

Becoming digital: Defining and powering digital ambitions in the new work ecosystem

Global findings from the 2019 Pathways to
Digital Enablement Survey

Three out of four organizations are working to develop new digital capabilities. As more organizations undergo digital transformation, they find themselves in different places on their journey, but all are breaking new ground.



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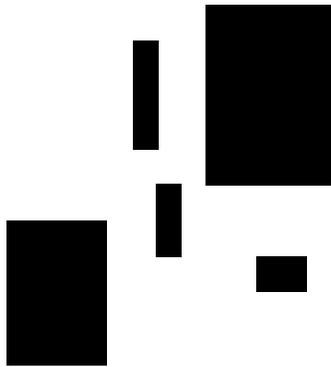


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Transformative organizations are further ahead on both strategic and tactical fronts

Findings from the Pathways to Digital Enablement Survey reveal that organizations fall into one of four categories of digital maturity based on their approach to digital strategy and the key digital enablement levers (i.e., culture, leadership, digital strategy, human capital management, internal processes, structure and technology) (Figure 1).

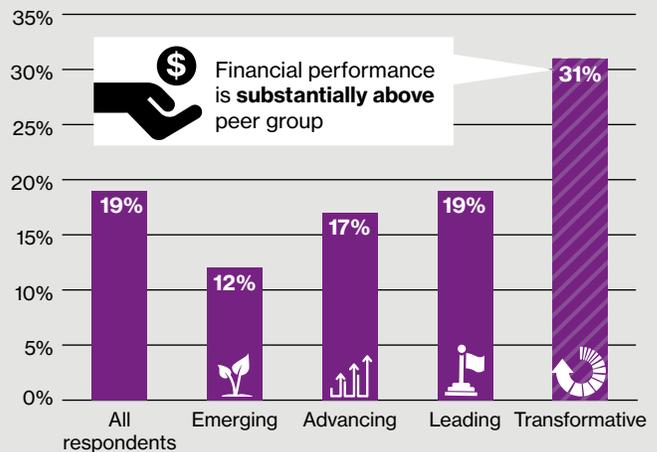
- **Emerging organizations** have a very basic, reactive digital strategy (31% of respondents). These organizations may be pulling some of the digital enablement levers but without the benefit of a formal road map.
- **Advancing organizations** are in the early stages of developing a formal digital strategy (14% of respondents). They pull more levers, but their digitalization efforts remain fragmented and poorly aligned with their business strategy.
- **Leading organizations** are making substantial progress either by having a more fully developed digital strategy that is aligned or integrated with their business strategy or by being well along in implementing many of the levers (35% of respondents).
- **Transformative organizations** are further along on the journey than all the others as they have an aligned or fully integrated digital and business strategy powering new sources of value (20% of respondents). These organizations view digital as more than technology and pull all the levers on the path to digital enablement. Additionally, they tend to embed their digital capabilities throughout the organization's value chain.

Twenty percent of respondents are transformative organizations. These organizations are further ahead of others in realizing their digital ambitions, and this is reflected in their financial performance (Figure 2). They are more than two and a half times as likely as emerging organizations to report being high performing relative to their peers.

Figure 1. The pathway to digital success – four categories of digital maturity



Figure 2. Transformative organizations are more than 2.5 times as likely to be high performing than emerging organizations



Note: Percentages of respondents that indicated their financial performance is substantially above their peer group.

Essential to transformative organizations as well as all organizations on this journey is leadership. Leaders must manage the levers that power the new digital ecosystem and are accountable for achieving their organizations' digital ambitions. Seventy-five percent of transformative organizations report that they hold all their leaders accountable for the outcome of their digital efforts versus only 40% of organizations overall.

In some organizations, the leadership team includes a chief digital officer (CDO). Transformative organizations are about three times as likely as emerging organizations to have a CDO who can be the focal point to architect and lead the change, engaging employees and contingent labor, and orchestrating the new work ecosystem.

Furthermore, transformative organizations recognize the value of, and utilize a plurality of means for, getting work done. This can involve the use of artificial intelligence (AI), robotics, alliances and outsourcers in addition to talent in more traditional employment relationships.

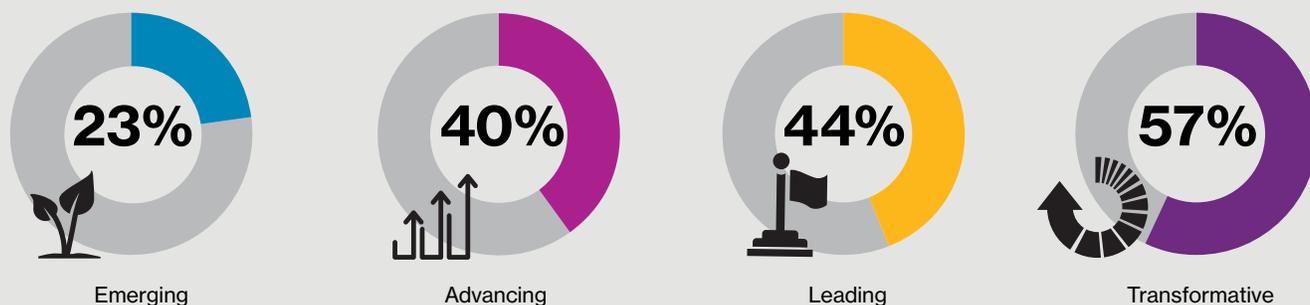
Contingent workers are an increasingly important component of the workforce. Today 25% of organizations say they are making more use of contingent talent due to automation and digitalization, and this figure is expected to more than

Transformative organizations are further along on the journey than all the others as they have an aligned or fully integrated digital and business strategy powering new sources of value.

double to 51% in the next three years. While many employers struggle to integrate contingent talent, transformative organizations have a clear advantage with almost three-fifths (57%) saying they are effective at integrating contingent talent with specialized skills into work teams versus only 23% of emerging organizations (Figure 3).

In addition, over three-fifths (65%) of transformative organizations are actively planning to combine human talent and automation, well above the levels of organizations at earlier points in the journey.

Figure 3. **Transformative organizations are more adept at integrating contingent workers with specialized skills**



Note: Figure shows percentages of respondents that selected four or five on a five-point extent scale asking how adept they are at integrating contingent workers with specialized skills into their work teams.



The challenges of the journey

While almost two-thirds (65%) of employers view digitalization as a way to enable their business strategy and provide a better customer experience, drive innovation and improve productivity, many don't have a formal digital strategy and road map.

- Only one out of six organizations has an integrated digital and business strategy to create new sources of value with digital capabilities embedded throughout the organization's value chain.
- Either most organizations are still reactive to changes in the digital environment – with very rudimentary digital capabilities – or their digital strategy is not aligned with their business strategy.

Effective leadership will be critical to an organization's ability to plot its current state on the digital road map and pull the right levers to reach its desired future state. Among leaders' bigger challenges will be spearheading the development of new digital capabilities, regardless of the methods chosen; the integration of contingent labor into work teams; and the integration of human talent and automation.

Only 16% of organizations have an integrated digital and business strategy.

Meeting these challenges will require a different leadership profile and new leader competencies and behaviors. Leaders will be expected to influence different groups of workers, both in person and virtually, in situations where these workers may or may not work directly for the leader or the company. A focus on agility, collaboration, communication, and inclusion and diversity will be hallmarks of successful leadership as organizations move along the digital pathway.

To help organizations address these and other challenges on their digital transformation journey, our research examines the *employer perspective* on the rapid uptake of workplace automation and the evolution of the talent mix as well as the *talent perspective* on how automation and digitalization will affect future prospects.

Six trends in the digital world shaping the new work ecosystem

#1: Automation continues to grow, expanding both its reach and penetration.

The proportion of work completed using automation doubled over the past three years from 8% to 17% and is expected to nearly double to 30% three years from now. The increase over the past three years is attributable to more organizations beginning to use automation as well as a greater uptake by companies already using workplace automation. During the next three years, the increase in usage will be largely due to greater use of automation by current adopters.

As automation penetrates deeper into the organization, latecomers expect to catch up quickly (*Figure 4*).

While early adopters of automation expect that 36% of their work will be completed by automation in three years, latecomers expect to ramp up rapidly. Organizations that just started using automation within the past three years expect that 29% of their work will be completed by automation three years from now; those not using automation at all today expect that 24% of their work will be completed by automation in three years (*Figure 5*).

The fact that organizations that were not using automation at all three years ago are using it today to complete 16% of their work reflects the rapid adoption cycle.

How quickly do you expect automation to expand in your organization in the next three years?

Figure 4. Nearly all organizations will be using automation in three years

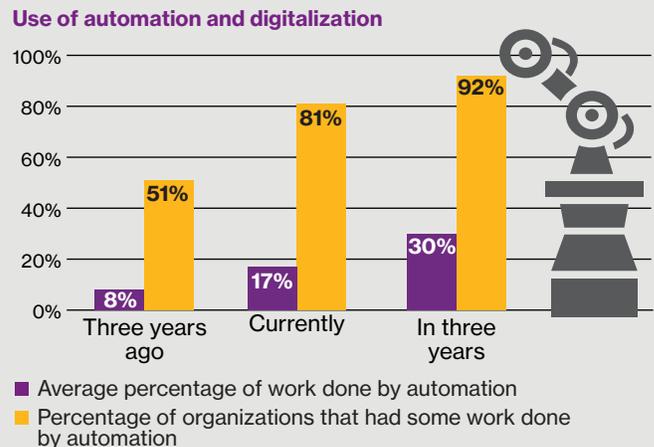
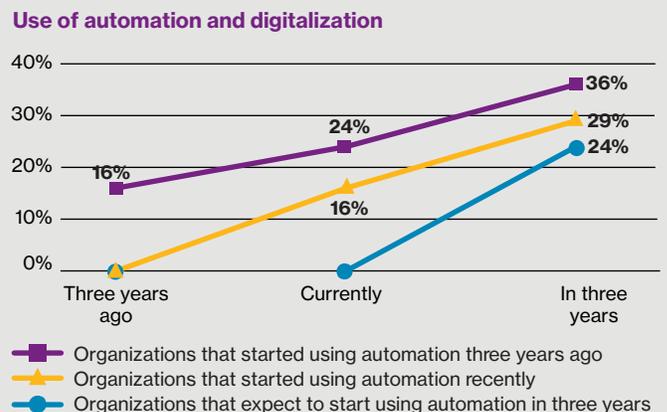


Figure 5. Latecomers to automation are striving to catch up quickly



#2: Organizations continue to strive to develop new digital capabilities (e.g., AI and automation, data analytics, machine learning, mobile communications and social media).

Although organizations can develop digital capabilities in many ways, they usually begin with some combination of organic development or working with established organizations via partnerships or contracting relationships (Figure 6).

Once organizations move beyond these initial methods, they may look to acquisitions, internal venture capital or partnering with start-ups. Over half of organizations are taking a more aggressive approach and using multiple methods to develop new digital capabilities. Organizations gain many additional benefits from the more advanced methods, but they are more likely to use these methods when a CDO is in place.

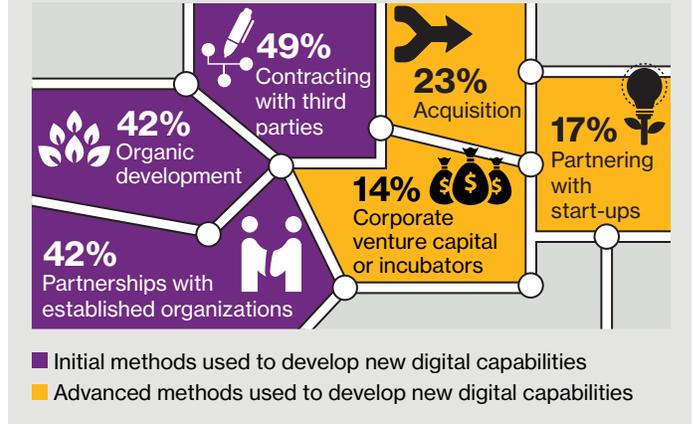
What methods is your organization using to develop digital capabilities?

#3: Automation and digitalization will impact job design and talent sourcing at more organizations over the next three years.

Automation and digitalization are powering new combinations of work, talent, skill requirements and work relationships.

Most organizations using automation in business processes today are using it to support humans or to take over some of the work. As more organizations become effective in

Figure 6. Developing new digital capabilities – no single method dominates



these areas, we would expect to see a sharp uptick in the use of automation to create new types of work for humans, impacting the skill profiles required for positions.

In the next three years, more organizations expect to use more contingent talent and redesign jobs to both raise and lower skill requirements as they combine humans and automation, and deploy work to other locations (Figure 7). These approaches will help employers leverage automation and digitalization to substitute repetitive, rules-based tasks; augment more human tasks (e.g., those involving judgment, creativity and interaction), and create new types of work.

Are you planning to redesign jobs in response to the growth of automation and digitalization?

Figure 7. Areas of the workforce and work activities that are changing today or will change in the next three years due to automation and digitalization

Rank	Most commonly changing areas today	Biggest increase in changes expected over next 3 years
1	Improving collaboration and information sharing	Requiring/enabling us to use more non-employee talent
2	Requiring us to pay more for employees with certain skills sets	Changing the way we design jobs so they can only be done by employees with more skills
3	Increasing work flexibility (e.g., scheduled hours to get work done)	Requiring us to have fewer employees
4	Enabling work to be deployed to other locations	Changing the way we design jobs so they can be done by employees with lower skills

#4: As workplace automation expands and its impact on talent sourcing and job design increases, the talent mix will evolve to include more contingent workers.

The past three years have seen a rise in the use of contingent workers. Three years ago, seven in 10 organizations were already using non-employee talent, a rise that can be attributed to organizations using more types of non-employee talent and more of each type.

Employers expect full-time employees to represent a smaller share of their overall workforce in the next three years, with a corresponding increase in the proportion of contingent talent during this period (Figure 8).

- The increasing sophistication of the skills that contingent workers possess and the work expected from them combined with the growing premium placed on speed is

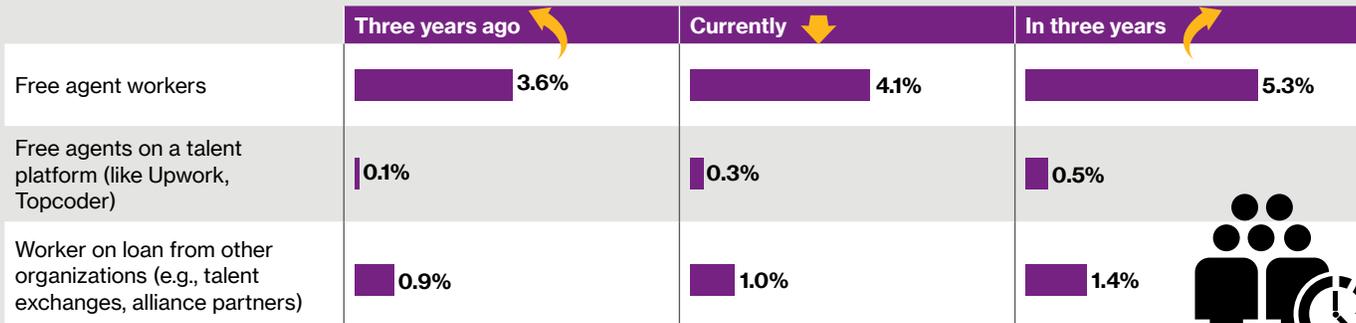
encouraging more organizations to consider the use of contingent talent, which can frequently be more quickly sourced, onboarded and deployed productively to specific projects than traditional employees.

- In three years, more organizations will rely on free agents, talent on a platform and workers on loan from other organizations (Figure 9). Even organizations not currently using any of these talent options expect to catch up quickly in their use of them. For example, the group of companies not depending on talent platforms today expect that in three years over 4% of their workforce will consist of free agents on a platform.

To what extent is your organization currently relying on contingent workers, and do you expect the amount of work completed by contingent talent to increase in the next three years?



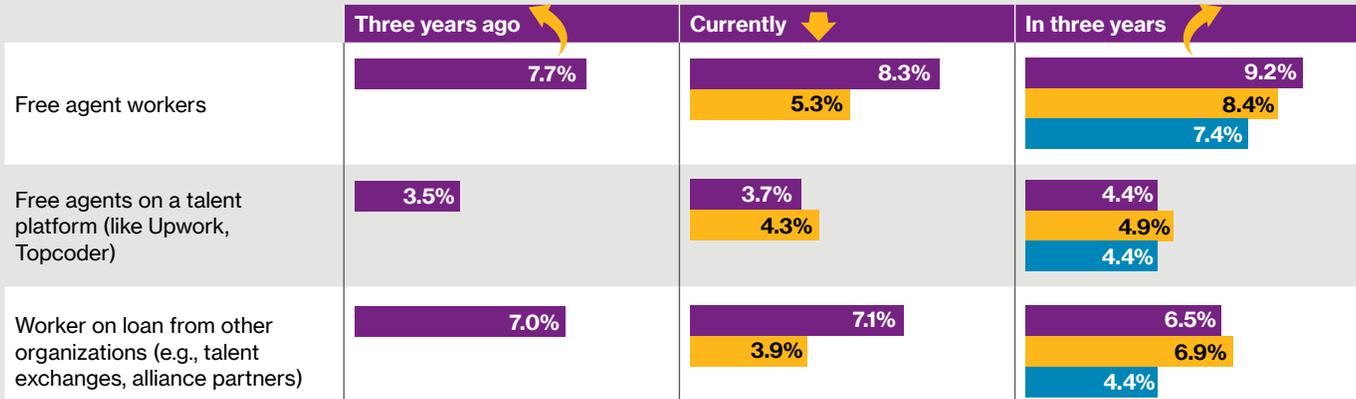
Figure 8. Use of free agents and other non-employee groups grows over time



Note: Percentages reflect the portions of the workforce represented by type of worker.

Figure 9. The use of free agents and other non-employee groups grows over time.

Percentage of the workforce



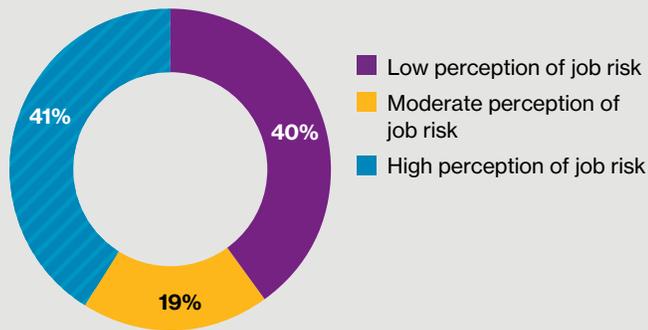
- Organizations that started using these types of workers more than three years ago
- Organizations that started using these types of workers in the past three years
- Organizations that plan to start using these types of workers in the next three years



#5: Feeling the impact of automation and digitalization, both employees and contingents are uncertain about their work future – but many are ready to take action.

From a talent perspective, the changes occurring in organizations and labor markets, and within society more generally, heighten worker perception of job risk. Two out of five workers think their jobs are likely to be taken over by automation or offshoring in the next decade (Figure 10).

Figure 10. Workers' perceived level of risk that job is likely to be taken over by automation or offshoring in the next decade



The perception of job risk is highest among contingent talent, followed by managers (Figure 11).

Figure 11. Perceived level of risk that job is likely to be taken over by automation or offshoring in the next decade by type of worker





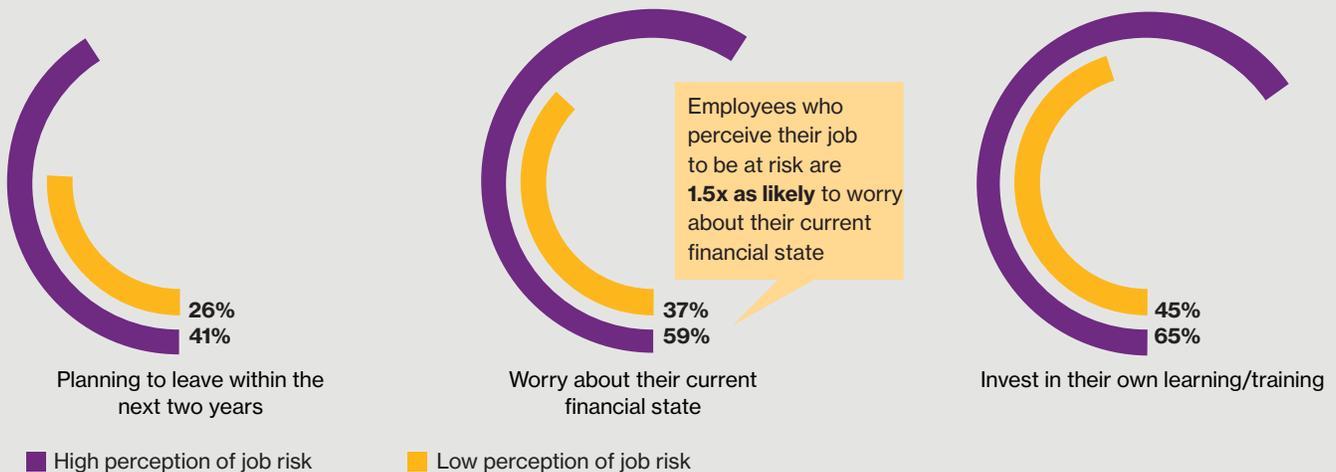
As a result, employees who perceive their job to be at risk are more likely to take the actions shown in *Figure 12* below.

In a workplace disrupted by such technology as AI and robotics, where the half-life of skills continues to shrink, organizations and workers alike must adopt a growth mindset and an agile approach to reskilling and upskilling to remain competitive. Organizations must rely more on a skill-based architecture instead of a job-based one to respond in an agile way to changing demands.

Among those who perceive the greatest risk to their jobs from these trends are a substantial number of highly engaged individuals who are extremely motivated to develop new skills to meet evolving requirements. These workers are likely to be in high demand. The organizations that do a better job attracting or retaining them, and integrating them into their projects, will gain a competitive advantage.

Are you planning to invest in reskilling talent whose work is being affected by automation?

Figure 12. **Actions that employees who perceive their job to be at risk are more likely to take**



#6: Organizations recognize the need to step up their game with breakthroughs in leadership and other key human capital areas.

A large majority of employers (66%) cite leadership development as the top area requiring breakthroughs to adequately address the challenges of automation and digitalization (Figure 13).

After all, the leadership profile is changing. Leaders must manage the levers that power the new digital ecosystem and are accountable for the success of their organizations' digital ambitions.

Figure 13. Areas employers believe will require “breakthrough” approaches and innovation to ensure the challenges of automation and digitalization are adequately addressed



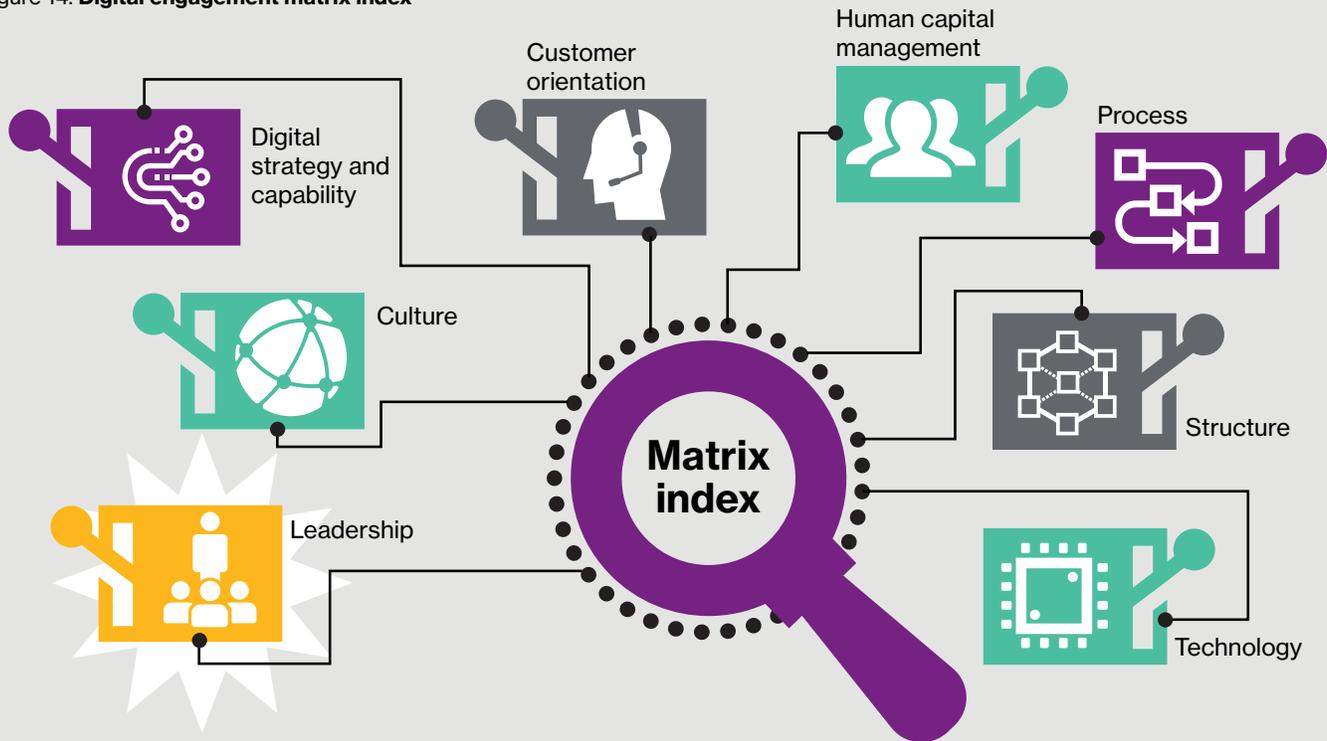
After all, the leadership profile is changing. Leaders must manage the levers that power the new digital ecosystem and are accountable for the success of their organizations' digital ambitions; therefore, it's critical that they understand and master the core competencies of digital transformation leaders.

These leaders possess the capabilities and skills to orchestrate a diverse ecosystem of work options that include AI, robotics, alliances and a wide range of talent across different platforms and locations, among others. Leaders need to curate and execute on the optimal talent experience and ensure it aligns the mission and purpose of each individual (employee, gig worker, AI vendor) with that of the enterprise. By providing a shared sense of purpose and meaning, they inspire trust and motivate workers to respond in an agile manner in the face of change. Inclusion and diversity are priorities for these leaders who create innovative, collaborative workplaces where employees feel comfortable sharing ideas and receiving feedback.

Moreover, leaders in digital transformation have a forward-looking vision enabling them to build innovative digital strategies that advance their organization's business objectives. They seek out new ideas and broad thinking from different sources by building internal and external networks. And when they uncover compelling ideas, they encourage calculated, data-driven risk taking to disrupt the status quo and deliver transformational results. It is important to recognize that leaders need to be ambidextrous and can operate in both in this agile, experimental way but recognize when there is zero tolerance for mistakes.

Have your leaders mastered the core competencies required to compete in the new digital work ecosystem?

Figure 14. Digital engagement matrix index



How will you get and stay ahead of the competition?

The following steps can help you start to power your digital ambitions and chart a course to digital transformation.

1. Pull the digital enablement levers

Unlocking value from workplace automation and digitalization requires that you pull multiple levers in the digital enablement matrix (Figure 14).

- **Customer orientation.** Organizations with a strong customer orientation emphasize the customer experience, apply design thinking principles, and rely on data and analytics to inform product design and development.
- **Digital strategy.** Digital is viewed as a capability that impacts all aspects of the value chain. This involves planning for and developing ways to apply digital technologies such as automation, AI and analytics to create business value, augment human performance and differentiate experiences.
- **Culture.** A culture that supports digital enablement sparks innovation, facilitates information sharing across the organization and strengthens transparency. Workers are able to understand and apply automation and digitalization at work without fear of making themselves redundant.
- **Leadership.** Leading an organization through digital transformation requires the ability to orchestrate an ecosystem of multiple work options consisting of human talent and automation.
- **Human capital management.** Organizations must attract and retain critical talent with the needed digital skills, and integrate contingent workers and automation into work teams by reinventing jobs and defining reskilling pathways.
- **Internal processes to support the reinvention of work.** An organization's internal processes must support agile ways of working, and its jobs should be reinvented to ensure the optimal combinations of humans and automation.
- **Structure.** An effective organizational structure enables teams to organize and execute their work effectively to advance the organization's business and digital strategy. This may require effective collaboration with start-ups and other partners.
- **Technology and tools.** Organizations must provide employees with digital tools to help them be more productive and reskill employees to ensure they stay relevant as technology and automation transform work.

2. Prioritize leadership development.

It's essential to redefine leadership for the digital era. Organizations must prioritize the development of leaders with new skills required to manage the digital work ecosystem consisting of multiple work options such as those provided by alliances, outsourcers, AI vendors and start-ups among others. Additionally, they must be able to identify and implement the optimal combinations of humans and automation and digitalization.

To ensure the successful execution of digital strategies, leaders require the communication skills and emotional intelligence to inspire action, cultivate innovation and drive collaboration across an inclusive organization. This will enable leaders to build high-performing teams and deliver organizational transformation and growth.

3. Understand your options for building digital capabilities.

Organizations use different methods to develop digital capabilities. Those that progress to the level where they are able to effectively partner with start-ups reap many benefits, including leveraging technology that can't be built quickly internally, increasing agility on new initiatives, bringing innovative ideas and perspectives in-house, and working with top talent. But doing so requires the ability to identify the right start-ups with whom to work, and ensuring your organization has the required time, governance process and resources, including an adequate budget.

4. To help accelerate the development of digital capabilities, adopt an organizational structure that clarifies accountability for digital transformation and includes a chief digital officer.

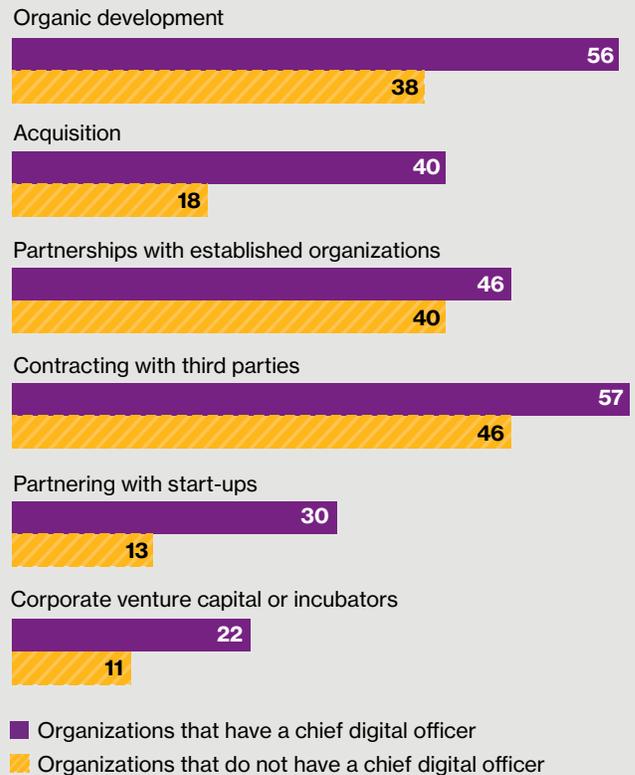
Roughly three-fifths of organizations (59%) also cite organizational structure as a key area requiring breakthrough approaches. Organizations with a CDO are likely to be more experienced in using all the various methods to develop digital capabilities and are more likely to take an across-the-board approach (Figure 15). In addition, these organizations are more aggressive in developing digital capabilities through partnerships with start-ups and corporate venture capital groups (VCs).

A CDO drives the ongoing development of digital capabilities needed to break new ground and shapes unique work environments that engage all talent, helping ensure the future success of the organization.

Figure 15. **Methods used to develop digital capabilities**

Does your organization have a chief digital officer?

0% 10% 20% 30% 40% 50% 60%



Becoming digital

By exploring the digital enablement levers, understanding the need for leadership breakthroughs and assessing your options for developing digital capabilities, you can start to spark insights and shape solutions to help accelerate your journey to becoming a digital organization.

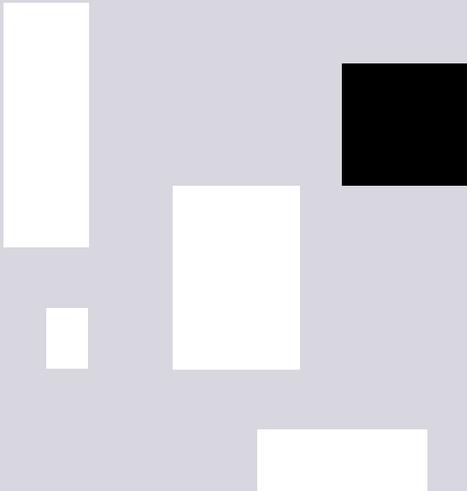
About the 2019 Pathways to Digital Enablement Survey

The Pathways to Digital Enablement Survey was fielded in February through April 2019. Survey results include responses from 1,014 participating organizations in 44 countries. The participants represent a wide range of industries and geographic regions.

About the 2019 Talent Survey

The 2019 Talent Survey was fielded in the spring of 2019 and provides a detailed view into the attitudes and concerns of a representative sample of both employee and non-employee talent in China, the U.K. and the U.S., measuring workers' perspective across a broad range of topics, including those covered in the Pathways to Digital Enablement Survey. This year's survey includes responses from over 6,000 workers across a range of industries. This is part of our ongoing research on the attitudes of both employee and non-employee talent and is an important foundation for our intellectual capital, consulting, sales and marketing initiatives.

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