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Harnessing the Power of Knowledge Sharing with Digital Transformation

Digital technology is a hot topic in business today, and for good reason: Social, mobile, big data, and other digital resources and tools can help organizations connect and collaborate more effectively, enabling them to drive revenue, scale resources, and attract top talent.

There's just one problem.

Companies are investing in digital resources, all right, but in many cases, they're merely bolting them on to business-as-usual practices and processes, rather than using them to make fundamental changes in how employees work together and share knowledge and information. It's those deep changes that allow the digital workplace to drive greater productivity and, ultimately, profitability for the business.

"Strategists often equate the term 'digital transformation' with a shift in technology investment, when its true implications span far beyond technology," according to Altimeter Group, whose research shows that while 88% of companies report they're undergoing a digital transformation, only 25% have a clear understanding of what that means.[1]

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Companies that grasp what the digital workplace is really all about and are willing to assess and change the ways in which people, data, and applications connect across their organizations can lay out a clear, confident path to digital transformation. By fostering a digitally driven culture of collaboration, and creating a true digital workplace, they can break down silos, share knowledge more effectively, and compete more successfully than ever.

And there's no time like the present to get started. While many companies may not understand exactly what digital transformation entails, the majority of business leaders today seem to agree that it's imperative to move more quickly toward technology change.[2] Why wait, only to be outpaced and outperformed by those who seize the opportunity now?

First Things First: What Defines the Digital Workplace?

Perhaps more to the point, what *doesn't* define the digital workplace? While you can certainly characterize it as a workplace that uses digital tools — from enterprise software to email, and everything in between — it's important to understand that the digital workplace is more than *just* a workplace that has these tools.

Here's what a few experts on the topic have to say about it:

- Technology solutions provider Avanade defines the digital workplace as one in which employees use digital tools with a clear purpose: to drive business advantage.[3]

- A Deloitte report points to the strategic integration and implementation of digital tools as defining characteristics of a digital workplace.[4]

- Strategist Sam Marshall, writing in CMSWire, says the digital workplace isn't about the technology per se, but about technology as a catalyst for new ways of working.[5]

Clearly, the common thread in all these definitions is that the digital workplace is defined based on how a business uses digital tools — and not simply that it does use them. But for all that consensus, there remains what Avanade calls "widespread confusion" on this point. Research commissioned by the company found that "84% of respondents incorrectly believe that email and social media capabilities are all that is required for a digital workplace."[6]

As this paper will make clear, organizations that understand how to create a truly digital workplace will reap tremendous benefits, from driving down costs to driving new revenue. But realizing those benefits requires seeing technology as enabling, rather than defining, the digital workplace. And that shift in vision starts with understanding the issues and challenges that led to the emergence of the digital workplace to begin with.

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How We Got Here: The Need for New and Better Ways to Connect and Collaborate

Technology in the workplace has "forever changed the ways in which employees connect, collaborate and communicate,"[4] as Deloitte describes it — and that change continues today at a more accelerated pace than ever, for three key reasons:

The need to capture knowledge: With 10,000 baby boomers retiring daily,[7] recruiters advising employees to change jobs every three years,[8] and Millennials averaging two to three jobs in their first five years out of college,[9] people are leaving their jobs at a rapid rate — and taking valuable acquired knowledge with them. Companies need to find ways to capture and easily share this knowledge across their organizations.

The need to manage information: Today's explosion of data shows no sign of slowing,[10] and that means there's more information available in the workplace than ever — and also that it can be far more difficult to find and use. Companies have to be able to manage this information so that it's readily accessible to employees.

The need for speed: The rapid pace of business requires that employees have the agility to collaborate more easily and efficiently, in order to meet key business goals such as higher productivity, faster time to market, and lower cost of operations. That requires improved processes for connecting and communicating with each other.

The role of technology, then, is to enable an environment that offers people new and better ways to connect, collaborate and communicate in the service of meeting critical needs. That's what the true digital workplace and the digital transformation it represents are all about.

Digital Transformation: Redefining How Companies Do Business

An analysis published in the journal *MIT Sloan Management Review* tells us very simply that digital transformation is the use of technology to radically improve performance or reach of enterprises.[11] That's a straightforward statement that suggests a profound level of organizational change. Looking at interviews with executives conducted by the MIT Center for Digital Business and Capgemini Consulting, the study identifies three primary areas in which organizations are undergoing digital transformation today: operational processes, business models, and customer experience.

Transforming Operational Processes

One of the early explorers of digital transformation was IBM, which as far back as 2011 advised creating and integrating digital operations as the first step on a strategic path to digital transformation.[12] The analysis published in the *MIT Sloan Management Review* specifically suggests digitizing processes to refocus people on more strategic tasks and using collaboration tools to facilitate knowledge.[11] McKinsey & Company recommends looking in particular at collaboration as a key area for operational process transformation, pointing out that "digital leaders place a premium on internal collaboration, creating processes and teams that integrate various functions across the business and developing incentives for sharing."[13]

Transforming Business Models

In its own earlier report on the findings of the study conducted with the MIT Center for Digital Business, Capgemini Consulting describes the work as an attempt to

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> — Karel Dorner and Jurgen Meffert, McKinsey & Company

identify the elements of digital transformation from the perspective of large-company executives — and asks the question "How can senior executives successfully lead digital transformation?"[14] The analysis in the *MIT Sloan Management Review* asserts that existing models must undergo substantive change as part of the process of digital transformation, and that driving changes to business models requires strong executive leadership. "Companies are not only changing how their functions work, but also redefining how functions interact and even evolving the boundaries and activities of the firm,"[11] as the authors of the article state. They specifically describe three building blocks of business model transformation: digital modifications to existing businesses, the creation of new digital businesses, and digital globalization.

Transforming Customer Experiences

The impact of digital transformation on organizations extends beyond internal operations and business models to influence the customer experience. Forrester goes so far as to say "the customer experience is at the heart of digital transformation,"[15] noting that 63% of decision-makers put "improving the online customer experience" at the top of their list of strategic priorities for digital initiatives. The *MIT Sloan Management Review* analysis identifies three components of digital transformation associated with this: using technology to increase the understanding of the customer, such as the use of analytics to adjust restaurant pricing based on customer behavior related to weather, proximity to closing time, and other factors; using it to enhance sales conversations, as when a medical device salesperson uses a tablet with videos on it to enhance the interaction with a physician; and conducting digital initiatives to improve service. An example of that last component is a bank that established a Twitter account to respond to customer issues — and used crowdsourcing and information-sharing among employees and customers to efficiently provide the information to resolve problems.

Benefits of Digital Transformation

What is the ultimate value of undertaking the digital transformation of an organization? What tangible benefits does it bring? Here's a look at some of the most compelling.

Better customer service.
The preceding section offered a glimpse of this in the example of the bank that combined a social media presence with improvements in information sharing. The key? A knowledge sharing platform that allowed the bank to crowdsource answers to customer questions.

Faster time to market.
Better customer service is one advantage of a digital strategy aimed at limiting the time people have to spend finding information. Another is that it makes it possible to roll out new products and services more quickly — which in turn can lead to competitive advantage by making it possible to get to market faster.

Being able to scale resources.
When a company uses digital technology to consolidate knowledge sources, for example, it makes knowledge easily shareable among many people — even as the number of people who need that knowledge grows. A shared platform that everyone can use to access consolidated knowledge will serve more people as the company grows and as employees leave, without requiring more investment in technology.

The power to attract top talent.
People are clamoring to work for digital leaders, according to a recent study by *MIT Sloan Management Review* and Deloitte. The authors note that "employees will be on the lookout for the best digital opportunities, and businesses will have to continually up their digital game to attract and retain them."[16]

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> — Jason Bloomberg, Forbes

Companies that hope to compete in what Altimeter Group calls "an era of Digital Darwinism, where businesses must adapt or die," need to act quickly to pursue these benefits. Many business leaders agree. According to Altimeter Group research conducted on behalf of Cognizant, 63% of executives revealed that the pace of technology change in their organization was too slow.[2]

"Clearly we have work to do," the Altimeter report states. "It starts by making the case, ringing the alarm bells, and creating a sense of urgency that puts threats and opportunities front and center."

Challenges Along the Way

The challenges to successful digital transformation aren't insurmountable by any means, but it's important to be aware of them.

Getting everyone on board. Digital transformation requires strong business executive leadership, and it needs the active support of IT, too.[16]

Avoiding change for change's sake. As Jason Bloomberg (who consults and writes on digital transformation) puts it, "If it ain't broke, don't fix it. The focus of transformation should be on changing what needs to be changed to improve the bottom line."[17]

Letting go of old ways. It may sound obvious, but you can't build a new digital workplace on legacy systems. You have to let them go, which leads to our next point.

Making the investment. Yes, transformation requires a financial investment in new technology platforms and assets[19] — but it's an investment that will pay off in a more productive workforce and a more competitive business. The key is keeping investments proportional to the value they can deliver.[19]

Five Steps to Digital Transformation in Your Organization

1. Assess your digital business maturity.

You can't get where you're going if you don't know where you are now. Assessing the current state of digital business maturity helps you know what to do next in terms of developing digital skills, hiring, making changes to processes, and so forth. And what does "maturity" mean exactly? Let's use the cloud as an example.

In early-maturity thinking, people are still seeing technology as an end instead of a means to an end. *"Hooray! Let's move to the cloud!"*

In mid-maturity thinking, companies use technology to deliver business benefits (although they tend to focus on tactical rather than strategic goals). *"Let's use the cloud to improve customer service!"*

Companies that have achieved digital maturity,[10] as MIT researchers describe it, combine digital activity with strong leadership to turn technology into transformation. *"Let's use the cloud to completely rethink customer service!"*

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" To explore new, digitally-enabled business opportunities companies need to invest in a diverse set of technology skills. "

— Patrick Hoberg, Helmut Krcmar, et al., Initiative for Digital Transformation

2. Carefully craft a digital strategy.

What are you trying to accomplish with digital technology? Think it through and document it with a thorough digital strategy that aligns technology plans with corporate objectives. Be clear about what you're trying to accomplish. For inspiration, look at how successful digital companies approach their strategies.[20] And remember: A strong digital strategy can accelerate digital maturity. According to MIT and Deloitte, 80% of digitally maturing companies have a clear and coherent digital strategy, compared to only 15% of companies at the early stages of digital maturity.[16]

3. Create a culture of collaboration.

We've made the case throughout this paper that one of the transformative qualities of digital technology is that it can reshape for the better the ways in which people share information and collaborate. But for that transformation to take place, you need a corporate culture that strongly supports — even celebrates — collaboration to begin with. MIT and Deloitte point out that digitally mature companies tend to support collaborative work environments, and that support needs to start from the top down. They quote study participant Mohamed Hedi Charki, an associate professor at EDHEC Business School: "Managers need to go beyond saying digital is a good thing and do it. They need to do it themselves and play the game themselves."[16]

4. Build a strong set of digital skills.

"To explore new, digitally-enabled business opportunities companies need to invest in a diverse set of technology skills."[21] That's the conclusion of the Initiative for Digital Transformation, whose 2015 survey on the topic points to a significant gap between the skills companies believe they need for successful digital transformation and the skills they actually possess. But while this is a problem among companies in general, it's important to recognize that the "digirati" — or the companies that are digital leaders — are actually investing heavily in this area, at a rate about twice as high as that of other companies.[22] It's worth following their example if you want to ensure that your company will be able to reap the benefits of digital transformation.

5. Recognize the need for change management.

According to McKinsey & Company, "70% of change programs fail to achieve their goals, largely due to employee resistance and lack of management support,"[23] pointing up the need for effective change management to help ensure the success of any digital transformation initiative. Successful change requires buy-in across all levels of the organization — particularly among senior executives — and setting, communicating, and managing expectations are all extremely important. That's because, as one consultant pointed out, digital transformation is a more visionary, aspirational kind of initiative than, say, a project to implement ERP or other systems.[24] The nature of digital transformation makes across-the-board engagement by executives and employees critical to successfully managing the changes associated with it. Managing change is something you can tackle internally or, if the challenge seems too daunting, with help from a company that specializes in it.

Are you ready to seize the competitive advantage that true digital transformation can deliver to today's businesses? The ability to realize the considerable benefits of digital transformation relies on having a solid understanding of what it means to operate a digital workplace, a clear sense of the opportunities and challenges digital transformation poses, and a clear strategy for tackling them. We hope the information in this paper provides a good start.

About Bloomfire

Bloomfire exists to organize knowledge and expertise, and make it accessible and shareable with the people that need it most. Our easy-to-use, elegant software is used by thousands of employees at leading companies for social learning, customer service, and sales & marketing alignment. With Bloomfire, collaboration is easier, work gets done more efficiently, and employees and customers are more satisfied. Bloomfire is headquartered in downtown Austin, Texas.

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