

EDITED BY  
ROLAND  
ESER

# SHAPING THE FUTURE OF TRANSFORMATIONAL LEARNING



ECLF CONVERSATIONS AND CASES  
FROM THE LAST FIVE YEARS

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# 14TH GLOBAL ECLF SUMMIT

SEPTEMBER 12–14, 2018

## Organizing for Transformation

THE QUEST FOR AGILE STRATEGIES,  
STRUCTURES, AND MINDSETS

HOSTED BY **DAIMLER**

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# Setting the Scene

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## THE MERCEDES BENZ MUSEUM

In an era when all businesses are being challenged by the speed of change and the variety of transformational imperatives being wrought on them, there can be few better places to explore these issues than the top floor of the remarkable Mercedes Benz Museum. The automotive sector is perhaps being uniquely tested by the breadth of challenges facing it.

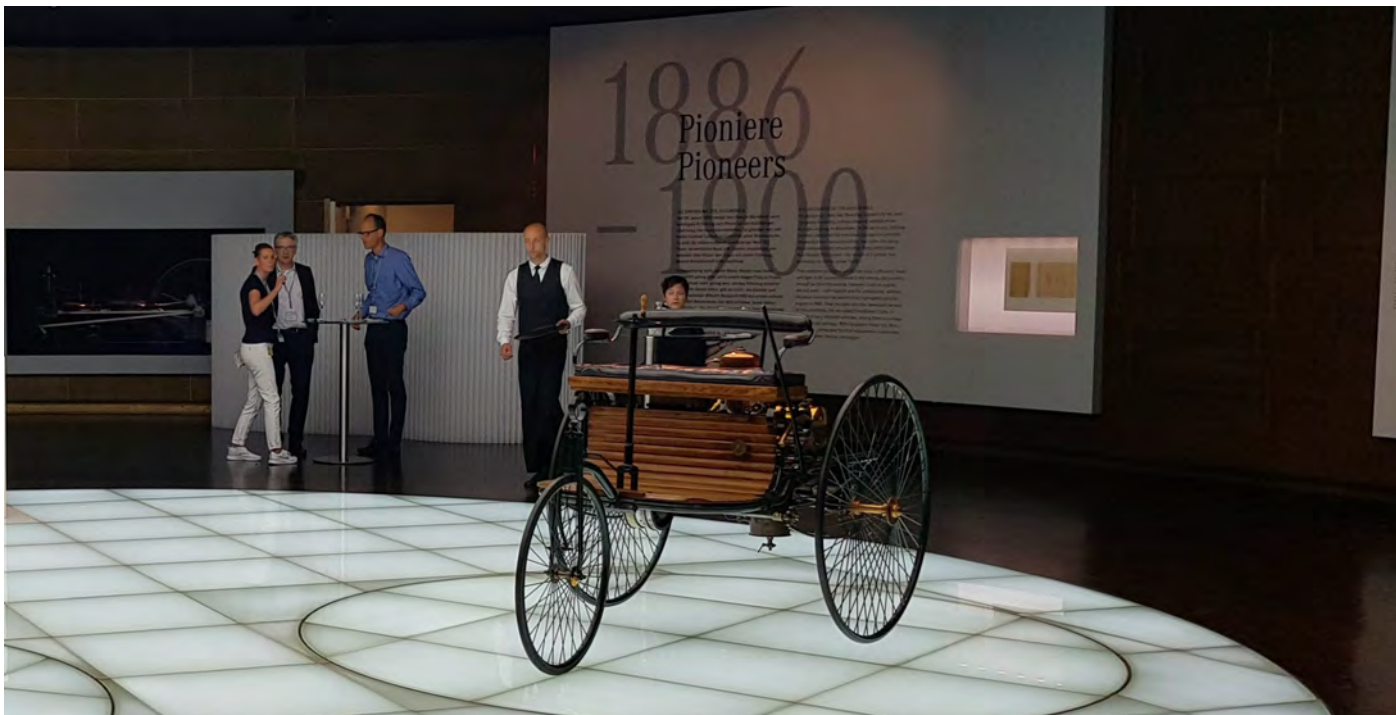
Where once the business was about size and incremental technological improvement – areas Daimler possesses enduring strength in – today, the competition is not so much from BMW, Audi, or other stalwarts of the sector, but from the likes of Google, Uber and even the vacuum-cleaner manufacturer Dyson. The rules of the game are changing fast; the car may soon be no longer the status symbol it was; private ownership may soon give way to shared models, and combustion engines are counting their days to extinction.

With Karl Benz's 1885 three-wheeled motorized carriage - considered the first car ever built, heralding the end of the horse-drawn era - sitting in the room next door, the symbolism of transformative technology and organizations that leverage it successfully to reshape our world was very present.

Equally impressive was to see first-hand the potency of Daimler as an organization - its ability to build such an iconic building as the Museum – surrounded as it is by other monumental structures like the Mercedes-Benz Arena, home to the local soccer club Stuttgart FC, and the factories and offices that characterize the area - all carrying the three-pointed star motif. This is an organization with both history and stature, and these are traditional organizational assets that may now become potential millstones as 'the quest for agile strategies, structures and mindsets' - topic of this ECLF meeting - becomes ever more important.

Roland Deiser, the Chairman of ECLF and MC for the Summit, welcomed the fifty+ senior participants from 40 different corporations and ten countries that cumulatively employ almost 3 million people to the meeting before handing over to Oliver Fischer, Daimler's CLO and Head of the Daimler Corporate Academy. Oliver acknowledged that the conference theme was a complex one and that Organizing for Transformation was an issue that would be facing everyone in the room. His humble aspiration was to share Daimler's perspective by "*telling their story*" and allow this to act as a catalyst for discussion and learning across the group.

As we were to discover, the Daimler story is a bold and ambitious one; the company is dealing with challenges that many organizations also face, but few on the scale that our host has..



THE BENZ PATENT-MOTORWAGEN - THE WORLD'S FIRST AUTOMOBILE

# Opening Peer Group Exchange

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The opening small-group exchange among the participants revealed how much the topic of digital transformation, agility, and cultural change is on the mind of virtually every organization:

## THEMES CURRENTLY ON THE MINDS OF SUMMIT PARTICIPANTS

- how to implement change following a high-level leadership programs?
- how to foster more informal culture
- managing the pace of change
- cultural integration and alignment
- managing different country cultures
- digital transformation
- managing M&A, with the constant 'in and out' of businesses to organization
- fostering resilience and coping with ambiguity in an environment with no stability
- changing mindsets, enhancing people skills, increasing customer focus
- how to enable agility – how to organize for agility
- different speeds and degrees of digital transformation across the organisation
- democratisation of learning
- handling change and works councils
- enabling digital skills amongst blue-collar workforce... especially those without devices
- best practice with internal transfer costs ... especially for virtual content
- customer-centricity
- how to measure success with agility culture change initiatives
- future of work



# 14<sup>th</sup> Annual ECLF Survey

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## ORGANIZING FOR TRANSFORMATION

### ROLAND DEISER | Chairman, ECLF

Roland presented the results of this year's ECLF survey, which focused on how companies organize for (digital) transformation. 75 of the 210 contacted global companies responded – an impressive response rate of 36%.

CEO (74%), Strategy (68%), and IT (54%), rank on the top when it comes to high involvement in the overall transformation process. Remarkably the customer-facing functions ranked low (sales 18%, Marketing 16%), which may be due to sample bias, as most respondents are from the HR world.

In 39% of the companies, transformational activities are centrally defined and orchestrated; in an almost equal percentage (35%) the transformational projects happen "*in many areas, without much central coordination and control.*" **ZERO (!) organizations reported no transformational activities.**

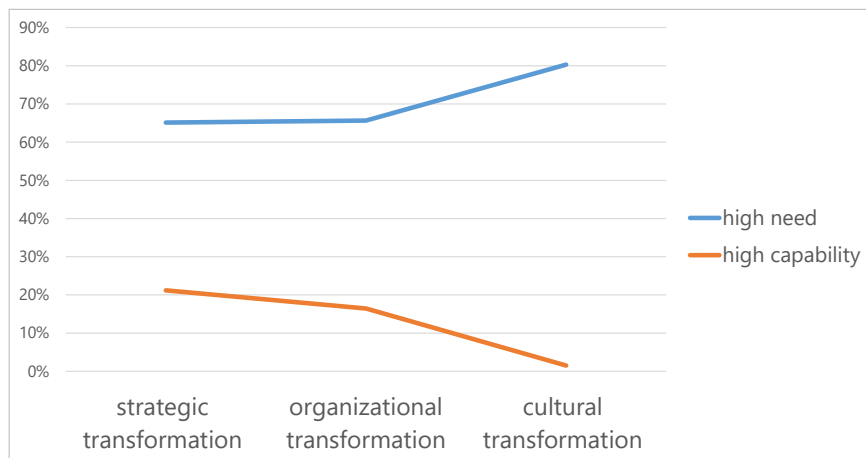
The need for transformation is ubiquitous: 80% of the responding companies see a high need for *cultural* transformation; a slightly lower percentage sees a significant need for *strategic* (65%) and *organizational* (66%) change. However, the current ability to deal with this change is surprisingly low: only 1.5% (this is one single company from our sample of 75!) report high capabilities in cultural transformation. The numbers for strategic (21%) and organizational (16%) change capabilities are slightly higher but also not impressive. **This results in a yawning gap between what organizations need and their ability to respond to the challenge** (see chart, next page).

When asked which process is best suited to drive successful transformation, respondents are divided: 48% of the companies favor top-down approaches, 39% prefer bottom-up. Only 12% believe lateral processes are the best fit for the challenge. Not surprisingly, organizations are best when it comes to managing top-down (30% are very effective here); only 2 of 75 companies (3%) excel in shaping bottom-up and horizontal dynamics

In this context, it is important to understand the necessary interplay of the three processes:

- Cross-boundary collaboration needs horizontal processes
- Leveraging Market insights requires bottom-up (outside-in) processes
- Shaping the ecosystem requires top-down (inside-out) processes.

## There is a Yawning Gap Between what Organizations Need and Their Ability to Respond to the Challenge



**Cultural Change: 2% can do it well; 80% need it**

More and more companies realize the need for a role that coordinates and leads the overall transformation process, 57% have created a dedicated function. However, we see a high degree of diversity when it comes to its internal functional home and its reporting lines (refer to the slide deck to see all the names given to this function).

The role of L&D in this context is primarily a supportive one, providing training programs as well as input for the process when needed. Only 7% of the companies reported that L&D takes the lead in designing and driving the process.



# Strategic Imperatives for Daimler in Times of Radical Industry Transformation

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**HARALD RUDOLPH | Director of Strategy, Daimler**

"The best way to shape the future is to build it," is Daimler's motto when it comes to embracing the challenges that the automotive sector is currently facing, said Harald Rudolph, Daimler's Global Head of Strategy. "2017 was a very successful year for Daimler, but there are plenty of challenges ahead, not least the current uncertainty around the stability of international trade agreements," he continued. Rudolph exuded a robust confidence in the future, despite the many uncertainties today's environment brings. Today the world market for cars is around 100 million units, and despite the looming threats from new business models, Daimler expects it to grow to 110-115 million units by 2025.

The future, however, is digital, Rudolph stated, with the five largest global companies all being purveyors of data. For Daimler, the capacity to obtain and manage data was also going to be central to their future.

The Daimler future is based upon their 5C Strategy<sup>1</sup> : centered on the Customer, focusing on their Core business, built around CASE, Culture, and Company. It is CASE where the obvious transformations will occur, though culture will surely be a significant part of the process. CASE describes the new fields that Daimler is betting on to build their future business: it is shorthand for *Connected, Autonomous, Shared & Services, and Electric*. All of these elements leverage digital technology. *Connected* applies to what the car users can expect within the car, while *Shared & Services* are new business models that will reshape the way cars are used and owned in the coming years, utterly transforming the model car manufacturers have relied on since 1886.

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<sup>1</sup> <https://www.daimler.com/company/strategy/>

Interestingly, Rudolph was less bothered about the high-profile technologies the media is currently abuzz with: autonomous and electric. *"Electrification is not a disrupting factor – it will happen but not overnight, and its appearance will ease many current customer pain points. Autonomous driving is disruptive, but again will not happen overnight,"* he said. Daimler is not leading the way in autonomous vehicles, that is probably Waymo (Alphabet's subsidiary), but the company is in a good position.

Back to the 5C's, Rudolph was clear that no strategy was binary or black and white; there is an infinite array of options across different businesses and geographies. The objective is to *"meet complexity with simple, consistent solutions"* across the Group.

This is done through projects such MBUX – the *Mercedes-Benz User Experience* - and allied projects such as the *MercedesMe* app<sup>2</sup> for the *Connected* element. *Electrification* is equally about the infrastructure as the vehicle, and Daimler is working with its competitors to grow charging stations across Europe. At the same time, they are building six different plants to build electric vehicles across the globe, so they have the flexibility to meet demand where it arises.

As the future is unpredictable and new technologies could appear to reshape it quickly, agility needs to be built into Daimler's strategy. *"Strategy needs to constantly adjust as things evolve and new technologies appear."* This has led to alliances with old foes like BMW, and small-scale investments in niche projects such as Volocopter (autonomous, electric, VTOL taxis)<sup>3</sup> for airborne urban mobility.

The key, says Rudolph, is to be on top of the myriad of developments occurring, select the ones you believe to be most critical to your business (the Core) and be ready to go with new technologies as they emerge. The precursor for this ability is having a curious and agile mindset.

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<sup>2</sup> <https://www.daimler.com/company/strategy/>

<sup>3</sup> <https://www.volocopter.com/en/>

This mindset is certainly not the traditional strength of large, structured organizations such as Daimler, so the 4th C – Culture is the lever that will enable this to happen. The *Digital Life* unit, is the corporate unit aimed at fostering this mindset throughout the group, in parallel with the *Leadership 2020* project and the use of swarms.

Oliver Fischer noted that a powerful example of the shift in mindsets is the fact that the first MBUX interfaces have been installed in the A-Class vehicles and vans, unlike all previous new technologies which would always start at the top of the range S-Class.



HARALD RUDOLPH



# Leadership 2020

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**OLIVER FISCHER | CLO and Head, Daimler Corporate Academy**

Oliver Fischer noted that large organizations struggle in turning their identified 'talent' into the potential success they expect them to be – especially at the more senior levels. Part of this challenge is ensuring that senior leaders are sufficiently 'tech-savvy' to be relevant as the business evolves.

The eight Leadership 2020 Principles have replaced the previous 'competencies' that Daimler looks for in their leaders:

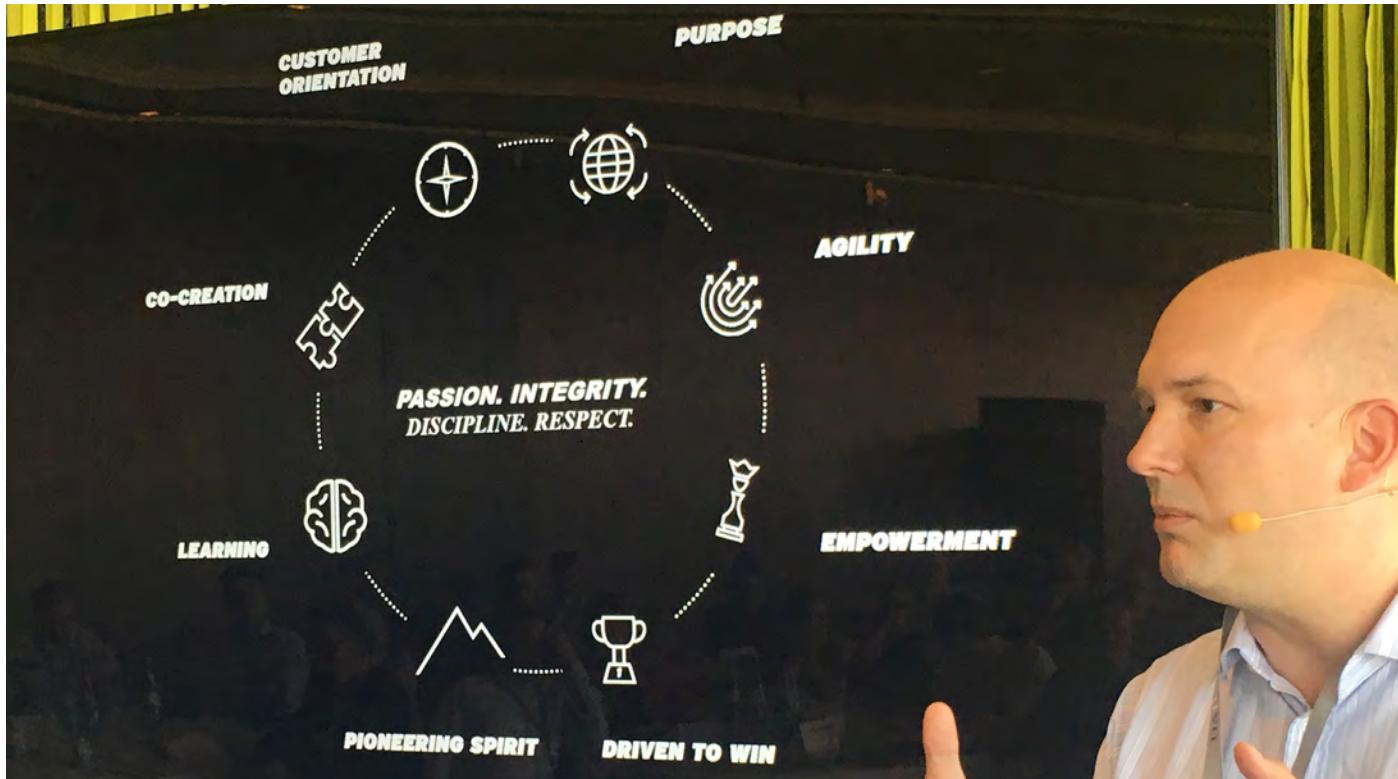
- Agility
- Empowerment
- Purpose
- Customer Orientation
- Co-creation
- Learning
- Pioneering Spirit
- Driven to Win

All built around the values of **passion, integrity, discipline, and respect.**

It was interesting to see the old-universe criterion of driven-to-win sitting among the more 21st-century ones of agility and purpose. Fischer explained that this is part of Daimler DNA, and it was important to keep its place on the list. Discipline also retains its place in the roster of required abilities – without which nothing can be reliably achieved.



Oliver explained that the company could only be built in the current environment if these leaders were able to spread their vision and energy virally, and the importance of their place and influence in the networks of relationships and connections was becoming ever more critical.



## OLIVER FISCHER

Daimler's Leadership 2020 project<sup>4</sup> is an essentially bottom-up one, where cultural change develops through a web of activities over a prolonged period. It started with the 2016 Basecamp event that defined the new thinking the organization needed and has progressed through viral networking roadshows to create broad awareness of the project.

<sup>4</sup> A video about the Leadership 2020 project is available at <https://youtu.be/L9lczlrk6o>

Now the project has taken more active shape with concrete elements such as the 2017 MOOC (on with 20,500 signed up and 14,000 engaged) and the Leadership Summit. Fischer described the Leadership Culture Nights where senior leaders, including Board members, would speak to lower-level employees for 15 minutes about things that almost went 'spectacularly wrong.' The purpose of these events is not to terrify the employees, but allow them to participate in a non-hierarchical discussion and show how together they can solve problems collaboratively.



THE 8 'GAME CHANGERS' OF DAIMLER'S LEADERSHIP 2020 INITIATIVE

# The Swarm Organization

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**VALERIA GARGULIO | Director of Corporate Organization & HR Planning**

Valeria Gargulio then focused in on one of the eight 'game-changers' that activate the eight principles that Oliver had introduced – the Swarm Organization. Customers face constant change in their wants and needs as their worlds evolve quickly, too – so it is essential that suppliers can change fast as well. While Daimler has been enormously successful in coping with new technologies and products over the century and a quarter it has existed, the company accepts that it needs to do so more swiftly today than ever before.

This challenge has led Daimler to develop its 'Swarm' approach, which draws from IT and design team architectures of agile sprints, scrums, and squads. The three core dimensions of a Daimler swarm are:

- Way of working
- Structure
- Mindset

A Swarm is an agile framework to create a transformative culture by creating cross-functional teams, pulling in expertise from different departments to work together to develop new products and processes.

Previously the process would have been linear with each function delivering their input and then passing it to the next team to work their design, marketing, or sales elements into.



VALERIA GARGULIO

In a Swarm, all these are discussed and managed simultaneously, which allows for far greater team buy-in and swifter turnaround times.

Valeria acknowledged that Swarms are a very different approach to the one Daimler has used until now. It requires professional support to facilitate the team, particularly in the early stages, to allow the flat hierarchy and the lack of a traditional team leader driving it to take effect. She was also clear that 'swarms work less well in known contexts; they are best for complex, unpredictable environments that require lots of innovation. " *The greater the uncertainty, the more Swarm-suitable.* "



An online platform was established to help provide guidance and FAQs for those establishing Swarms. Agile coaches, peer consultants, and five SwarmHubs support the various Swarms. The geographic location of the hubs - 2 in the US and one each in LatAm, China, and India - dilutes the Stuttgart centrality that has often occurred in the past.

Every Swarm is different in its final approach to how it self-organizes, although initially strict rules were imposed on duration and swarm size. As of today, there are over 180 Swarms in Daimler with the intent to have 20% of the workforce to be active in Swarms eventually.

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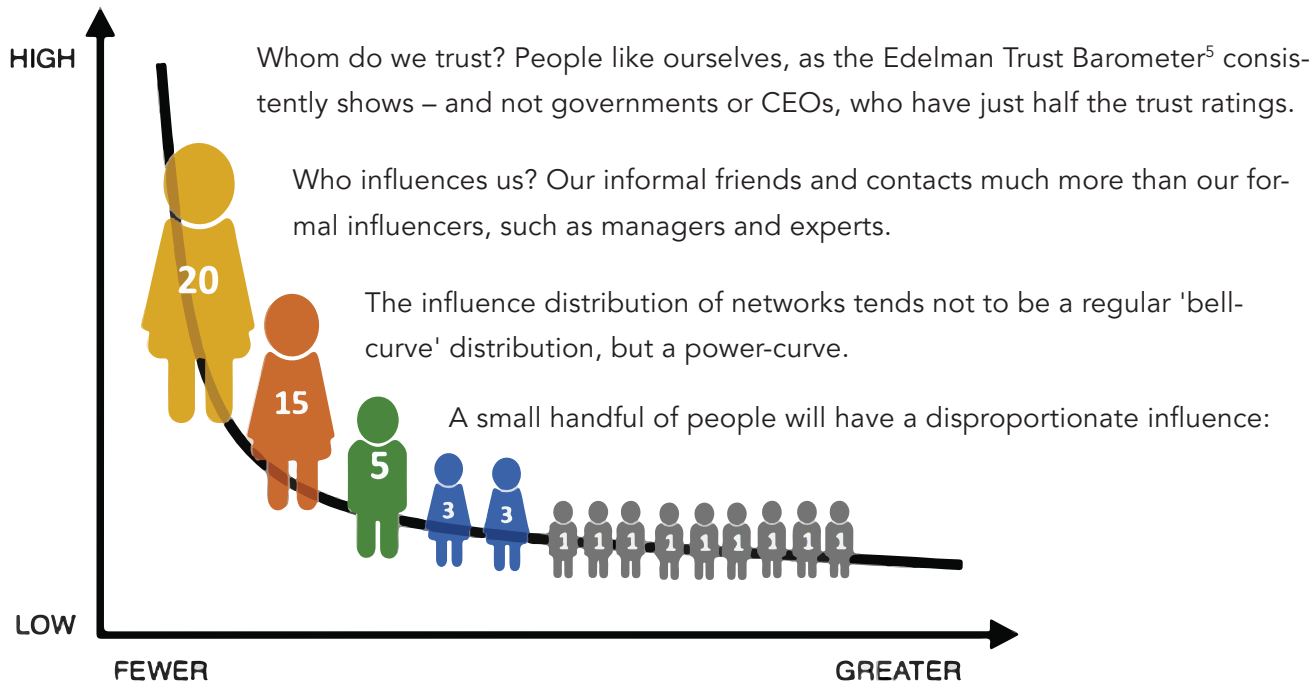
## **MERCEDES-BENZ MUSEUM AND ROOF TERRACE BUFFET**

The first day of the summit closed with a breakneck tour of the Mercedes-Benz museum. Champagne and canapes beside Karl Benz's three-wheeler were followed by a 30-minute journey through 125 years of automotive history before an informal dinner on the museum roof terrace.



# Organizing for Transformation via Viral Change

LEANDRO HERRERO | CEO and Founder, The Chalfont Project



And as Herrero points out, influence does not correlate with hierarchy. Therefore the key is to identify who the influencers are in the organization. A large percentage of any group of people are likely to follow the crowd – *homo imitans*, Leandro's phrase. We see this behavior in all sorts of settings - whether it be altruistic (local groups cleaning up parks), aggressive (street fighting), or beneficial (giving-up smoking or dieting). The fact that some people are already doing it leads others to copy them. In essence, they are given permission to imitate the behaviors.

<sup>5</sup> <https://www.edelman.com/trust2017>

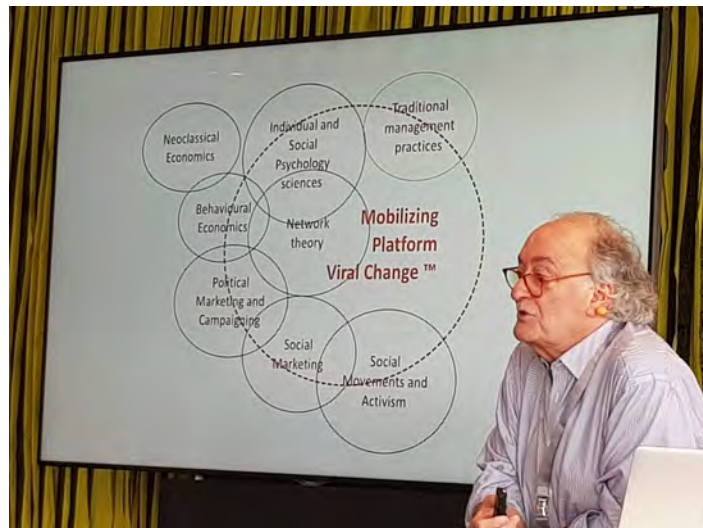
Leandro believes that only by leveraging this imitation urge can organizational behaviors be significantly and swiftly changed. Managed in a controlled fashion, the viral effect is a very powerful driver of organizational change – but L&D and OD functions are not very good at leveraging it.

Traditionally, corporate functions 'push' initiatives top-down, which people then often shun and ignore. 'Smoking Kills' campaigns tend not to change behaviors. What does work is bottom-up social movements, and this requires behaviors to be already existent before they can be grown. Introducing 'toolkits' is a linear process, not an exponential one. Herrero is also skeptical about the over-focus on mindsets: *"I have been a psychologist for almost 50 years, and I have never seen a mindset – so how can you change it? It is behaviors that you have to change."*

The key to doing this lies in identifying influencers through social network analysis (SNA) and, via *'designed informality,'* seed these influencers to promote and practice new behaviors and processes.

We resist being forced to change, but we don't resist to change itself – we change all the time. The trick is to create an environment where people imitate the change without realizing it, by following the lead of the influencers, whoever they may be. And challenging those that have 'toxic attitudes' by confronting negativity.

Leandro elaborates on his thinking on more detail in his books *Viral Change* and *Homo Imitans*.



LEANDRO HERRERO

# The Swarm Organization at Daimler

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## A PANEL SESSION

**AXEL STEINER** | Manager R&D, MercedesBenz Vans

**DANIEL DEPARIS** | Head of smart Lab and Business Strategy for smart

**MARKUS RETTICH** | Head Leadership Development VPs and Leadership Projects

**Panel Chair: ROLAND DEISER** | ECLF

The panel session was a hands-on discussion, with challenging ideas and practical experiences being shared on the reality of putting Swarms into action and getting the best from them.

**Markus Rettich** kicked-off the conversation by noting that Swarms were a very effective way to foster the processes Leandro Herrero talked about the day before. They break down silos into cross-silo groups, where informal, adaptive work practice replaces formal structures – allowing influencers to emerge and energy to flow.



AXEL STEINER, DANIEL DEPARIS, MARKUS RETTICH, ROLAND DEISER (FROM LEFT TO RIGHT)



**Daniel Deparis** noted that he had been a 'typical sales manager' pushing all decisions upwards. When he was tasked with building a Swarm – a team built on leadership and function, not management and rank – it was initially daunting but fun. The focus had to be on governance, not decisions – creating the environment to allow the informality and energy to flourish.

**Axel Steiner** highlighted that the danger with setting up Swarms is that centripetal forces tend to appear, pulling everything back to the center and the 'old ways.' Managers will use traditional – but no longer appropriate – language to try and get things done, looking for leaders and interpreting 'backlogs' as 'to do' lists.

**Daniel Deparis:** The power of Swarms is that they find ways of operating that work for them, and they are not restricted by arbitrary and imposed external rules – but they must agree on internal rules to run themselves by, or chaos ensues. This generally happens effectively, so the biggest challenge is at the interface between the Swarm and the rest of the organization; this is where the friction occurs.

**Axel Steiner:** all Swarms are different, and each is defined by its people and the particular mindset they adopt to self-empower the project. That said, they do need traditional resources like space, budget, etc. You cannot make people work in a Swarm; they have to volunteer and so bring the open attitude that is needed to adapt to it. But you do have to ask people if they would like to volunteer –the act of asking is important to encourage them.

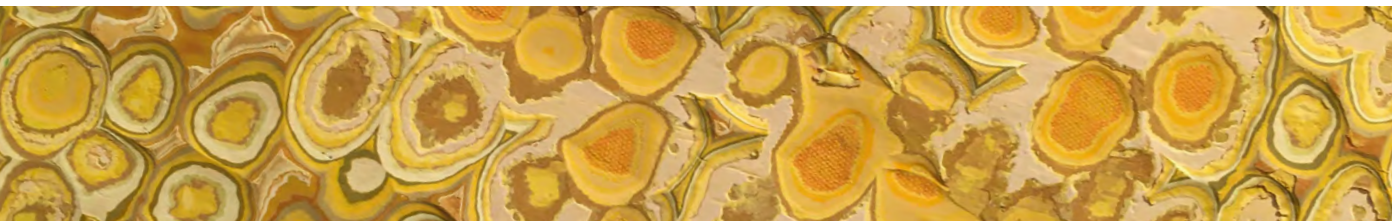
**Daniel Deparis:** Swarms work well with complex, uncertain projects – and they work well as projects mature to the next stage, with people moving in and out of them.

**Markus Rettich:** there are several key roles that Swarms need to have. The Product Owner – is someone outside the Swarm but closely connected to its activity and progress, who sponsors the initiative. If Product Owners are too senior, however, they can be too remote to what is actually happening, and they become less useful. The Pace-maker, while categorically not the leader, is the primary contact person between the Swarm and the line management, who can give feedback – in both directions. It is a strange role, and group feedback is now becoming more common.

**Axel Steiner:** It is essential for a Swarm to remain focused on the customer and not just do things 'because they can' – Swarms need to stay connected to the broader objectives of the business.

**Daniel Deparis:** customers can be internal as well as external – and it builds confidence with senior management if they get to be involved with the work, giving feedback and shaping activity. Also, Swarms tend to be more honest than usual organizational teams, avoiding political positioning: under-promising so they can over-deliver.... And they seem happier to learn from failure.

**Markus Rettich:** as the Swarm method matures, some negative issues are emerging. The lack of hierarchy does appear to encourage power struggles as people need to be the influencers.



# The Case of Daimler Corporate Academy

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**OLIVER FISCHER | Chief Learning Officer and Head, Daimler Corporate Academy**

Oliver reveals he was drawn to Daimler by the 'renaissance' that was emerging there:

- Digital transformation
- New Ways of Working
  - The fast evolution of roles
  - Principles
  - Methods
  - Mindsets/skills/competencies
- New Ways of Learning
  - Access to knowledge
  - Content
  - Multiplicity of channels
  - Variety of formats

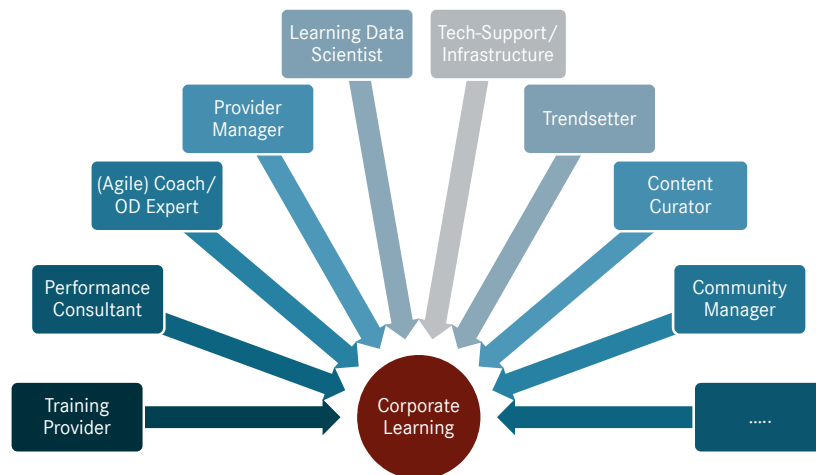
Recognizing its crucial role in the context of developing capabilities for the digital age, the C-Suite is explicitly putting learning high up on the agenda. At the same time, supported through digital technology, learning becomes more self-organized, self-directed, and disaggregated. The challenge that comes with the pervasiveness of (informal) learning is that it is very difficult to measure how much is going on. *"The risk of disintermediation is that L&D cannot influence what is being learned."*

The Daimler Corporate Academy is still heavily vested in the manager as a trainer model. Oliver's experience is that many of their training activities did not work well when outsourced – the immediacy of managers to the issues and culture are powerful elements to the learning process.

The Academy acts as a trendsetter – with study tours to identify what others are doing, especially in tangential industries. It is also a content curator and community manager, and its proximity to the business and conversations in the company is critical to ensure it is providing relevant content.

## Corporate Learning Organizations...

... supporting transformation in many roles, most of which did not exist 5 years ago



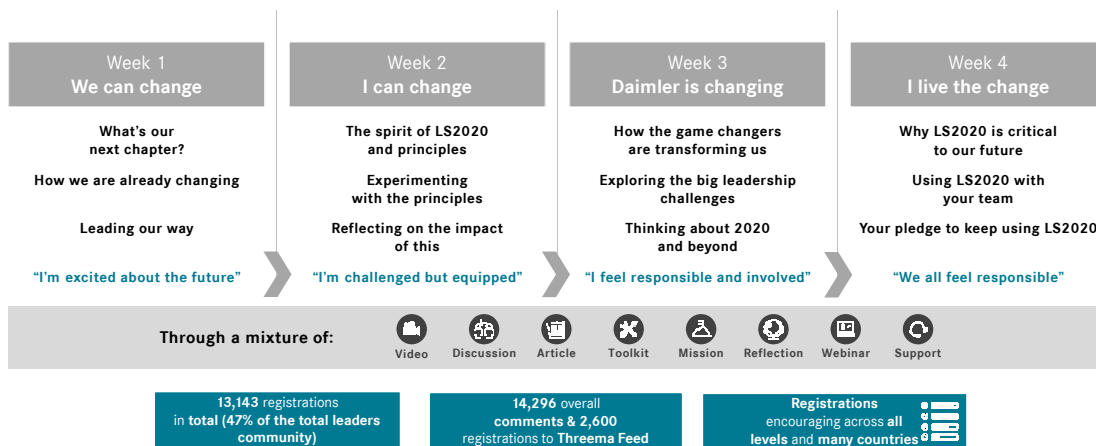
## THE MOOC PROJECT

In 2017 the Leadership 2020 MOOC started as an experiment into the unknown – the executive Board did not know what a MOOC was at the time it was introduced. Again the option of using an external provider to run it was considered and dismissed.

The MOOC (Mass Online Open Course – although Daimler's version was more a conversation than a course) – brought many immediate challenges: what was its purpose; what platform to run it on; dealing with privacy/data protection issues – and the fear of the potential 'shit-storm' that could break if inappropriate online content emerged on it.

### Daimler MOOCs...

... successful role-out of a new learning format across all leaders in 2017



The Academy identified 25,000 people who should have access to the MOOC within Daimler – hoping that at least 5% of them would engage with it. In the end, 50% did!

The MOOC was optimized for mobile/tablet usage, and it was built on a spin-off platform from UK's Open University, called FutureLearn. The content was offered in both German and English, to attract shop-floor level users. Most participants spent 2 hours a week on it, some up to 6 hours. The launch occurred only seven months after the Board approved – which, in hindsight, was too fast.

The high participation level meant that running it a second time was not an option – the population was hungry for something new. So a second iteration, *Leading Digital*, is now in production. It will be shorter at three weeks rather than six, with a tighter content focus. It will continue to use internal resources, like video shorts with the Head of Daimler R&D, to offer relevant, impactful content.



# The Leadership Edge: Leadership Development at JP Morgan Chase & Co

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**INGER BUUS | Head of Leadership Development, JP Morgan Chase & Co**

Inger moved to her current role at JP MorganChase in New York from Shell in London and realized she had done what you are never supposed to do: a new company, a new country, and a new culture on a single step. She described JP Morgan – the largest bank in the US by assets - as being essentially a technology company these days, with about 20% of its employees being 'technologists.'

Her presentation focused on how the company deals with change – the structures it puts in place and the culture it evolves to manage transformation.

The culture is very much set by the inquisitive and honest (mistake-admitting) approach of Jamie Dimon, its long-time Chairman and CEO – and this is mirrored in the attitude of the millennials employed.

An annual 4-day retreat of the Board sets the cornerstones of the bank's strategy. Last year, this retreat spawned the creation of 'war rooms' – dedicated spaces just one floor below the Operating Committee, where cross-functional project teams were co-located for 6-8 weeks to tackle the company's strategic problems through innovative solutions.

The retail bank features similar agile teams that call themselves 'garages' – using this term to highlight that the methods and culture of working in these groups are different from the traditional organization.

JPMorgan Chase has also established 'disruptive teams' that are specifically tasked with challenging the status quo, to see how the bank can cope with the unexpected. In addition, the

bank engages with fintech and other emerging tech companies – sometimes partnering with them and other times buying them outright.

*Leadership Edge* is the company's management and leadership development initiative. It offers nine core programs for managers and leaders at several key transition points — from joining the firm as a recruit to becoming a first-time manager of others to managing large global teams through layers of management.

*Lead24* is a company MOOC run as part of the Leadership Edge initiative – which live-streams in four global regions and runs consecutively through 24 hours. Ten thousand managers attended the most recent program at some point throughout the day.



INGER BUUS





# The Role of HR in Organizing for Transformation

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## A CONVERSATION

**WILFRIED PORTH** | CHRO and Member of Daimler Executive Board and  
**ROLAND DEISER** | Chairman, ECLF

Porth observed it was good to be in the room where the Daimler Supervisory Board usually meets – and to have all eyes on him for once!



ROLAND DEISER & WILFRIED PORTH

He owned up to being a Daimler man 'inside and out'; indeed, his father was a Daimler engineer, too. This perspective allows him to see the continuous transformation the company has gone through – and he notes that some major challenges of the past eventually faded – but plenty of challenges remain. Leadership 2020 is a critical part of this process, with the purpose of bringing new value sets and expectations into the business.

Reflecting on the variety of roles he played across Daimler in the course of his career, Porth believes that 'an intensive interaction between different functions' is vital – and this includes getting more people with business experience into HR roles. It improves the acceptance of HR by others, and it brings customer-facing experience to the HR role too.

Porth is aware that if you were to ask what Daimler's core functions are, you would hear engineering, sales, and logistics, but not HR – and yet HR is a core function of Daimler and all organizations. HR is present in every element of the organization. Greater involvement with HR for new projects yields immediate benefits – plenty of projects have been designed without any consideration to people, focusing only on the technical and financial aspects, and then failed at implementation as a result. HR needs to be involved from the outset – and the use of Swarms is a positive step towards that.

Digitalization is increasingly automating decisions – so the personal approach becomes simultaneously scarcer and more important. *"Busy-ness prevents people from caring about others, but I want to redirect resources to solve that."*

Trying to engender change is always a challenge. All systems, particularly HR ones, need to have the support of those they are designed for. If people fight against it, it will fail – so it is vital that the system has approval from those who use it, or it will be blamed for all kinds of unrelated issues.

The Daimler *INspire* program, for future leaders, calls for the participation of the top four levels of leaders in the company. It is increasingly important to have diverse representation from different levels of the organization as well as functions, geographies, and cultures.

The power of large organizations like Daimler lies in their ability to spread resources, so central functions remain fundamental to allocate and direct resources. Trucks will be autonomous first, but they could not create them without the participation and strength of the car division, for instance.

The organization is evolving all the time. It has, de facto, already changed in the way it is structured, and in the way people communicate and work. The forth-coming legal restructuring will recognize this also formally, de jure.



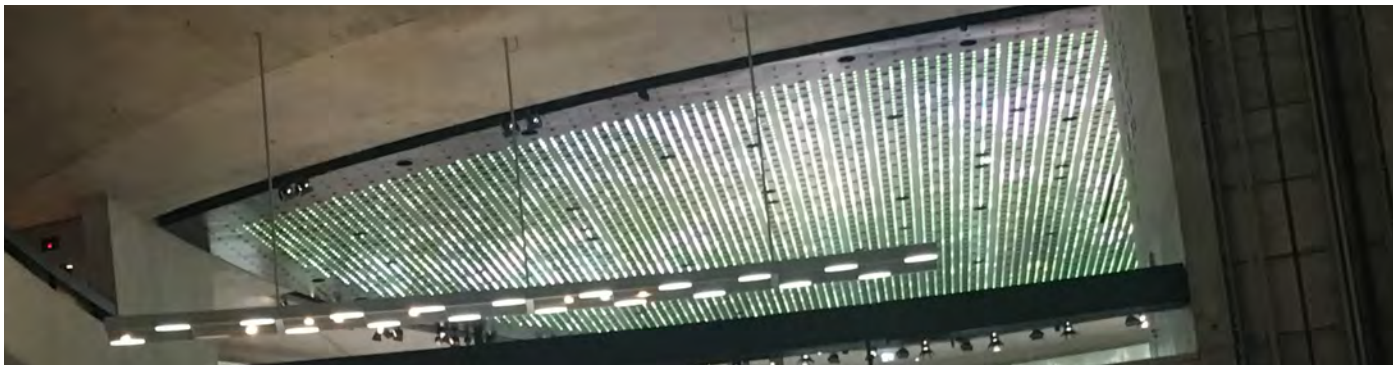
# Digital Transformation Challenges in Large and Complex Organizations

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**ROLAND DEISER | Head, Center for the Future of Organization, Chairman, ECLF**

Roland presented key findings from the research project, which was conducted in Winter 2017/18 under the auspices of the Center for Future Organization at the Drucker School of Management . Over the last few years, Digital Transformation has moved to the top of the agenda of virtually every large corporation. While we usually see a strong consensus about the strategic importance of the topic, evidence shows that the various internal stakeholders of the process, such as IT, Marketing, Strategy, Sales, Communication, HR, or Innovation, tend to approach the issue with their specific interests and perspectives.

As a result, we often witness a lack of unified perspectives as well as micro-political dynamics that exacerbate an already difficult process. Digital Transformation requires a collaborative effort across functional boundaries; it is, therefore, critical to understand the mindset of the various stakeholders and engage them in an in-depth dialogue about their perspectives.



The insights from the 30+ cross-functional interviews with top executives paint a differentiated and comprehensive picture of the challenges large organizations face in their journey towards digital maturity. While it is difficult to untangle the multifaceted issues related to digital transformation, the report identifies nine major areas leaders need to pay attention to:

- The Legacy Challenge
- The Resource Allocation Challenge - Defining Arenas for Leveraging Digital Technology
- The Agility Challenge
- The Ambidexterity Challenge
- The Challenge of Working with Startups
- The Connectivity Challenge – Differentiation, Integration, Orchestration
- The Governance Challenge
- The Functional Identity Challenge
- The People Challenge: Re-skilling, Talent Shortage, Mindset Issues

Understanding these challenges and their interplay helps leaders to structure the complex arena of large-scale digital transformation efforts.





# The Impact of Corporate Learning on Organizing for Transformation

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## A PANEL SESSION

INGER BUUS | Head of Leadership Development, JP Morgan Chase

OLIVER FISCHER | Chief Learning Officer and Head, Daimler Corporate Academy

SEBASTIAN KOLBERG | VP Change Management – Digital Transformation, Bayer

ACHIM WOERNER | Global Head, Siemens Leadership Excellence

Panel Chair: ROLAND DEISER | ECLF

Having recently moved to the Corporate Learning role from a series of business/corporate roles, **Achim Woerner** sees that in a product business like Siemens, people are still vitally important. But this can be more easily overlooked than in a pure knowledge organization such as McKinsey, where he worked once. There needs to be greater emphasis on coordinating across functions when planning new initiatives.



ROLAND DEISER, DEISER, SEBASTIAN KOLBERG, INGER BUUS, OLIVER FISCHER, ACHIM WOERNER  
(FROM LEFT TO RIGHT)



**Inger Buus:** The rising importance of digital in all industries means that there is a convergence of skills that need to be acquired. Digital is all about mindset, so transforming mindsets is vital. Getting a handle on teams is also critical – creating psychological safety for people to work within. The big questions are then 'how do we foster trust?' and 'how do we create leaders who know how to build trust?'

**Sebastian Kolberg** echoes Inger's comments – it is the same at Bayer. The 'Why' and 'What' of corporate values are clear; it is the 'How' - which is all about trust - that needs work. Without trust, there is no collaboration, no Swarms. The creation of informal networks and a 'viral approach' are very important.

**Roland Deiser:** There is a need to design this informality – but it needs to be an 'enabling design,' not a 'controlling design.'

**Oliver Fischer:** There are tensions in every plan. With today's continuous change, all new designs have to be understood to be only 'the next version,' not a long-term solution. Agile teams like Swarms are great, 'but they do not replace the core.' It is fundamental to realize that we are in 'perpetual beta' mode – that's just reality.

**Achim Woerner:** The challenge with too many initiatives is that people cannot remember what the latest initiative is. It is important to keep things simple while accommodating perpetual change. Three points are key: maintaining an entrepreneurial spirit; keeping a balance between new and current customers; and building trust by eliminating micro-management and thus fostering empowerment.

**Inger Buus:** Senior leaders do struggle with empowerment - they like the concept, but then they challenge their reports who do not know what their teams are doing in detail.

**Oliver Fischer:** The issue of age and digital competence often arises – but it is more often a question of desire rather than competence. You never see people take to Skype as quickly as grandparents eager to see and speak with their grandchildren! There is also a tension with creating consensus when the focus is on disaggregation through flexible/agile micro-organizations.

**Sebastian Kolberg:** Essentially, organizations need to become more 'liquid,' more fluid and agile. This does not necessarily mean only Swarms; it's about mixing people from stable, functional elements with innovative and disruptive elements. The CLO does not own any of these people – but the learning function can be instrumental in bringing their interaction together.

**Roland Deiser:** Organizations need to focus not on 'adversaries' but on 'allies' to spread new behaviors (as Herrero said – 'you don't fight a virus from the inside but with another wave of [positive] bacteria')

**Inger Buus:** It's important to 'swell into the gap' – there are big gaps in transformation support, and work needs to be done to fill those gaps. It is equally important to realize the limitations of human nature and not to expect people to suspend their natural biases. Hard-wired mindsets, focused on over-achieving and terrified of all failure, do exist – and they have to be accommodated and managed.

**Sebastian Kolberg:** At Bayer, some scientists work for years trying to create solutions to problems, and they are continually confronted by failure – but they do not see that as a disaster, just as steps on the road to success. This is a mindset that needs to be created across organizations.

**Oliver Fischer** has great faith in an individual's ability to change; less confidence in an organization's ability to change. That is the challenge.

# Actionable Insights from the Final Breakout Group Discussions

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- **Digital and Transformational Literacy**
  - There is an increased awareness at the Senior Executive Level on the shortcomings of "waterfall" vs. agile approaches.
  - The issue is beyond technology- how do we change behaviors/mindset. Is IT hindering digital transformation? And governance, e.g., data protection, legal, workers council can make many activities stillborn.
  - ThyssenKrupp uses a lot of garage formats where leaders are investors and get invited, learn about agile methods, etc. Positive experience with Learning Expeditions (LXp), which are study tours to other organizations, often startups. Leadership is never the topic of LXps but one of the major takeaways.
- **Market-Driven Transformation Processes**
  - What is the productive role of corporate functions in the context of market-driven transformation?
  - How can we achieve strategic alignment – standardizing, scaling, creating platforms...
  - Co-creation with line and other functions, e.g., marketing, finance...
  - see that employing curiosity actually makes them appreciated and successful.
- **Curiosity and Explorative Spirit**
  - Curiosity is a natural human trait, but often blocked by fears - people prefer to stay in an uncomfortable place because it is known. This means embracing some amount of risk.
  - Some research companies have too much curiosity, too many new ideas with no one to pick them up. This can result in implementation/execution issues.

- o It's important to put the right mix of profiles together, so curiosity and the drive for results can create synergies. This needs to be matched with reinforcing loops, so people see that employing curiosity actually makes them appreciated and successful.
  
- **Dealing with Legacy Issues and New Emerging Business**
  - o Polarities: they belong together, swings between those polarities, you need to look at both
  - o Advantages/disadvantages of (1) keeping new business initiatives separate (more like incubator) or (2) integrating them in established structures (like swarm concept at Daimler). Important to accompany with positive communication. Celebrate early successes.
  - o Killing some old processes/policies for some of the new ideas/approaches, could be relevant to set the right signals also into the direction of empowerment.

