UKG

Improving Workforce Performance Through Digital Transformation

Guidance for implementing strategic principles
to help you achieve your organizational goals

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Introduction

True digital transformation leverages technology as a foundation to provide timely access to information, enabling better, faster, and more insightful decision making. It is not only a technology strategy, but also a means by which organizations evolve the way they do business.

Artificial intelligence, robotics, intelligent automation, and the industrial internet of things are enabling organizations to connect across their businesses, creating ecosystems fueled by real-time information like never before. This access to data and connectivity empowers employees to make the right decisions at the right time, increasing efficiencies while supporting agility and innovation.

This transformative process is happening at a rapid rate. Eighty-seven percent of CEOs expect to see a change in their operating model through technology in the next three years.[1] For organizations to optimize the full value and ROI of those investments, they must drive collaboration between that technology and their workforce.

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Why now? The big opportunity to accelerate performance and reduce costs

The results of digital transformation are manifold. Organizations experience dramatic performance improvements and cost reduction, increased workforce engagement, and greater customer loyalty.

A survey of Fortune 1000 executives found that the vast majority — 80.7% — view their big data investments as having successfully generated business benefits.[2] Only 1.6% characterized these efforts as a failure.[3] Whether the economy is growing or shrinking, digital transformation efforts will accelerate top- and bottom-line growth while also providing advantages against competitors seeking to capture market share.

Additionally, the current stage of business operation and evolution has made cost-saving efforts and profit-making opportunities harder to find. Labor is virtually every organization's biggest controllable cost, and at the same time the largest value creation mechanism. Yet management teams tend to invest heavily in the areas with the least disruption, such as buildings and equipment, while digital initiatives tied to labor are often de-emphasized in favor of less "emotional" projects such as automation, capital improvements, outsourcing, supply chain digitization, and R&D.

For organizations to compete in today's increasingly competitive global market, they need to have the labor available to drive digital execution and meet strategic goals. The urgency to transform is paramount, and emphasis on labor strategies must be prioritized.

Access to information as a mechanism to drive workforce performance

While technology is the *foundation* of digital transformation, people are the driving force. It is the intersection of the workforce with technology that will foster a more powerful future of work.

To realize the full value of transformation, organizations must not only have access to the right real-time data, they must also provide that data to their workforce. Driving connectivity and collaboration between people, IT systems, and business processes empowers the workforce to make informed decisions while building a culture of trust that will help organizations stand out from the crowd in the battle to attract skilled talent.

So how can organizations shift their practices to leverage the benefits of engaging their workforce effectively in digital initiatives? There are multiple opportunities:

Define and drive better strategies via better decision making

The workforce is traditionally starved of useful information. Employees are frequently told to "just do the job" and not given any context or insight into how that work impacts larger initiatives. Excel spreadsheets are mined using tools such as pivot tables, and the information discovered is often dated and unusable. The latency of that data results in disjointed workflows, limiting the ability of employees to make informed decisions that support the strategy and goals of the organization. In this state, organizations cannot increase the operational agility needed to support the rapid shift in consumer demand.

Leaders can counteract this in two ways. First, by connecting the workforce with the real-time data needed to support strategic decision making. This can be done using the technology and analytical tools needed to provide insight into the data available. Second, leaders must encourage an all-inclusive look at the data available to ensure it supports the goals in the most effective way possible. Implementing these practices will both inform and empower employees, aiding in the improvement of overall performance.

Empower employees to maintain top talent and reinforce organizational culture

The history of employee empowerment and engagement through digital transformation is short and fraught with false starts and empty promises. The term "employee engagement" is itself overused, especially in the last 30 years.

Now is the time to transition employee empowerment from buzzword to actionable reality. Why? Employees who are empowered on the job are a major component of a strong corporate culture, which is critical to retaining top talent. Per Gallup, strong cultures fuel an engaged workforce, and teams that score in the top 20% in engagement realize a 41% reduction in absenteeism and 59% less turnover.[4]

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Fostering a strong culture is central to attracting talent. Skilled labor shortages, combined with the need to find new ways of capturing cost savings and driving profit-making opportunities, are the two critical circumstances creating the need to finally follow through on the promises of engagement and empowerment. Skilled, high-performing employees will always be in short supply, whether unemployment is at 3.5%, 6%, or 10%. The need to compete for this talent and satisfy the list of requirements they demand is crucial to their retention. The ability to attract and retain that talent is key to remaining competitive.
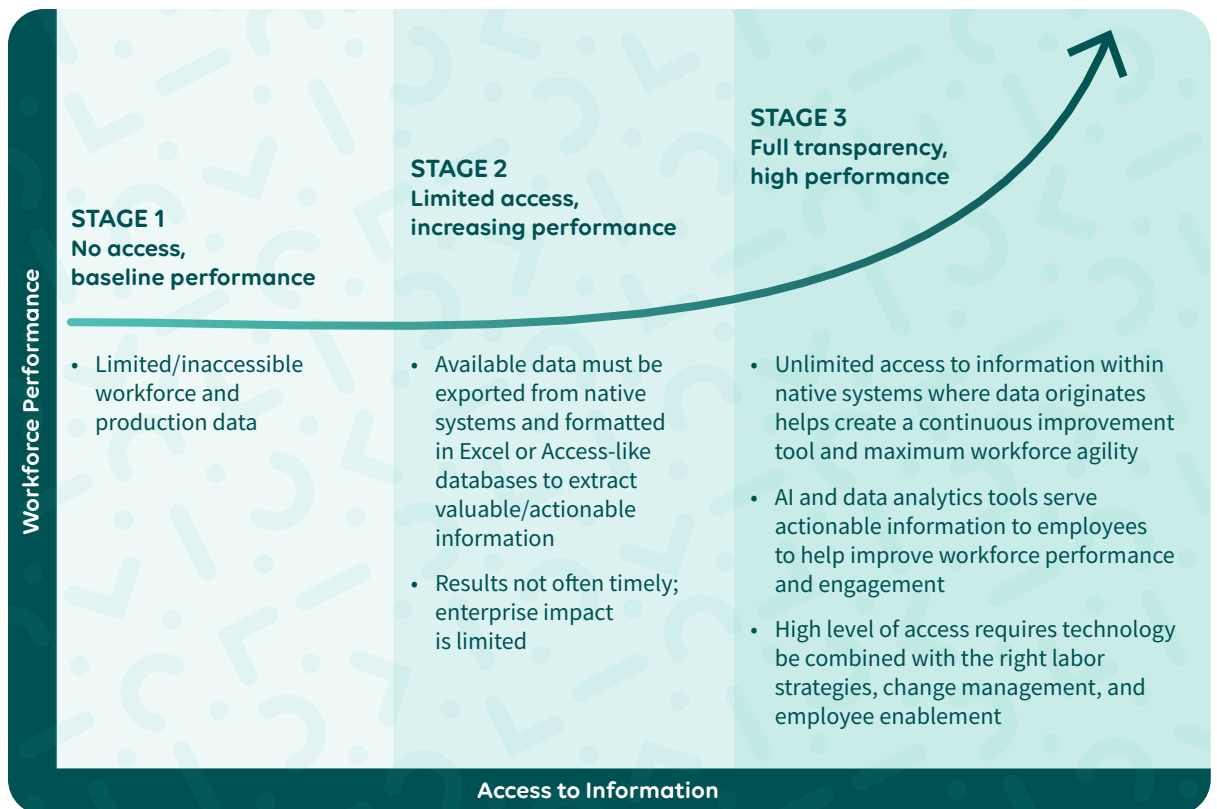
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What can organizations do to foster a strong culture? Provide employees with access to the information needed to execute their jobs successfully, empowering them with ownership over their performance. The below Organizational Maturity Curve (fig. 1) displays key opportunities to engage the workforce in driving value-add initiatives. Where does your organization fall?

Figure 1: Organizational Maturity Curve

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STAGE 1
No access, baseline performance

- Limited/inaccessible workforce and production data

STAGE 2
Limited access, increasing performance

- Available data must be exported from native systems and formatted in Excel or Access-like databases to extract valuable/actionable information
- Results not often timely; enterprise impact is limited

STAGE 3
Full transparency, high performance

- Unlimited access to information within native systems where data originates helps create a continuous improvement tool and maximum workforce agility
- AI and data analytics tools serve actionable information to employees to help improve workforce performance and engagement
- High level of access requires technology be combined with the right labor strategies, change management, and employee enablement

Workforce Performance

Access to Information

Support changing employee expectations through innovative workforce management strategies and technologies

It is important to talk about workforce management in the face of increasing labor shortages. Many organizations are using the same shift schedules, labor strategies, and information tools in their hourly operations that they used 50 years ago. Little wonder they are having a hard time attracting and retaining talent.

A recent survey conducted by The Workforce Institute™ at UKG found that nearly half of employees (48%) surveyed worldwide wish their workplace technology performed just like their personal technology.[5] Consumer-grade technology that connects and informs employees empowers them with the freedom needed to work their way and helps build the foundation of a strong culture by delivering a better working experience. This includes workforce management technologies that allow employees to have access to instant pay, streamline their work communications, amplify their voices through surveys, and easily view their schedules or swap shifts when needed.

In a growing economy where a shortage of skilled workers is the reality, digital transformation allows great employees to make a greater impact when they are given flexibility and access to information with consumer-grade technology. This ability to make an impact every day means employees are less likely to leave, as incoming generations value such contributions as alternative currencies.

… 70% of digital transformation initiatives do not reach their goals.[6]

Transformation roadblocks: failing to drive results

At this point, many are likely convinced that digital transformation is vital to the ongoing success of organizations moving into the future of their industries. The road forward is not easy. Internally, teams must be connected via the types of technology necessary to drive transparency and accountability across their organizations.

Additionally, true transformation will require a relentless focus on an empathetic customer experience, supported by connected technologies and networked infrastructure that are foundational to a digital strategy. Today's leaders in digital business models such as Uber, Google, and IBM understand this and are building businesses with a platform and ecosystem approach in order to meet changing customer expectations by leveraging shared data across their organizations.

Many leaders find this effort daunting. Organizations often struggle to expand digital initiatives beyond pilots, and 70% of digital transformation initiatives do not reach their goals.[6] Why is this the case?

- First, it is not simply about a "data revolution." If leaders have not clearly defined the strategies and goals being driven by their digital transformation, efforts will be unfocused and unexecutable over time.

- Second, if leaders are not aligned on the ultimate importance and value of the transformation, execution will slow, stall, and fail. It is important for all leaders to understand both the opportunity behind the term "digital transformation" and how it fits into creating future value. Alignment is not a one-time effort but a continuous and evolving practice.

- Third, leaders and frontline employees receive a glut of data being generated, but they do not know how to translate that data into insight, let alone action. In short, organizations have digital connectivity but limited transformation, as relevant customer and employee data either goes unused, is used to make misinformed decisions, or generates analysis paralysis.

The core of successful digital transformation: Mindful data and people practices

The most successful digital transformation strategies are implemented with a holistic view of the organization. A thorough understanding of how access to the right data, employee adoption of new technologies, and effective people practices work together is essential to drive the highest value from transformation.

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Managing the trifecta of data quality, strategic alignment, and goal prioritization

Understanding where your organization sits on the Digital Transformation Maturity Matrix (fig. 2) is important to determining a path for the future. Access to information is the driving force of transformation, but that information needs to be reliable, accurate, and aligned with your organization's strategy and goals.

Employees must also be empowered to make relevant decisions based on the information they are given. Otherwise, they are pinned in place while being pummeled by data. The right information, linked to strategy, will allow employees to make decisions and execute transparently. Without this transparency, employees are not empowered to transform or improve anything.

Figure 2: Digital Transformation Maturity Matrix

	Low ← Enablement → High		
High (Access)	Increased Execution / Increased Errors	Increased Effective Execution / Reduction in Errors	Effective Strategy Execution
Access	Increased Execution / Increased Errors	Increased Execution / Increased Errors	Increased Effective Execution / Reduction in Errors
Low	Paralysis / No Execution	Ineffective Execution	Ineffective Execution
	Low	Enablement	High

Applying practices that fuel an empowered workforce

A shortage of skilled workers is finally forcing management teams to take digital transformation seriously. Although it always felt good to say "We care about employees," following through to compete in today's increasingly competitive landscape is now a necessity. This means changing operating models and our workforce strategies. Digital transformation allows you — actually, it *forces* you — to follow six key principles:

1. **Create and articulate clear goals.** Communicate how your goals are linked to the organization's future vision. As a leader, it is important for you to connect the work to your company's overarching strategy as well as your employees' day-to-day efforts. For example, if labor effectiveness is a key goal, it is important for employees to understand why. How does improving effectiveness translate into the end customer experience, profitability, and a better future for the employee?

2. **Align around the strategy to achieve these goals.** To successfully achieve goals, one must have a clear strategy with alignment and buy-in from the workforce. Remember that strategy requires trade-offs and the goals you are focused on now will require a reassessment and redeployment of resources. Clearly articulating urgency and purpose can help drive continued alignment over time.

3. **Create an environment of transparency with your employees and prospective hires.** This seems obvious, but historical practices of exaggerated and flowery language about a great culture and management team will be weaponized by employees, past and current, who have experienced a different reality. They will take to social media, including Glassdoor.com and Indeed.com (and soon LinkedIn), to share their experiences. These scathing reviews are especially damaging, as Gen Z and millennial workers do their research on potential jobs through these sites.

4. **Provide employees access to relevant information.** Management teams often deprive employees of useful information while simultaneously providing them with untenable, unusable data. This dichotomy creates paralysis, and companies continue to operate under the status quo rather than implementing change head-on.

5. **Give employees decision rights and connect their work to the organization's strategies.** The Ankura cultural diagnostic tool, Diialog™, which helps companies identify opportunities for cultural improvements, includes the question "Are decisions made higher up than they need to be?" Why? Because the answer to this question is a key indicator of culture. Do the employees feel empowered or restricted? Those companies restricting decision rights are often also restricting access to information. How can we let employees make important decisions if they are not given access to relevant information (see principle #4)? Without decision rights, employees are often left feeling helpless, without impact, andfrustrated. Help employees make the right decisions by linking the work they do to the organization's strategy and goals to support better, more agile decision making and effective execution.

6. **Let employees work their way.** This does not mean employees can come and go like an Uber driver. Implementing flexible work practices, such as creative time-off strategies and shift schedules, can drive employee empowerment by allowing them to work their way. For example, the eight-hour shift is slowly dying as employee preferences move to longer shifts to acquire more days off. Organizations need to adjust their practices to meet these changing expectations.

Help employees make the right decisions by linking the work they do to the organization's strategy and goals.

The time to transform is now

To achieve the full benefits of digital transformation, no single approach can be adopted to accomplish this monumental task. True transformation requires examining all inputs, processes, and stakeholders to drive success in the face of complexity. There will be work involved, methodologies to follow, and technologies to leverage. The type of effort required will not happen unless the value of the outcome is clear and credible, with leadership aligned on the ultimate end state of the strategy.

When describing digital transformation — or really any big transformative effort — consider whether you want to change or whether you have to change. These two different levels of urgency create two different executional strategies and outcomes. Most organizations working on digital transformation are in some form of operational pain and have to change. What if instead, we consider the value of driving the organization to want to change? Proactive digital transformation achieves the highest level of return, but it can only happen if≈leaders can articulate the urgency to change before the crisis hits. This affords the right level of planning and thoughtful execution that is strategically aligned to create a significant competitive advantage.

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About Ankura

Ankura is a global consultancy defined by how we solve client challenges. Our teams of experts work together to collaborate on a wide range of issues and our senior-level advisors have provided valuable insights in all types of situations — from government issues to complex business challenges including labor strategy to legal proceedings. In each case, we have worked with our clients to deliver measurable and meaningful results that have moved law firms, corporations, governments, and non-profit organizations in a positive direction. Visit Ankura.com.

About UKG

Built from a merger that created one of the largest cloud companies in the world, UKG is a leading global provider of HCM, payroll, HR service delivery, and workforce management solutions that help organizations drive better business outcomes, improve HR effectiveness, and make work a more connected experience for everyone.

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