

# HOW MIDDLE MANAGEMENT COPE WITH DIGITAL TRANSFORMATION

EXECUTIVE PACK

A STUDY BY EARLY STRATEGIES - MAY 2016

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# Executive Summary

## About this study

The aim of the study was to analyze middle managers' perception of digital transformations undergone by their organizations.

A bilingual (English/French) online questionnaire comprising 36 questions, targeting middle and top managers from organizations of over 2000 employees, was made available on the Internet during the second semester 2015. It was publicized via Twitter, LinkedIn, Facebook, at selected business conferences, and directly sent to around 400 persons. These persons were chosen among our direct contacts, being middle or top managers in companies of over 2000 employees; or being in a direct business relationship with these contacts, who were encouraged to pass on the survey invitation. 117 persons responded to the survey, and 94 responses were retained for the analysis (incomplete responses, and responses from persons not matching the target profile were excluded).

The questionnaire was open from August to October 2015. It consisted of 4 series of questions: digital tools & social media they use, and their savviness (3 questions); middle managers' challenges associated with digital transformation (9 questions); their views of how corporations are transforming, and related issues (12 questions); their general state of mind (6 questions).

The questionnaire was designed to be comprehensive and also to address a set of questions in 7 specific areas, namely:

- **Technology adoption:** are middle managers adopting digital tools and social media, and how comfortable do they feel with them?
- **Mindset:** middle managers are quoted as being rather 'stressed' according to some studies, and this often attributed in part to their 'in between' status. When it comes to digitization, is there a similar trend?
- **Status:** is there a change in middle managers' self-perception in terms of their identity, of their generic roles and responsibilities, of their role in organizational change, and how do respondents see the future of middle managers?
- **Relations:** how are human interactions and managerial relations affected by digitization?
- **Organizational environment:** there have been many reports on organizational flattening, self-organization, and other phenomena linked to digitization and the 2.0 era. Is this really happening and how? And how are middle managers impacted?
- **Change:** large corporations are usually slow to adapt to market changes, because of their size and complexity; while digitization has a tendency to accelerate everything, and may even disrupt business models. How are middle managers reacting and adapting to this? What, if anything, is expected from them?
- **Adaptability:** does each respondent's adaptability and ability to face complex situations (according to behavioral science criteria/standards) correlate to their responses?

In parallel, over 15 interviews were run with experts and persons in charge of digital transformation in large corporations. Major trends from these interviews are summarized in boxes.

We collaborated with the Institute of Environmental Medicine in Paris for the quantitative analysis, in order to search for trends. Analyses of comments and tendency summaries have been undertaken through qualitative analysis performed by the research team.

## Caveats

The results described in the report should not be considered as a definite set of trends, given the size of the sample. They should rather be considered as a set of areas and potential trends to watch, and as a



source of insight for developing digital strategies, as well as HR and change programs targeting middle management.

In addition, we examined perceptions – which can be influenced by news, internal communications, personal and professional bias, depth and breadth of knowledge respondents have, etc. This is another reason why we cannot assume our survey results represent a true reflection of the market.

A note about our use of language: job titles differ considerably from one participant to another, depending upon the country, the organization and the corporate culture. For simplicity, we decided to use two broad categories names. In the report, the term **Middle Management** encompasses middle management, senior management and top management (including heads of branches, subsidiaries, plants and business units, General Managers, etc.) as long as these managers do not directly report to the group CEO. The term **Executive Management** includes the group CEO and his/her direct reporting team (this represents a small number of people).

## The findings

Generally speaking, our respondents are adopting digital tools & social media quite well, and consider themselves as somewhat digitally savvy. They use a wide range of tools – over half of the tools proposed in the survey are regularly used by more than 30% of the respondents. The Internet, communication and networking tools are most attractive, along with e-learning. Among less used tools, video is more successful than blogs, and talent management tools are no longer restricted to HR teams. In general, Sales respondents and respondents from the IT/Telecom sector are the most prolific users.

That said, this rather positive picture is counterbalanced by some ambiguity when it comes to their tasks: initiative is required; but there is little recognition of the effort. This was the first possible appearance in the survey of a trend we call the '**digital divide with executive management**'.

Middle managers see digitization as deeply impacting their identity. There is a **massive shift from traditional management to leadership**. Managers now need to guide, influence and "*facilitate the organization*" rather than direct and control people and processes. Power, status and legitimacy are not a given any more; efficiency is required, but hopefully digitization helps with this. On the other hand, the amount of information exceeds what can be grasped, and the plethora of tools swamps many middle managers. Digitization also adds its layer of complexity and uncertainty, in that it creates new processes and jobs faster than they can be absorbed. It also requires middle managers to be ready to answer any kind of question.

Most respondents feel more visible and exposed than before, and also more accountable, including for their team members' behavior. Decision processes are both positively and negatively impacted: some see them made more cumbersome because of security concerns, whereas some see them becoming more seamless as less 'sign-ins' are necessary, thanks to the transparency.

When it comes to what skills middle managers will need in the corporation of the future, most of the answers focus more on people-oriented skills, than technical and, even less, organizational skills – which again questions their traditional role in the organization. However, this shift towards leadership has a pragmatic angle, since the focus should be on acquiring new competencies, than on changing behaviors or developing new intelligence. Respondents shared many ideas around these topics, leading us to think that they regularly sharpen their thinking, and that it is a subject of interest for them.

If the skills needed for the future are less related to organizational issues, it might be because these issues are already being addressed: middle managers tackle organizational culture evolution, time management, a plethora of tools and resistance to change, just to name a few of their current challenges.

There were several questions dealing specifically with the transfer of information: respondents are generally cautious and torn when it comes to trusting information. Moreover, they consider it to be their responsibility to create better information, and the tone of the answers was predominantly positive,

indicating that this is how middle managers feel they can clearly add value to the organization, and hence find fulfillment.

The third part of the questionnaire focused on how middle managers perceive their organization changing. Once again, perceptions were divided. Whilst 50% think digitization helps them to grasp situations and think creatively, 40% think the opposite, and both present good arguments. They see values changing for the better, especially regarding know-how and transparency. They describe evidence of some still fragile bottom-up transformation, and are quite loquacious about what it affects – mainly adoption of technological tools and business opportunities; but not organizational structure. Crowdsourcing is a lesser-known phenomenon, and seldom experienced by respondents and auto-organization even less so, although participants mentioned some examples. They see digitization as a contributing factor of bureaucracy, while helping to organize and structure better. It is somehow **flattening organizations**, though not everywhere and, interestingly, with different outcomes. Corporate cultures improve, with a higher level of openness, trust, etc., albeit slowly, though **negatively impact human interactions**, which may, at first, appear paradoxical. A small majority thinks they have more influence thanks to digital tools and social media.

99% of the respondents consider corporations should adopt digital technologies widely and rapidly, although half of them call for a modicum of caution. They definitely want to play a role there, through exemplary behavior, as change agents, and because it can contribute to a better world.

Most middle managers are preparing for new business models, and many examples are mentioned. Some of them participate in programs related to, or relying upon, digital technology, in some cases targeted at middle management, but not that often (not often enough?).

Further detailed information (statistical and qualitative) can be found in the report below.

### Extrapolating: two possible weak signals

There are conclusions we would like to extrapolate further. Some ideas were not specifically explored through the questionnaire, but were found within answers to different questions, and came from different respondents: a kind of weak signal appearing transversely. Specifically:

- There is a digital divide: it lies between middle management and the executive committee
- Digitization may happen at the cost of humaneness within organizations

### *A potential digital divide between middle management & the executive committee*

This possible flaw is revealed by some responses and several comments throughout the survey:

- When it relates to digitization, 84% consider their work is not recognized (Q8),
- There is a massive shift from management to leadership, but the executive management does not deliver clear guidelines (Q9)
- They are expected to answer questions on communications emanating from executive management, whilst not being briefed upfront (Q9)
- They report increasing data-related requests from their executive management, who consider these types of tasks as “easy”, and they are overwhelmed by them (Q9). The counterproductive side of this is that it does not reveal how the company runs, because information is limited to “data results” and “passive data” (Q14)
- Managerial mindset is a challenge to them, because of the unwillingness of senior management to accept the cultural change linked to digitization (Q12)
- When digital transformation fails, the executive management is often pointed to as the source of the problem (Q12)
- Sub organizations get prepared for new business models; but the global organization might not, due to complacency (Q29)

### ***Digitization may negatively impact humanness***

This appears as a possible side effect of digital transformation: 18 different respondents spontaneously commented on the subject throughout the survey.

The risk of losing human interaction is pointed out in Q9. It is also said that interaction comes second to mastering tools, and that team motivation is hit negatively by digitization.

Middle managers also notice that their teams don't need them any more to get information (Q10).

When asked what skills middle managers should develop for the future, 71% of them answered with people related skills (Q11), a possible sign that they feel there is an issue here.

When commenting on the flattening of the organization, a participant noted that effective supervision has disappeared, because of the pressure towards minimization of human costs as a result of technological advances (Q23).

When commenting on culture change, again the loss of humaneness is pointed out - it is becoming "*less personal*" (Q25).

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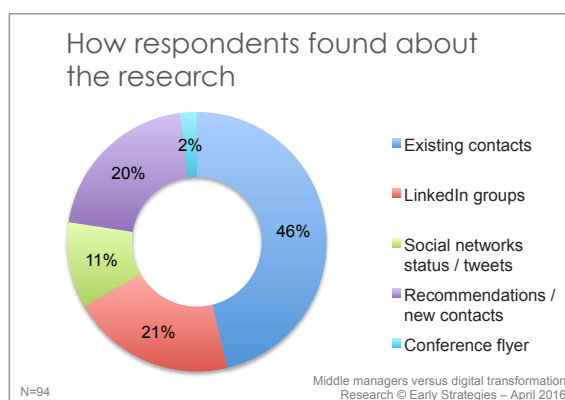


# Demographics

## How respondents found out about the survey

As mentioned in the executive summary, the survey was publicized via Twitter, LinkedIn, Facebook, and at selected business conferences, as well as being directly sent to around 400 persons.

We retained 94 responses. The distribution diagram to the right shows how they accessed the survey.

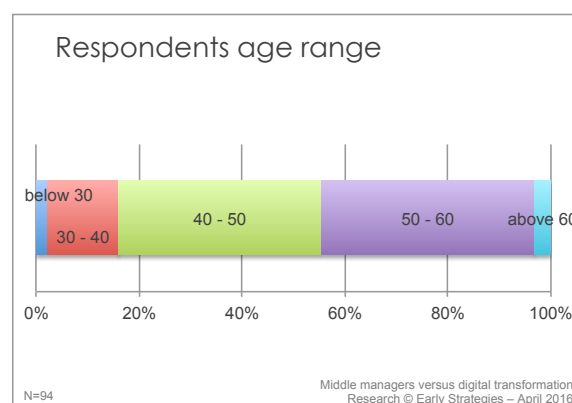
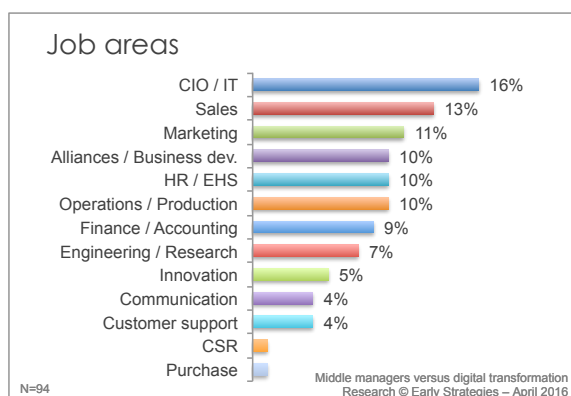


## Respondents' age, gender and job areas

The median age group is 40-50 years' old.

The respondents' gender distribution is fairly balanced: male 54%, female 46%.

Several organization areas are well represented.



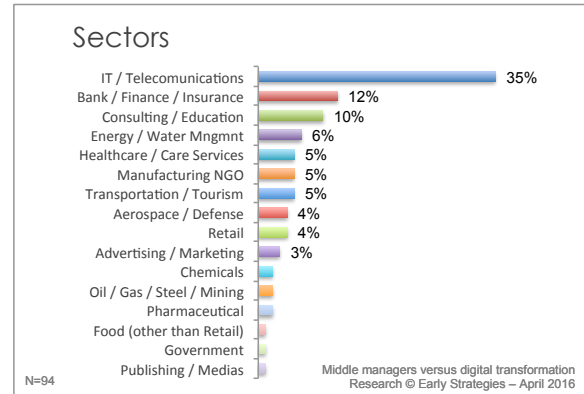
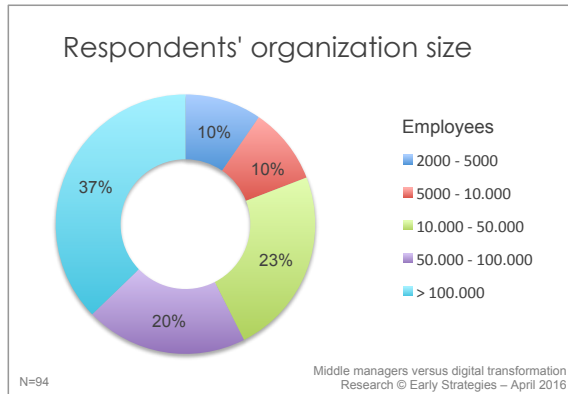
## Corporations represented

Participants belonging to the following corporations responded: Air Liquide, **Alcatel Lucent**, Alix Partners, **Alstom**, Areva, Artelia, **AT&T**, Atos, Avanade, AXA, Bearing Point, BNP Paribas, British Columbia Public Service, BT, C&A, Capgemini, China Ting Holdings, **Cisco**, Daimler, Danone, DBApparel, Deutsche Bank, **Deutsche Bank**, DSM, EMC, Engility Corporation, Ernst & Young, Faurecia, Fiat Chrysler Rimaco, **GE Healthcare**, Gemalto, General Motors, GP Strategies, Huawei, **IBM**, KPMG, La Mutuelle Générale, Lafarge Holcim, Lloyds Banking Group, McDonald's, Merck, Microsoft, Mölnlycke, Orange, Orange Business Services, Philips, PSA Peugeot Citroen, Publicis, **PWC**, Renault, Right Management, **Rockwell Collins**, Safran, **Saint Gobain**, Salesforce, Sanef, **SAP**, Schneider Electric, Shire, Siemens, Sodexo, SSE, Sun Chemical, Tata Communications, Tata Consultancy Services, Technicolor, ThyssenKrupp, Total, **Transdev**, Ubisoft, United Guaranty, United Technologies, ZenithOptimedia.

(In bold: corporations that were represented more than once).

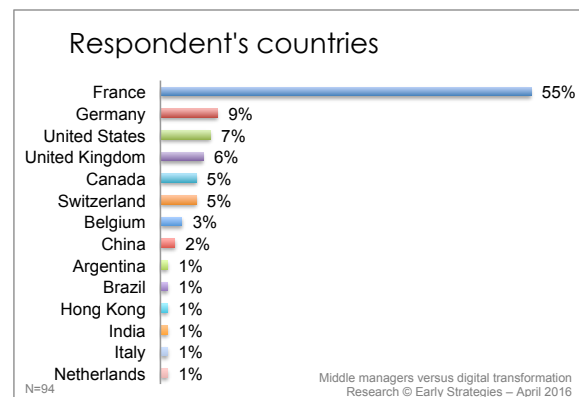
Respondents work mostly in multinational corporations of over 100.000 employees. 63% work in headquarters, 37% in subsidiaries.

The most represented sector was by far IT/Telecommunication, followed by Bank/Finance/insurance, then by Consulting/Education.



## Countries

Respondents are mainly from France (55%); other countries represented are Germany, United States, United Kingdom, Canada, Switzerland, Belgium, China, Argentina, Brazil, Hong Kong, India, Italy, Netherlands.



## The author



### **Cécile Demailly**

Is a consultant in organizational change, working on man-made complexity within large companies, to give executives & managers the time to work on 'real' problems.

She brings corporate knowledge, strategic consulting expertise (on subjects such as technology adoption, adaptation to new business models, gender diversity, sustainability) together with a regular research practice. Prior to creating her consultancy Early Strategies, she worked for 20 years in executive and management roles at IBM, AT&T and GE - in product development, marketing and program management.

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The report has been written to bring insight to:

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- CLOs and Corporate University teams to help their work of developing middle managers generally and specifically when it comes to the digital transformation
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## Executive briefings

If you would like to organize an in-person or webinar briefing, or include a dedicated session in a workshop, get in touch with Cecile Demailly to discuss how a session can be arranged focusing on your current or future issues.

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