

# Digital Transformation And Its Effect On Organizational Culture

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## **Abstract:**

*Digital transformation has become a critical aspect for organizations in adapting to the evolving business landscape. This paper explores the effects of digital transformation on organizational culture. It discusses how the integration of digital technologies influences the values, beliefs and behaviors within an organization. The analysis encompasses the challenges and opportunities that arise as organizations navigate through this transformation process. By examining existing literature, this study aims to provide insights into how organizational culture can be shaped and influenced by digital transformation initiatives. Ultimately it highlights the importance of aligning digital strategies with cultural change efforts to drive successful transformation outcomes.*

**Keywords:** *digital technology, values, behaviors, beliefs, transformation.*

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## **I. Introduction**

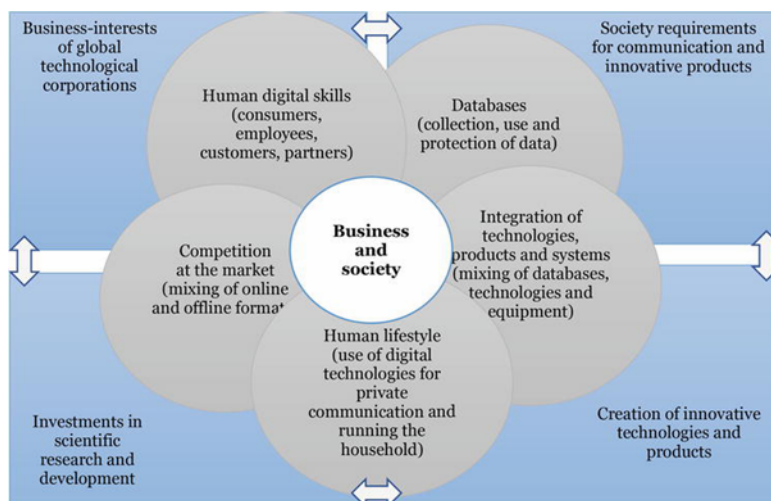
The concept of digital transformation began to gain prominence in the business world in the early 21<sup>st</sup> century, when organizations started to leverage digital technologies in order to fundamentally change the way in which they operate and also delivery of value to their customers. This shift was accelerated by the rise of internet, and the increasing speed of technological advancements. In order to survive in the ever-changing fast market, companies had to adapt their processes, customer experiences and business models as per the needs of the digital age. Till this day, digital transformation continues to evolve as a strategic imperative for companies across industries motivating them to innovate, improve their work efficiency and also drive their growth in this ever-changing technical world.

Digital Transformation is the process of using digital technology to significantly alter an organizations operations, processes and strategies to create new or enhance existing products, services and customer experiences. It is a process of using digital technologies to change the existing traditional business processes, which are mainly non-digital or trying to create a new digital process or a service to meet the ever-changing expectations of the market and the customer. It is a way to completely alter the way business organizations or businesses alone are managed and operated.

In todays Business world technologies and innovations are having an active effect on all sectors of human life as a result resulting in the evolution of digital transformation in both business as well as society. For the last few decades, technologies especially the digital mode has developed rapidly and has gained importance. With the boom of internet, the advancement of various mobile devices and the raise of usage of apps among the millennials have been use of the major contributing factors for the rise of digital transformation. The millennials use digital technologies using digital technologies in their lives. They are also good at mastering the advancements and upgradations happening in the digital world very rapidly. The kids who were born at the turn of the 20<sup>th</sup> century with mobile technology in their hands and growing with technology are the major driving forces behind the digital transformation which is seen in business and society today.

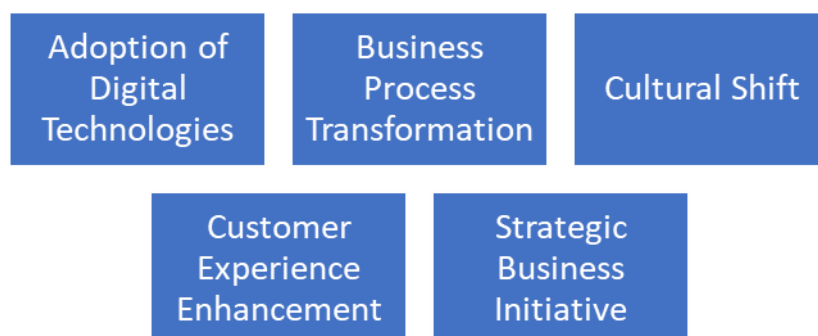
The Millennials, Gen Z and Gen Alpha, who are born with technology around them are the main contributors to digital transformation happening in the business world and the society where both offline and online work modes are in practice. The increased demand for digital skills in the workplace is also having an impact on the working culture of the organization. The younger generations have requirement for new goods, services or ideas and are hungry for more and more innovative products and services. The companies are compelled to transform their operations and processes digitally as their customers needs and expectations should align with the products and services they are providing. Digital transformation is considered as an age of innovations in both business and society. In order to adjust to society digital transformation the senior

generation are also developing their digital skills in order to use them both at work as well as in their everyday life to communicate and do certain tasks.



For the development of successful and competitive business in digital transformation of society, it is not enough if the company uses innovative technologies or produces innovative products. The company has to focus not only on its customer and consumers, but also on their employees, business partners and the entire supply chain partners. With respect to this connection the managerial staff has to modify the traditional approaches considering the new trends available in the market. Marketing management depends upon the available digital technologies affecting their internal and external customers lifestyle and in turn transform the whole society.

The Covid-19 pandemic has become the main reason for the digital transformation happening in the business world. During the pandemic, technology has been the main way of connecting people (Human-to-Human, H2H), business partners (Business-to-Business, B2B), companies and consumers (Business-to-Consumer, B2C) and so on. The below mentioned are the few key aspects of Digital Transformation. As we can see for a successful digital transformation a successful cultural shift is very much needed in an organization or even in a society for that matter. A cultural shift is very much required to reduce the resistance to change and motivate the employees to embrace innovation and experimentation.



Traditionally an organizational culture is defined as a set of shared values, beliefs and assumptions. It influences the behavior of employees, shapes the working environment and impacts how stakeholders experience the organization.

Organizational culture is considered essentially as the personality of a company by shaping the employee's behavior and having an impact on the Quality of Work life of an employee. A strong organizational culture gives stability to every organization. If we ask any professional to define what is an organizational culture, it would sum up to "We can't exactly define it, but will know when we are in it". But the most basic definition will be that organizational culture is a system of shared\* meaning held by members of an organization which distinguishes that organization from other organizations. It is mainly concerned as to how employees perceive the characteristics of the culture of an organization. We need to be very clear that

organizational culture is different from job satisfaction and both these concepts should not be confused with each other.

Research conducted on organizational culture was meant to measure how employees see their organization – Does it motivate its employees? Does it encourage and reward innovation? Is teamwork encouraged? And so on. In contrast we can define that job satisfaction as a method to measure how employees feel about the expectations of the organization. Even though the two terms sometimes have overlapping traits, there definitely exists a basic definition that organizational culture is descriptive where as job satisfaction is evaluative. We can define organizational culture as the common perception which exists among the employees who are associated with a single organization. Most large organizations have a dominant culture and many sub cultures.

Another manifestation of culture is a feature of a nation or group of nations. An obvious question for multinational corporations then is whether it is better to establish a single strong organizational culture across different nations or to adopt different cultural practices in each country. Research suggests that the best management practice is to develop a strong unifying mission, while allowing teams to accomplish their work in ways that suit each nations culture.

In a study of 230 organizations in different industries from regions including North America, Asia, Europe, the Middle East and Africa, having a strong and positive organizational culture was associated with increased organizational effectiveness. Across countries, practices such as empowerment, team orientation, establishing a clear strategic direction and providing a recognized vision were related to greater success in all countries. However, the practices were not equally important. Empowerment appeared more important in individualistic than in collectivistic countries.

Another study of 115 teams in five different multinational corporations found that when companies emphasized a unified global integration of business operations, teams shared less information. The reason might be that home office culture was dictating policies, leading teams to be less proactive about making changes. On the other hand, encouraging local teams to find their own solutions for their own cultural context resulted in greater learning and performance. Overall, these studies show a productive organizational culture is associated with increased sales growth, profitability, employee satisfaction and overall organizational performance. Part of this effective management strategy means empowering managers to take local context into account.

Relationship between Digital Transformation and Organizational Culture:

Digital Transformation significantly reshapes organizational culture by influencing Leadership, employee engagement and workplace dynamics.

- **Leadership & Employee Engagement:** Digital transformation drives a shift in leadership styles, requiring leaders to embrace technology and foster a culture of adaptability.
- **Workplace Dynamics:** Organizations undergoing digital transformation must align their culture with new technologies to ensure employee adaptability and engagement.
- **Challenges & Opportunities:** While digitalization offers opportunities for fostering a dynamic and inclusive culture, it also presents challenges that could undermine employee motivation if not managed effectively.

Defining Digital Culture:

Leadership, the way employees interact with each other, processes that define the operation form the base of an organizations culture. A digitally transformed culture takes many different approaches to all the features of digital culture. A report by MIT and Capgemini identifies the key attributes which are important in adopting to a digital-first culture

- Customer centric
- Innovation
- Data driven decision making
- Collaboration
- Open culture
- Digital first mindset
- Agility and flexibility

Focusing on customers is an crucial sign of digitally transformed organizations. The leaders in such organizations always consider customers perception first and then align both the internal and external processes towards simplifying pain points which are present across every touchpoint in the customer life cycle.

It is a calculated risk to include innovation in digital culture. The organizations which adopt to disruptive technologies are usually the front runners as their employees are constantly on the lookout for new ideas. Data analysis provides organizations the opportunity to improve their decision-making and also identify the road blocks in advance so that they do not cause any disruptions.

An organization in which collaboration is promoted is another hallmark of digital culture. It encourages employees across departments and functions to come along as a team and also to optimize the processes which eventually lead to an increase in efficiency. In digitally empowered culture transparency allows an employee to help out as soon as they hit a snag instead of worrying about the reactions of their superiors and peers mainly their team members. It also fosters an environment where trust helps employees to share their opinions, suggestions and also to give criticism freely. They can point out their observations to their managers, who will discuss the advantages and disadvantages of these solutions with their seniors and will adopt the best optimum solution for the team. All this results in speeding up of the decision-making process which in turn accelerates the adaptation to more suitable solutions.

Challenges faced by organizations when trying to achieve A Digital Culture:

Digital transformation and culture go hand in hand. Both have well thought out processes in order to deliver the most possible impact. Let us look at few factors which might create a challenging environment for the companies to develop a digital culture.

1. Reluctance to let go of existing procedures
2. Emphasizing infrastructural costs above everything else
3. Inconsistent resource allocation
4. Being wary of automation

Accelerate Digital Transformation

According to research by McKinsey, it was found that the culture of an organization requires planning and also an attitude to develop alternatives which can handle contingencies. Every organization has different processes and procedures which require a different approach towards digital transformation. Understanding the relationship between organization and its goals will definitely help leaders to understand about various methods to achieve them. By defining the requirements of transformation, the employees can be allowed to see the bigger picture. Transformation requires leaders to take control of the situation and also explain the need to their coworkers and subordinates, so that together all of them can plan properly for the transformation. The leaders need to identify those employees who can lead some parts of the process is actually a proper way to introduce change as the need has been communicated clearly to all the employees in charge. There should be introduction of mentoring in the organizations so that both the leaders and the managers can help their team to adapt successfully to the change implemented.

Job description plays an important role in introducing digital transformation in any organization. While hiring we need to focus on the job fit theory and recruit those candidates who are the perfect fit for the job profile which has been developed. Hiring the right person helps the organization to grow an innovative culture where employees are not afraid of trying out new processes or tools. Leaders and managers should look critically at the operating models, performance review systems, feedback mechanisms and other processes to identify the issues which the employees are facing. We need to come up with strategies which will help the employees to successfully adapt to the change process which is being introduced in the organization.

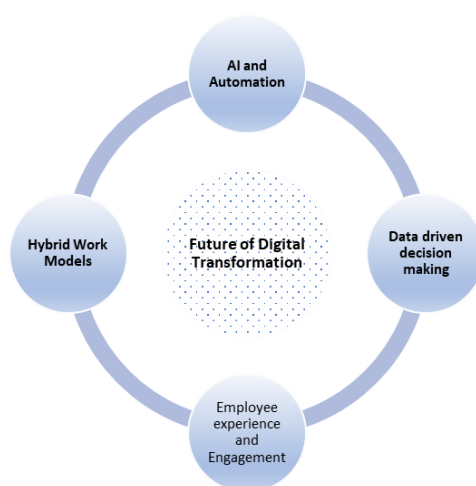
Microsoft's shift to a cloud-first strategy is a great example for showing digital transformation can help to reshape organizational culture. When Microsoft transitioned from traditional software sales towards cloud-based services by introducing products like Azure and Office 365, the company had to revamp its internal culture to embrace characteristics like agility, collaboration and continuous innovation. Microsoft in order to increase collaboration adopted to more open and cross functional working environment by encouraging teams to collaborate across different departments. Microsoft also fostered a culture consisting of rapid experimentation which in turn allows employees to test whether new ideas will work without the fear of failure. Digital transformation pushed Microsoft to focus more on its customers needs and move towards a more service-oriented mindset.

Tata Consultancy Services (TCS) is a pioneer in the implementation of Digital transformation in India. TCS being one of the largest IT service providers globally, has embraced digital transformation by integrating AI, Cloud Computing and automation into its operations. AI driven solutions helped TCS to move towards a more agile working environment. In order to upskill their employees, the company invested hugely in digital literacy programs to make sure that employees adapt to new technologies swiftly. TCS enhanced its agility to deliver seamless digital solutions to clients worldwide by using cloud-based platforms.

Kotak Mahindra Bank can be considered as a great example which successfully introduced a digital culture. The company embraced digital transformation by launching innovative products like Jifi, where social media platforms like Twitter and Facebook integrate with mainstream banking. Kotak Mahindra Bank motivated its employees to adopt to digital tools for internal operations and customer engagement operations. They also introduced features like Hashtag Banking and KayPay, which is a real time social media-based funds

transfer platform. Over 90% of savings account transactions moved outside branches to digital platforms which included mobile banking and net banking.

A compelling case study of Digital transformation and its impact on organizational culture is Michelin's digital shift. As we all know Michelin is a global leader in the tire industry and has faced intense competition from other low-cost Asian manufacturers and other disruptive digital platforms like Amazon and Alibaba. In order to stay competitive, Michelin embarked on a digital transformation journey which helped it to reshape both its business model and corporate culture. It refocused its operations to give more priority to customer needs by integrating digital tools in order to enhance service and engagement to both customers and employees. Employees were educated and encouraged to openly embrace digital solutions by fostering a culture of both innovation and adaptability. The company also streamlined processes both internal and external by using digital technologies. They also made decision making process more agile and efficient. Michelin's success in digital transformation was largely due to strong leadership commitment and also a carefully planned execution strategy which considered its decentralized global structure.



The future of digital transformation will continue to reshape an organizations culture by driving agility, innovation and employee engagement. Some of the key trends in the future of digital transformation are depicted in the picture above. Organizations will increasingly integrate AI driven decision making and automation processes which require a shift in the working culture towards continuous learning and adaptability to everchanging market place. Implementing the use of digital tools will enable remote working and hybrid working systems which will develop a culture of collaboration and flexibility. Many companies will depend more on analytics like Big Data Analytics, Business Analytics and so on. As a result, Digital literacy will become an integral part of the organizational culture. Digital transformation will enhance employee engagement practices through – personalized learning, digital wellness initiatives by the company and also AI-driven HR processes.

## **II. Conclusion**

Digital transformation is the process of integrating digital technologies into a business to improve operations, customer experience and business models. It is a fundamental rethinking of how a business operates and delivers value to customers. Digital transformation reshapes organizational culture by fostering agility, innovation and collaboration. It accelerates decision making, promotes risk taking and enhances employee's digital skills. It involves leveraging innovative technologies like cloud computing, artificial intelligence and data analytics to streamline operations, in order to enhance customers experiences and also to drive the growth of the organization.

Through digital transformation, organizations can adapt to the rapidly changing digital landscape and stay competitive and also meet the evolving needs of customers and their everchanging expectations. It requires a shift in mindset, processes and culture of the organization to embrace digital tools available and use technologies effectively to achieve success.

Along with integrating digital technologies available, digital transformation also involves rethinking business strategies, operations and customer engagement to stay relevant in today's highly competitive and fast paced digital economy. Organizations who are planning to undergo digital transformation should focus on improving efficiency, agility and innovation. The only method to achieve this is by harnessing the power of data and technology. Companies can aim to create a more personalized and seamless experience for their customers by digitizing the processes, automating the tasks and adopting more robust business models. Companies have to

look upon digital transformation as a strategic imperative if they want to thrive in the digital age and survive in a market where the demands are changing every second.

By considering digital transformation as a cultural change, organizations can motivate and support their employees to focus on the various aspects of their work which can be streamlined. Effective leadership is the need of the hour as its vital to convince the employees to successfully adapt to change. If digital transformation is introduced in the right way, by gently convincing the employees to get out of their comfort zone change can be implemented successfully. Implementation of the change can be a success when we communicate the gaps in the current processes to the employees. Educating, communicating and motivating the employees will help the organization to introduce digital transformation and develop digital culture successfully. Final importance should be given to value addition.

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