

# Inertia remains the main management challenge in digital transformation



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**Locked into legacy technology and organizational hierarchies? 4 practices helped one large bank overcome inertia and embrace**

## **digital change.**

Half-hearted digital transformation won't cut it in the fast-paced world of today. Automating processes and optimizing IT systems are a great start, but to stay competitive and seize new market opportunities, companies need to embrace more profound change.

This means rethinking everything from organizational structures to customer experiences. But resistance to change can halt progress, trapping companies in *organizational inertia* — the single biggest danger to digital transformation, according to IESE Prof. [Evgeny Kaganer](#), whose new [study](#) with Robert Wayne Gregory and Suprateek Sarker in the *Journal of the Association for Information Systems* examines best practices to promote digital transformation.

With the right tactics, companies can overcome resistance to change. Through a multiyear case study on a major bank's successful switch to digital, the authors uncover four strategies that managers can use to tackle organizational inertia and guide their own companies toward effective digital transformation.

## **Learning from success**

The authors studied one of the largest banks in Asia — known in the study as AsiaBank — across a seven-year period as it embarked on a journey of digital transformation, which helped the bank both meet existing customer demands and open new markets.

Large, traditional companies often struggle most with making big changes due to rigid company structures and entrenched ways of doing things. But AsiaBank minimized resistance to change and rolled out new digital business practices, technologies and value propositions — from launching a digital “bank of the future” to creating cross-team, multistakeholder innovation communities.

AsiaBank's experience offers valuable insights for business leaders eager to take their own companies digital.

## **Four key strategies for overcoming inertia in digital transformation**

The authors identify four processes that helped AsiaBank overcome challenges and enact successful organizational change:

# 1. Making digital seem familiar

**Challenge:** One major obstacle to digital transformation is the general human tendency to avoid learning new things, as this requires both personal effort and a strong stomach for uncertainty. Change is an opportunity, but being presented with it at work often feels like a threat.

**Solution:** To create a culture of confidence, AsiaBank reminded employees of their familiarity with other digital transformations in their everyday lives.

The authors note that AsiaBank helped staff adjust to the transformation by inviting them “to draw on their experiences with digital technologies at home to identify opportunities for their application for work” and by encouraging them to use the bank’s new digital payment product. The aim was to show employees they were already doing many of these things, and that the technology was not as untried as it might seem.

The bank also promoted a learning mindset: it encouraged experimentation by waiving most outcome-based KPIs when it came to incorporating digital tech into products and services. Instead, it measured engagement: how much employees experimented with new digital technologies.

# 2. Bringing the outside in

**Challenge:** Companies with market-leading products and competencies can become trapped in their past accomplishments.

**Solution:** AsiaBank’s managers and employees adopted an approach where the discussion of any business problem would always start by exploring the customer view. No solution could be proposed before the problem was described in the words of a customer, external or internal, and any proposed solution had to be tested through experimentation. These targeted techniques served to break down the inertia that creeps into shared mental models reinforced through prior successes. They helped employees to decouple “what worked in the past” from finding the best ways to solve customer needs based on data rather than prior experience.

# 3. Empowering cross-silo collaboration

**Challenge:** Departmental and organizational politics can detract from the shared

transformation ambition.

**Solution:** AsiaBank created a wide range of formats that enabled managers and employees to interact across the usual departmental and organizational boundaries. These included temporary work groups, bringing members of different units together to solve a specific (usually small-scale) customer problem; it also involved more permanent programs, such as the Digital Bank, pulling together people from across the bank and beyond the industry to create a new unit and launch a major digital initiative in a new market.

In both scenarios, employees were given increased autonomy to experiment and depart from established norms and procedures. Greater autonomy, and the ability to venture outside of organizational silos, diminished the influence of local vested interests, thus reducing political inertia.

## 4. Platformizing corporate IT

**Challenge:** Once companies have invested in technology — and such investments can be significant, both in terms of money and symbolic commitment — they can get locked into using legacy IT that hinders change and innovation.

**Solution:** AsiaBank created flexibility in its technology platforms by moving toward a modular architecture, where the core systems were standardized while peripheral components could be easily plugged in and out, using a set of common interfaces (APIs). Such architecture reduced inertia rooted in prior investments by making it easier to introduce incremental, small-budget changes, without undermining the reliability of the overall platform.

Next, the company's leaders promoted a data-driven culture, where data from operations and customer interactions was systematically captured, analyzed and presented on dashboards to decision makers. This reduced organizational inertia by making the limitations and advantages of both established and new practices more visible.

All these measures — making digital feel familiar, bringing the outside in, empowering cross-silo collaboration and platformizing corporate IT — were deployed by AsiaBank's senior management in concert, to amplify the cumulative effect and reduce the organizational inertia hindering the transformation.

The key lesson for established firms is to follow a holistic three-pronged approach, says Kaganer: "Digital transformation journeys should include actions aimed at making the firm's

technological platform flexible and modular, and also organizational design interventions to enable employee autonomy and horizontal collaboration. In addition, there needs to be a push to make organizational culture and work practices more aligned with the beliefs and behaviors of today's digital consumer.”

In short, digital transformation is never just about digital. Shifts in organizational structure, culture as well as technology all need to take place.

## About the research

The authors conducted an analysis of a large bank in Asia, drawing on interviews, onsite observation data and corporate documents to track its digital transformation efforts over seven years. They extrapolate their findings into a theory of processes that promote successful organizational transitions to digital.

<https://www.iese.edu/insight/wp-content/uploads/sites/3/2023/10/Four-strategies-to-overcome-organizational-inertia-for-digital-transformation.mp4>



### Evgeny Kaganer

Professor in the Operations, Information & Technology Department at IESE. He is an expert in digital business, organizational transformation and learning innovation.

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