



ALIGNING YOUR ORGANIZATION FOR A DIGITAL FUTURE





“A company doesn’t have to be born digital to become a digital leader.”

BOCK ET AL. HARVARD BUSINESS REVIEW, 2017

INTRODUCTION

In today’s age of digital disruption — where workers are expected to be always-on, always-connected, ultra-collaborative but also ultra-competitive — companies can’t use the same models and methodologies that they’ve been using for the past several decades. Rather, today’s markets demand more flexible models that cater to the increasingly customer-led drivers of business; where together, factors such as changing population demographics, information overload, and the need to deliver ‘bigger, better, faster’ drive necessary changes to the structures, processes and cultures of the world’s most successful organizations.

More enterprises than ever before are attempting to tackle this challenge, and are introducing technological platforms or restructuring teams as a means of keeping up. But at K2 Digital, ***we want our clients to thrive***, not just ‘keep up.’ And we argue that to build lasting success in our modern, digitally enabled economy, organizations must embrace transformation in all areas of their businesses. The solution: Digital Transformation.

Defining Digital Transformation: a prerequisite for business success in our modern economy. Digital Transformation (DX) is a much touted catch-phrase these days, and means vastly different things to different people — from implementing new technology that facilitates collaboration, to building better team structures that break down siloes in order to deliver more lasting business results, to introducing business controls that support the digital workplace while also mitigating risk from cyber-attacks, data leaks, and other threats to ‘business as usual’... To us, DX takes all of these definitions into account, and more.



We believe that successful ***DX results from a combination of three crucial factors***: Exceptional user experiences for customers (CX) and employees (EX) alike, plus improved business operations and processes (BOP) — where all points of interaction (including the technological platforms and policies, processes and procedures that underpin the user experience) are perfectly seamless and reflect the overarching values, mission, and culture of the organization.

$$\mathbf{DX = (CX + EX) BOP}$$

Or more simply:

$$\mathbf{DX = XO}$$

*Where X = Experience
and O = Operations*

This white paper explores the three fundamental areas of Digital Transformation: By bringing together Customer Experience, Employee Experience, and Business Operations and Processes into one comprehensive strategy for success, K2 Digital helps business executives to align their organizations for success in the digital future. And with $DX = XO$, we're reimagining the entire brand–customer experience, using technology to digitize business processes across organizations, breaking through silos to prepare and enable a workforce that's capable of navigating the ever-evolving marketplace, and empowered to gain better and more sustainable business results over time.

1. CUSTOMER EXPERIENCE (CX)

Customer Experience has been a buzzword for some years now, since organizations began to recognize that consumers had many more touchpoints with brands than simply through brick-and-mortar locations, ad placements, or via customer service hotlines.

Now, we've come to think of CX as “the sum of all experiences a customer has with your brand or product or company over time.” It goes beyond the borders of products, services, and user environments, to take into account the unique ways that everyday consumers interact with and experience the many layers of a brand, products or services, and company throughout their daily lives. And in our digital-centric economy, where consumers are king, we know that ***CX can make or break a brand.***

“The strategic focus on DX is reinforced by executives' focus on investment in this area. Investing in new technologies to enable digitization is the top investment priority over the next two years (51%), along with increasing data and analytics capabilities (51%).”

Forbes Insights, 2016.

This is why more organizations are prioritizing CX among their business strategies — some 72%, according to recent Forrester research. But this type of strategic focus requires investment, and forward-looking organizations continue to sink more of their IT and Marketing dollars into ***technological tools that are able to deliver on three key business dynamics:***



1. **Engagement** – Driving higher top-line growth through digitally-enhanced and streamlined interactions that are based on an advanced understanding of consumers’ wants and needs, and make each customer touchpoint more timely and personal with every interaction;
2. **Insights** – Deepening a business’s understanding of its customers, combining personal data (including user demo/psychographics, purchasing behaviour and digital mapping across social networks, websites, etc.) with predictive analytics capabilities into actionable target segments that inform marketing strategies; and,
3. **Support** – Driving new levels of speed and efficiency on the part of consumers and companies, delivering faster results and enabling more fluid, timely, and consistent customer–brand interactions across all channels.

The Next Technological Revolution will take place in 3 Levels

Adapted from Forrester 2016



CIOs Top 3 Reasons for Adopting Cloud Computing:

1. Improve agility and responsiveness to marketplace changes and customer demand, using analytics to better understand CX, and adapting products and services, marketing programs, and other elements based on what they learn.
2. Accelerate product development and innovation lifecycles, significantly reducing barriers to entry in many industries.
3. Save money, minimizing costs at the same time as optimizing margins in order to sustain their ability to continue to invest.

Lisa Heneghan & Marc E. Snyder. KPMG, Feb 2017

From a practical perspective, it’s important to recognize that **not all technology is created equal**. Yes, a certain percentage of consumers will always chase the newest shiny thing that gets presented at CES each January. But those types of innovations rarely deliver lasting business growth over the long haul.

Rather, our equation for success in CX delivery — and a key component in an organization’s Digital Transformation

for growth — relies on technological innovations that have the power to transform consumer–brand relationships across all three business dynamics.

Case in point: Consider the explosion of the enterprise cloud computing category over the last ten years. This hugely disruptive force now powers a full spectrum of strategic capabilities, including:



- Crunching data to build predictive models on the interactions that trigger the most lucrative buying behaviour;
- Building customizable MarComm campaigns that deliver against user preferences, wants and needs;
- Measuring the success of campaigns, and then feeding that back into the system in order to optimize the business over time; and,
- Offering opportunities for cross-pollination or collaboration between the various stakeholders within organizations who may wish to take advantage of the insights and analysis derived from the consumer data being captured.

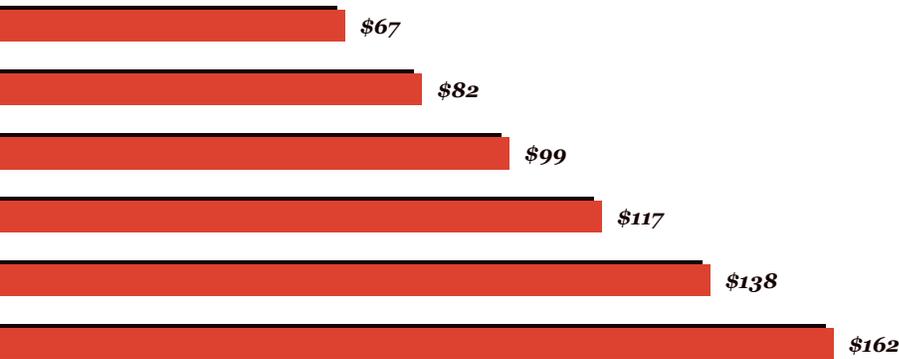
Indeed, cloud computing continues to be such a big business that the category is projected to grow at a rate of six times faster than IT spending over the next three years — from \$67B in 2015 to \$162B in 2020.

Worldwide Spending on Public Cloud Computing (\$B), 2015-2020

Average Compound Growth Rate, YE2015-YE2020, 10%

IT Spending Average Compound Growth Rate, YE 2015-YE2020, 3%

IDC, 2016



At the same time, consumers are also catching on to its utility: More than 60% of consumers polled in a recent eMarketer survey agreed that cloud-based programs make accessing information easier, while more than one-third said they'd be more likely to sign up for an online product or service if it used the cloud.

At the end of the day, **employees are also consumers**, and they need to be engaged, inspired, and connected to their employers' businesses if they're to deliver the results required to stay competitive in the digital marketplace of the future. That's where Employee Experience comes in.

“Only one-third of U.S. employees feel engaged at work; that is, only one of three workers brings a consistently high level of initiative, commitment, passion, and productivity to their job. That leaves the majority of employees less than satisfied with their work.”

ANDY MOLINSKY, HARVARD BUSINESS REVIEW, JUL 2017

2. EMPLOYEE EXPERIENCE (EX)

It's a fact: Workforces are increasingly stretched to do more with less, to learn on the fly, and to flex their hours and skillsets in order to work with colleagues and clients situated across cities,



countries, and around the globe. And while some forward-thinking organizations — Adobe, Airbnb, GE, and Tesla, among them — are taking steps to take employee dynamics into account in the structure and functioning of their workplaces, most aren't doing enough to craft workplace experiences that reward, entertain, and enrich their most valuable assets (their employees). It's no wonder, then, that a high percentage of employees feel disengaged at work.

In *The Employee Experience Advantage*, Jacob Morgan suggests that three interconnected factors influence employee engagement:

1. workspace;
2. technology; and
3. company culture.

This is reinforced time and again in studies by the likes of Deloitte, Forbes Insights, and many others. However, it leaves us questioning why so many companies do reasonably well on the more tangible areas of employee engagement (such as workspace design and technological infrastructure), while company culture often gets relegated to the backburner.

“Culture isn't a final destination. It morphs right along with the company's competitive environment and objectives. It's really more of a temporary landing place — where the organization should be at the moment, if the right management levers have been pulled.”

Jay W. Lorsch & Emily McTague. Harvard Business Review, Apr 2016.

Why is company culture so important to employee engagement? Simply put: A company's culture gives cues to its workers of 'how things get done'; specifically, the patterns of behaviour, feelings, thinking, and belief that give an organization its personality and shape both its internal processes and the way it's seen by the outside world. Numerous studies have shown that when employees feel engaged, connected to, and supported by their company — factors that are driven in large part by a company's culture — they're more productive in their work; they're more effective collaborators; and employee retention increases.

Question: When was the last time you talked with your leadership team about your company culture? If you responded “never,” you're not alone. In today's ultra-competitive market, companies are driven to deliver results, and that often requires putting your head down and working hard to get the job done. But keep pushing employees for too long to deliver exceptional results without rewarding their efforts with better EX, and you're likely to end up with unhappy, disengaged, and in many cases, mutinous staff.

If your team has ever been described as “work hard, play hard” or “lean and mean,” that's company culture in action.

Ultimately, the key to building high-performing teams comes down to building excellent employee experiences that engage, inspire and encourage staff members to deliver results now, and to sustain that track-record into the future. This involves **three fundamental factors of EX:**

1. **Enablement** – Imbuing staff with just as much power and flexibility as you provide to your consumers, by:
 - Allowing them to work when and where they're most productive;
 - Introducing digital platforms or technical solutions that enable increasingly dispersed global work teams to stay on the same page logistically and drive towards the same goals. (Note: Skype, VoIP and email have worked well to connect dispersed teams in



the past, but research indicates that employee satisfaction and productivity increase when social media tools are also introduced internally.); and,

- Relying increasingly on the gig economy, where digitally integrated “on-demand” teams of functionally trained, technical experts from all over the world come together to solve business issues and get contingent work done, then dissolve and reassemble for other enterprises’ needs.

Most companies need to do a better job of closing the loop between Customer and Employee Experiences.

It starts with making learning accessible to all levels of staff, from the front-line all the way up to the C-suite.

Watch this video for tips on how to make this happen in your organization.

2. Performance management – Combining work and learning into a dynamic overarching ethos, so employees can continuously improve their knowledge and skillsets at the same time as increasing outputs and delivering better results. (Note, though, that performance delivery must necessarily be underpinned by organizational transparency, so staff feel that they’re fully aware of how well they’re doing against their company’s business and team goals, and are involved in evaluating their progress against defined, measurable, and achievable benchmarks.)

3. Process improvement – While technical tools are fundamentally important to both CX and EX, they’re only one step on the path to a more effective digital workplace. You’ll also need to consider how your internal processes influence your business activities. The current industry standard for Development Operations teams — or really, for any group that’s looking to innovate their products and services on the fly — is agile (or scrum) methodology. And though transitioning from other workflow types (such as the waterfall model) isn’t always an easy process, agile methodology does offer a variety of important business benefits, including:

- Minimizing risk based on faster feedback cycles;
- Driving results that lead to better ideas;
- Fostering “a culture of doing”;
- Deriving data-driven, real-time results that allow you to stay on top of trends; and ultimately,
- Making a business’s end product that much more compelling both in the short term and over the long haul.

“Agile innovation is a process of taking very bold ambitions and breaking them down into the pieces of tasks to focus on them individually.... Many bold IT and eCommerce firms like Amazon and SpaceX have embraced agile innovation methodology to ramp up their growth.”

KOMAL NATHANI. ENTREPRENEUR, JAN 2017

Let’s take a closer look at how internal Business Operations and Processes come into play in the successful delivery of organizational Digital Transformation.



3. BUSINESS OPPORTUNITIES AND PROCESSES (BOP)

In our always-on and always-connected world, you'd be forgiven for thinking that technology has finally taken over — especially when studies like this one from Oxford University suggest that almost half of all jobs in the U.S. could be automated within the next two decades. And while some functions are under greater risk than others (including commodity salespeople, accountants, bookkeepers, and doctors, according to this Ad Age article), no technology will ever be able to fully replace the human factor that helps to shape the company culture and the products and services of the world's most forward-thinking businesses.

Rather, today's ambitious organizations ***harness leading-edge technology to facilitate those human factors***. Because ultimately, Digital Transformation isn't only about the front-end user experience. It's also about accelerating the pace, effectiveness and efficiency of back-end Business Operations and Processes (BOP), in order to deliver more of what your customers want and need in a timely and cost-effective way.

In the white paper entitled "Digital Darwinism 2.0," we explore the significant moves being made by global brands to digitize business processes. Technology has the capability to radically transform BOP in very positive ways. A small sample of process improvements brought about through digitization might include:

- Digitizing supply chains to speed up processing times and gain data-driven insights into customers;
- Connecting disparate teams in order to promote more balanced and decentralized decision-making; and,
- Augmenting the products and services that customers want most, including potentially personalizing a brand's representation to drive better and more authentic brand-customer experiences.

Ultimately, technological innovation has the potential to drive gains in efficiency and resulting cost reductions, but note: We're not advocating that organizations take up technology for technology's sake. On the contrary, ***the biggest gains come about for businesses that are able to bring people, processes, and policies in line with their technical platforms***. In this way, technology becomes the grease that lubricates a business's many moving parts — the people, products, and processes that drive successful bottom lines for organizations — and keeps all of those vital parts moving synchronously.

Future-proofing your business's success over the long haul requires an enterprise-wide approach to DX that's supported from the top-down, but is also promoted from and connected to every moving part of a business from the ground-up:

- ***From the top-down*** – DX has been proven to be far more effective and longer lasting when the C-suite engages in the process, identifies it

"At any company committed to a new direction, the top brass has to show 100% buy-in in words and deeds. This does not happen merely through command, or through informal behaviour. It requires rules and codified practices that certify leadership support."

Strategy&, 2013, p.9.



as a top strategic priority, invests in its success, and codifies the practices via new policies and processes that drive home the need for innovation and the value that DX can bring to the organization as a whole.

- **From the bottom-up** – Executives can hammer out the best-laid plans for implementing DX within their organizations, but calls for innovation will fall flat without staff buy-in. And to achieve that, you've got to work from within, to recognize the vital role that each level of staff plays — front-line workers, managers and corner-office executives, board members and beyond — in slowly but steadily shepherding change throughout the organization.

And while you're at it, ensure that you're protecting your investment by putting into place a governance model that not only supports employee collaboration and communication, but also protects against potential risks from data breaches or other slips of security or privacy.

Cyber-risk is real. In 2016, IBM found that 60% of all cyber-attacks were carried out by insiders to a business — three-quarters of which involved malicious intent, while the remaining one-quarter were chalked up to inadvertent behaviour on the part of employees.

95% of organizations have workers who try to override security and web restrictions,

according to a 2017 report by cybersecurity firm Dtex Systems. [Learn more here.](#)

Whether it's due to malicious behaviour on the part of staff members or cyber criminals, or just simple human error, businesses need to protect themselves. The best way to do this is to **introduce business controls that support the digital workplace while also mitigating risk from cyber-attacks, data leaks, and other threats to 'business as usual.'** And not

surprisingly, protective measures suggested by the biggest names in cybersecurity go back to the core elements of DX:

1. **Employees** – In the ever-evolving world of DX, this issue transcends the old “change your password frequently” advice. Yes, lax employees can fall prey to phishing and spoofing threats, but the danger is that employees are introducing footholds to cybersecurity issues in other ways, including using anonymous web browsers or VPN services as means to hide nefarious actions. Thus, it's vitally important for employers to take steps to build awareness among staff members of the potential threats (and to identify likely repercussions, should a staff member be found legally responsible for introducing cybersecurity issues into an organization).

“Training employees on how to sensibly use technology and avoid traps is a team effort... The responsibility for proper training cannot solely be placed on HR... You need to have a strong marriage between HR and IT to develop and train and engage employees together.”

KATHRYN MOODY. AUG 2016, HR DIVE



2. **Processes** – Put practices and policies in place that identify your most valuable systems and data, and give them the strongest defenses and most frequent monitoring.
3. **Technology** – New solutions come out every quarter that promise to provide a harder line against cybersecurity breaches. But ultimately, some of the best safeguarding comes from knowing your data and where it resides, monitoring network activity, and putting policies in place that manage the types and sources of software that your employees use on a regular basis.

CONCLUSION - DX SUCCESS DOESN'T HAPPEN BY ACCIDENT

No one ever said that transforming an organization would be easy. At the end of the day (or the fiscal quarter!), an organization's DX initiatives are only as successful as all of the moving parts that are involved: the Customer and Employee Experiences that contribute the human factor to your business's products and services, combined with the Business Operations and Processes that underlie how your company works to meet and exceed its targets. And all of this is supported by the technical infrastructure that allows you to deliver on your company's mission while staying competitive from a cost and output perspective.

Luckily, companies like K2 Digital can help to smooth the path for the business-critical transformations that companies like yours are going through to become digitally native. We understand the vital interconnections between customers, employees, and operations, and recognize the instrumental role that technology plays in underpinning the culture, relationships, and business processes that allow organizations to thrive, even in the face of our digitally disrupted economy.

We've had the opportunity to apply our Digital Transformation methodology to countless organizations, and know what it takes to reinvent the brand–customer experience, to build better and more sustainable business results for our clients over time.

HOW K2 DIGITAL CAN HELP

At K2 Digital, we believe that organizational transformation must always start with experience — of consumers and employees. We know that when people are invested, inspired and engaged, they're more likely to champion a brand, to become passionate advocates, and ultimately, to drive sustainable growth. But inspiration and engagement require awareness, and building a great and long-lasting organization requires the "Consumerization of Employee Experiences" — where best-in-class technology and forward-thinking business roadmaps underpin learning- and information-support solutions that are as simple and intuitive as consumer-styled experiences; where in-depth training and skills-development teaches employees to deliver unparalleled service and product knowledge to customers in ways that build sustainable growth with every interaction.



Together with our sister company, Klick Learning Solutions (KLS), we work with clients to balance the inseparable organizational components of experience and learning that are vital to driving future-forward businesses ahead.

Learn more at www.k2digital.com.

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