soft skills in the level the company needs. Each person has its own history and their emotional skills have very different levels of development. While we do not acknowledge it , we are inadvertently thinking that the persons have all what they need to instill change: and this is seldom the case.

3 Problem Solution

If resistance to change is one of the elements that configure culture as a barrier to digital transformation, then we cannot address this subject only from a cognitive/ organizational/ external point of view. Resistance to change is basically emotional. We need to use the resorts of emotional intelligence to influence it. There are also other emotional elements related to change

But resistance to change is not the only emotional issue in any organizational change[4]. We can mention others, such as:

a. Positive thinking. Optimism is key to accepting risk, and change involves accepting risk. A person used to negative thinking will not be easily influenced by external designed situations that promote risk taking. This is influence "from the outside to the inside". If we want to change this negative thinking, we must use emotional intelligence, which acts "from the inside out".

b. Resilience or stress-resistance competence. Resilience is deeply rooted with another emotional skill, self-esteem. Do not expect people with low self-esteem to resist setbacks and to try again when a product prototype fails. No matter how many agile courses you train him in, he will be uncapable to deliver as expected.

c. Empathy. This is critical to understand new customer needs, work with peers and even with people you do not like. Without people with empathy skills, functional silos will not disappear.

There is a clear case to apply emotional intelligence as a tool for change management. If digital transformation requires bold and radical transformation of a business, then the need and urgency of applying emotional intelligence is more critical [5].

However, there is a huge problem: there is no clear method of increasing the emotional intelligence in an organization. Specialized seminars, programs, do not seem to have clear results. In our opinion, the different approaches that have been applied cannot constitute a solution to the problem, for the following reasons:

a. Limited scope. Change management reaches all the employees. Teaching emotional intelligence only to managers or middle managers is too limited, too slow to reach everybody.
b. Too expensive if it needs to reach a high number of people.
c. Ineffective. Changing attitudes, habits and behaviors requires time and practice. Traditional seminars are by definition short.
d. E-learning not applicable. If text or videos by themselves already have limitations for traditional content, try to change soft skills with e-learning. And if they require a long period of time, the task is almost impossible: video MOOC courses have an average of 95% abandonment rate when they take one month (or more) to finish.

We propose a solution to the problem of implementing emotional intelligence to companies that require radical change, that we can call "**emotional based-change management**, which combine 5 main features

1. Content: substitute psychological concepts (self-awareness, self-regulation, internal motivation, empathy and social skills) by business-oriented terms. We prefer to use "emotional skills". Depending on the authors, there are between 16 and 21 emotional skills, such as persuasion, communication, empathy, resilience, self-esteem, proactiveness, adaptability, etc.
2. Video format. People today have a culture of video permeating all activities in life. We take advantage of this and divide the contents into short video pills with a maximum duration of 3 minutes- which corresponds to the short span of attention of watching videos people have today.
3. Long term courses. According to the theory of the inverted pyramid [6], all emotional skills are related and cannot be efficiently implemented individually, but in bundles of related emotional skills that reinforce one another. A minimum bundle would require a group of 3 emotional skills, which require a period of training between 3-4 months.
4. Learning by doing. The method requires short but everyday training: not more than 10-15 minutes every day. Habit requires time and practice. After viewing one video every day, one is required to define a micro-behavior that he can change, apply it, and control that it is done every day.
5. Flexible and mobile training. The course is available in any digital device (PC, tablet, smartphones), in any operating system, only requiring an internet connection to allow video streaming. Available anytime, anywhere to all employees.

This method not only has a strong theoretical background: it has been applied in several businesses, with very promising results. The empirical results suggest that this method can be applied very effectively to accelerate change management programs and increase their success rate in any type of sector and size of business. Here are some significant data:

a. Applied successfully to different industries: franchises, courier business, industrial production and public services.
b. Not limited to management. Functions where it has been applied include sales, customer satisfaction, middle management, financial brokerage, and education.
c. Average duration of the courses: 3 months. Abandonment rate: 5%. Satisfaction rated by users: higher than 4 over 5 points.
d. All type of companies: multinationals, domestic, family and franchise businesses.
e. In all cases, these companies were undergoing a strong digital transformation process and had identified what emotional skills they thought that were mostly needed to make change happen successfully and efficiently.

4 Conclusion

Organizations need to reinvent their business to adapt to the digital economy. Those who don´t risk disruption or loosing competitive advantage. Digital transformation is fueled by technological change but is more a business and strategic issue than a technological one. It requires not only a good plan and solution, but a successful implementation. It is in this stage where most companies fail, being "organization culture" the most important barrier identified. People is in the center of the problem and the solution. Although change management methods help, the missing link is using emotional intelligence to instill change in attitudes and behaviors. This paper explains why traditional training does not function and proposes a new method "emotional intelligence-based change management" which combines pedagogical, technological, and audiovisual components that have proven their efficiency in different business functions and sectors. This could be an innovative and efficient way of increasing the success rate of digital transformation in businesses in the execution stage.

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