Digital Transformation and Your Workforce

What you need to know to be a digital innovator

Introduction

A digital–ready workforce
is the basis for making
innovation possible.

In a rapidly changing world the jobs that make up our economy are transforming as fast as the products we use. The majority of children born today will one day pursue careers that do not even exist yet, and many jobs in advanced economies are at risk of being automated within the next 20 years. Digital innovations have completely changed the working environment as we know it.

Keeping up with the effects of this digital transformation on the workforce is a priority for CEOs and HR professionals. However, few companies are well equipped to thrive in this new work climate where everything is driven by technology.

Organizations are using digital technologies, mobile devices and data analysis to find newer, faster and cheaper ways of doing business. "It's an enabler that makes innovation happen," says Arne-Christian van der Tang, chief HR officer at TomTom. However, this requires structural, cultural and process changes in the workforce to support the flexibility and innovation needed to keep up with the changes in digital technologies.

Today's employees need specific behavioral skills to manage information, adapt quickly and work effectively in the modern workplace. This new "digital behavior" differs from the skills employees previously needed to be successful in their work. Digital transformation comes from developing employees and adapting internal processes accordingly to ensure that they know how to work effectively in the digital workplace.

Thomas de Zeeuw, managing director at Aon's Assessment Solutions in the Netherlands, says a digital-ready workforce is the basis for making innovation possible. Therefore, it is important for employers to know if their workforce is digital-ready. But what do we actually mean by digital readiness?

This paper takes a look at how digital transformation affects workforce needs and examines how employers can create a workforce that is not only digital-ready but that has the skills needed to adapt to changing technologies and industry needs in the future.

A Digital–Ready Workforce

Digital readiness enables people to successfully navigate the digital world of work and to feel comfortable performing in a digital environment. It is the willingness and ability to learn, to seek new development opportunities, to adapt to the changing environment and to be open to new ways of doing things.

Although it is often thought that younger people are more suitable for "digital working," this is certainly not always the case. They may be more familiar with the technology and tools, but that doesn't mean they're better equipped to use the technology to communicate and collaborate. De Zeeuw says you need to take a look at overall behavior, skills and attitude to know whether someone is digitally ready.

However, companies are also struggling to find the right people for their workforce because they don't know what jobs and skills they will need their employees to have in the future. It's important to first have a vision for the company and to find the right people to help make that vision a reality, says de Zeeuw.

Many organizations also struggle with how best to deal with the challenges of digital transformation. For many companies, culture plays an important role in managing the effects of digital transformation on their workforce, including the effects on the values and behaviors of their employees and the organizational structure of the company. Geke Kooij, human resources director at Thales Nederland, says there's no such thing as a "one size fits all" approach to having a digital-ready workforce.

As TomTom's van der Tang says, "Organizations are afraid of the digital transformation, but this transformation has been going on since the first PC and the PDA [personal digital assistant]." Despite anxiety about the changes, this transformation has emerged organically because new generations of workers come to experience work through their own relationship to technology. If you lead a large organization that's dealing with the effects of digital disruption on your industry, it's important, says van der Tang, to recognize the ways that changes in digital work are happening organically and to make adjustments based on these changes.

For many organizations, however, adjustment is not enough. Some companies have to reinvent themselves completely. Take ING, for example. Changes in the financial services industry have driven them to change their talent strategy. Athena Koekkoek, senior HR business partner at ING, says, "Within IT we started working in an agile way to create flexibility and speed for the organization and our customers. We have brought business and technology close together, and we work in sprints to deliver a piece of the end product every time. The traditional waterfall way no longer suits our customers and the dynamics in society."

Thales is another example of a company successfully reinventing itself. It has developed a "digital factory" in the heart of Paris that works completely differently from the rest of the company. There is no hierarchy in the factory; instead the team, made up of mainly young people, is asked by Thales Group to develop products, and they do whatever they think is necessary to make it happen, Kooij says. "If you want to be part of the team, you have to be eager to learn. How great would it be if we could transfer that culture to the entire organization? It will take a lot of time and effort, but collaboration without hierarchy is the way forward."

Digital as a Driver of Innovation
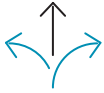
There is no one-size-fits-all, but flexibility is a very strong factor.

Even in a company like Philips, where many products and solutions are already digitally controlled, "digital" is still one of the main drivers of innovation. As Wouter van Doorm, head of HR for international markets at Philips, says, "Customers like Amazon set the standard for us. We need to adapt to their speed, experience, quality and, for example, anticipate the transparency they create for consumers worldwide." This type of customer makes the company's health-tech group extra motivated to be innovative when it comes to its own policy, culture and design, van Doorm says. But he argues that there's still room for improvement in terms of policy and working environment. How can you introduce a different way of working that attracts new talent? And how do you deal with this cultural change at your organization?

The answer to these questions at Thales Nederland was the introduction of "smart working." Freedom and flexibility are central to their concept of "smart working." "Some people love to be able to work in the evening and bring the children to school, but there are also people who are lost if they have no structure. You have to take that into account as an organization as well," Kooij says. But knowing how to use innovation to drive digital workforces will look different for every industry. "There is no one-size-fits-all, but flexibility is a very strong factor," she says.

Transforming Company Culture

Changing company culture often starts at the top, and digital readiness is no exception. Digital transformation means new ways of working, according to John McLaughlin, commercial director at Aon's Assessment Solutions. And having leadership that is willing to innovate and is prepared to work in new ways is crucial, ING's Koekkoek says. "If you want to change the whole company, look for leaders who are willing to feel somewhat uncomfortable and who dare to let go of constant control."

Vodafone, for example, uses an Aon framework to keep its top management up-to-date — for example, so that they understand why Snapchat works so well for their customers. The company created the role of a "digital ninja," a digital-ready employee who can teach senior management more about how customers use Vodafone products. Within Spain alone, Vodafone's 200-plus millennials work with senior management to understand the digital tools they use within Vodafone to get things done and serve customers.

Although there are many new plans and ideas — from hackathons to supporting startups — in the world of digital transformation, many companies are still trying to create real culture change at their organization. It's not easy. Koekkoek says that even though ING is well on its way to transforming their company culture, routines die a slow death. That's dangerous because old habits reappear in the organization," she says. Thales' Kooij agrees: "People are creatures of habit. At Thales Nederland we have introduced flex-working, but people are not yet claiming a workplace. Transforming is difficult," she says.

TomTom is also struggling to transform its company culture, Van der Tang says. "We originally aimed for an occupancy rate of 70 percent, which is ideal for flexible workplaces. Employees hated this so much, however, that the company decided not to do it. We are offering them more space, with more meeting rooms and workplaces. We facilitate what people need — that's the job of HR."

There is no solution that works for everyone, but it's important not to always stick to what you have, Kooij says.

Getting buy-in from employees can go a long way to ensuring that they react positively to changes in work processes or environments. But this culture shift also changes the type of people that an organization is looking for and the way in which talent is brought in. This shift helps create the kind of workforce you need, Aon's McLaughlin says.

Building a Digital-Ready Workforce

The question many employers face when it comes to digital readiness is this: "Should we hire people who already have the digital skills we need, or can we develop the skills of our existing workforce?" Companies are missing out on many opportunities because they continue to focus too much on traditional methods of hiring and training new workers, says Anastasia Sergeeva, a lecturer at Vrije Universiteit Amsterdam. ING, on the other hand, looks for ways to develop their current talent. Koekkoek says, "We believe that great engineers will attract great engineers. And we actually see this in practice. We have an exceptionally strong engineer population in-house who continue to develop themselves in terms of the new technologies. Developing craftsmanship is an important pillar within ING."

Employers can also take advantage of emerging labor markets such as online and open-source communities. They can think about the ways that tasks change and how that might affect workforce needs. ING, for example, has outsourced IT recruitment to IBM. Koekkoek says, "Because engineering talent is scarce, we try to make the organization as attractive as possible. After all, we are looking for people who can be real game-changers."

Aon's de Zeeuw underlines the importance of employers presenting themselves as a digital innovators. Digital talent must feel comfortable within the organization, and to attract digital-ready workers employers have to adjust both the way they recruit and their digital culture.

Recognizing Digital–Ready Talent

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When it comes to identifying digital-ready talent, employers should be looking for adaptability. De Zeeuw says that in terms of hard skills, we fish too much from the same pool. Employers tend to focus on recruiting new employees who have the hard skills they need, rather than looking at the potential of their existing workforce. Effective digital-ready talent development is not necessarily about technology skills, but about whether your employees have the right skills and competencies to adapt to the digital environment. Do they have the soft skills they need to succeed? How adaptive are they? How resilient? Are they curious and willing to learn new things?

TomTom has been testing coding skills for years, so the talent pool consists mainly of the usual (male) suspects. As van der Tang says, "We are now assessing soft skills in addition. By adding soft-skills assessment to the traditional hard-skills assessment, we see that women often score better on hard skills. TomTom also tests anonymous CVs, without ancestry or gender, to see if they achieve different results."

The Role of Artificial Intelligence

AI can also help mitigate the role of first impressions during a job interview.

Competencies that make digital working possible can be measured effectively via assessments, Aon's McLaughlin and de Zeeuw say. But how do we know which competencies will be needed in the future? Artificial intelligence (AI) can offer a solution, not only in recruitment of talent but in the development of the people employers already have in their organization. Yet AI has not always been a tool used by companies to determine future digital needs, mostly because of concerns over the nature of AI itself. This too could be changing, McLaughlin says.

As HR is increasingly using AI, the question becomes "How do we ensure that we are using it in the right way?" If we are not aware of our biases and our role in training AI, we can potentially train it to have the same prejudices we do. When seemingly innocent programming takes over the prejudices of the creators or the data it is fed, algorithmic distortions can result. For example, Microsoft had to stop the AI-based bot Tay in 2016 after Twitter users had coached it into a racist tool within 12 hours. Although HR can use AI to help develop a digital-ready workforce, it's important to ensure that the AI is as unbiased as possible.

"If you use AI, do it right by looking for people with the right skills who make working in a digital environment possible," de Zeeuw says. "Are you resilient? Do you remain curious? Can you adapt quickly? Can you deal with the new way of communicating with a team around the world? These are things that you can measure thanks to AI and that HR can and perhaps should use."

AI can also help mitigate the role of first impressions during a job interview. For example, Aon uses AI during video interviews only to measure the content of what is said, not whether someone is nervous and may appear less confident. This helps to circumvent human prejudices, and that in turn benefits diversity.

The Competencies Needed for Digital Readiness

Aon's digital–readiness model, developed to help identify where and how a person fits into the digital workforce, assesses whether he or she is able to adapt to a new environment.

Assessing candidates on the competencies needed for the future helps employers create an agile and adaptive workforce. Aon's digital-readiness model, developed to help identify where and how a person fits into the digital workforce, assesses whether he or she is able to adapt to a new environment. Hard skills matter less for digital readiness as long as employees can adapt to new circumstances and technologies.

The Aon model helps you assess behavior that indicates whether a person will be able to perform well in the digital world. The model consists of 11 competencies that are measured by looking at personality and skills. The focus is on three core competencies: ability to learn, agility and curiosity.

- **Ability to learn:** The desire to develop and improve.
- **Agility:** The ability to adapt quickly and effectively.
- **Being open to change:** Showing curiosity and enthusiasm about new approaches and initiatives.

HR directors should focus on the attitude of the employee rather than skills. The ability to learn, adaptability and openness to change play key roles in determining whether your employees can adapt to changes in the work environment needed to become digitally ready.

Although theses core competencies play key roles in the Aon's digital-readiness model, eight other competencies are also important:

- Drive to succeed
- Devising strategic solutions
- Virtual collaboration
- Mental stamina
- Dealing with data
- Business insight
- Digital communication
- Coaching mindset

Conclusion

Whether you are successful depends largely on whether you attract the right people and develop from within your organization. It is about the human element.

The digital transformation is already underway within every organization. In light of rapidly changing environments, companies will need to develop leaders and managers who can orchestrate a different work environment while keeping talent involved. HR professionals can take a lead role in preparing employees for the digital revolution.

The challenges of digital transformation within most organizations are twofold. First, how do you attract and retain the right talent? Second, how do you keep your current talent up-to-date?

As TomTom's van der Tang says, "Whether you are successful depends largely on whether you attract the right people and develop from within your organization. It is about the human element." Competencies such as the ability to learn, agility and curiosity help you focus on that human element and attract and develop the right people. To fill talent gaps, new personnel can also be recruited on the basis of these competencies. Evaluating the digital readiness of your workforce can support this process.

Our heat map — which comes with the Aon digital-readiness model — can help reveal where companies are not yet digitally ready. You can then plan the right interventions to adjust your strategy to ensure that your workforce is prepared for the future.

The digital transformation is radically reshaping everything about how we work. Creating a digital-ready workforce means building a workforce that has the behaviors and competencies you'll need to meet these changes head on.

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