


Businesses are not ready to transform (but they don't know that)...

We asked hundreds of business leaders how they were going to tackle digital transformation. The answers might surprise you.




Digital transformation is happening, but nobody seems to have noticed

Our latest research put questions to business leaders from a mix of public and private sector organisations to understand how they viewed digital transformation. Each of these organisations are UK based and have over one thousand employees, so their digital transformation projects are of real interest for businesses to learn from.

The survey showed that 84% of leaders think they have the right digital skills to head up business transformation, and yet many workplaces still use manual processes like paper timesheets. It seems that these perceived digital skills are not as developed as company heads would like to believe.

At work, we often think of digital skills as the ability to use software which has been around a long time, like training in Microsoft Office products, which have been on the scene in some form since 1985.



The real digital transformation is to be found in wider society, where cutting edge technologies are being developed all the time, with AI and machine learning now well established in sectors like retail and entertainment.

Back in 1996, the world was shocked when Chess World Champion Garry Kasparov was defeated by a chess computer, Big Blue. Today, computers can beat players of randomised games like online poker, and there are worries about poker being all we do with our time as automation threatens jobs.

Fears have recently increased around people being replaced by machines, with plenty of examples like the Japanese insurance company that has replaced 10% of its employees with automated systems. Luckily, examples like this don't mean there will be no humans at work. It just means our skills will continue to evolve alongside automation.

Although some jobs will be partly or even fully automated, many other roles will be created to fill their place. In 2017 The World Economic Forum estimated that by 2020 a third of jobs would be in areas that do not currently exist. Certainly, there are still very few drone mechanics, but this is an example of how new technologies create jobs, and don't just leave people unemployed as some might fear.

What is the real future of jobs?

96% of the business leaders we heard from have considered changing their business strategy to incorporate new technologies, as well as changing their internal processes. It's clear that in terms of leadership, the future of work is being considered when building business strategies.

But what does that future look like?

Deloitte have made some interesting comments in this area, describing what the working world might look like in 2030. Their prediction is that we will continue to move from mechanical and manual to digital expertise. With digitally native graduates and younger workers armed with previously unimaginable levels of technological expertise, there is a fear that older workers will struggle to stay employed. It's predicted that because of this, older employees will expect lifelong learning schemes as part of their contracts, so they don't get left behind. It won't just be full time careers that will change either. An increasing number of employees will continue to freelance, working for shorter, set terms of work. These workers are likely to replace full-time employees in many cases, with contracts for three-month design projects or one-year business overhauls becoming the norm.

Contractors such as these will be specialists in particular sets of digital skills, often filling skill gaps at businesses, who must work to ever tighter financial margins. This will increase through tech innovators saturating the market which will increase competition and if Deloitte's prediction is correct, then many businesses will find ways to steal ideas and quickly change them enough to gain a large market-share with products they did not even create; so-called 'copycat' businesses.



Nearly half of business leaders (47%) think a lack of knowledge/training in the digital area is a barrier to a successful digital transformation within their organisation



So how can you keep up?

As it gets harder to create new technologies and products with so many other companies doing the same, standing out in the marketplace may come from gradual evolution rather than total innovation, with small, regular changes moving businesses forward.

According to our latest research with Censuswide, 90% of business leaders have already run a digital transformation project at least once, with many running multiple projects already. This proves digital transformation is not something to anticipate for the future - it has been here for a while.


73% of those leaders surveyed felt the digital transformation projects they had run were successful in boosting productivity, which shows a positive experience around digital transformation so far. Should they want to continue with further digital transformation projects at their business, there may however be an issue. We asked them if there were any barriers around implementing digital transformation with, one possible answer being 'no barriers' to transformation. Surprisingly, only 6% currently feel that there are not any barriers to digital transformation.


This indicates there is an implicit frustration with the potential rewards of digital transformation versus the slowness to adapt - putting many of the rewards that transformation can offer out of reach.

The disconnect between fast accelerating technology and slow to evolve company culture is a big issue for business leaders. 38% blamed a cultural resistance to change as having a negative impact on their business agility, which is something that takes time to change and many people have likely experienced this at their own organisations.

Disappointingly though, 47% believe that a lack of knowledge and training are holding up progress, which is something that is not as hard to make happen quickly. With almost half of respondents experiencing this, it's a bit of a mystery as to why this isn't happening quicker.



This is an even bigger mystery when you consider that over half of business leaders responsible for commissioning a digital transformation project (54%) said it was a success, as it's financially benefitted their organisation and also led to business growth.



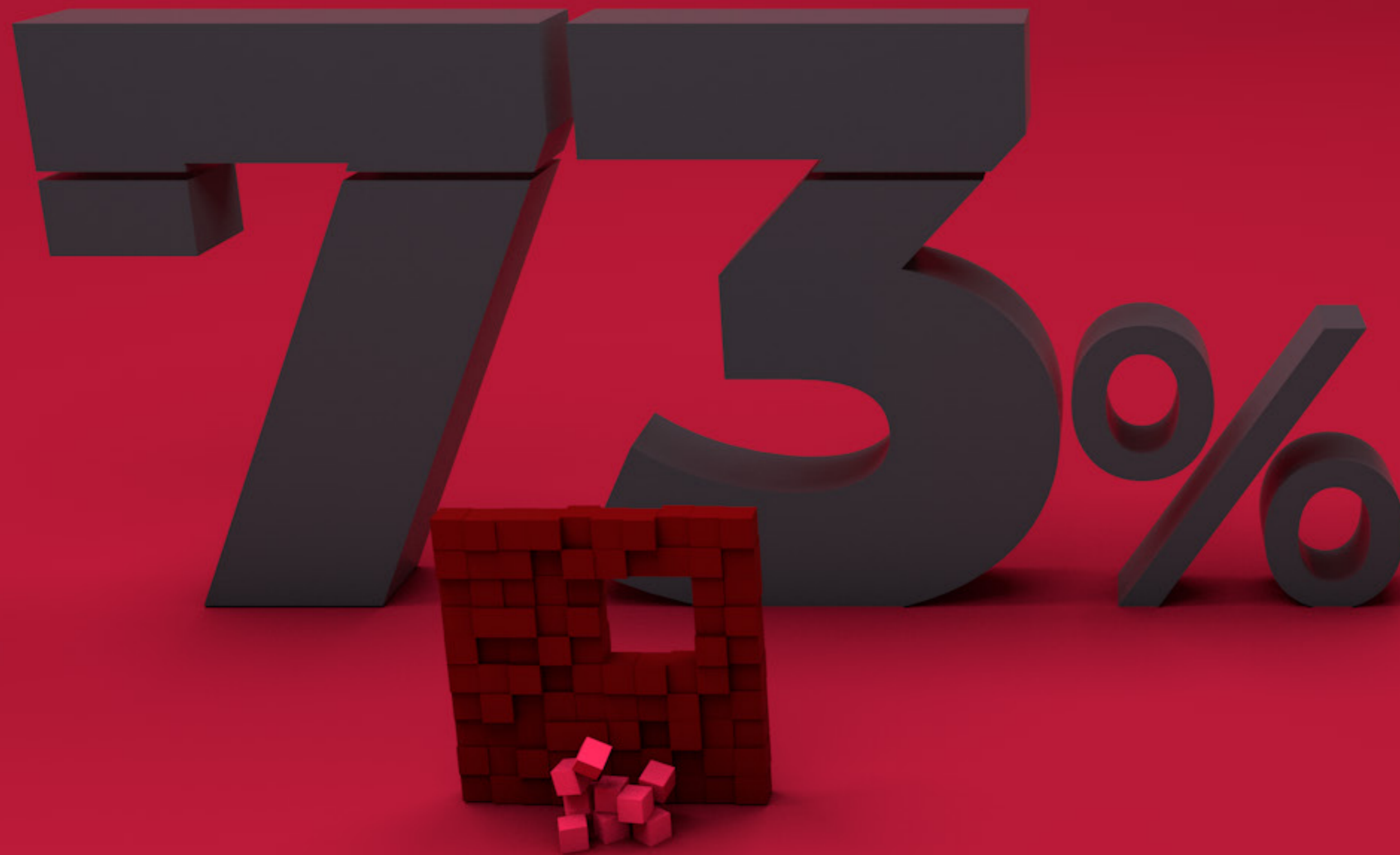


Despite the delays, company leaders know things need to change or else they will lose their competitive advantage. An impressive 73% of business leaders would like to invest more than 10% of their annual turnover into digital transformation, which adds up to a huge sum of money for all but the smallest businesses. Even then it's a significant sum for companies running with limited resources, so the importance of investing in a solid transformation plan is clear.

To give some context, in 2017 the Department for Business Energy & Industrial Strategy estimated the turnover for small businesses as £1.4 trillion and with large businesses this was £1.8 trillion¹, so £3.2 trillion combined. 10% of this is £320 billion pounds, so this would represent a phenomenal investment in the UK alone .





¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/663235/bpe_2017_statistical_release.pdf



73%

73% of business leaders would like to invest more than 10% of their annual turnover into digital transformation... this would be hundreds of billions for UK businesses



Can your HR people lead the charge?

While many business leaders are inclined to rely on the IT department to bring in new software, or try to take full control of transformation themselves, an argument can be made for HR taking the lead for the bulk of transformation work. In fact, just under 3 in 5 business leaders who wouldn't include their HR department in their digital transformation projects (58%) say it's because these projects are not their area of expertise to be commenting on.


So, are they right? HR teams work day in, day out to recruit people with the right skill-sets to meet business needs, they ensure that the working environment is safe, they handle people's data and they manage relations between employees and employers to avoid and resolve conflict, which are all great skills for any transformation journey.

If we consider the usefulness of these skills, combined with the training that HR arrange and often provide for new software orientation and lifelong learning, then it's obvious that HR are ideally suited to get people on board with any digital transformation plan.

But this doesn't seem to be the common opinion.



Only 5% of leaders felt the HR department should be the people to lead and/or manage a digital transformation project







HR departments are certainly valued. 96% of leaders did indeed say that they would listen to and take the advice of their most senior HR employee when it comes to digital transformation. But despite holding them in high regard as contributors, it was a shock to discover that only 5% of leaders felt the HR department should be the people to lead and/or manage a digital transformation project.

This was almost unanimous and shows that HR professionals are not seen as the leaders they have the potential to become. The same business leaders said IT should be the top option (42%) for leading transformation projects, despite the fact their role is to implement the software, rather than focus on the wider business strategy and internal communications.

Further evidence that HR are not viewed as leaders is shown by the 8% of respondents who claimed marketing should manage digital transformation, which is again higher than HR. Although marketing can assist with promoting change to employees, it is actually HR that has a truly holistic view of the business and its functions, so they can deliver both the cultural and technical changes necessary to lead a successful organisational transformation.

This is a clear indication that people are confused about what organisational digital transformation is, and they presumably think it's just buying software, or promoting changes through communications with their employees.





38% blamed a cultural resistance to change as having a negative impact on their business agility

How do leaders see HR?

One of the major findings of our research was that the purpose of HR in the transformation varied wildly in the collective minds of different leaders. 47% of respondents felt a key role for HR is to oversee employee consultation on changing working practices, 50% feel that training existing employees is core to what HR do, and somewhat hypocritically, 29% said leading – let's not forget only 5% said HR should lead transformation in the previous question!

Another popular answer was that HR should be responsible for the adoption of new technology and processes at 42%. This means that for each of these roles, nearly half of respondents agreed that HR is capable of leading cultural and technological change. This is strong ammunition for arguing that HR lead the digital charge, but business leaders do not seem to have understood the true sum of these parts.

How are leaders changing digitally?

While there's evidently a lot to work out before digital transformation is seen across all businesses, changes have been coming for a while and HR leaders, are consistently embracing automation.

Our survey of 250 people was also categorised by industry. Although this meant that the number of respondents per industry was much lower than the overall number we polled, the results were non-the-less interesting. These industry-specific answers showed that 93% of HR industry leaders have already implemented some automated processes. This is not only high as a figure, but also high when comparing the overall statistic with individual industries. By way of contrast, our research in these questions showed that only 33% of leaders in the transport sector had implemented automated processes , so digital transformation is clearly at different stages in different sectors.

Bear in mind this is transport leaders, not someone in the transport sector like a bus driver who uses manual controls and a radio – if the figure is this low for leaders then the trickle-down effect will take a long time. Industries other than HR are starting to get left behind, failing to see how digital transformation can benefit everyone.

Despite our survey being answered by 250 business leaders, only one respondent (yes one!) stated that they had used artificial intelligence (AI) technology as part of a digital transformation project*. While this technology is still in its infancy, there are plenty of useful AI-powered tools in the marketplace, so it's surprising to discover that so few leaders are using the latest tools for the job. This might point to a lack of relevant skills and/or lack of appetite for organisations to embrace this growing technology, due to unawareness of the potential benefits of AI.

* Based on an open response answer.

A 3D graphic featuring the text '33%' in a large, dark blue, sans-serif font. Below the text is a simple bar chart with three bars of varying heights. The first bar is the tallest and is colored light blue. The second bar is shorter than the first and is colored dark blue. The third bar is the shortest and is colored light blue. The entire graphic is set against a dark blue background.

33%

A third of business leaders (33%) have considered changing their business strategy to incorporate new technologies and changes to their internal processes but haven't made any changes yet or do not plan to make changes

Some training considerations

While there's disagreement over who should lead the transformation projects, HR clearly have many relevant skills, ideal for implementing any digital transformation requirements. In fact, 85% of leaders say they have their most senior HR person on the board.

Despite this, the organisation leaders we asked were not supportive of HR's role to lead, so it's worth looking at what kinds of training the leaders we've surveyed have done themselves in order to contextualise their answers. We asked leaders what kinds of digital-skills training or development they had undertaken and several of our respondents told us they have recently completed training in newer digital technologies. These included specific training like AI and machine learning, but many of the other responses we received were far vaguer.

Many used terms like 'digital marketing' and 'digital skills', suggesting they consider this relevant enough training to carry out digital transformation. These 'digital skills' are no doubt useful, but digital transformation requires a huge strategy which combines software, training courses, support, consultation with employees and many other elements owing to its complexity; this training could be inadequate as a result.

One quote sums this situation up better than all the rest: "I have taken some very important courses both on online safety against scams and malware as well as a few more tech savvy things"*.

These courses are described as 'scams and malware' (security breaches) and 'more tech savvy things'(which could be anything else). The security breach training is something all employees should have and is not advanced in its nature, nor will it fully prepare a business leader to transform their business. Tech savvy things could be anything, but the use of such a dated term and the inability to explain or recall the course contents clearly suggests the course was not fit for purpose, or the information was not digested. Indeed, completion of these courses sounds like a series of box-ticking exercises, not the depth of training required to plan and implement digital transformation.

Add to this the many other comments like "every type of training online" and simply "everything" and it becomes clear that many tech leaders are either complacent and over-confident in their abilities, or else do not truly understand what digital transformation is - these are both worrying prospects for their businesses.

* Based on an open response answer.



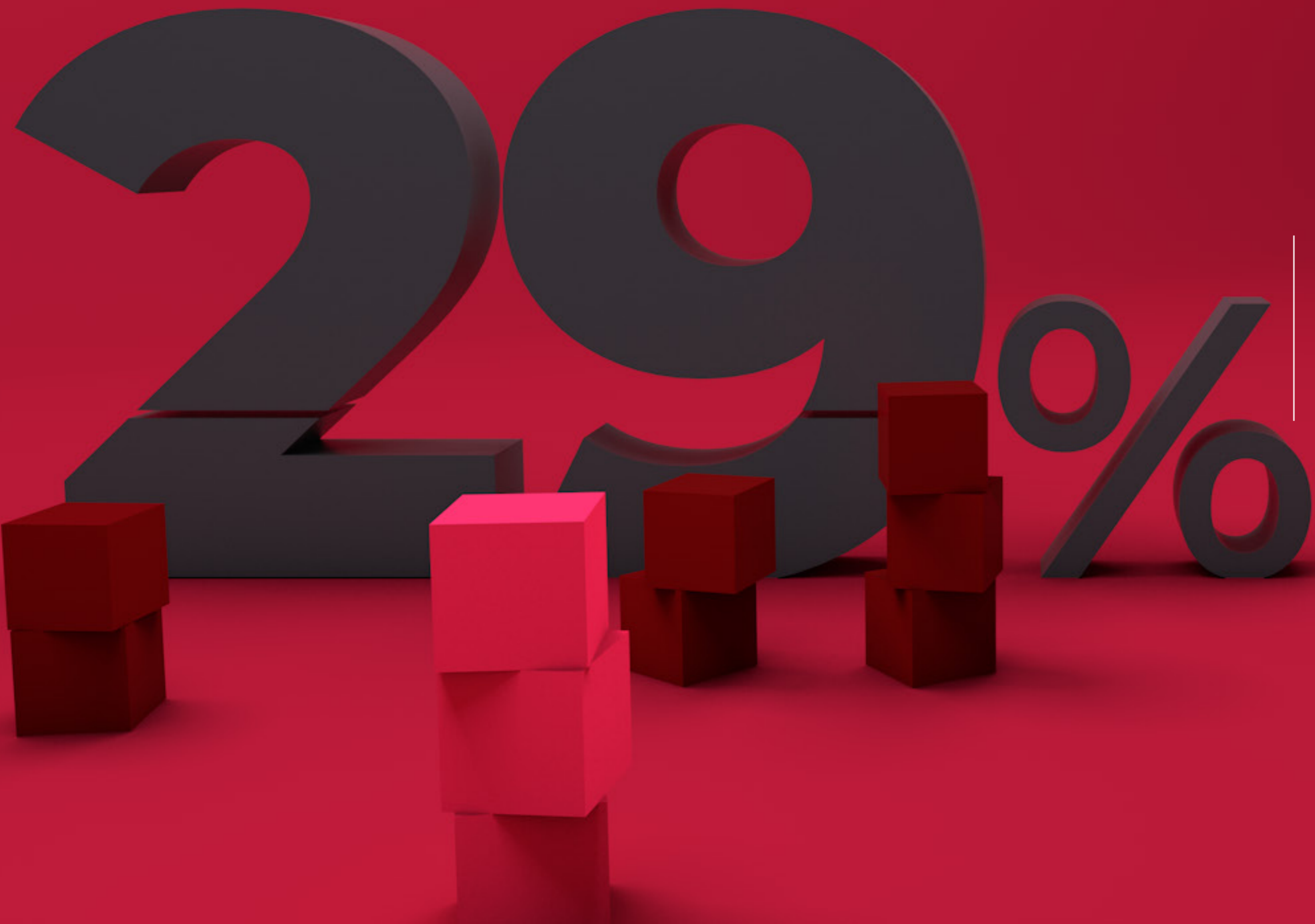
Conclusion

One thing that's clear from our research is that HR has a PR problem. With senior employees having the final say on anything being signed off, implemented or paid for, the risks associated with letting HR lead a project are pretty limited.

The risks are not real, but the lack of trust seems to be. By trusting HR, embracing change and trialling big projects with them, as well as embracing braver projects as a business, you have the chance to see the potential of your people and reap the potential results too.

To make sure everyone in your organisation is on board with HR leading projects, HR teams need their reputation to be built up from the top down, so they can create a better business from the ground up.

We've seen that there are contradictions between what HR can do, and what they get to do in reality. They're people with lots of skills, people who often attend board meetings and are well regarded, but a conversation needs to occur to change the reality into the perception and vice versa. Whatever you need to do for your digital transformation, make sure the people who know your people are at the heart of everything you do.



Under 3 in 10 (29%) business leaders who would include HR perceive the role of HR to be leading in digital transformation projects

Sources

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All figures, unless otherwise stated, are from Censuswide.

Total sample size was 250 adults.

Fieldwork was undertaken between 10th May – 20th May 2019.

The survey was carried out online.

The figures have been weighted and are representative of UK company leaders (C-Suite) in both public and private sector roles.

What's next?

Are you in the dark about digital transformation?

Perhaps you know what you need to do, but do you need a hand implementing an ambitious project?

Whatever you need for your transformation journey, we've got experts on hand who are the product of a business with over thirty years' experience, and let's not forget all our innovative ideas.

To get to grips with all things transformational, contact us in one of these simple ways:

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