5 KEYS TO RESOLVING
Cross-Functional Rivalries
IN YOUR DIGITAL TRANSFORMATION

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The challenge is as old as business itself: How do you get people in different parts of an organization to work together to solve common problems? Yes, COVID-19 has hastened a great *coming together* – across functions, disciplines, industries, geographies. But for many business leaders, the task of breaking down silos continues to be devilishly difficult, crisis or not.

Rather than cooperating, too many functions are still competing for power, influence, and precious investment capital. In a survey of more than 1,500 global senior and C-level executives of industrial companies we conducted prior to the COVID-19 pandemic, 75 percent told us their business functions (e.g., R&D, engineering, production) are competing against each other instead of collaborating on digitization projects. And these rivalries are more than a mere annoyance: They're costly. From 2017 to 2019, the firms we studied expected a revenue growth rate of 11 percent but were only able to achieve about half of that – 6.5 percent. And this is mainly because of cross-functional competition.

It's easy to put the blame on ego-driven personalities and territorial skirmishes, but the reality is, many companies have actually craved the creative chaos. For many years, cross-functional competition helped diversify the risk of experimenting with new digital technologies. One digital bet made by Engineering might be successful, but a bet made by Production might not. Either way, the company benefits in some way.

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But this strategy has a downside. Functions create value for themselves rather than the company. Some functions transform, others don't, and the company ends up with patchwork quilt of digital competency. And it doesn't get the most out of their digital investments. While this creative-chaos strategy might've worked in the early days of digital, now it's destroying value.

So, for executives, the question becomes, how do you walk the line? How do you allow for enough cross-functional competition while ensuring the right amount of collaboration?

We mapped two critical parameters – companies that (1) outperformed their industry peers at driving up the top line with their digital investments and (2) achieved above-industry average revenue growth over the last three years. We saw that only 22% of our sample demonstrated both.

We then dove deeper into that group to learn what they did differently. We focused on what survey respondents overall had identified as their top challenges and how companies in our leader group had dealt with them. Five best practices emerged from that analysis.

PRACTICE #1: Set a clear digital strategy that's commonly understood.

Albert Einstein once said, "The definition of genius is taking the complex and making it simple." This is a universally applicable idea,

and it certainly applies to digital strategy. If you want people to collaborate effectively, everyone needs to understand what the end game is. That requires discipline of focus.

Take Caterpillar Inc. According to Ogi Redzic, Caterpillar's chief digital officer, the company focuses only on a few initiatives and technologies that can make the biggest impact – rather than undertaking dozens, if not hundreds, of projects and applications. One of those is predictive analytics, which everyone understands. Predictive analytics help prevent machinery downtime – a key concern of customers.

"Digital doesn't mean going for the latest and greatest technology development but applying the appropriate technology for your customers and for your desired business outcome, regardless of where that technology is in its adoption curve," Redzic told CNBC. "Latest is often not the most appropriate."

PRACTICE #2: Put someone in charge of cross-functional collaboration.

In most large companies, there is one C-suite executive who oversees all digital-transformation efforts. But firms in our leader group take the idea one step forward. They make that one person responsible for ensuring that all functions collaborate well. Eighty-two percent of the companies in our leader group have one C-suite executive who drives digital transformation and is also responsible for its success in each function.

Case in point: a North American technology company that put one person in charge of IT and digital transformation. Already a chief information officer for the group, the person received the added responsibility of chief digital transformation officer (CDO). In this role, the now CDO serves as the single point of accountability for company-wide, end-to-end operations, systems and tools. The person is

also responsible for driving collaboration across multiple functions and accelerating the company's software-as-a-service (SaaS) transformation and M&A integration.

Having a single point of accountability has helped the company shift from being merely an IT hardware manufacturer to managing an empire of data-center hardware, software, and cybersecurity products and services.

PRACTICE #3: Prioritize projects that require cross-functional collaboration.

Leaders know where and how to allocate capital. They prioritize projects that get people talking to one another and working together.

Meviy, the online platform launched by Japanese industrial-equipment parts manufacturer MISUMI in 2016, is a great example of digital project that brings together functions – namely engineering, purchasing, and manufacturing.

Meviy allows customers to upload 3D designs of desired components and uses a proprietary AI algorithm to assess the manufacturing feasibility of each component. The platform then provides an instant estimate of the component manufacturing cost and delivery time. The order is then automatically converted into manufacturing data and communicated to the factory machine tools for processing. The Meviy platform, with many moving parts and functions, simply would not work without cross-functional collaboration.

PRACTICE #4: Make sure your digital solutions and platforms speak the same language.

Companies in our leader group are more likely to have interoperable digital platforms (71 percent versus 64 percent). Take Covestro, the German specialty chemicals company. In 2017, Covestro launched its Optimized System Integration

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and operating technology (OT) teams should work together. They also favor multi-disciplinary teams with the tech know-how to gather, deliver, and analyze data that yield highest-value business insights.

Consider Western Digital. Early in its digital transformation, the company established a data-governance group across the two technology domains. This group focuses on identifying, educating, and guiding "data stewards" – employees to champion data quality and data sharing initiatives within and between their respective divisions. The group is empowered to manage core platform decisions for every function. This helps Western Digital leaders know how to best organize, secure, and extract insights from every piece of data. At the same time, this approach also creates a culture of data sharing and accountability that echoes through every business function.

(OSI2020) platform to digitize production systems and unite them and the data they contain within a single shared platform. With this new cohesive system in place, Covestro's plant facility engineering, operations, and manufacturing functions are now safer, more reliable and more efficient. And fully interoperable.

PRACTICE #5: Create ways for IT and OT teams to work together.

Cross-functional collaboration works best when teams are equipped with the technology and expertise to gather, deliver, and analyze data in ways that unlock the best insights.

Leaders create such an environment for collaboration by spelling out clear guidelines on how their information technology (IT)

Collaboration is No Longer a Nice-to-Have.

Cross-functional collaboration is not an end state, or even a means to an end. It's a central organizational imperative for companies in a post-COVID-19, never-normal world, and a strategic focus for executives tasked with sustaining digital-transformation efforts. When executed effectively, greater collaboration across functional boundaries can not only reduce waste and costs but also earn measurable financial returns.

As companies continue grappling with the adoption and implementation of digital technologies, or with hastening their digital transformations, they may easily lose sight of cross-functional collaboration. But companies in our leader group recognize it as fundamental to their business. Like efficiency and productivity, it's becoming an increasingly important barometer for success in difficult times.

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