

# DIGITAL CULTURE FIT – FEATURES OF A SUSTAINABLE DIGITAL CULTURE



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The digital future is setting into motion a transformation within companies that requires changing mindsets, newly designed work processes, and an increased capacity for innovation. In order to be prepared for these new demands, companies need a fitting culture that promotes, develops, and embeds necessary new skills and key competences. A digital culture incorporates the features that make companies successful in the digital world, and is primarily shaped by the actions of leaders.

It has long been known that a well-framed corporate culture is the basis for a company's success, however incorporating the elements necessary for the effective digitalization of business processes is quickly becoming a crucial facet. The success of digitization depends on certain features of the corporate culture and, in turn, has a decisive influence on the company's success.

## The Study

In order to identify ways for companies to master the challenges of the digital future, it

is critical to focus on the changing paradigms of work, business processes, mindsets, and behavior. Without a corporate culture that fully accommodates these new paradigms, a company's continued success is in jeopardy. But what distinguishes such a digital culture – and what connections exist between the culture and the success of a company? The LeadershipGarage investigated this in a study on companies' "Digital Culture Fit". The survey was conducted in cooperation with the personnel consulting company Odgers Berndtson in the framework of the Manager Barometer 2018/19. It included 2,460 executives from Odgers Berndtson's Executive Panel who were surveyed between August and September 2018.

## Basis: Culture Features

The aspects of a corporate culture which form the basis for a company's success were summarized by a total of 41 different cultural characteristics. The executives were asked how they currently assess the state of these features in their company (Actual-)

and what significance they will have for the company in the future (Target-). Taken together, the cultural traits include those of both the traditional and the new, agile digital workplace. The more traditional features represent, for example, performance expectancy, profit orientation, quality awareness, customer focus, and job security - all those familiar features that have been fundamental to growing companies in Germany. The new features include, for example, willingness to take risks, agility and flexibility, the rapid use of opportunities, and the free exchange of information.

The recorded 41 characteristics were condensed using a statistical procedure (factor analysis) and thus made easier to interpret. The result of this analysis showed that the characteristics can now be assigned to three different areas:

- **Innovation Mindset:** Cultural features that are important in the future innovative, fast-paced corporate world, such as agility and flexibility, cross-functional collaboration, rapid seizing of opportunities, and innovativeness.



Culture influences digitalization influences success

- **Performance Mindset:** Cultural features that emphasize performance and a result-orientation.
- **Social Mindset:** Cultural characteristics that focus on the well-being of employees, their needs, and stable structures.

The LeadershipGarage's current study highlights the fact that while the features of the new digital working world are critical for companies, they cannot replace traditional culture features entirely. In comparison between the "Actual-" and "Target-" characteristics, managers saw the features from the Innovation Mindset as requiring special development. They would like to see more agility and flexibility, cross-departmental cooperation, rapid exploitation of opportunities, innovation, learning culture, and transparency in their companies. However, the managers surveyed would also like to see a high degree of development of both the new digital features as well as of the more traditional cultural features.

From the point of view of the managers surveyed, a successful future corporate culture represents a mix of new and traditional cultural characteristics.

## Effect: The Degree of Digitalization

A central question is to what extent digitalization in companies is related to corporate culture. To this end, it was first of all important to understand how far companies have already progressed in terms of digitalization. This degree of digitalization was summarized by an overall index, which is made up of four individual questions on the state of digitalization and range between 1 (very low degree of digitalization) and 5 (very high degree of digitalization): Questions were asked about the influence of the degree of digitalization, satisfaction with the degree of digitalization, the extent of the degree of digitalization, and the corresponding investments.

Both the extent of digitalization to date (mean value 2.94) and the companies' current investments in digitalization (mean value 3.13) are estimated to be mediocre.

Almost all executives surveyed for the study rate the influence of digitalization in their companies highly. However, only 18% of the respondents were very satisfied or rather satisfied with the actual state of digitalization in their company.

There are significant correlations between the corporate culture and the degree of digitalization. The "Innovation Mindset" feature area shows the clearest correlation with the degree of digitalization: the more pronounced the cultural features of this area are, the higher the degree of digitalization is estimated. However, the two other groups of characteristics "Performance Mindset" and "Social Mindset" also have positive, albeit weaker, correlations



Three factors of digital culture

with the degree of digitalization. Performance orientation and the consideration of employee interests are also found to be compatible with advanced digitalization.

## **Effect: company success**

Ultimately, the decisive question is to what extent the success of a company depends not only on cultural characteristics but also on the degree of digitalization, and the interplay between the three. The company's success was measured using four indicators for successful corporate work: market performance, implementation of innovations, ability to disrupt, and employee satisfaction. These indicators ranged between 1 (very low success) and 5 (very high success).

The managers surveyed attested that their companies were particularly successful in the areas of "market performance" (mean value 3.90) and "employee satisfaction" (mean value 3.49).

In contrast, the assessments in the areas of "Implementation of innovations" (mean value 2.96) and "Disruptiveness" (mean value 3.00) are much more skeptical.

As expected, there were significant correlations between corporate culture and indicators of corporate success. In addition, however, it becomes clear that success is also related to the degree of digitalization: a higher degree of digitalization is accompanied by better market performance, higher employee satisfaction, greater disruptive ability, and more frequent implementation of innovations.

The study demonstrates that in order to maintain a successful corporate future, it is not

sufficient to just turn a few knobs, but that the individual characteristics form a complex network of interrelationships.

The corporate culture influences the degree of digitization – and the degree of digitalization correlates positively with the success of the company.

## **Conclusion: culture influences digitization influences success**

There are clear relationships between features of the corporate culture, the degree of digitalization, and the success of the company. In particular, those cultural features that are representative of the "Innovation Mindset" are associated with a higher level of digitalization. The level of digitalization, in turn, is clearly related to the indicators of the company's success: the stronger and more successful digitalization has been in companies, the better the company's success.

## **The Digital Culture Fit – Measure, Examine, Optimize**

The results of the study make it possible to identify cultural features in the form of a "Digital Culture Fit", which makes it easy to measure how well a company is culturally positioned to meet the challenges of the digital working world. This tool enables companies and organizations to benchmark exactly those features that significantly influence digitalization and business success.

By comparing it with the large database that has already been collected, companies can

identify the areas of culture which still need to be developed in order to advance digitalization and promote future business success.

Companies can use this benchmark to show which important cultural characteristics still need to be optimized.