



ORGANIZATION 5.0

Emotional innovation
in a digital world

Thought Paper

"People's emotions are the forgotten part of digitalization. Technology alone won't decide about your company's success, but the way you engage with your customers and employees to understand their emotions and to use these for enabling innovation."

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Publisher

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PEOPLE'S EMOTIONS: THE FORGOTTEN PART OF DIGITALIZATION

Organizations are currently facing a legion of issues that include the need to become more global, more lean and more innovative, to manage new and different stakeholders, and to cope with political uncertainty as well as with a lot of other uncontrollable factors. For many organizations, the search for competitive advantage focuses on maximizing performance. The question of how to create and sustain a highly committed workforce is taking on new meaning and urgency. There is no doubt: Digitalization will change the way of working even more drastically than we already feel today. This is particularly true for the collaboration between managers and their employees as well as for the interaction with customers.

In a connected, fully digital working environment employees fear the loss of privacy and customers get conscious about data safety. It will be the new normal that employees are connected 24/7, many of them working for more than one company at the same time. Pressure on employees rises while personal interaction decreases. At the same time, the requirements towards the employee skill sets change, and employees are forced to further develop and undergo training programs. IT, HR, Operations as well as Marketing are only a few functional areas where technology already plays an essential role in keeping an enterprise competitive. Employees of all levels are required to reflect this rising importance of technological developments within their own personal development plan. For non-digital natives, also called "offliners", this transformation process can be very scary. Leaders are required to push beyond traditional employee engagement and, moreover, put emphasis on increased collaboration and flexibility of employees.

This thought paper explores the challenges of digitalization for organizations and highlights the importance of emotions – during the digital transformation process and especially as enabler for innovation. It points out what kind of change is needed and how companies can master this forgotten part of digital transformation successfully.



EMOTIONAL ENABLERS AND INHIBITORS FOR INNOVATION

Research has shown that positive emotions foster innovative thinking and creativity whereas negative emotions will do the opposite. As digital transformation naturally comes along with challenges and often with fears and negative emotions, companies must put more emphasis on developing strategies of how to deal with the feelings of their employees. High investments in technologies, new start-ups and collaborations will not bring the anticipated success if a company fails in creating a positive working environment and culture of trust, security, acceptance as well as curiosity and enthusiasm for change and all new things.

DIGITAL VUCA WORLD: NEW REQUIREMENTS TOWARDS LEADERSHIP

In times of volatility, uncertainty, complexity and ambiguity (“VUCA”) managers are forced to prioritize next steps quicker than ever. The speed of action becomes one of the key factors to meet business challenges ahead, such as more demanding customer requirements or stiff competition.

To keep up, companies will develop innovation hubs and engage with start-ups to boost their own creativity and innovativeness. Leaders are encouraged to empower their employees to innovate and respond flexibly to emerging business challenges. Due to this ever-changing environment, the frequency of errors will rise and a new culture of trust has to be established. Room for vulnerability and questions has to be granted, and managers have to lead as mentors and coaches using respectful and authentic management styles to prepare their employees for the digital demands.

A further challenge will be to keep up employee motivation despite the fears (e.g. of being replaced by machines) and strains due to higher requirements that digitalization may bring about. As a result of these challenges, requirements towards leaders rise, but also the role of HR will become more and more important for the successful digital transformation of an enterprise.

A MUST: TRANSPARENCY AND VALUE-BASED LEADERSHIP

It is surely important to consume as much knowledge as possible, but it is essential to also share that knowledge within the organization. Networking and mind-exchange will help to foster an innovative organizational culture. Knowledge transfer helps to counteract employees' fears of a future which is perceived to be incalculable, unpredictable and unaccountable.

Based on transparency and value-based leadership, trust can be gained again. Employees need to feel assured that they won't be simply replaced by machines. Therefore, companies need to hire leaders who are authentic and able to decrease people's uncertainty. Especially in regard to trends like machine learning or ground-breaking innovations in smart robotics, people need to be assured that they are still the most important asset of the company. Social and emotional skills like empathy, interaction, interpretation and the courage to take risky decisions as well as learning from failure are important core skills in a competitive organization. In agile teams, coordination, communication and motivation are essential for success.

EMPLOYEE ENGAGEMENT: THE KEY DIFFERENTIATING FACTOR

At this point it is already clear that the rise of the global economy and the digital age requires organizational change – often in a disruptive manner. As managing change caused by digital transformation is complex, it can only be executed successfully by engaging employees throughout the entire organization – teams and leaders need to jointly commit themselves to the new target state.

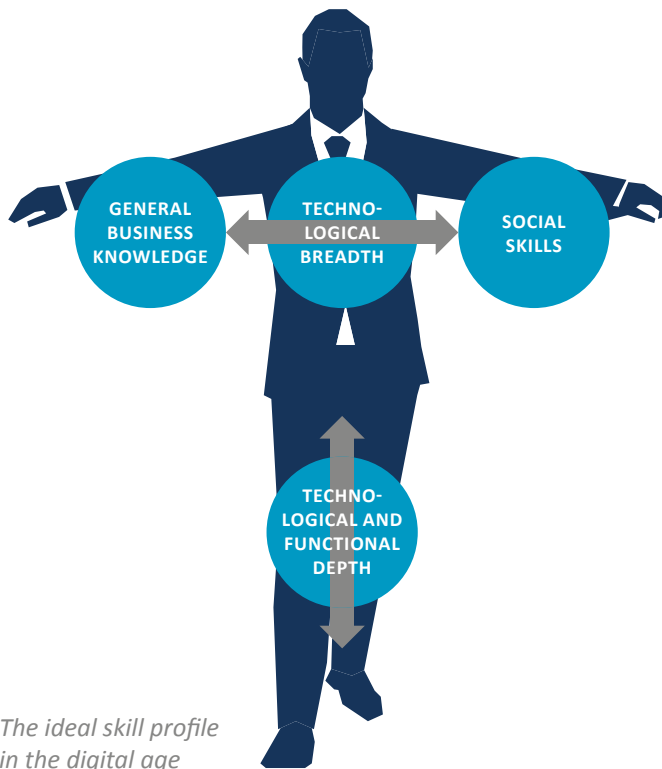
While corresponding structures are adjusted to support flexible organization design in line with the needs of the digital age, actual engagement requires the right people with the right skill set. For teams to become more engaged, it requires more than a dedicated leader, it requires fully dedicated team members. Here again, understanding the emotions of the employees is crucial to creating a culture of commitment. Organizations should design working environments that reduce negative emotions and foster personal interaction and individual well-being.



*Employee engagement
requires the right people
and the right skill set*

MERGING SKILL PROFILES: THE NEW WAR FOR TALENT

The findings of the study “Mastering Digital Transformation” conducted by CAMELOT support the argument that there is a considerable gap between what organizations need and what the current labor market can offer in terms of digital skills. While companies will surely need new capabilities and resources to manage, coordinate and sustain the execution of digital journeys across the organization, existing employees must also be trained and integrated to tap the whole potential of digitalization. Furthermore, business skills or computational skills alone do not suffice anymore. Managers and analysts need to combine both skill sets to handle the intertwined digital and business aspects. As the study shows, integrated expertise is considered key and presents a massive gap between the labor market offer and a company’s demand.



*The ideal skill profile
in the digital age*

The T-shaped profile

Ideal candidates have a T-shaped profile, with the vertical line representing deep knowledge in one specific field and the horizontal line showing the technological breadth combined with general business knowledge and, not to forget, the required social skills. Besides sourcing qualified talents companies will need to set up upskilling programs for the existing workforce.

Individual training programs to replace standard trainings

In order to be effective, trainings should be defined individually based on the employee’s needs and follow an integrated approach of analogue parts mixed with e-learning. As the requirements towards the employee’s profile become more and more complex only individual programs can assure that trainings cover all parts of the individual T-shaped profile and consider the current skill level and background of the employee. Blended learnings are the right approach to ensure that each employee can learn at his own pace while having interaction with other learnings from time to time.

FURTHER RESOURCES:

STUDY: MASTERING DIGITAL TRANSFORMATION

A recent global cross-industry study published by CAMELOT examined how to align your business model and organization in a digital world. The study provides a clear picture of the measures that companies intend to take for aligning their people, processes, and organization structures. Available as download at www.camelot-mc.com.



CAMELOT Management Consultants

CAMELOT Management Consultants is the globally leading consulting specialist for value chain management in the process, consumer packaged goods and industrial manufacturing industries. The company is part of the CAMELOT Group with 1,600 employees worldwide and headquarters in Mannheim, Germany. The integrated consulting approach and close collaboration with renowned technology specialists, guarantee project success along all consulting phases: from decision-making to the organizational and technical implementation.

Business Transformation & Organization

CAMELOT is experienced in process-oriented organization design as well as in adjusting traditional organization designs towards agile models supporting digital transformation. We help companies to prepare for new challenges by defining the required organizational capabilities, designing the necessary organizational structures and role profiles as well as accompanying the transformation process. At CAMELOT, we support our clients with our in-depth understanding of the business' value chain, our proven approach of organizational development as well as many years of expertise in change management considering all aspects of employees' emotions.

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