Digital transformation and interventional models – McKinsey digital transformation frameworks vs. Center for Creative Leadership Direction - Alignment - Commitment approach. An initial review.

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Abstract: SDigital transformation and digitalization are by now deeply rooted in everyday business jargon. In this article we look at two different approaches of the digital transformation process as promoted by two world leading consulting organizations. McKinsey & Company (McKinsey) is considering itself as being „defined by our people" and it is considered the most reputed strategic consulting firm in the world. The Center for Creative Leadership (hereinafter CCL) is an equally reputed consulting oragnization, „produd to be recognized worldwide as a top-ranked, premier leadership development organization". Both have established methodologies to assist organizations through the digital transformation journey. We will aim to compare and contrast the two approaches based on data available in the public domain.

Keywords: Digital transformation (hereinafter DT), digital leadership, change management, change models

JEL classification – D21, D22, L2,M1, O33

Introduction. The change paradigm.

Companies and in wider terms organizations need to adapt and change in order to survive and be competitive. During the last several decades academics cum practicians, authors and management consultants dveloped a number of methodologies for companies and their leadership to manage change. We need to point the contribution of Kurt Lewin and his unfreeze-move-freeze model (Burnes, 2004). Lewin's model was accepted as a simple and easy to understand model by practicians and managers. It is no suprise that models that emerged later are explicitely refering to it as a foundation of their own methodologies – it is the case of Daryl Conner and his change management approach. A few years after Conner book was published, John Kotter, a professor at Harvard Business School start publishing his own articles and book with what is widely recognized as Kotter's „8 steps change model". During the late 1990 and early 2000, Hammer and Champy championed to „business process re-engineering" that for several years was competing for as the winning approach with Conner and Kotter methodologies. At the time of writing this draft (May 2022) there are very little mentioning in the public space of the three methods mentioned above.

The emerging change management models in the 21th century – digital transformation

A starting point was to realise an initial assessment of the timing and frequency of issuance of research articles concerning the digital transformation topic. We have searched two databases open to researchers, Google Academic and ScienceDirect.com from Elsevier.

The results are presented in the table below –

Table 1 – incidence of research articles concerning „digital transformation" in Google Academic and ScienceDirect.com

	all references	1970-2000	2001-2019	2020-2022
Google Academic (aproximate number of references - articles only)	6,440	14	1,590	4,690
(% from all references)		0.2%	25%	73%
https://wwwScienceDirect.com	5,329	85	1,295	3,940
(% from all references)		1.6%	24%	74%

We notice that most contributions (more than 98%) date with 2001 and three quarters of all research dates since 2020. This confirms the pressure that a cumul of factors in putting on business organizations all over the world – the ever more rapid pace of technological change, the climate degradation, the new emerging models of hibrid and virtual work and the COVID19 pandemic.

Research methodology

We have looked in detail to the approaches proposed by both McKinsey and CCL. Will explore them individually and then investigate similarities and differences.

The McKinsey Digital Transformation models

It is not by accident that above we mention models and not model. Given the spread of industries, geographies and diverse organizations typologies we are summarizing a few of the models that we could access in the public domain, mainly on https://www.mckinsey.com/, including the McKinsey Quarterly and McKinsey Global Institute.

We summarize below three proposed road maps that we have analyzed for this article. More written contributions are available and the DT approaches by McKinsey

Figure 1 – summary of DT road map (see Catlin, T. et al., 2017)

A roadmap for digital transformation (Catlin, T. et al, 2017)			
Stage 1 - define value			
	secure senior management commitment		
	set clear, ambitious targets		
	secure investment		
Stage 2 - launch and acceleration			
	start with lighthouse projects		
	appoint a high-caliber launch team		
	organize to promote new, agile ways of working		
	nurture a digital culture		
Stage 3 - scaling up			
	sequence initiatives for quick returns		
	build capabilities		
	adopt a new operating model		

The various McKinsey models are customized for specific industries. The Catlin (2017) DT roadmap is work on progress and builds on specific consulting projects and advisory services provided by McKinsey to their customers. This model starts with the value creation and the commitment of the senior leadership team (that in itself is echoing Kotter's "powerful guiding coalition" (1995, pp. 4). The model recommends clear targets and a highly competent team that will manage the DT.

Figure 2 – summary of an intervention model for heavy industry as presented by Crispeels, C. et al., 2020

Heavy industry's digital transformation: Vision, diagnostic, and roadmap (Crispeels, C. et al., 2020)			
Building a vision			
	looking 10-15 years onwards		
	urgent - emphasize the need for an agile approach		
	achievable and creating strategic advantages		
Digital diagnostic			
	looking at current state, desired state, industry benchmark and focus area		
	processes, technology, organization		
Building the roadmap			
	multiple possible road followin diagnostic		
	from lighthouse pilot to company wide implementation		

This model focuses on specifics of heavy industry companies. The selling line is very simple and appealing "(the) heavy-industry players should determine three things: where they are now, where they want to go, and how they will get there" (Crispeels, 2020). As a result, McKinsey proposes an approach that start from visioning, the diagnostic of digital capabilities and assessment of current position, the ideal, targeted positioning after the change, the industry reference or the best in class and several focus areas, where the interventions and changes will have the maximum impact.

Figure 3 – building blocks for digital transformation intervention for industrial companies (see Angevin, T. et al., 2021)

Implementing a digital transformation at industrial companies - building blocks for succesful DT (Angevin, T. et al., 2021)		
Create a business-led technology road-map		
	Consider new engagement, transactions and fullfilment rules based on the digital strategy	
Develop and upskill talent		
	Focus on competencies development for strategy, structure, skills and systems	
Adopt an agile delivery methodology		
	Agile requires changes at all levels of the organization, allow room to test while manage risks	
Shift to a modern technology environment		
	Draw on legacy systems rather than replace them entirely	
Focus on data management and enrichment		
	Focus on specific use cases that will collect, store and analyze customer dat	
Drive the adoption and scaling of digital initiatives		
	Change need to occur in 3 categories	
		Product, service offer and order fullfilment
		Commercial strategy and execution
		Customer service and transactions

The most recent model from McKinsey is looking at industrial companies and proposes a "six building blocks" approach that will "help industrial companies create a strong digital strategy and generate top value from digitization" (Angevin, 2021). The industry has not been among the pioneers in DT, and recommendations are drawn upon more than 350 DT projects surveyed in this industry by the authors. Some topics are overlapping (for instance the talent or skills topics, agile ways of working) and some not as per the Discussion below.

Center for Creative Leadership Direction – Alignment – Commitment (DAC) framework

The DAC model is researched and used in organizational interventions by CCL for more than 15 years to date. A research article signed by a team of CCL researchers, dated 2008, investigates into detail at the DAC model as an alternative leadership model in a world with more collaboration, peer-like interactions, between managers and their teams. (Drath et al., 2008) Contrasting to the traditional leadership model – leaders, followers and shared values and goals – the authors propose a new ontology where "leadership outcomes: (1) direction: widespread agreement in a collective on overall goals, aims, and mission; (2) alignment: the organization and coordination of knowledge and work in a collective; and (3) commitment: the willingness of members of a collective to subsume their own interests and benefit within the collective interest and benefit" (op. cit. Drath et al., pp. 636).

Figure 4 – the DAC ontology, acc. to Drath et al. (op cit. 2008, pp. 642)

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		Commercial strategy and execution				
		Customer service and transactions				

The key elements of the DAC model are briefly explained below –

• Leadership beliefs – these can be verbalized, and unlike leaders' charisma for instance, they can be expressed in words and statements to all organizational stakeholders. More than simple "state of minds", beliefs are seen also as "disposition to behave… thus observable practices can be assumed to be the instantiation of belief." (Drath, op cit, pp. 644)

• Leadership practices – observed leadership practices are supposed to reflect or mirror leadership beliefs. They are "are understood as collective enactments such as patterns of conversation or organizational routines that include and transcend individual behavior" (Drath, op cit, pp. 645, McCauley, 2020, Coman, 2014)

• Leadership culture – "leadership culture locates the source of leadership (…) not in individual minds but in the interaction of beliefs and practices at the collective level" (Drath, op cit., pp 646). The leadership culture could also be seen as a fundamental part of the organizational culture – see Schein's major contribution to this topic (2010).

• Leadership context – this includes topics such as the design of the concerned organization, its technological level, the values stated and displayed by leaders and employees alike, the external competition and regulatory constraints (McCauley, 2014, Marinescu, 2017).

• DAC and the leadership outcome – this is obviously the most important part, with the three elements constituting it.

o Direction is the "agreement on goals together." (Pasmore et al., 2020, pp. 7). It stands meaning it is vision and purpose, goals and that the collective group is trying to achieve for shared direction of the organization, that the organization stands for. It is beyond a simple understanding of these concepts and incorporates the acceptance and assessment of the values involved.

o Alignment according to Darth "refers to the organization and coordination of knowledge and work". In large organizations usually management use various processes and systems to achieve that via budgeting, controlling, supervision and reporting, use of ERPs (enterprise resource planning) or CRMs (customer relationship management) systems (Taiwo, 2013).

o Commitment as part of the DAC ontology needs to be understood as shared commitment and responsibility. "It refers to the willingness of individual members to subsume their own efforts and benefits within the collective effort and benefit" (Darth, 2008, pp. 647). The commitment is also dynamic and is shifting its focus to adjust to the changing internal and external circumstances of the organization.

Beyond the theories the figure 5 below summarize the intervention method proposed by McCauley and Lynn (2020) for practicians and managers using the DAC concept.

Figure 5 – the DAC roadmap (after McCauley and Lynn, 2020)

DAC - Achieving better results through leadership (McCauley and Lynn, 2020)			
Assess current levels of direction, alignment, and commitment in the group			
based on CCL tools			
Look for factors contributing to low levels of direction, alignment, or commitment			
direction checklists			
direction not clear?			
disagreement about direction?			
resistance to create a shared direction?			
alignment checklists			
weak coordination processes?			
structuring of work is poor?			
unclear accountabilities?			
low motivation for effective coordination?			
commitment checklists			
individuals not feeling responsible to groups			
members do not see themselves as part of groups			
members do not want to be part of group			
members do not feel included or value by others in group			
individuals are self-interested at the expense of the group			
Identify changes that could improve direction, alignment, or commitment			
involve group members			
seek out expertise			
take a systems perspective			
engage in a continous learning process			

Results and discussion

The table below summarizes the information about the four methodologies as summarized by the researcher.

Table 2 – items comparison for the DT model selected from the literature review.

No	Items	CCL, 2020	Catlin, 2017	Crispeels, 2020	Angevin, 2021
1	Assess current levels of direction, alignment, and commitment in the group	x		x	
2	Demonstrate focus to effectively lead the organization	x	x		
3	Current context a challenge with multiple crises occuring	x			
4	Re-make the org chart	x		x	
5	Take bold action	x	x		x
6	Be transparent	x			
7	Build direction - mobilize resources, generate ideas, delegate	x			
8	Look for factors contributing to low levels of direction, alignment, or commitment	x			
9	Coordinate initiatives with participants from several parts of the organization	x			
10	Rise explicitely the expectation for your senior leaders cooperation	x	x		
11	Communicate to all parties, again and again	x			
12	Foster a real climate for creativity and innovation	x			
13	Model the culture you want to live in your company	x			
14	How to strenghten alignment?	x			
15	Identify changes that could improve direction, alignment, or commitment	x			
16	Consider yourself a change leader not a change manager	x			
17	Take the right actions, the right way	x	x		x
18	Display emphaty whenever dealing with employees	x			
19	Facilitate development of skills and behaviours important for future achievements	x	x	x	x
20	Value definition		x		
21	secure senior management commitment	x	x		
22	set clear, ambitious targets		x		
23	secure investment		x		
24	Launch and acceleration		x		
25	start with lighthouse projects		x	x	
26	appoint a high-caliber launch team		x		
27	organize to promote new, agile ways of working	x	x		
28	nurture a digital culture		x		
29	Scaling up		x		
30	sequence initiatives for quick returns		x		
31	build capabilities	x	x	x	x
32	adopt a new operating model		x		
33	Building a vision			x	
34	looking 10-15 years onwards			x	
35	urgent - emphasize the need for an agile approach			x	x
36	achievable and creating strategic advantages			x	
37	Digital diagnostic	x	x	x	x
38	looking at current state, desired state, industry benchmark and focus area	x		x	
39	processes, technology, organization	x		x	
40	Building the roadmap			x	
41	multiple possible road following diagnostic			x	
42	from lighthouse pilot to company wide implementation			x	
43	Create a business-led technology road-map				x
44	consider new engagement, transactions and fulfilment rules based on the digital strategy				x
45	Develop and upskill talent	x	x	x	x
46	focus on competencies development for strategy, structure, skills and systems	x	x	x	x
47	Adopt an agile delivery methodology		x	x	x
48	agile requires changes at all levels of the organization, allow room to test while manage risks	x			x
49	Shift to a modern technology environment				x
50	draw on legacy systems rather than replace them entirely				x
51	Focus on data management and enrichment	x			x
52	focus on specific use cases that will collect, store and analyze customer data	x			x
53	Drive the adoption and scaling of digital initiatives				x
54	change need to occur in 3 categories				x
55	product, service offer and order fullfilment				x
56	commercial strategy and execution				x
57	customer service and transactions				x

A number of key findings that we consider worth mentioning as a result of this analysis.

First, although the digital transformation seems to be a straitforward process, even within the same consulting company, varieties abound. This could be explained by the different typologies of the various industries and their relative degree of digital maturity.

Second and most important is the difference coming in our opinion from the focus of the two consulting organizations – while CCL focus is about organization, leadership, action, transparence, emphaty, coordination, communication and skills, McKinsey focus is on vision and value creation, ambitious targets, launch, accelerate and scale-up the change. This is also valid for (new) operating models, industry best in class, data management and other very practical and applied topics.

What is the common link, nevertheless? This is our third main take away and there are two elements coming from our analysis – skills and competencies are seen as critical in all the analysed model and next to it the agile approach that moved from IT projects to mainstream in the last decade or so.

Conclusions and limitations

Both McKinsey and CCL have developed over time a very impressive body of knowledge from their research and consulting projects. Although McKinsey is a partnership and for-profit entity and CCL is a non-profit foundation, their approaches is disclosing detailed work and proprietary tools is very similar. As a result, the biggest constraint we had to deal with is the limited information freely available for potential customers, other stakeholders of researchers. The hidden part of their work consists of detailed analysis of financial data of companies, economic performance of the organizations vs. their peer groups, various surveys, and questionnaires to profile the company culture, the leadership profiles and alike. While using some of the shorter versions of such tools in various occasion, we could not access but the limited, synthetic information publicly available.

We can not conclude that there is one ideal or best way to approach a digital transformation project. In our opinion the variables in case are conditioned due to the geography of the company (with the inherent national culture), the industry, the specific organizational culture, and the leadership team of each organization. Our assumption, to be further researched in a future study is that the quality of the leadership team and the specific company culture they are building, and living are the main differentiators.

As the main conclusion we are inclined to record the complementarity of the two schools of thought who eventually converge and meet on the "soft" topics – competencies, leadership, agile work methods.

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