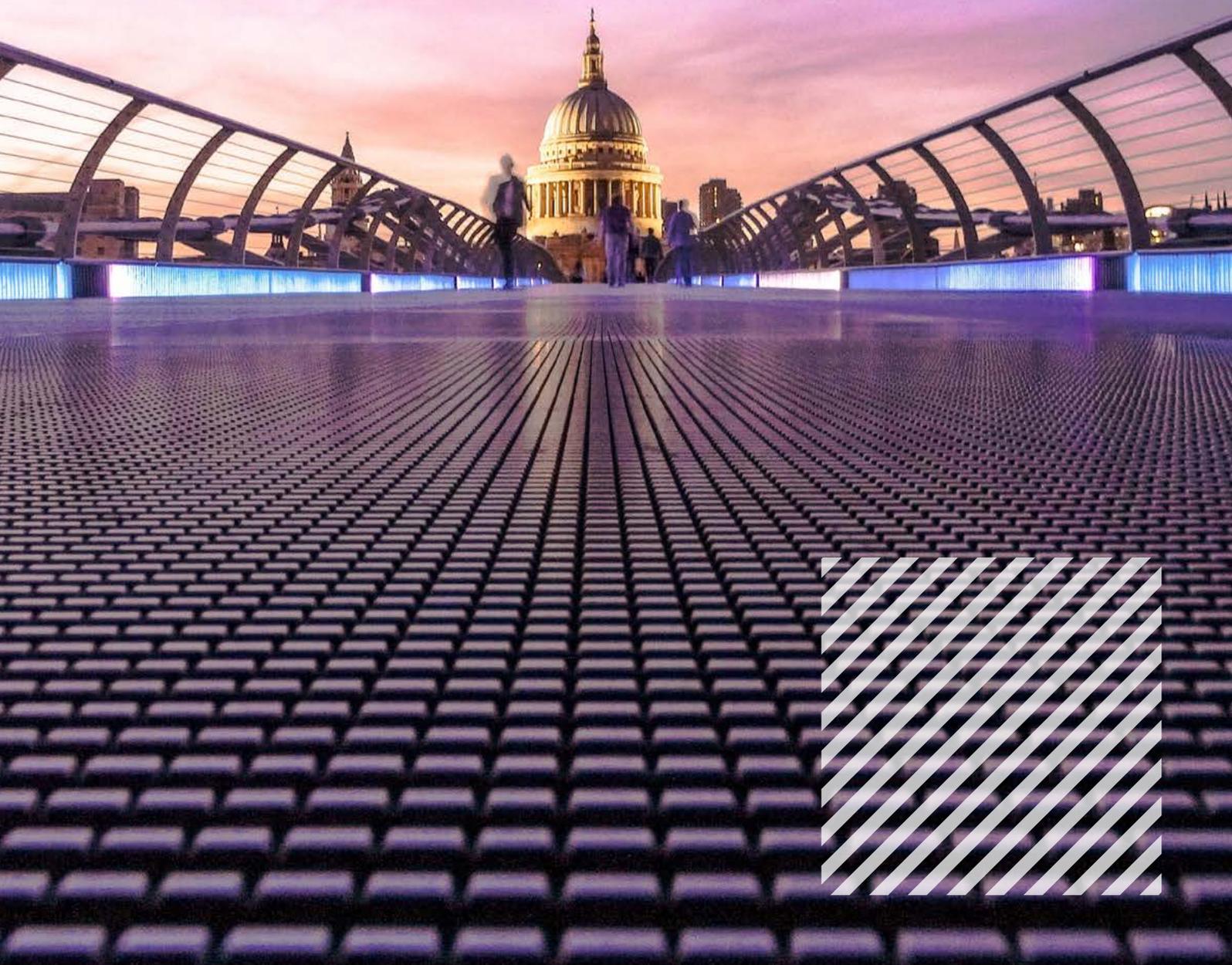




Creating a culture of digital transformation





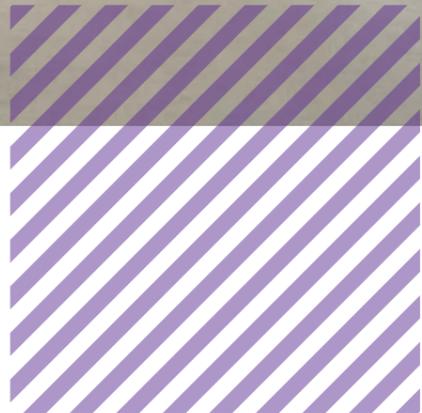
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01 Foreword



Organisations across the globe are undertaking their own unique digital transformation journeys. With the rise of AI and machine learning, technology is altering every aspect of the corporate and social landscape, fundamentally changing the way we communicate and disrupting established business practices.

Our goal in this report is to share perspective on the changing UK landscape and to better understand the challenges, and opportunities, facing UK organisations relative to global trends. Fifty-three per cent of UK business and IT leaders we surveyed for this report say their industries will face significant digital disruption within the next two years, yet 47% have no formal digital transformation strategy in place, with many struggling to capitalise on their technology investments to improve business effectiveness.

The organisations getting it right today aren't the ones waiting to see how trends play out. They are the ones anticipating what comes next and proactively taking steps towards it. These organisations are building strategies that deliver sustainable growth and are using technology to differentiate and drive transformation. The research shows that the biggest challenge organisations are facing in accelerating transformation is not necessarily around the new technology itself, but the cultural change required to derive value from it. Yet only 23% of UK business and IT leaders says their organisation is undertaking a major programme to change its workplace and organisational culture.

So, how do you create a culture that serves to foster and accelerate digital transformation? In this report there are perspectives from hundreds of CEOs and business leaders from a range of industries, as well as middle managers and junior employees, in addition to insight from subject matter experts like world-renowned Stanford University psychologist Carol Dweck. Together these perspectives give a real-life view of the cultural changes that are needed to support successful digital transformation.

Digital transformation is not a technology deployment or an IT exercise, it's a people exercise. Business leaders must therefore embrace cultural transformation from the top and explore the behavioural shifts that are needed to bring about lasting change. Above all else, this requires belief and commitment. Changing human behaviour is not always easy and there's a level of discomfort that comes with stepping into the unknown. Some people thrive on it, some people can learn it, and some people feel paralysed by it, so this must be handled sensitively. In this report, there are pragmatic and tangible steps that every company can take to help both business leaders and employees on their way.

Microsoft's mission is to empower every person and every organisation on the planet to achieve more. Today that refers as much to creating the right culture to enable digital transformation as it does to technology. Digital transformation is a journey that's never finished. No matter where you are on that journey, our aim at Microsoft UK is to help accelerate your success and ability to compete in a digitally transformative marketplace.

Cindy Rose
Microsoft UK CEO and Area Vice President



Cindy Rose
Microsoft UK CEO and
Area Vice President



02 Executive summary



Last year, our report *Digital Transformation: The Age of Innocence, Inertia or Innovation?* provided the most extensive insight to date on the impact of digital transformation on UK organisations across a broad range of sectors. Its findings were clear: pervasive access to new digital services is changing every aspect of business – from disrupting corporate structures and practices, to catalysing innovation and unlocking new opportunities for growth.

Yet it also uncovered widespread discrepancies between the ways in which organisations view digital transformation and, in particular, to what extent they are willing and able to embrace the strategies, initiatives and operating models necessary to successfully implement it.

With those findings in mind, this year’s follow-up report delves deeper into the factors, obstacles and attitudes influencing UK organisations’ ability to succeed as they navigate their own unique digital transformation journeys.

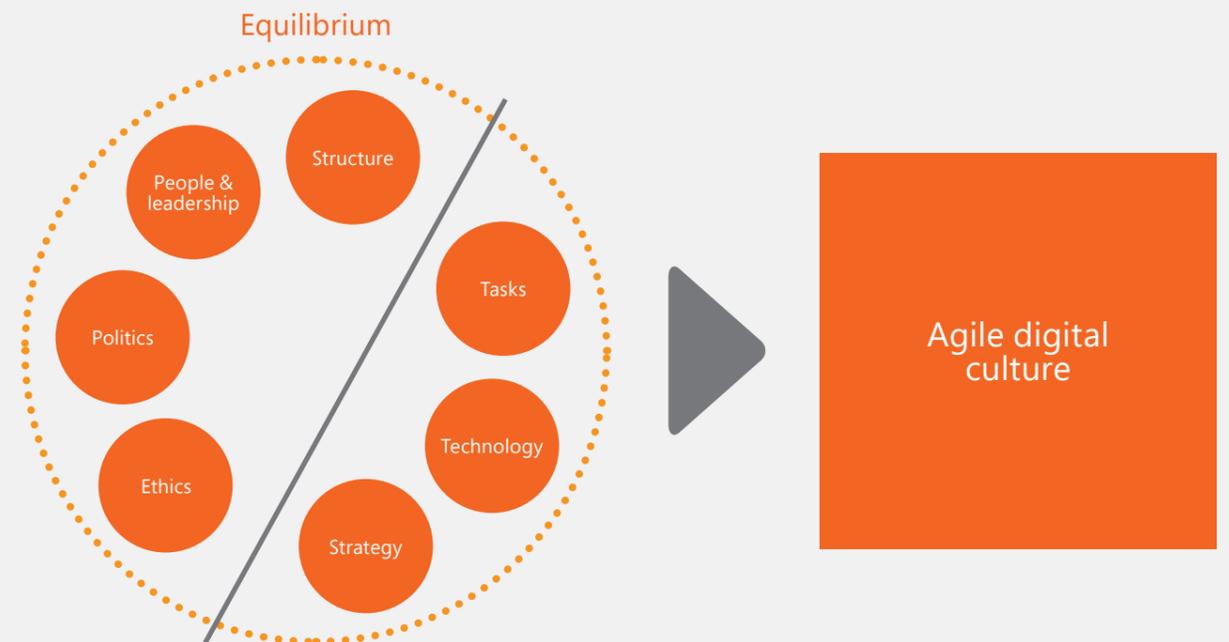
We explore what it takes to create a true culture of digital transformation. A culture that is not only agile and progressive enough to evolve alongside new technological inventions and applications, but that also fosters a sense of empowerment and engagement among an organisation’s workforce along the way.

Before embarking on the study, we drew upon respected conceptual models¹ to build our own model of an agile digital culture. This model is based on seven key dimensions: people and leadership; structure; technology; strategy; tasks; politics; and ethics. (See figure 1.)

Using a combination of field research, interviews with subject matter experts and business leaders, an online YouGov survey, workshops, and a chatbot study to capture real-time feedback from employees, we then developed and tested hypotheses against each of the seven dimensions. (See figure 2.)

Figure 1. Seven dimensions of an agile digital culture

Within our model of agile digital culture, each of the seven dimensions fall into one side of an equilibrium. The first side represents organisational structures (e.g. policies, ethics and people) and the other represents what the organisation does (e.g. the tools and technology it uses).



¹ Models used include: Socio-Technical Systems Theory, Leavitt’s Framework for Organisational Effectiveness, Lewin’s Force Field Model and Model of Change Process, and Miles and Snow’s Strategy Typology

Figure 2.
Agile digital culture hypotheses

Dimension	Hypothesis
People	A culture of capability and positivity supports digital transformation
Leadership	The ability to manage effectively in a digitally transforming world will improve firm performance
Technology	Technology democratises data, so workers can manage risk and exploit opportunities
Tasks	Task mix needs to be optimised for exploiting digital transformation
Structure	Networks and nodes structures support digital transformation
Strategy	Different competitive strategies require different responses to digital transformation
Politics	Internal and external environmental constraints and opportunities effect digital transformation
Ethics	Digital transformation requires clear policies regarding appropriate data use

Within the key findings, we see that technology and ethics are the most significant drivers of an agile digital culture. Indeed, while UK leaders are strongly focused on introducing new technologies to sharpen everything from operating practices and strategic decision-making to employee management and customer experiences, they are also highly attuned to the pressing need to develop clear governance around data usage, cyber security and compliance.

Leaders themselves remain central to digital transformation as the originators and mission-setters of change. Yet we reveal the process must be fully two-way, with employees given the tools and support to innovate, fail, and collaborate with new technologies, both individually and as a group. They should then be free to offer unrestricted feedback on how successfully those technologies augment their day-to-day roles, boost productivity and enhance job satisfaction.

In other words, adoption must be driven from the ground up, not autocratically delivered from the top down.

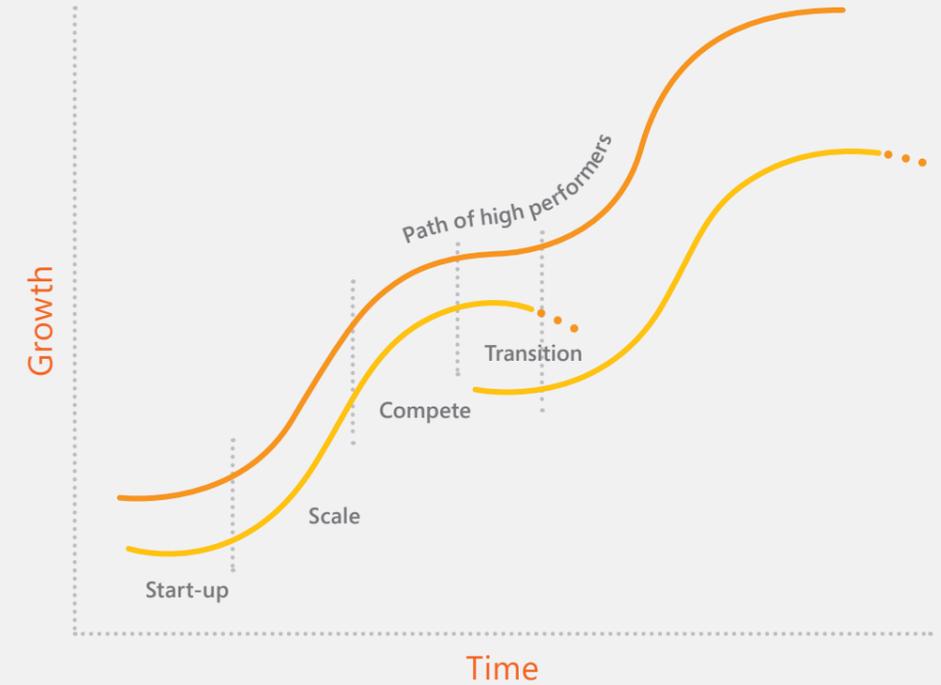
Perhaps unsurprisingly, then, the organisations leading the charge on creating a culture of digital transformation tend to be the ones whose leaders are adopting this collaborative approach – that is the UK leaders among the 58% surveyed that agree that augmenting their workforce with technology is more important for productivity than simply automating workforce tasks.

These organisations are actively accessing and introducing new technologies, with dedicated teams and self-directed sub-groups focused on driving innovation. Crucially, they understand how to cultivate a process of continual, iterative improvement in which they seamlessly move onto the next element of digital transformation while still in the midst of the current one. (See figure 3.)



Figure 3.
S-curve model

The S-curve describes the growth of one variable in terms of another variable over time. In the case of digital transformation, it shows the progress of organisations that quickly adopt new technologies. In particular, it demonstrates how they avoid any potential slow-down or tail-off during the transition phase by focusing on the next step of the journey before the previous step is complete.



We also identify five key challenges of digital transformation rooted in the seven dimensions. Challenges that organisations of all shapes, sizes and sectors must successfully confront and act upon, if they are to thrive in an ever-more digital world.

The five challenges of digital transformation are:

Collaboration not competition – helping people understand the collaborative potential of new digital technologies

Embracing fear – acknowledging the anxiety that change can cause and proactively supporting people through it

Demonstrating value – offering the resources and framework for people to experience and build on new technologies themselves

Respecting your ecosystem – understanding the environment an organisation operates in and how new digital technologies should fit within it

Living agile – helping people move to a flexible, forward-thinking culture of continuous improvement and innovation

A detailed exploration and analysis of these challenges provides the framework for this report. Crucially, each is supported by a range of practical tips and recommendations that explain how organisations can go about tackling and overcoming it. You will find these recommendations at the end of every chapter.

“I used to work with a major bank where they introduced a new communication tool. Three months after launching, engagement was great. But then after a year, it had dipped right back down. That’s because they tried to drive the culture purely by the adoption of a tool, without putting other scaffolding around it. Fundamentally that didn’t work – people changed their behaviour briefly but because the culture didn’t change, the old culture restated itself. But where change bubbles up, it’s being driven by the prevailing culture and that’s why it’s far easier.”

Nik Kinley,
Director and Head of Talent Strategy, YSC

03

A culture of digital transformation



Digital transformation is happening. Across multiple types of organisations, the impact of emergent technologies such as AI, machine learning, chatbots, big data and the Internet of Things are disrupting all aspects of operations.

In 2016, we revealed that nearly half (44%) of UK leaders surveyed believe their business models will cease to exist within the next five years. Checked again for this year's report, that figure has now reduced slightly to 38%, implying progress is being made in terms of the operational shift required to properly integrate new digital technologies into the workplace.

But alongside this powerful operational impact, the effects of digital transformation are being felt in more human and less instantly tangible ways too. Just one in four (23%) of UK leaders surveyed say their organisation is undertaking a major programme to change the workplace and organisational culture. Yet the reality is that digital change must be far more than an investment in the IT department or a few tweaks to the tools that staff use in their day jobs. Rather, it has to become a way of being. An ethos that starts with leadership but permeates all levels and areas of the organisation.

A culture.

But what exactly do we mean by culture? Perhaps the best way to describe it is as a set of deeply ingrained beliefs and rituals that act as the glue sticking an organisation together. Led by accepted group norms and behaviours, it is something that unites individuals in a sense of belonging and joint purpose. People identify with a culture not because they have been told to, but because of shared values and attitudes that motivate and inspire them. It is what they do when nobody is watching.

The need for a holistic culture shift to support digital change – and how organisations achieve it – is the focus of this report. Here, digital transformation is considered in terms of the specific strategies, tasks, people and leadership, digital technologies, structures, ethics and politics impacting organisational productivity and performance in an agile digital workplace culture.

After all, many organisations change their technologies, infrastructure and processes. Evidence suggests that if they don't address the human elements of change, successful transformation is unlikely to happen. Or as Microsoft UK COO, Clare Barclay, explains it: "You've got to get the right culture and change programme in place to unlock the true value of technology. Creating a culture in which technology blends with human potential is where the magic happens".

"Digital transformation is a cultural transformation affecting the majority of the people working. It has to be a leadership task. If you follow that, you have a high chance of success. If you delegate it, there is a big chance you will fail."

Andreas Schierenbeck,
CEO, thyssenkrupp Elevator

“Creating a culture in which technology blends with human potential is where the magic happens.”

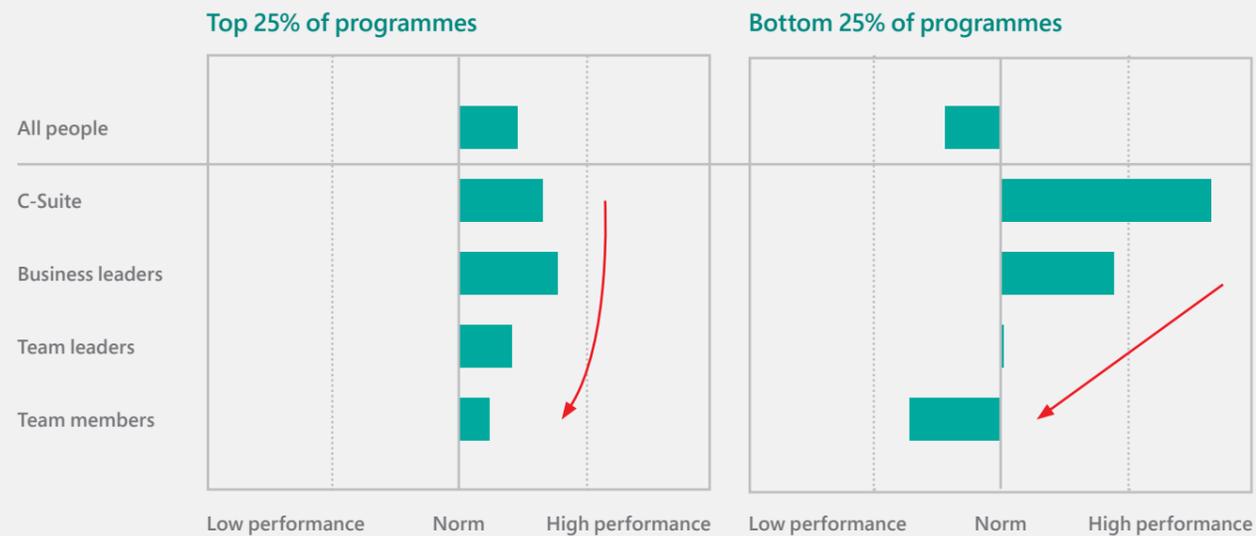
Clare Barclay,
COO, Microsoft UK

Of course, leaders are critical to creating an agile digital culture. They, after all, are the ones who set the mission, objectives and reasons for any programme of change. But as we explore in the following pages of this report, culture shifts cannot be dictated or mandated from the top. As we see in **figure 4**, high-performing companies source contributions from all levels to promote cultural change as a shared, consensual vision. In other words, they empower employees to experience, shape and evolve it themselves.



Figure 4.
Drivers of an agile digital culture

Top performers (in terms of business performance) have leaders across all levels of the organisation involved in planning and implementing culture change



Source: New Rules for Culture Change report by Accenture Strategy.

Of course, some employees will be more instinctively willing to participate in the process of creating an agile digital culture than others. As Carol Dweck argues in her acclaimed book **Mindset: The New Psychology of Success**, every individual may be in either a fixed or growth mindset, and this can determine how they engage with and respond to change. (See box out.) As we discuss in more detail during our chapter on Demonstrating value, organisations seeking digital transformation need to be deliberate about identifying and supporting natural innovators and change agents with a growth mindset – and empowering them to inspire those who lag behind.

Creating a culture of digital transformation and cultivating an organisational growth mindset is a considerable and ongoing challenge. One suffused with numerous specific, interwoven hurdles and potential barriers that must be overcome. It's an example of what Dweck calls 'the fabulous struggle' where mistakes must be made and learned from. Where risks must be taken and setbacks are inevitable. Where ideas should be followed and feedback flows freely. And where the whole organisation is united in seeing, learning and experiencing the benefits of new digital technologies.

Nobody said it was easy. But it will be worth it.

Carol Dweck's mindset theory

Carol Dweck is a world-renowned Stanford University psychologist. Her Mindset Theory identifies two distinct mindsets that impact individuals' approach to practice and learning – within education and the workplace.

1. **Fixed mindset** – where people believe basic qualities like intelligence and talent, are fixed traits that cannot be developed or embellished. Those with fixed mindsets tend to display a resistance to taking on challenges that hold the risk of failure.
2. **Growth mindset** – where people believe their basic abilities can be developed through dedication, good strategies and mentoring from others. A growth mindset leads to a love of learning and an active pursuit of new experiences to facilitate personal improvement.

However, mindsets can be changed, learnt and unlearnt over time, often with the help of certain environmental triggers. This notion of mindset shift is important for organisations undergoing digital transformation. For example, creating a work environment that puts the emphasis on teamwork, challenge-seeking and learning can foster a more positive approach to change in colleagues who start out predominantly 'fixed'.



04 Collaboration not competition

Tasks, people, technology



Let's consider the first of our five digital transformation challenges: collaboration not competition. We've all heard the doomsday predictions about robots taking the place of humans and free-thinking computers snatching jobs from under our noses. But the reality is more of a reason for excitement than fear.

When it comes to digital transformation, machines are not taking over the world. Instead they rely on a process of machine learning or, put another way, they must first be trained by humans. Only after that can the employee and machine work together to become stronger and exceed expectations.

The key is making the benefits of this 'man and machine' collaboration obvious from the outset. To give people very clear examples of where technology is adding value, augmenting their capabilities and empowering them to succeed in the modern workplace. Sometimes this may be on a very mundane, day-to-day level like helping them remember commitments. But it can also be something more significant, such as the recent developments seen around semi-automated truck convoys in the UK.

In each case, though, the message is the same: these shifts happen but they are being instigated and led by people, not computers. Crucially, they can have a tangible and positive impact for employees – from freeing up their time for higher value, more enjoyable work to improving productivity.

This idea of technology and people working symbiotically, rather than competitively, is at the very heart of digital transformation. To go back to our original question of how organisations can create an inclusive, agile digital culture, challenging the notion among staff that 'computers are out to take their jobs' is key. Reassurance and understanding is required. This is evolution not revolution.

A lot, too, comes down to the type of tasks that technology can and should take on. For example, we asked our chatbot study participants to break down their job tasks into three categories, listed right. (See Appendix for more information about the chatbot study methodology.)

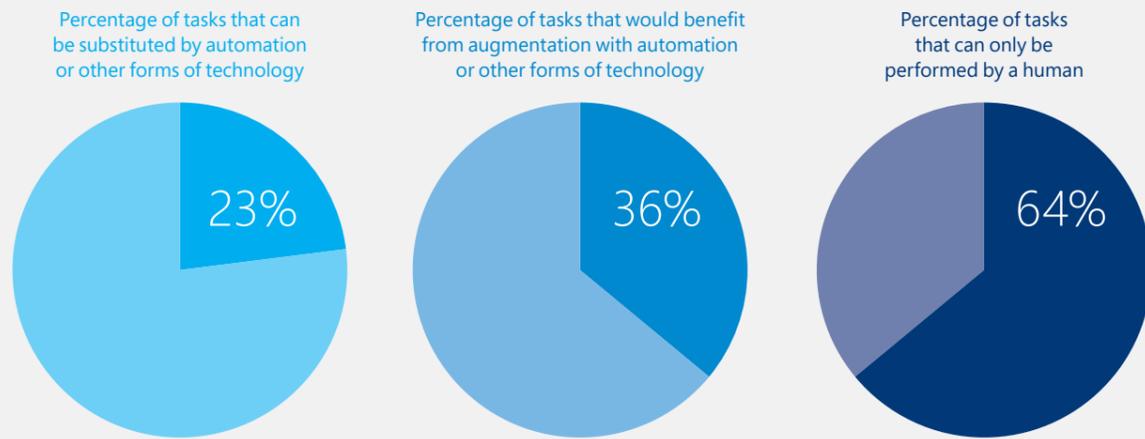
"Everything is computerised at Money & Co. as far as it can be, but we would never rely on a machine to tell us if we should lend or not. We have an algorithm, which tells us whether the proposed loan meets our criteria. This is very useful as it saves the credit team lots of time. We won't lend to any company until we have met the management and visited the premises."

Nicola Horlick,
Founder CEO, Money & Co.

1. Repetitive, low-engagement tasks that can be easily automated, such as standardised responses to customer service calls.
2. Tasks that mix elements of process and creativity are a key candidate for humans and machines to work together. For example, using search data to inform marketing efforts.
3. Tasks requiring lateral and critical thinking or instinct, so only executable by a person. This includes high-level decision-making and human judgements.

We found that while workers still consider the majority of their tasks to fall into the latter, human-only category, the number of elements categorised as either repetitive or a mix of process-driven and creative is significant. (See figure 5.) That's a great opportunity for organisations looking to integrate technologies like AI, mixed reality and automation in order to enhance productivity and sharpen their operating model.

Figure 5.
Task breakdown



Unweighted base: All qualified respondents in the private sector (1003)

To bring the three types of task to life, consider the following scenario from the world of medicine.

In a GP surgery, the process of providing repeat prescriptions can be automated, taking paperwork away from doctors and freeing up valuable time for them to see patients. That's a repetitive task – and perfect for machine learning. At the other end of the scale is the appointment itself. The bed-side manner, reactive questioning and human empathy GPs must display during consultations. A computer could not deliver this – certainly not in a believable fashion anyway. That's something only a human can do.

The sweet spot for augmentation is the stuff in between. The tasks that still require human input but can be made better, easier, quicker and more effective by the involvement of technology. Among the UK leaders² we surveyed for this report, 58% recognise the possibilities here, agreeing that augmenting their workforce with technology is more important for productivity than simply automating tasks.

Meanwhile in our GP scenario, it's the examination part, where a machine can help improve the accuracy of their diagnoses, for example. Human plus machine working hand in hand, augmenting human capability. That is where the potential positive impact of digital transformation, on everything from productivity to customer satisfaction, gets really exciting.

² Includes employees in private sector businesses in the UK at levels middle manager and above.

An age thing?

A third (31%) of 18 to 24-year-olds see benefit in augmentation, a number that decreases consistently across the age brackets, ending at 26% among those aged 55+. Yet interestingly, this seems to be driven more by concerns around job function than job security. Indeed, the older the respondent, the less concerned they are with their role becoming obsolete as a result of automation.

"If I use a hammer to put a nail in the wall I am augmenting my hand, right? I could bash the nail in with my hand, but that would take forever and it would hurt. If I do it with a hammer, it is much quicker and safer. Is a hammer an augmented tool? The fact it is not AI is kind of irrelevant."

Ben Hammersley,
Futurist, Broadcaster, Writer

What this tells us is that digital technology does not hold the only key to enhancing an organisation's working practices, productivity and success. To work long-term, technology requires staff to adopt a mindset of embracing and harnessing it to enhance their existing roles. In other words, a culture shift.

Put that way, it sounds like a no-brainer, yet there's a 'but'. A 'but' that comes in the form of another uniquely human characteristic: anxiety. For many employees, hear the word 'augmentation' and they don't hear opportunity and improvement. Instead, they hear something nebulous involving threatful change, pressure to be always-on and even being replaced.

As Melinda, one of the participants in our chatbot study, explains: "I learnt how to install an app for my phone, so now I can work on the go. It made me feel like technology is becoming a little overwhelming. With things like apps, there is no 'switch-off' and work is with us at all times."

Naturally, frustration when the technology doesn't work or appears to make tasks more difficult is an issue here too. "Huge deadline at 12 and using an online portal is slowing our progress. Sending an email would have been simpler and easier!" another of our chatbot participants, Estelle, reported at one point.

Yet in most cases, the actual impact of augmentation will invariably be positive – both for the individual and organisation. The critical factor is ensuring the concept itself is demystified, so people welcome, rather than worry, about it.

"There is nothing we do in the company that doesn't use digital technology in some way, from HR right through every stage of design, development, the shows, the animation and the editing. But human interaction is essential too because we're a creative company so we can never fully automate. Every single thing we do may use technology but we wouldn't want to let go of the human interaction we have with it."

Sarah Othman,
Head of Communications,
Jellyfish Pictures

"There's a lot of BS. I think many businesses do still think that stuff like AI is a kind of weird magic that you switch on in a piece of software and suddenly it's as good as the next best member of your staff. It really isn't."

Pete Trainor,
Founder, US Ai Ltd and Author of
The Human Focused Digital Book

5 ways to collaborate with technology

1. Set a clear plan for continuous training and learning as it helps people adapt quickly to working with technologies that are constantly updated.
2. Futurist, broadcaster and writer Ben Hammersley suggests not talking about augmentation as something “separate and weird”. Instead, think about changes “in increments, where in the end people will forget they are served by technology.”
3. Encourage employees to find others who are struggling with a problem, so they can share in the struggle together and collaborate to move forward.
4. Consider the age of employees when forming mentored groups for interventions, allowing different brackets to learn from each other and excel.
5. Introduce mindfulness exercises in which employees try to think of how they used to do a task without technology and how technology has made that task easier.



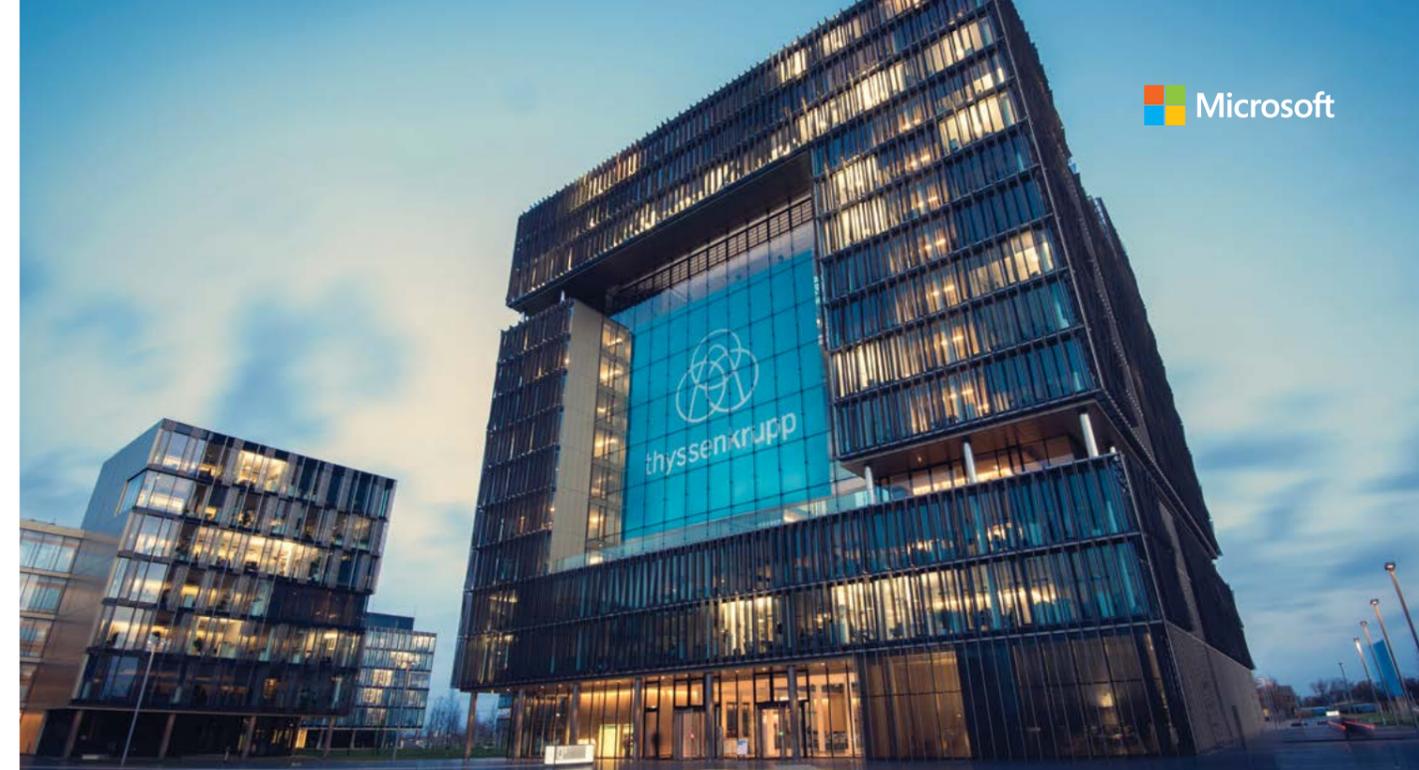
Rather than something ill-defined introduced from on high, augmentation should be discussed in a way that makes it clear how it can help employees in real terms – like saving time, improving outcomes and focusing on what they enjoy and/or are good at. These benefits should be communicated transparently, collaboratively and with a clear training plan that helps people feel immediately at ease with the technology – and understand its role as a partner in their work.

Naturally, this takes time and effort. But as the thyssenkrupp Elevator case study on p16 shows, its potential benefits are significant, in this case helping the company better equip field staff and improve customer experiences. Meanwhile, in its 2017 report, **Managing engagement in times of change**, Aon Hewitt cites a positive correlation between the percentage of employees who are highly engaged in their organisation and overall performance and business value creation.³

Thus it seems that organisations that manage to collaborate with technology and bring their employees into the journey from the outset, are more likely to foster the culture of empowerment and continuous improvement that is required to reap the rewards. Meanwhile, those that don't, and who fail to help workers grasp the collaborative nature of new technologies, are more likely to be met with resistance, disengagement and unhappiness.

Put more bluntly, it could be the difference between successfully leading an organisation into the future or getting irreparably left behind.

³ Managing Engagement in Times of Change; Aon Hewitt; March 2017



Case study: collaboration not competition

How thyssenkrupp Elevator is supporting its teams with technology

thyssenkrupp Elevator, one of the world's leading elevator companies, is using HoloLens, Microsoft's mixed reality headset, to improve its service offering and provide support to lift engineers making repairs. thyssenkrupp Elevator's CEO, Andreas Schierenbeck, explains the benefits of a human/machine collaboration and describes the company's digital transformation journey so far.

How are new digital tools, such as HoloLens, assisting thyssenkrupp Elevator's engineers?

In our world, if you're a technician servicing an elevator, you may be alone in the machine room with an angry customer asking questions. If you don't know the machine, it's a very high level of stress – you can't tell the customer you need to go and look at a manual. But, if you're connected to an expert via HoloLens, who can show you what to do, that's a big relief for the technicians. They can work faster and are more motivated. It's a great tool to help make their jobs easier.

With MAX, our IoT-enabled predictive maintenance solution, we are also working to connect more than 110,000 elevators online across four countries. Right now, we're focusing on machine learning and the processes needed to get things right, then we'll look to extend this into more countries.

How did you approach digital transformation more broadly?

With a business plan. Without one, you can't explain to your workforce what you want to change and why – you're just running around trying to be innovative. A plan helps you to focus on what you want to achieve. If your aim is to transform one of your main business processes, that will have a big impact – and, of course it's a major cultural transformation too, because it will affect the way a lot of people within the organisation work. We went for a big change and had to find a way to move our organisation in that direction. By creating multi-cultural teams from all parts of our business – from Germany to Brazil, and from CEO to technician – we are striving to get every viewpoint and align our perspectives in overcoming any hurdles.

What have been some of your key learnings?

Start the journey. Don't ignore digital transformation, because change is coming, and don't delegate it to the IT department either, as it requires strong leadership and focus. It is not only a digital transformation you are undertaking, but a cultural one that will impact the majority of the people who work for you. Take small steps to achieve success. Concepts you can show people and technology demonstrations will help take you in the right direction, and if there's a road block, you figure it out together, as a team.

05 Embracing fear

Leadership, people



As we began to explore during the previous chapter, organisations undertaking a journey of digital transformation are almost certain to experience a degree of discomfort and doubt. Leaders may be concerned about the costs and resources involved, especially if things don't go right first time. Indeed, our survey found that nearly half of public sector leaders surveyed (47%) see budget constraints as the biggest potential barrier to successfully transforming into a digital organisation when asked to pick a top 3, while 23% of UK leaders surveyed admit they are cautious about investing in large-scale technology projects due to the current political climate.

Workers, meanwhile, might well find themselves uneasy about over-complication, shifting job roles or even becoming obsolete. As we see in figure 6 below, this trend is again borne out by our study, with three-quarters (74%) of UK leaders surveyed agreeing that alterations in tasks create anxiety among employees. Almost half (49%) also find employees express fear of change when digital transformation initiatives are introduced.

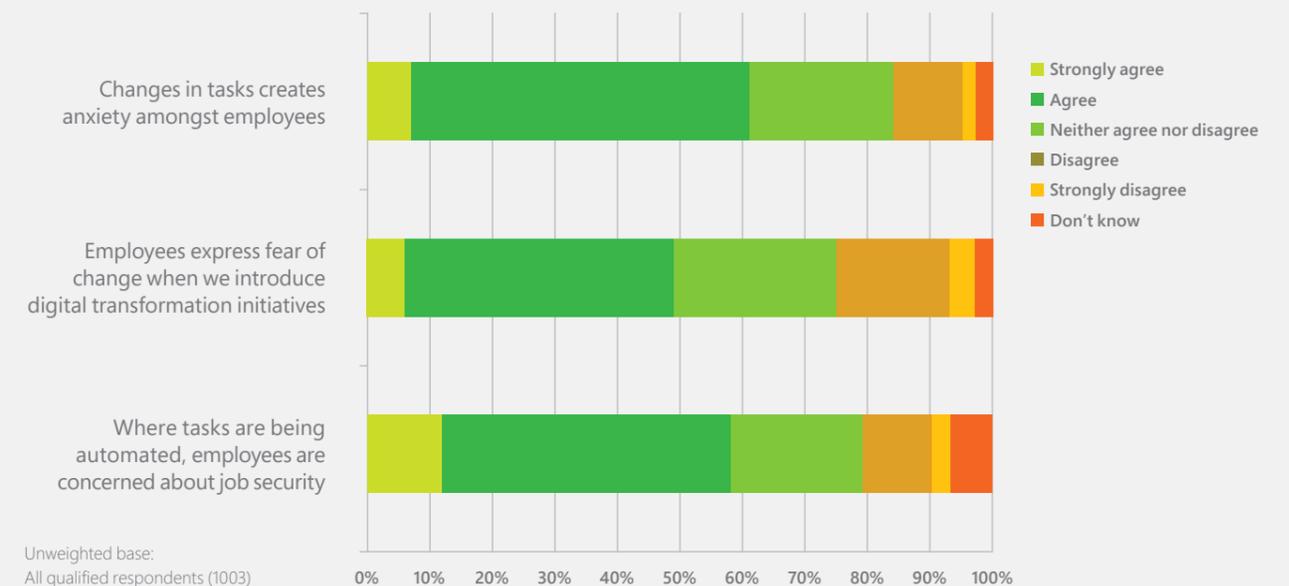
Of course, the common denominator here is change – and how people react to it.

Broadly speaking, individuals fall into one of two groups: those that fear change and underperform in these circumstances; and those that embrace it and thrive in a change-infused environment. The fixed versus growth mindsets we introduced from Carol Dweck on p10.

It follows that when it comes to the integration of new digital technologies, the first group will feel unprepared and coerced, and be more likely to develop a hostile attitude towards the new way of working. Meanwhile, the second group thrives under the pressure and challenge of adapting to new technologies, seeing it as an enjoyable and worthwhile activity that will advance their abilities.

Figure 6.
A climate of fear?

To what extent do you agree or disagree with the following statements?



“Some people are afraid of the technology, don’t want to use it, don’t feel comfortable with it, and want to keep using their old skills as long as possible. It’s vital to shift the ethos from being outcompeted or sub-genius in a genius culture, to the idea of a shared struggle where mistakes are inevitable and your team members and company have got your back.”

Carol Dweck,
Professor of Psychology,
Stanford University

“Generally, people are open to changes and new ideas. But sometimes when you tell someone they can’t use this pen, they have to use this one instead, they’re not happy. It’s the little things that might be a problem. Human nature might find it hard to overcome but we have to work with change.”

Victoria,
Tech Professional and Study Participant

Yet contrary to what you might think, these two types or people should not necessarily be seen as mutually exclusive. By creating an environment in which employees are encouraged to share their concerns, voice feedback and collaborate with each other as well as the technology, it is possible to create a culture where fear is recognised, empathetically tackled – and ultimately overcome.

Even something as simple as a ‘buddy’ system that pairs individuals from each group can be effective. Why? Because it gives the sceptics a safe and accessible peer who can walk them through the process step by step, and the more willing changers a chance to practice. Conversely, sweeping people’s anxiety under the carpet or simply pigeon-holing them as either willing or unwilling to move with the times, is a recipe for trouble.

An essential element of embracing the fear is having an open culture that facilitates employee partnerships and views technology as a way to advance human motives, not undercut them. Indeed, our research indicates an organisation that is open to trial and error, co-creation and that embraces failure as an organic part of the process will perform better than one where risk-taking and trying new things is viewed with distrust.

Furthermore, our survey reveals a positive correlation between employees’ openness to digital transformation and leaders’ ability to interpret information around it. This suggests the more an organisation’s leadership are oriented around digital transformation, the more workforce culture opens up to it.

Clearly, this failure-accepting, fear-free culture has to be driven from the top. Strong role models and mentors must understand and promote a vision for the organisation that employees can understand, buy into and feel continually part of. They must also show themselves to be open to change and give people the time to experiment with new ways of working, learn from mistakes and build on successes.

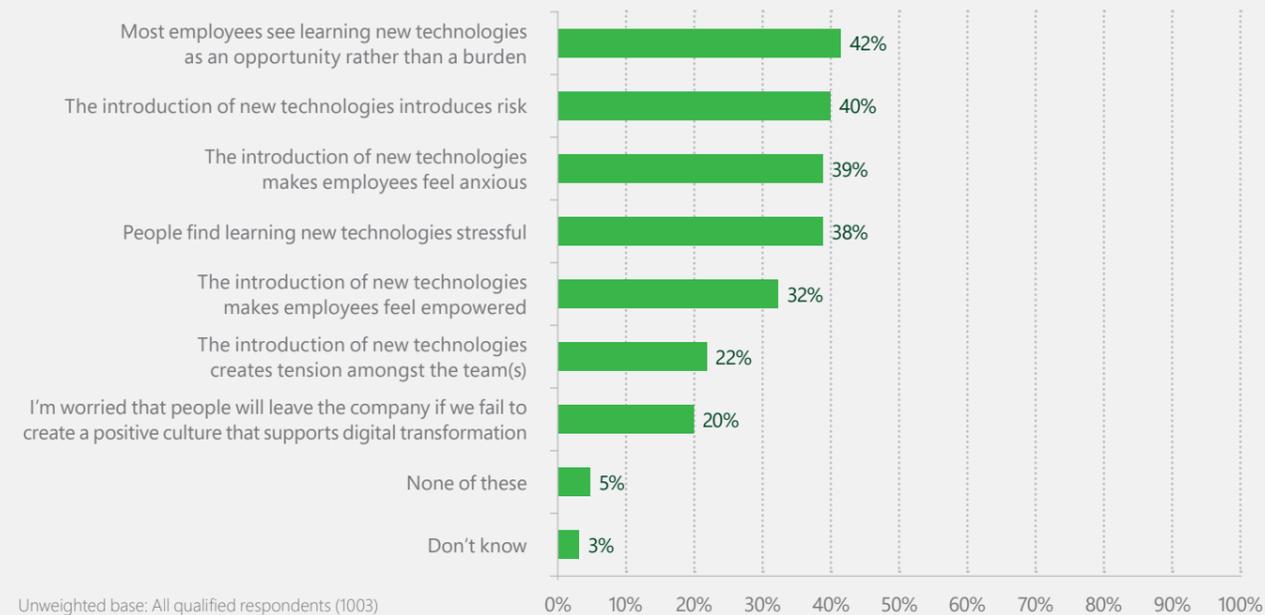
As Melinda, a publishing executive who took part in our chatbot study, reveals: **“Certain people on the team don’t really care about experimenting with digital because they know that something works from what they’ve done [in the past]. So, it’s a constant battle. Lack of collaboration, caused by fear of change.”**

Alongside an organisation’s senior leadership, middle managers have a critical role to play here. By acting as a bridge between different levels, they can: a) help make the desired culture of openness and collaboration more tangible day-to-day; and b) ensure the process of change is more individual than aggregate. This, in turn, helps break the high-level vision down into meaningful outcomes for staff.

As for leaders themselves, **figure 7** from our survey shows there is wide recognition of the opportunity that new digital technologies offer. But when we consider lines two, three and four, the level of stress and anxiety that can occur along the way is stark. Leaning into those feelings requires considerable resilience, empathy and grit.

Figure 7.
How UK leaders view digital transformation

Percentage of respondents that agree with the following statements



“I think it’s fear, money and change. Changing existing systems and starting new is hard – a lot of people look at it and say it’s too risky, too expensive. There’s always a reason not to do it.”

Phil Dobre,
CEO, Jellyfish Pictures

Thus, as with collaboration not competition, we find ourselves back at communication. Conveying the right information in the right way might sound simple enough, but as Ben Hammersley observes: “The problem is the language used in a lot of corporate transformation projects. If that language was fundamentally supportive of colleagues, the reaction to it would be completely different.”

Choosing your words carefully within an open flow of information and with a clear feedback loop is vital to embracing fear. Indeed, for many organisations, the real tipping point of creating an agile digital culture comes when leadership successfully convince employees of the logic and benefits of new technologies and are seen to be addressing their concerns.

More than a quarter (28%) of UK leaders surveyed claim digital transformation generates resistance from employees while just over a third surveyed (34%) think it will lead to older generations of workers getting left behind. That’s more than the number who believe it will be mainly a force for good (31%).

This highlights the potential risk for organisations when changes, benefits and intentions are not communicated transparently or are autocratically enforced. As we saw in **figure 6** earlier in this chapter, far from driving positive culture shift, the result may well be a climate where people are fearful, suspicious and, most likely less productive than they were before.

5 ways to embrace fear

1. Reframe the language. Be clear and transparent about what you are doing and why you’re doing it. Highlight the benefits to employees alongside benefits to the business, and try to bring the changes you want to life through personal stories, rather than buzzwords that might turn people off.
2. Be clear that you welcome experimentation and are accepting of failure on the path to success. Show this through words but also through your actions.
3. Be proactive in allowing teams the time and space to experiment, so they feel engaged in finding solutions and new ways of working with digital technologies.
4. Be empathetic and flexible, rather than rule driven. Empathic leadership promotes a sense of team and increases productivity, morale and loyalty.
5. Encourage employees to team up and put processes in place that foster a culture of dialogue, conversation and feedback, as opposed to imposing ways of working on people.



Case study: embracing fear

Why the British Medical Association has invested in change management

The British Medical Association (BMA) is transforming the experience of its members and staff by introducing practical tools like online elections for committees, confidential discussion forums and rota checkers to the 160,000 doctors who make up its membership and inspiring positive engagement across its team. CIO Ian Turfrey and Finance and Corporate Services Director Patrick Murphy explain how they’ve supported their team through the changes.

How did employees react to the introduction of new digital tools?

PM: It’s not been without its challenges. Four years ago, when we started this journey, we had a workforce that had not experienced any great change when it came to technology. We had to effectively pave the way for change and invest significantly in change management. We probably invested more in that than in the technology itself – we have staff dispersed across the UK as well – but that was the level of effort required to begin the process.

PM: Early results were painful at times. A year ago, we went to a meeting of our area managers and received a lot of criticism because we were still in the middle of embedding a new style of working. However, with the feedback from that meeting, our team was able to go away and refine and enhance the new tools to better meet the needs of our staff. Digital change requires time to embed itself into people’s daily work lives. Change can bring teething problems, but most of the issues we faced were dealt with quite quickly. By getting behind the eyes of the user, you can reframe the way you’re doing things.

How did you look to get internal buy in from your team?

PM: We wanted to create an environment that allows for positive engagement – of people being more informed, knowing what’s going on around the business and what we’re saying to the outside world. Our slick new intranet – something we didn’t have before – means people can access everything, from the BMA’s Twitter to staff blogs and everyone can stay informed about what’s happening. A lot of our leadership team use it too, helping to create a sense of engagement, which enriches the experience of working in any organisation.

IT: We’ve also found it important to identify advocates for the changes we’re making. We’ve occasionally met some resistance with people commenting: “We don’t know why we have these tools and technologies.” But, if they can see the benefits and how it can make life easier, that positive sentiment spreads.

What’s your process when it comes to introducing new technologies?

PM: We have a lot of things we want to do and we’re now in a place where, as we come up with new ideas, we can say: “We’ll do that in the first quarter or the second.” We have a good framework where we capture that information and then manage expectations when it comes to delivery. We are also making sure that new technology for members is validated and tested with our staff first. The pace of change has increased, due to the hard work we’ve done around communication and change management.

06 Demonstrating value

Structure, strategy, politics, ethics



While it can be argued that collaboration not competition and embracing fear ultimately come down to communication, the third digital challenge raised by our study, demonstrating value, is as much about 'show' as 'tell'.

Of course, it is incumbent on business leaders to make the case for change and, ultimately, be at the helm of any culture shift required to deliver it. As several of our report contributors explained, a blank page without any sense of direction or framework can be just as intimidating for staff as a non-negotiable instruction.

Yet, at the same time, true digital transformation can never be top down. Our research indicates that while the vision and strategy may be born in the boardroom – 52% of the UK leaders we surveyed agree this is the case – ultimately, it should be driven from the ground up if it is to succeed long-term.

Specifically, that means giving employees the time and resources to test, develop and report back on new ways of working in real scenarios. Their experiences, failures and successes can then be analysed objectively and used to uncover tangible, measurable benefits of the new digital technologies being proposed.

The by-product of this is a deeper sense of involvement in the journey among staff. If people feel valued and included, they are more likely to adopt a mindset of 'why wouldn't we?' than 'why should we?'. This pushes them towards trying something new with the confidence that it will improve their tasks and performance.

What's more, being able to take small, controlled steps towards a new behaviour and then consider and report their progress in a safe environment helps staff become incrementally comfortable, without feeling forced to move too quickly.

"Innovation isn't produced and handed down to different people. It's something that bubbles up in a process of experimentation and discussion."

Govinda Clayton,
Executive Director, British Conflict Research Society

"Our company is going through a big [digital transformation] project, led by our new CEO, to bring things up-to-date and in line with other leading media companies. We were asked to feed back our thoughts. It made me feel really valued and that our opinion on the technology we have to use counts."

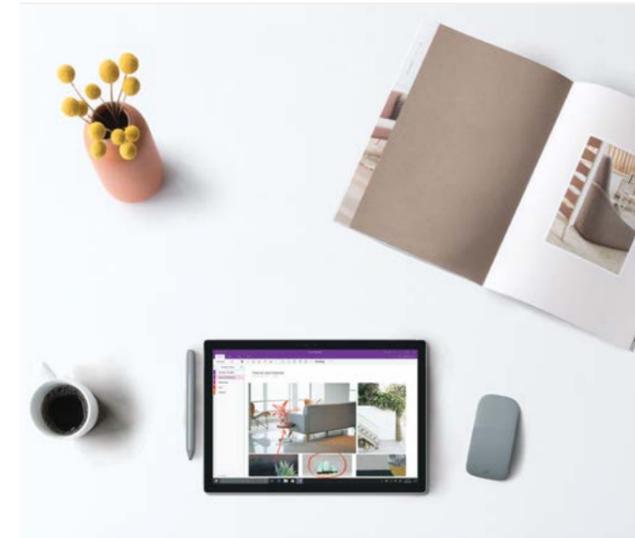
Melinda,
Publishing Executive and Study Participant

Time matters

Data from our chatbot study found that, in general, participants report more positive emotions towards digital transformation at the end of the day than at the beginning. Indeed, comparisons between morning and evening answers reveal a sense of fulfilment and confidence around change, as participants see the results of their efforts and reflect upon their achievements and task successes.

But if carefully planned pilots are crucial to digital transformation, what about the people to involve in those test projects? Clearly, for most organisations, it is not feasible to have every employee involved in piloting a new piece of AI that may or may not be rolled out universally.

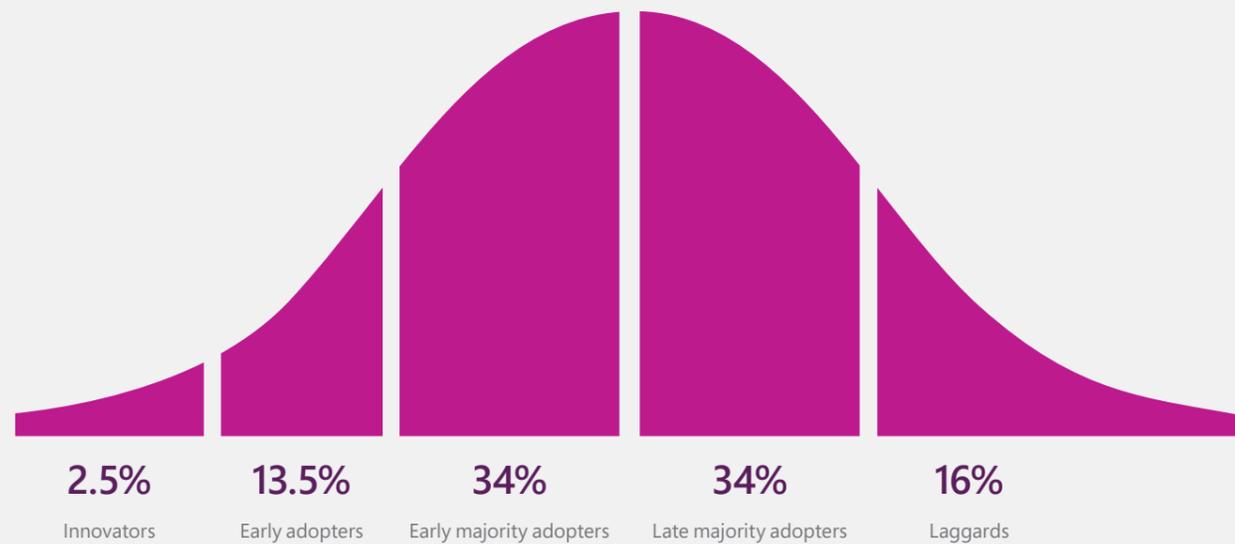
Instead, they must look to advocates beyond the leadership group. People in the workforce with an innate growth mindset, who are instinctively willing to engage in new projects across different teams and locations. To put this in terms of Everett Rogers' renowned technology adoption curve, these are the 2.5% of people who are innovators. (See figure 8.)



"I can immediately spot the innovators because they're the ones asking the most unusual questions. They're the ones coming to speak to me at the end of my presentation."

Matteo Berlucci,
Entrepreneur

Figure 8.
Technology adoption curve



Source: Everett Rogers' diffusion of innovation 1962

Often, innovators will be the first to approach leaders with ideas, presenting themselves proactively after company meetings and forums. Trusting in this method of 'natural selection' is therefore important when hoping to embed digital change. As Govinda Clayton, Executive Director of the British Conflict Research Society, explains, when innovators are allowed to self-identify proactively within an organisation, "things occur more naturally and common interests emerge much more organically."

This is good news for any organisation, giving them an instant pool of leaders (both formal and informal) who can not only shape the technology itself but also act as 'cultural carriers', helping push others towards the desired change. Trusted by peers, they are catalysts for innovation and key to showing the value of new digital technologies. Crucially, they can use their own pilot experiences to inspire others to follow their lead.

Meanwhile for business leaders – 51% of whom we surveyed agree that digital tools empower generalists to act as specialists by making information easily accessible – having clear outcomes from pilot projects not only demonstrates value to sceptical staff. It also enhances their own ability to make informed decisions about next steps.

5 ways to demonstrate value

1. Identify the innovators within your organisation. They are the people that ask questions, that raise potential problems but also who offer potential solutions. Empower them to adopt a growth mindset and experiment with new technology to foster cultural change.
2. Set out clear goals and reasons for digital transformation to your workforce. This will create an environment that encourages people to trial new ways of working, as they know why it will improve their tasks and performance.
3. Introduce new technology or processes in phases, with built-in feedback loops. This lets workers feel comfortable with new digital technologies and get used to change at their own pace.
4. Appoint change agents: individuals or teams who display the behaviours required and will motivate others to embrace transformation when they lead by example.
5. Create new key performance indicators (KPIs) that emphasise, encourage and reward digital behaviours.

Case study: demonstrating value

How employees at Jellyfish Pictures are trialling new technology to improve efficiencies

BAFTA-award-winning production studio Jellyfish Pictures has integrated Microsoft Azure with its existing render farm to allow VFX studios to work remotely and on demand, increasing work process speeds while rendering scenes in the cloud. Composer Jeremy Booth explains how being empowered to experiment with new technologies has been vital to the successful adoption of new ways of working.

Why is it important to find new ways of working?

New shows are being created all the time, at higher resolutions, with more detail. You have to evolve in terms of your infrastructure and the tools you use, so you can render at a higher resolution. There are improvements being made to technology all the time as well. The nature of our work also means that, with each project, you have to accommodate new requirements and demands from the client or even the viewers.

How do you demonstrate value at Jellyfish Pictures?

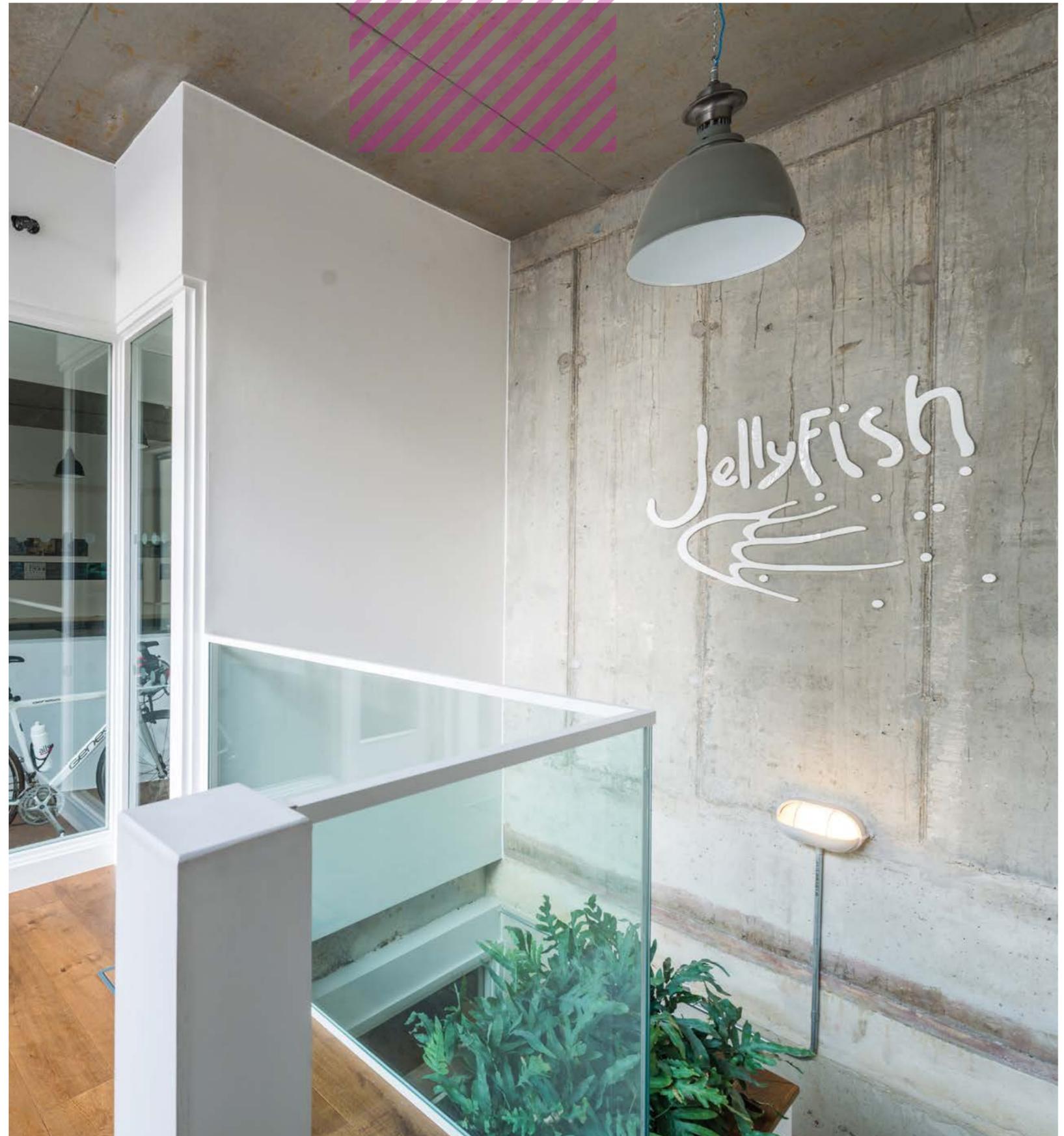
When it comes to integrating new technology into processes, management empowers you and gives you the freedom to do your research. Because they don't necessarily have the right knowledge themselves, they provide the resources and the framework for me to look at it and work with it. If I see a new or better way of doing something, I need to convince management and discuss the implications for the CTO and his team. The last thing you want to do is hold up a project because you tried something new and it hasn't worked. You can't just blindly go for it and say: "that's a great new technology, let's implement it now". It has to be a staged approach.

How does a staged approach work in practice?

Recently, we transitioned to project management software Shotgun, which helps us track the production process. It offers a lot of automation, which is one of the key things we want to incorporate into our pipeline, to avoid people spending time doing repetitive tasks. We didn't want to transition to the new system all in one go because there are certain things in the standard set up of the workflow that conflict with our current pipeline. So, we evaluated it, looked at what it did first and how, and then customised it. Then we applied it to some shows that allowed us time to experiment. It was all measured and graded and project by project, we are learning and adding new features to it.

Did you encounter any challenges along the way?

There were some concerns that implementing the new software would slow down the process and you can only really know that once it's up and running. Fortunately, graded implementation means that if there are errors, you can quickly take them out and fix it. There were also concerns raised on some projects that the level of automation – specifically implementing Shotgun – would take away some of the artistic freedom people felt they needed. We've tried to adapt the technology to accommodate that and leave it artistically free for artists to work how and where they want, especially for pitch work.



07 Respecting your ecosystem

Structure, strategy, people, technology



So far, we have examined the challenges around digital transformation from the inside out. And with good reason. As we have already seen, many of the primary factors that influence an organisation's ability to create a culture of digital transformation are driven by the people and practices within it.

But there are, of course, external elements at play here. Digital change requires disruptive thinking, new ideas and risk taking. But just like any major decision or organisational change programme, the context in which it happens is vital to its success.

Whether a small start-up or a long-established international company, understanding the political, regulatory, ethical and stakeholder ecosystem in which new technologies have to operate is critical to determining how and where to implement them.

Indeed, three quarters (75%) of our survey respondents agree that their organisational leaders have to keep pace with rapid changes in operating environments, reflecting the reality that the external climate creates major and perpetual challenges for leaders and decision-makers.

Here, the British Medical Association (BMA), who spoke to us as part of our research, provides a good example. As Chief Information Officer, Ian Turfrey explains: "Innovations allow us to run quicker and faster but we still have to keep the lights on and manage operations to make sure everything is secure, reliable and robust."

In other words, yes, achieving digital transformation is important but it cannot come at the expense of the organisation's standards of governance, data protection and its mission to support doctors during one of the most turbulent times in the UK healthcare system's history.

This is reflective of a strong focus on ethics and data protection among UK business leaders. More than two thirds surveyed (67%) agree their organisation's systems for managing cyber security threats are regularly updated to the latest version, while 54% commit to training employees regularly in countering cyber threats.

Informed decision-making?

Our study found that 47% of business leaders surveyed agree that decision-making about technology is based on rational analysis rather than internal politics in their organisation. However, 45% agree that IT decisions are often made by people who don't understand employee or customer needs. This raises the question that if it's not based on customer needs, what is this 'rational analysis' actually taking into account?

"In my company, digital transformation is not seen as real work. Likewise, culture is conceptual and it's conveyed TO us."

Estelle,
Construction Executive
and Study Participant

But ethics, compliance and even the political and regulatory landscape are just parts of the puzzle. In fact, the BMA example reminds us that the role of ‘customers’ in this ecosystem cannot be forgotten either. Throughout any digital transformation journey, organisations must ask: ‘Is the change we are making going to improve outcomes for the people we serve?’ – in the BMA’s case doctors, for most other organisations, the people who buy their products and services. If not, the change probably needs re-calibrating.

This brings us back to a point we have touched on previously. Namely, that creating an agile digital culture cannot be achieved in silos or within one small part of a company. Instead it must be sought holistically, encompassing all stakeholders and situations – both internal and external.

Thus, the final, major part of respecting your ecosystem comes down to closing the gap between leadership and staff. As Ben Hammersley puts it: **“The core vision and purpose of an organisation is the fundamental reason to have a CEO – to maintain purpose and to create a shared vision of the future.”** The challenge for leadership is ensuring that employees buy into and feel intrinsically part of that vision, as well as believing they are able to help shape the cultural shift required to get there.

What’s more, in the case of digital transformation, this is allied to a need to ‘walk the walk’ rather than simply ‘talk the talk’. As Microsoft Chief Storyteller, Steve Clayton, explains: **“Words can get pretty hollow, pretty quickly if they’re overused, and people will generally have a negative reaction to trotting out a set of buzzwords, whether it’s digital transformation or cultural change or growth mindset or anything else. Living and breathing the stories versus just using the words is the biggest lesson we’ve learned and that I could offer anyone else.”**

Of course, the challenge for many leaders is that the qualities that got them where they are in the analogue world may be different to those that will breed success in the digital one. They are therefore trusted only when they are seen by their employees to be truly competent at what they are leading them towards. Rather than be suspected of simply paying ‘lip service’ to the importance of digital transformation, they must proactively demonstrate the competence and external foresight to embrace it appropriately.

If they don’t, technologically fluent employees, as well as other informed external stakeholders, will be less inclined to believe and follow them.

5 ways to respect your ecosystem

1. Take the time to educate and reassure employees about how the process of digital transformation fits within the political, stakeholder and ethical landscape – both inside and outside the organisation. Understand the regulatory environment that you need to operate within.
2. Make sure teams are fully aware of any changes to their operating environment, including regulations that may impact the adoption of new technologies, such as GDPR, the new EU legislation that affects customer data capture and handling.
3. Encourage teams to consider and demonstrate the value of innovations, not only to their team or company, but to the wider industry as well.
4. Communicate the goals of your organisation and praise employees for engagement, trying new strategies, persistence, seeking appropriate help and improvement – not just sheer attainment. This improves morale and motivation.
5. Start meetings by going around the table and asking each person what aspect of digital transformation they are currently struggling with. This is Carol Dweck’s ‘fabulous struggle’ and following it promotes empathy and collaboration.



Case study: respecting your ecosystem

How Brighton and Sussex University Hospitals NHS Trust are innovating within the UK healthcare system

Brighton and Sussex University Hospitals NHS Trust has deployed Microsoft Dynamics 365 in its innovative Virtual Fracture Clinic to improve the service it offers patients. Lucy Cassidy, Advanced Practice Physiotherapist at the Trust, explains the importance of understanding the environment you're operating in when pioneering new ways of working.

How have you integrated this new technology into your workplace?

We've adopted Dynamics 365 software for our adult general fracture clinics, but my ambition is to roll it out into paediatrics, hand and wrist and then potentially post-operative surgery next – all within the field of trauma orthopaedics. Four years ago, we established the virtual fracture clinic, which is where patients are referred to us online, rather than having to come in for a face-to-face appointment. We launched our Dynamics 365 online CRM in January 2017 and it manages our end-to-end referral process.

Now we have all these ideas for how we want to make it better for phase two. I'm writing a business case to outline the financial savings the hospital would make, to try to secure funding. At the moment, the software isn't integrated with any of our other systems, which means there's duplication in work, so I'm trying to show that if we integrate it, as part of phase two, we'll make savings.

What challenges have you encountered along the way?

People were anxious about using a cloud-based solution, rather than an on-premises one. Our IT team was also concerned with how it would integrate with existing systems. The problem is that hospitals all over the country have so many unique systems already and they don't talk to each other, so the NHS are always wary of bringing in another new system. They want their current systems or new systems to do everything. But until we get to an NHS system where an EPR (electronic patient record) is absolutely brilliant at covering all bases, we're not going to get that.

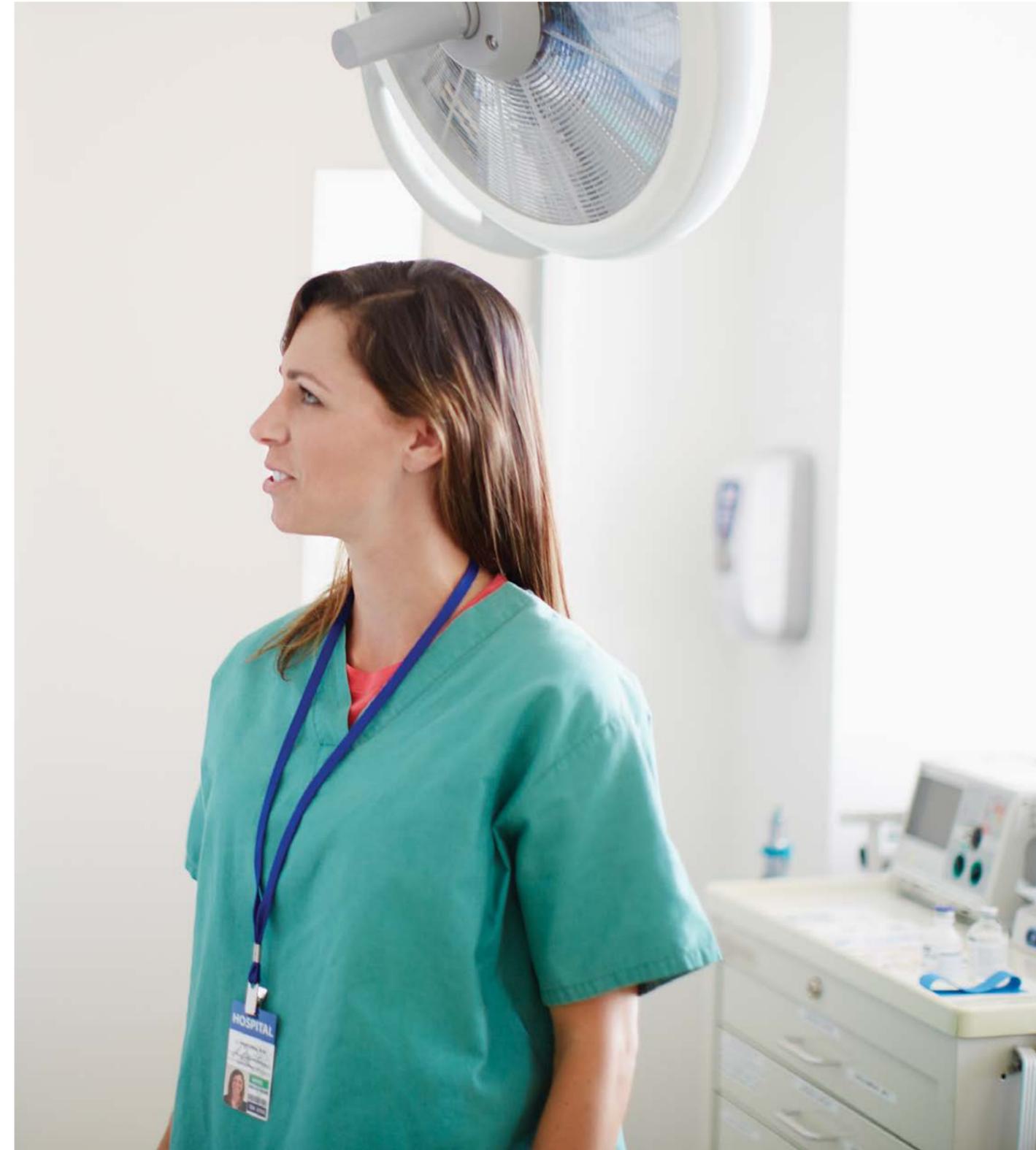
It's really good to have grassroots change like we're championing because the things that we're changing are what the clinicians actually need. But it's very hard for us, as clinicians, to then work with the policy makers and the budget holders and get them to appreciate the full extent of what we can achieve with the right financial backing.

I've found myself doing lots of things that are outside of my scope because there isn't someone central like a change management or digital transformation lead who can take that on. We've really had to push from within our department to be able to move forward. But, we've seen first-hand the benefits the technology can have for both patients and clinical staff.

What would signify value to the NHS and how have you tried to demonstrate that?

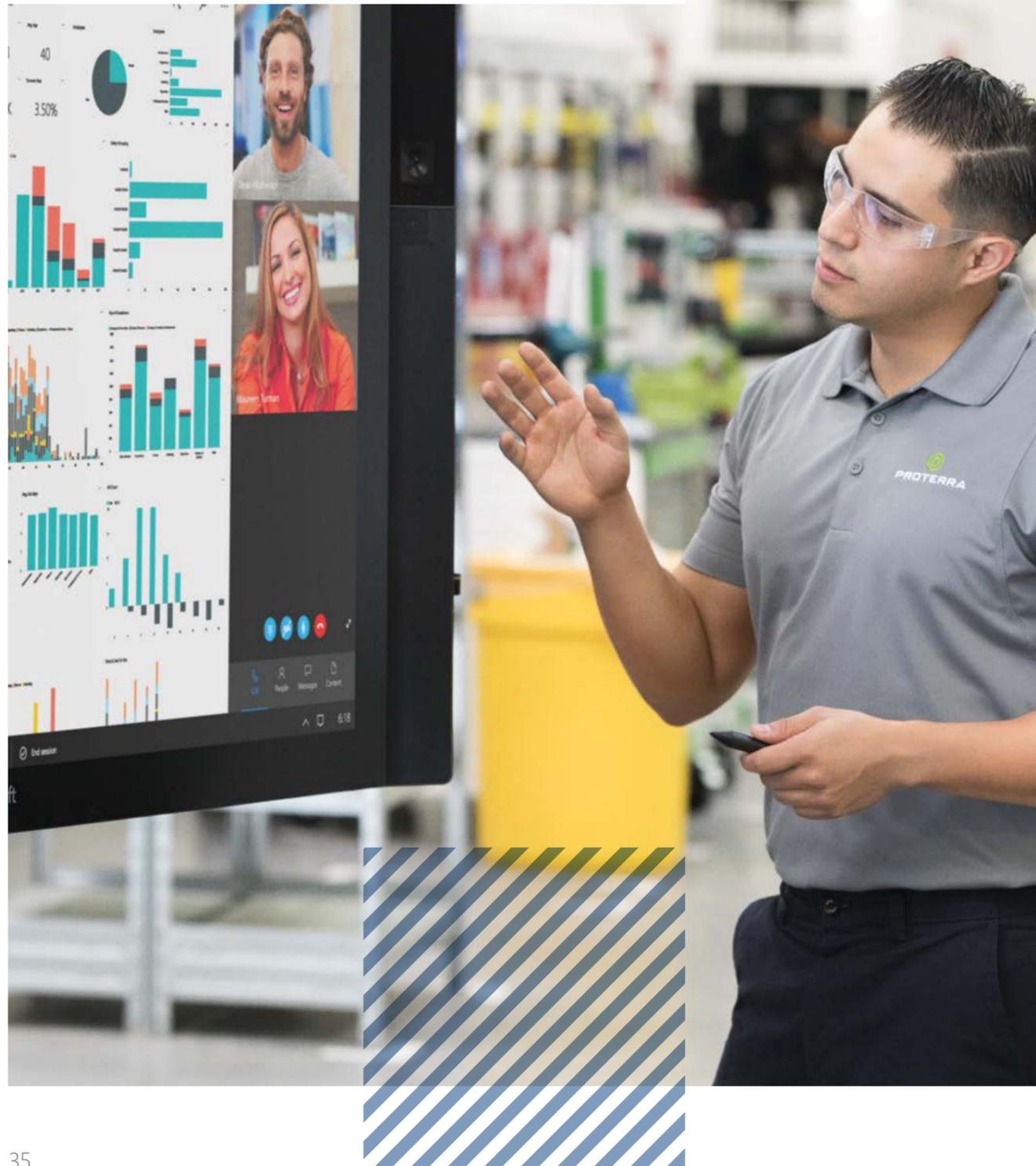
We want to show that we're setting the standard. We've gathered positive feedback from patients and have a patient focus group that we work with. We want to demonstrate how more digital improvements to the service would help people. There's a 78-year-old man, for example, who's really keen to get online access, but the interface isn't straightforward enough just yet. We're using real life scenarios from patients to show how we can improve the user experience with our phase two ideas. I also speak at national conferences to put the message out to the wider network and we've put ourselves forward for a number of national awards, which we've won, as well as doing media interviews.

In terms of demonstrating value, we know there's an appetite for it and we can meet the NHS's requirements, in terms of integrating a digital platform. Another really positive outcome for the NHS would be making sure the right people are being used for the right tasks, so we haven't got highly trained spinal surgeons sitting in clinics doing toe fractures. With this technology, we're utilising our expertise to the best level and empowering patients with simple injuries, who can self-manage, to do that.



08 Living agile

Leadership, people, structure



'We're too big to be agile' – how many of us have heard or, even, uttered something similar to that at work? But the truth is in digital transformation, the ability to embody an agile mindset and adapt to fluid conditions can and must be universal.

Thriving in a digital world requires speed and constant adjustment. To meet this shift, organisations should consider swapping traditional 'command and control' structures in favour of a more agile 'networks and nodes' approach that distributes decision-making and crowd-sources solutions.

Often, this shift is not happening quickly enough. In fact, during our survey of UK business leaders, lack of agility was considered among the top barriers to successful digital transformation, alongside excessive caution and budget constraints. (See figure 9a below and 9b on the following page).

"The defence industry talks agile but very few are actually delivering incrementally according to agile principles. Quite often, we find that it's the same people delivering change projects but with a different sticker. The Army's procurement processes and structures are still primarily focused on delivery in a mechanistic waterfall manner."

Lt. Col. John Dagless,
British Army

Figure 9a.
Barriers to digital transformation (private sector) Top 3 selected by respondents:

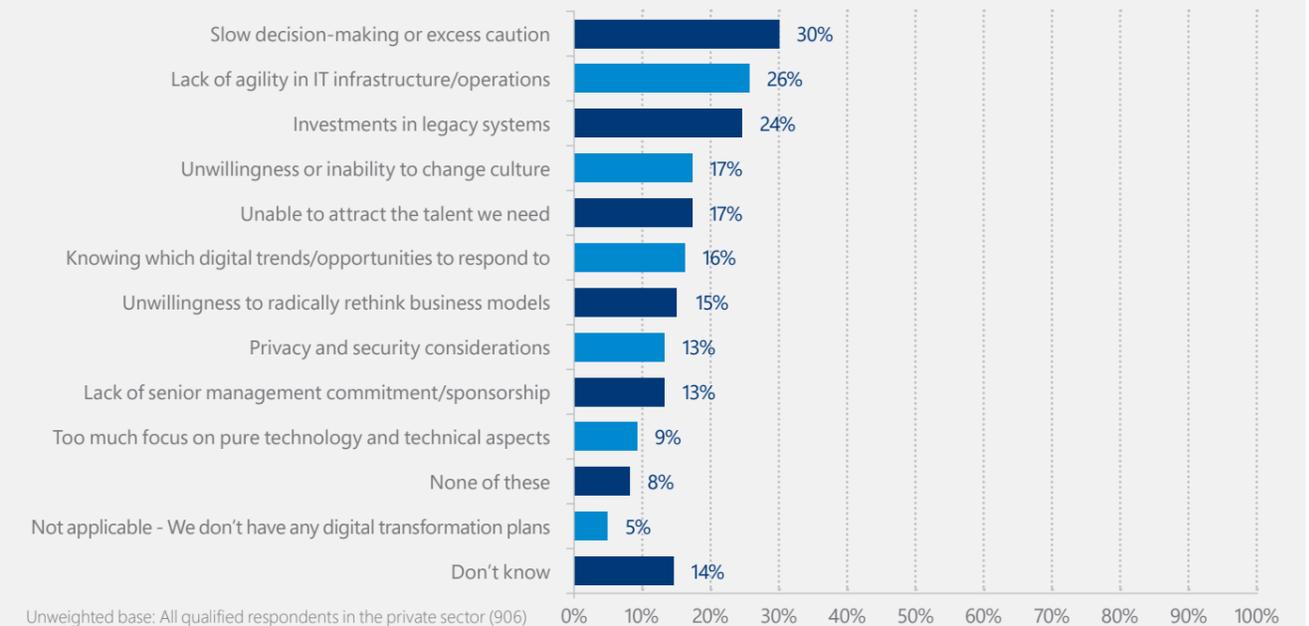
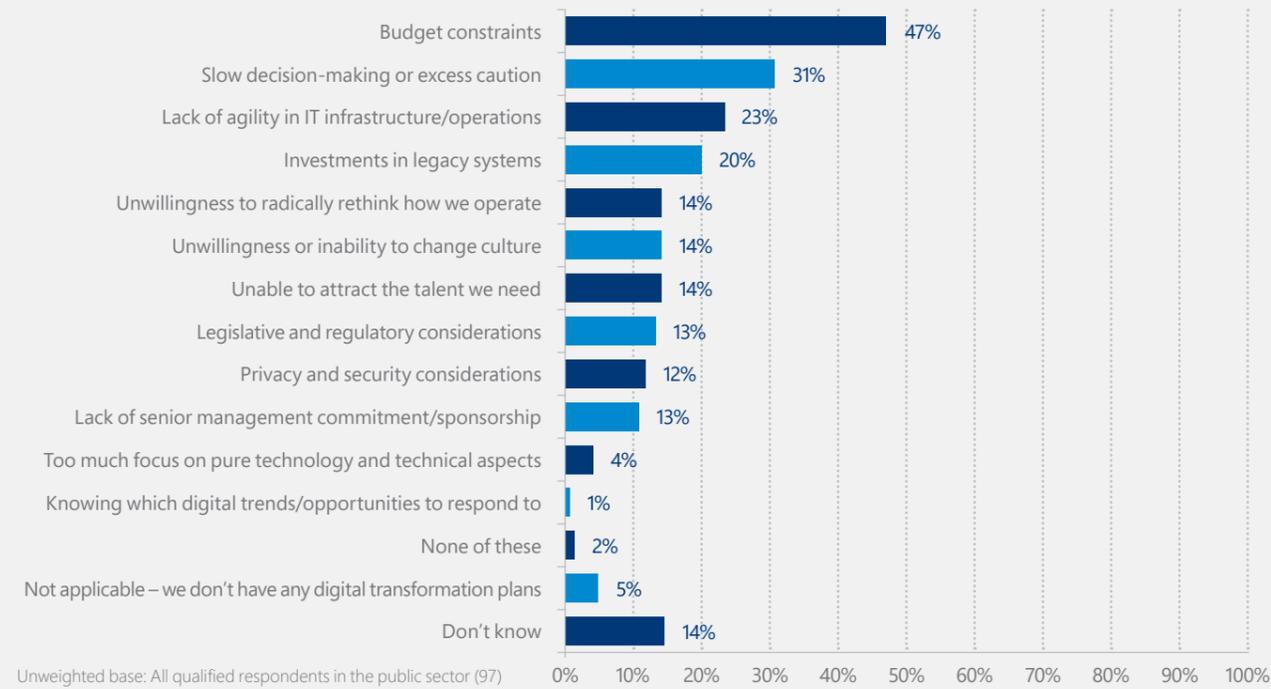


Figure 9b.
Barriers to digital transformation (public sector) Top 3 selected by respondents:



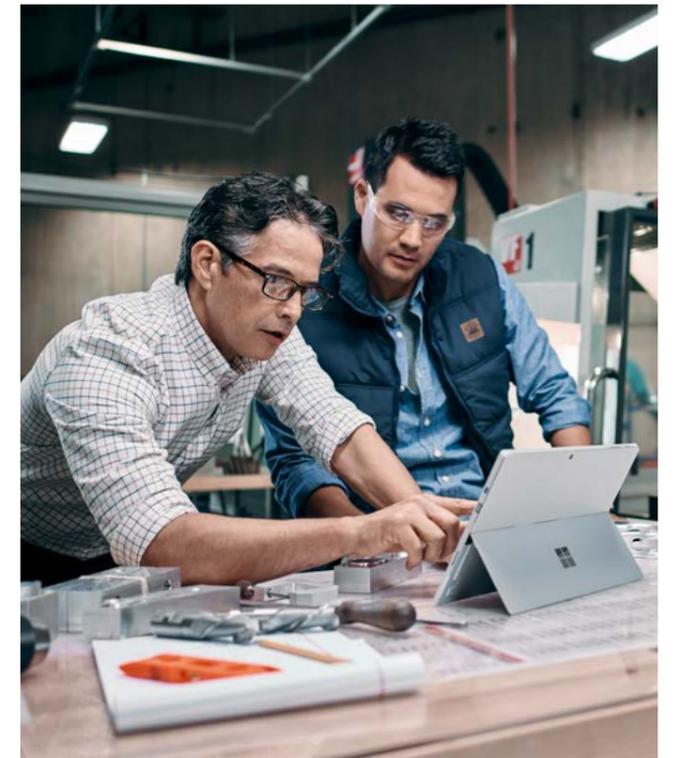
In a similar vein, training people in new technologies is often reserved for the onboarding process. Often with not enough time or resources committed to upskilling and refreshing workforce capabilities on an ongoing, and crucially evolving, basis. Simply taking new tools and putting them in the hands of people no longer works. Instead, for Clare Barclay, it's all about "considering how you gain the emotional commitment of your people and inspire them to want to change. This starts with setting a clear vision and bringing employees along the change journey, underpinned with a culture that values innovative thinking." After all, if the problem itself has changed, it follows that a new, previously unknown, solution will be required to solve it.

As with many of the other challenges we have considered so far, much of living agile comes down to democratising decision-making and creating a culture of open information flow.

As Govinda Clayton argues: "The most common reason for resistance to change is a lack of clear communication." He also believes that creating the conditions for honest, transparent discussion can help avoid conflict and prevent cynicism creeping in if technology does not immediately work as it should.

"Improving the speed at which information is delivered, and ensuring that the right people get the right information at the right time to prevent rumours circulating allows you to manage conflict better."

The conflicting experiences of two of our chatbot study participants aptly illustrate the importance of living agile. First is Mardon, who works in the financial sector for a company going through a multiple-stage digital transformation journey and is now implementing another round of digital tools, including cloud and AI services. On the other hand, Estelle works for a construction company undergoing an initial phase of digital transformation involving moving data to the cloud to make services more centralised.



"Rather than simply using the phrase 'growth mindset,' bringing it to life through actions, words, symbols and behaviours has been key to our cultural transformation."

Steve Clayton,
 Chief Storyteller, Microsoft

The critical difference between the two is how the process is being communicated and managed, especially in terms of its impact on individuals and their responsibilities. On the one hand, Mardon says he gets “a lot of support” from his management team and has “more opportunities to learn”. This agile culture of collaboration and progress between departments means he feels empowered by the changes rather than intimidated or cut-off.

In contrast, Estelle feels stressed by a feeling of inertia along with a lack of clear direction and support. She describes her company as “hesitant” to commit to new ways of working and reports a feeling that they were simply forced to implement changes because “we grew big without thinking.”

Perhaps the most effective way to sum up the notion of living agile is to think back to the S-curve model. (See figure 3, p6.) Here, as one digital innovation is embedding and moving an organisation forwards, the next one is already well underway. This is the very epitome of agility and, indeed a powerful metaphor for the digital transformation journey as a whole.

Only with a mindset of continuous, iterative, collaborative improvement can an organisation drive genuine cultural and operational change. And only then can it hope to evolve in a way that lets it meet the changing needs of customers and employees alike.

“A growth mindset [agile] organisation promotes a feeling of empowerment among its staff. It transcends the sum of its parts and people believe they can be more than they are right now.”

Carol Dweck,
Professor of Psychology,
Stanford University



5 ways to live agile

1. Consider digital transformation as an ongoing, iterative process of continual improvement. Technologies evolve, so setting out a mission for the journey doesn't mean having an inflexible end goal.
2. Don't treat the different elements of digital change as linear projects that must be completed before moving on. The most successful organisations begin the next step while still in the midst of the previous one. (See figure 3, S-Curve model.)
3. Create a feedback loop to identify points of tension and use conflict mapping to identify all the individuals, situations and interactions where conflict is most likely. This allows you to prepare and intervene in advance.
4. Starting with leadership, promote a growth mindset for the organisation where innovation and experimentation are encouraged and failure is not punished, but seen as an opportunity to learn and improve. But...
5. Accept that employees will have a mix of growth and fixed mindsets. So, when met with resistance: a) remember it is the mindset talking not the person; and b) be aware that mindsets can change. This will prevent frustration and help maintain a focus on solutions.





Case study: living agile

How London Midland became more agile

Back in 2014, London Midland, one of the big four UK train operating companies, had made cumulative losses of £7 million. By communicating and engaging better with its workforce, using tools like Office 365 and becoming more agile in its thinking, it has transformed from a loss-making company to a thriving one. Looking to now exceed £24 million in profit, Ian McLaren, Finance & Contracts Director at London Midland, discusses the journey the company has been on.

Tell us about your digital transformation journey so far.

Previously, to share information with our workforce of 2,500 people in 150 locations, we used to send emails, but only 800 of our colleagues could connect to our network, so we relied on them to print out emails and inform other colleagues. That was the only way to get the information out to everyone else. We felt that only half of these people probably read the details and, as a result, staff were really poorly informed and didn't know how they could make a difference in the business.

So, we came up with a mantra: "One version of the truth." To embody that mantra, we rolled out Office 365, creating a SharePoint repository where we could centralise everything from policies to telephone lists. As part of this process, all staff received credentials, which gave them access to things like email and Yammer. We've created an infrastructure throughout the organisation, so that everyone now has access to the truth. Our transformation to date has included the roll out of 250 Windows 10 tablets, 1,800 Windows 10 smartphones and 30 Surface Hubs, installed in key locations, as well as the creation of Yammer forums to get teams communicating and sharing information on a regular basis. This has all been supported by a huge amount of education, including training, workshops and roadshows, to push the message out.

How has management helped to facilitate the process?

At the start of our digital transformation three years ago, we did a survey asking employees how they use technology. One of the things that came through is that people wanted a more basic understanding of technology and that any training they received would be helpful.

In response, we've hired a third-party provider to go directly to people's workstations and train them on Office 365, helping them become more effective in their role. We're also building personas – continually learning how different staff are using technology and what they want to use it for.

At a certain point on our journey, for about six to eight months, we stopped introducing new tools, to allow the business to catch up. We waited and saw where people were engaging most and then concentrated our efforts there. Another thing we did was identify the people who were the most vocal and negative, then we helped them with their day-to-day problems by showing them the benefits of using the new tools, turning them into evangelists.

Do you think any business can become agile?

Is agility in our culture? Definitely not. The rail industry is a very regulated environment with a strong safety culture. The average age in the business is also 48, so these are not people who were brought up with apps and mobile telephony – there's a real mix of capabilities. We're not classically agile, but the vision was that if we could start thinking more like a technology company in terms of agile behaviours, it was going to serve us better than what we'd done to date.

We flooded the business with communications channels and hoped something would stick. Once it stuck, we focused on that and started seeing the benefits. Where we failed, we kept iterating until we hit on the right thing, it got traction and we ran with it. We've carried out staff engagement surveys to measure our success so far. Over three years, we've moved from 53% to 66% and we now have a 76% engagement score – no one else in the industry in the UK is getting that level of engagement. Those scores are really helping us transform what we do long-term.



09 Conclusion



So, what, then, should organisations take away from this report? Or to go back to our original question, how can they go about creating a culture of digital transformation that is agile enough to evolve alongside new technologies while fostering a sense of empowerment and collaboration among employees?

As we have seen and heard from our field research, chatbot study, subject matter experts and workshops, there are five key challenges that must be overcome on any digital transformation journey. Specifically:

Collaboration not competition

- The concept of working with 'machines' can be confusing and unsettling.
- Help people understand the collaborative potential of new digital technologies.

Embrace fear

- Any organisational change brings with it a feeling of fear and stress.
- Acknowledge the anxiety change can cause and proactively support people through it.

Demonstrate value

- Employees don't always buy into the digital transformation strategy.
- Offer the resources and framework for people to experiment and build on new technologies themselves. It's also important to showcase success from within the organisation to reinforce why this journey is so important.

Respect your ecosystem

- It's a challenge to align your organisation with broader politics and outcomes.
- Understand the internal and external environment you operate in and how new digital technologies should fit within it.

Live agile

- Resource constraints inhibit the creation of an agile digital culture.
- Help people move to a flexible, forward-thinking culture of continuous improvement and innovation.

Critical here too, though, is what's missing from that list. Size, shape and sector should not be allowed to become barriers in a digital world. Instead, if they are to move forwards and succeed in this fourth industrial revolution, it is up to every organisation to develop their own unique plan for digital transformation. To be responsive to change inside and outside its own four walls. And to lean into new technologies rather than treat them with suspicion.

Undoubtedly progress is happening. More than a third (39%) of UK leaders surveyed who agree their organisation had a clear and formal digital transformation strategy say it has been in place for over three years. Meanwhile, their falling concerns around the longevity of their business model also suggests change is well underway.

"If we're going to move to the next stage of our economic development we will need to train as many people as we can to be computer literate."

Nicola Horlick,
CEO Money & Co.

Yet we have also seen there is still much to be done, especially when it comes to addressing the holistic cultural shift required for change to be deep and lasting. Indeed, while ethics and technology have been identified as the primary drivers and focus areas of digital change, this report should prompt us all to ask: 'where are the people?'

Each of our five challenges to creating a culture of digital transformation are rooted not in operational concerns (although these, of course, remain vital) but human ones. Factors that help develop the overall agility of the business, and that actually shift people's attitudes towards change and transformation.

How do we embrace people's fears and anxieties about upskilling, new job roles and working in collaboration with machines to improve productivity and ways of working? How can we ensure employees at every level of the organisation feel engaged, involved and empowered in the process of change? Who are the people that can help leadership inspire others around the integration of new technologies? And how can we ensure that any transformation we make as an organisation ultimately leads to better experiences for the people we serve?

These are some of the key questions this report has sought to explore and assess, with clear, practical recommendations for how to answer them and, in doing so, overcome the five key challenges of digital change.

As our study findings show, the majority of organisations are at the beginning of their journey to adopting a true culture of digital transformation. Sometimes those steps will be small. Sometimes they will be more significant. They may not all happen at the same pace. But one thing is certain: take the right steps now and the digital culture that's created will be positive, agile and long-lasting.

To download a digital copy of this report, visit: aka.ms/digital-transformation-strategy

The 5 first steps on your digital transformation journey

1. Set a clear mission, goals and reason for digital change, including how it will improve the working lives of your people.
2. Articulate these to your team openly and reinforce them regularly through diverse communication channels.
3. Identify innovators and change agents within the organisation.
4. Provide individuals with the tools and freedom to experiment with new technologies and find pathways to achieving the mission, while treating any failures along the way as learning experiences.
5. Incorporate a clear feedback loop and establish intervention strategies for resolving conflicts and tension.

What do I do now?

If you are a small business looking to start your digital transformation journey, please visit: aka.ms/digital-transformation-strategy/SMB

If you are an enterprise, please visit: aka.ms/digital-transformation-strategy/enterprise

If you are a public sector organisation, please visit: aka.ms/digital-transformation-strategy/publicsector

If you are looking for a partner to help transform your business, please visit: aka.ms/digital-transformation-strategy/findpartner



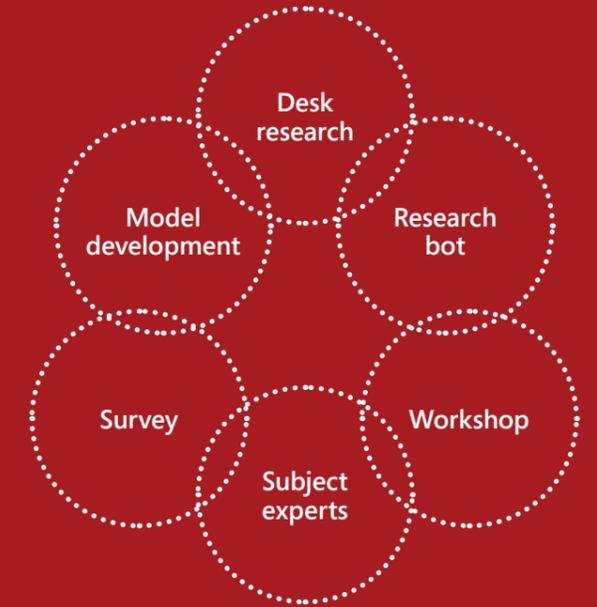
10 Appendix

Overall methodology

All elements of this study were conducted by Microsoft in partnership with Goldsmiths, University of London and Smoothmedia in summer/autumn 2017. The process of researching innovative technologies requires an agile methodological philosophy capable of incorporating a diverse range of methods.

- **Extensive desk research:** in academic and media articles and related industry reports used as a guide to form the hypotheses of the project, key issues, new ways of thinking and best practices.
- **Qualitative exploration:** including desk research and informal interviews reveals numerous conceptual models that can be used to understand digital transformation and organisational change. These are generally made up of a number of dimensions. Drawing on the best practices of these models we generate a model specific to the assessment, measurement and requirements of understanding an agile digital culture.
- **Subject matter expert interviews:** including academics, industry experts and third-party commentators focusing on verifying and commenting on the dimensions and development of key findings.
- **Digital ethnography:** a unique messenger chatbot deployed over eight days among eleven participants working across industries in workplaces in the midst of digital transformation. Ability to capture real time moments on the digital transformation journey.
- **Workshops:** After completing the digital ethnography, all participants took part in various activities to expand and understand their experiences. Qualitative factor analysis was used to identify the items associated with each dimension for input to the survey.
- **Survey:** Insights from the combination of methods and factor analysis were verified quantitatively through a questionnaire among 1,000 leaders (middle managers and above) from UK organisations. The survey was conducted by YouGov.

Figure 10. Research methods



Chatbot study

For eight days in September 2017, we deployed a bespoke messenger chatbot among 11 participants working across industries in organisations currently undergoing digital transformation. The chatbot captured real time moments and feedback from participants regarding their individual digital transformation journey. After completing the chatbot study, participants also took part in a face-to-face workshop with researchers to expand on and understand their experiences.

Survey methodology

This survey has been conducted using an online interview administered by members of the YouGov PLC UK panel of 800,000+ individuals who have agreed to take part in surveys. An email was sent to panellists selected at random from the base sample according to the sample definition, inviting them to take part in the survey and providing a link to it.

Total sample size was 1,003 adults. Fieldwork was undertaken between 22nd September and 3rd October 2017 and carried out online.

Figure 11.
Evidence-hypothesis mapping

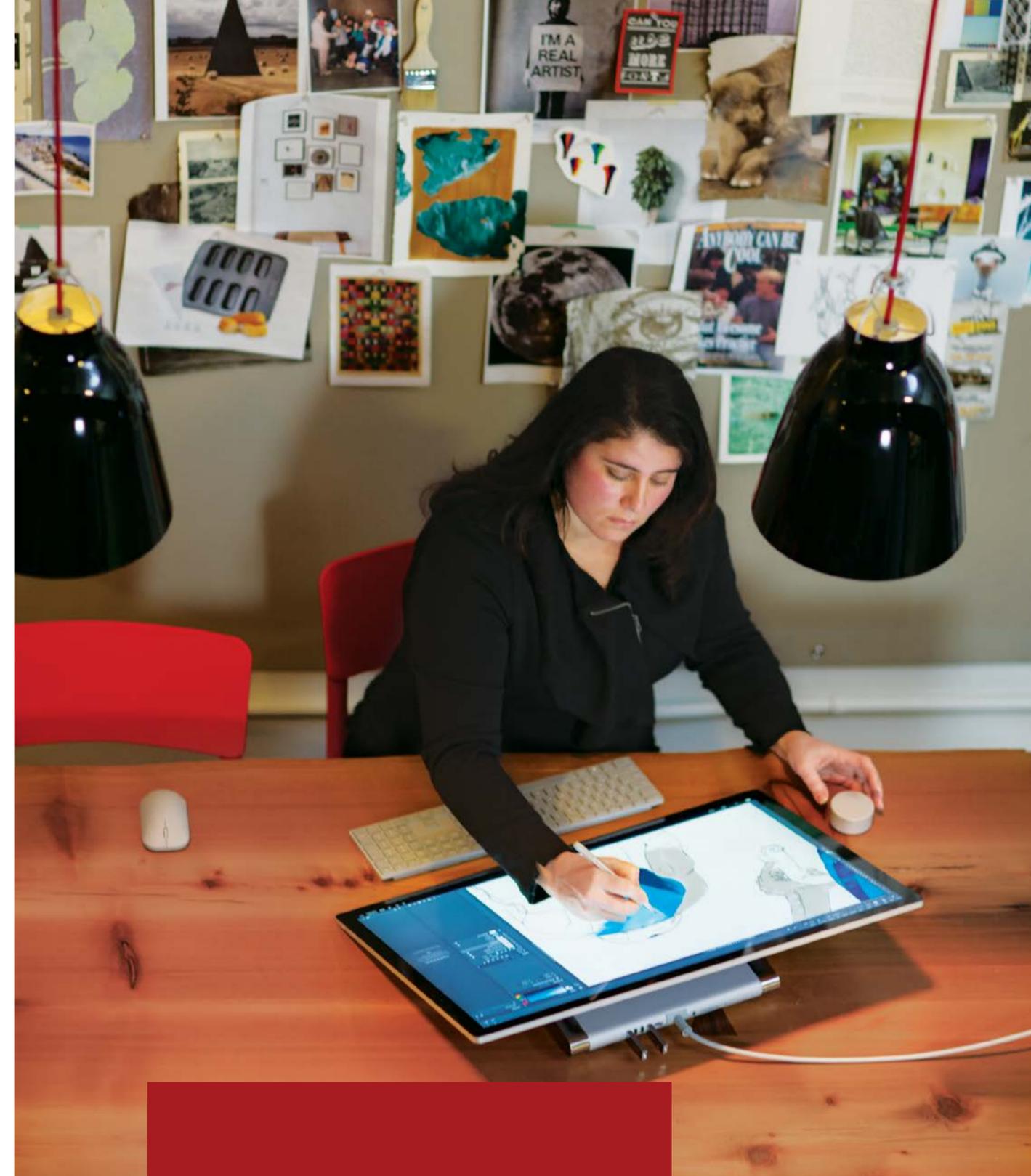
Variable	Hypothesis	Lit.	Bot	Workshop	Subject experts	Survey
People	A culture of capability and positivity supports digital transformation	X	X	X	X	X
Leadership	The ability to manage effectively in a digitally transforming world will improve performance	X	X	X	X	X
Technology	Technology that democratizes data helps workers manage risk and capitalise on opportunities	X	X	X	X	X
Tasks	Task mix needs to be optimised for exploiting digital transformation	X	X	X	X	X
Structure	Networks and nodes structures support digital transformation	X	X	X	X	X
Strategy	Different competitive strategies require different responses to digital transformation	X		X	X	X
Politics	Internal and external environmental constraints and opportunities affect digital transformation	X		X	X	X
Ethics	Digital transformation requires clear policies regarding appropriate data use	X		X	X	X

Subject matter experts

- Carol Dweck, Professor of Psychology, Stanford University
- Andreas Schierenbeck, CEO, thyssenkrupp Elevator
- Nicola Horlick, Founder CEO, Money & Co.
- Phil Dobree, CEO, Jellyfish Pictures
- Jeremy Smith, CTO, Jellyfish Pictures
- Sarah Othman, Head of Communications, Jellyfish Pictures
- Jeremy Booth, Composer, Jellyfish Pictures
- Lt. Col. John Dagless, British Army
- Matteo Berlucci, Entrepreneur
- Pete Trainor, Founder, US Ai Ltd and Author of The Human Focused Digital Book
- Ben Hammersley, Futurist, Broadcaster, Writer
- Nik Kinley, Director and Head of Talent Strategy, YSC
- Govinda Clayton, Executive Director, British Conflict Research Society
- Patrick Murphy, Finance and Corporate Services Director, BMA
- Ian Turfrey, CIO, BMA
- Ian McLaren, Finance & Contracts Director, London Midland
- Lucy Cassidy, Advanced Practice Physiotherapist, Brighton and Sussex University Hospitals NHS Trust

Chatbot study and workshop participants

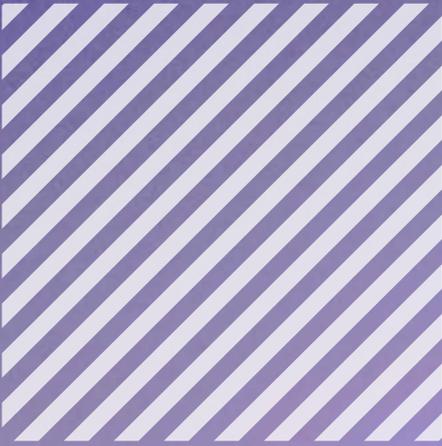
- Patricia, 25, Telco & Energy
- Keyan, 35, Education
- Kate, 45, Civil Engineering
- Melinda, 24, Publishing
- Mardon, 32, Finance
- John, 24, Finance/Tech
- Estelle, 28, Construction
- Melinda, 39, Market Research/Tech
- Victoria, 37, Comms, Marketing
- Lyla, 35, Comms, Marketing



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