

2018

# Predictions

## What Digital Transformation Looks Like in 2018

In 2017, new technologies and trends turned our heads, but what stood out were the digital-first ideas that moved from the perimeters of tech discourse to the center of industry conversations. As we look ahead towards the next twelve months, we anticipate more sea changes coming. These are the digitally-driven challenges and opportunities we're preparing for in 2018.

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"The good news is that the evolution of the Fourth Industrial Revolution is entirely within our power, and we are still at its very earliest stages...But standing at the crossroads means we bear a huge responsibility."

**Klaus Schwab**

*Shaping the Fourth Industrial Revolution*



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# DIGITAL DIVIDES

Big businesses with aggressive, ambitious digital plans are poised to be the next disrupters. Those without digital strategies (and those unable to translate strategy into transformation) are running out of time.

We all know that digital's pace is progressing rapidly, while digital technologies are themselves combining and intersecting. The result is a perfect storm, a combinatorial effect that amplifies technological progress and impact exponentially in time (following Moore's Law). In this environment, applying human, linear time to decisioning would be detrimental, if not entirely dangerous.

In 2017, IBM's CEO Ginni Rometty hosted a gathering of 100 CEOs of top organizations. A CEO Brief by Time Inc. recapped that the group believed they had the assets, data, knowledge, and core expertise to be the next industry disrupters. Many had their digital strategies and business platforms already in place or in process. Strategy aside, the number one impediment cited was the ability to create a culture that could embrace and adapt to technological change.

Depending on whose research you follow, anywhere from 50 to 80 percent of organizations have or are working on digital strategies. Laggards in strategy will find themselves falling critically behind as industries such as healthcare, insurance, legal, and finance (to name a few) are fast becoming the next loci of disruption.

We spoke throughout 2017 on the need for executives to aggressively set their digital strategies, define their digital-business platforms, and avoid thinking in linear terms of progress. We stressed culture in action as the top obstacle to – and the glue needed in – these new models.

In 2018, the ability to operationalize these digital strategies by building the capabilities and culture needed in the digital organization will separate the winners from the losers.

# DIGITAL ETHICS AT THE BOARD ROOM DOOR

As the foundational ideas of the 4th Industrial Revolution mature – with business leaders, social activists and policy makers joining citizens in the discussion – digital ethics will emerge as a board room conversation in 2018.

In a few short years, the digital agenda has shifted from a value-neutral, technologies-as-tools transformation to sincere consideration of anything (or nearly anything) as candidates for digitalization...even ourselves. In this maturing understanding, the digital conversation engages a wide group of stakeholders, working across disciplines, to promote common visions and to confront zero sum thinking. Sustainable progress needs a responsible, coordinated, and human-centric approach.

What perspectives will serve our leadership in digital discussions? These approaches are likely helpful:

- Understand the values of emerging digital technologies
- Assess the impact of strategic digital decisions on people and their work, especially potential amplification of impacts over time
- Solicit a wide group of diverse stakeholders to join the discussion as choices in technological strategies will inevitably impact economic, environmental, and social systems

Digital ethics extends far beyond data security and privacy. It has implications to society and social interaction, the global economy and free market principles, and human rights and liberties. The problem today is that there is no enterprise conventional wisdom, or even governing economic lens, to evaluate the real impact of digital initiatives. We shouldn't be confused, though, that digital decisions this year will have residual and sometimes long-term consequences.

We need to move forward with a sense of the digital ethics and decide how to factor these ideas in our digital strategies, governance models, and the various aspects of design already underway – the design of business models, the design of the digital-worker relationship, and, indeed, the value of human work itself.

# CLOUD ECOSYSTEMS GET CROWDED

While cloud computing remains a significant digital strategy and pursuit in 2018, it will become increasingly evident to business leaders that their growing ecosystems are complicating their employee experiences.

In 2018, organizations will continue their digital march to enterprise cloud-based solutions as replacements for legacy, on-premise business systems.

What's the issue here? Obviously, we're not suggesting that the cloud is literally too crowded. We are observing, though, that emerging cloud ecosystems can look and feel increasingly crowded and disjointed to workers. Diverse tools often have overlapping and confusingly similar functional features (like multiple profiles), rather than a set of useful, rationalized capabilities that help workers be more productive and successful.

To maximize cloud investments, we need to think of digital relative to clear outcomes for the business and for the positive purpose of advancing people's work. Simply put, people should be able to work more efficiently, more safely, and smarter because of their digital tools.

To do this, we need an employee experience roadmap that runs parallel to the technology roadmap. The goal is aligning our increasingly digital ecosystem not only in strategic technology architecture design, but also in human architecture design.

So...cloud on! But caution – justifying cloud solutions based on widespread adoption by end users is risky. For transformative impact – and certainly for behavioral and work practices change – a more substantive, contextual experience will be required across the cloud ecosystem. Best to plan for it.

# AI IS A PATH TO ENTERPRISE KNOWLEDGE

As Artificial Intelligence (AI) begins to structure content into consumable data points in real time, data and content will facilitate more seamless experiences across the organization. Consequently, enterprise knowledge will finally harness transformative power, methodologies will become systemically aligned, and organizational culture will better adapt to change.

Due to sheer volume and variety, the data and content that constitute an organization are so fragmented that “enterprise knowledge” has always been more of an aspiration than a reality. Knowledge assets for the enterprise doesn't provide value if workers have trouble acquiring that knowledge. After all, it's not “knowledge” if it's not accessible.

With the rise of AI applied throughout the enterprise, the mix of structured and unstructured content will no longer hinder the timely delivery of knowledge – in meaningful contexts – to workers throughout the organization. Knowledge will come to individual workers at the right moment, providing operational and transformational support when they most need it.

The key to success this year is to consider how AI already uses the data you have, and then to make your data more useable to AI for system-wide coordination of knowledge. Organizations should produce training data, clean data they already have, and understand the breadth of their content so that AI can reach and interpret it.

# BLOCKCHAIN SPREADS WITH A GOOD UX

Global business is poised to take advantage of blockchain technology, and we believe 2018 will see wider adoption of blockchain in areas such as supply chain, insurance, healthcare and government. Critical to this expansion will be the ability to provide contextual, consumer-grade experiences to appropriately orient and engage end users.

While blockchain has taken large steps in its native digital environment as the basis for bitcoin and other cryptocurrencies, it is now taking small but steady steps into the physical world. These inroads are driving significant transformation in identity management, government and legal technology, energy, and logistics. Here, blockchain has the potential to enter the lives of millions, but to do so, it will need to overstep critical barriers through effective digital experiences.

The onus will be on businesses to create contextual, meaningful, and relevant interactions that realize blockchain's potential for everyone. Identifying key moments in the experience as opportunities for engagement and influence will be critical to exposing the trust and transparency advantages of blockchain, while addressing factors such as speed, efficiency, and relevancy of the experience.

Ultimately, optimizing the digital experience through blockchain can instill greater confidence in high-value transactions or complex processes, creating a community of active agents in the process. There are opportunities to drive management of and accountability for sensitive information, boost transparency to make information clear to people, and remove discrepancies to enable simpler and more efficient work practices.

# IOT DISRUPTS, DELIGHTS, AND REWARDS THE RISK TAKERS

The Internet of Things (IoT) continues to expand and evolve, enabling data collection and powering new smart devices in every industry. Its experimentation reveals opportunities and hidden insights when big data is unlocked. 2018 will bring IoT into critical and routine industrial practices, fundamentally changing the human-machine relationship.

Beyond data collection, IoT is a game-changer that combines with AI, cognitive computing, and robotics to change the nature of work dramatically and enable the monetization of business platforms in new and exciting ways.

As we look ahead, the presence of IoT in the workplace will dramatically impact human-machine interaction. In combination with AI and robotics, IoT will reduce demand for routine, manual work, and place increased scrutiny on workers and their jobs. This progress may create an offsetting opportunity for a new, empowered, and integrated digital-human workforce where creativity and human decision-making skills are augmented, but not eliminated, by technology.

This disruptive technology will also reward experimenters by revealing unexpected business opportunities and previously unforeseen applications. IoT pilots and test beds will drive this discovery, uncovering insights and finding correlations that yield unexpected value.



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# EMPLOYEE INSIGHTS WARRANT A CENTER OF EXCELLENCE

As new digital technologies shift skills and capabilities from humans to machines, the most successful businesses will catalyze the transformation of the workforce to keep up with the pace of change. This will be impossible to do without a deep understanding of the people in an organization.

This year, a strategically aligned center of excellence focused on the workforce becomes essential for transforming businesses. The emerging people insights CoE is the organization's custodian of and advocate for data-driven insights into the values, capabilities, and motivations of its workers. It helps shape people strategies and drive HR digital landscape transformation. By leading the organization in creating a nimble digital workforce that can evolve its skills to meet business needs, the people insights CoE becomes critical in enabling organizations to make effective decisions towards change. Transformations happen when the entire workforce makes a unified push towards a business vision.

Over time, this CoE will be key to instilling a culture of confident proactivity in the organization by leading change through qualitative measurement and feedback. People insights will walk in step with the business strategy to create an inclusive path towards the future.

# INNOVATION AS AN ORGANIZATIONAL CAPABILITY

Innovation can become a powerful force for value creation within an enterprise only when it is approached as an organizational capability – that is, with defined processes, practices, and desired behaviors enabled through tailored digital experiences.

Innovation – outside of traditional research and development – seems to live in one of two states in legacy companies. One is as a skunk works operation, separate from the mainstream business; the other is as a set of cultural goals and vague, unstructured behaviors that everyone is expected to adopt. However, the skunk works model is insufficient to realize the range of possibilities and quantity of ideas needed for most companies, and innovation as a cultural norm or broad “ways of working” (such as networking to share ideas) lacks the focus to align people to an aggressive innovation program.

As companies make innovation a company-wide strategic objective and ask every employee to own innovation, they need a structured approach to building this capability. Companies will succeed by translating the capability into specific employee behaviors and explicit, defined processes and work practices – always supported by new work design and enabled through a tailored employee experience.

# BUSINESS PLATFORMS ARE THE MODEL FOR NEW WORK

With corporations of the industrial age looking more like cooperatives in the digital age, incumbent organizations are transforming to the platform business model. With value creation now occurring through customer actions via platforms, the scope of work design extends beyond workers to all members of the networked ecosystem.

With IDC FutureScape recently predicting that by 2020 60% of all enterprises will fully articulate an organization-wide digital platform strategy, firms will recognize that their domain knowledge is more relevant than ever. Incumbents have the notable advantages of their core expertise, their proprietary data optimized by AI, and their networks – benefits not afforded to the digital-native platform businesses, who matured solely on the network effort.

One lesson incumbent organizations can learn from their digital-native counterparts is the value of blurring traditional roles – workers, partners, suppliers, customers – to all being members in a networked ecosystem. To ready, engage, and motivate actors in the new model, work design needs to consider all members and their relationships across the value chain.

Augmenting existing activities with frictionless experiences that deliver and harness new, contextually relevant knowledge will enable transformational change and seed exponential growth.

# DIGITAL IS MORE THAN BUSINESS

2018 should be the year that we collectively and comprehensively begin to address the disruptive impacts of emerging technologies and new business models on labor markets, society, and political systems.

At LDS, we've spent a lot of time over the past year stressing a balanced perspective on digital transformation inside the enterprise. It's more than technology, we said – it's about organizations, new mindsets, and new ways of working. It's about people- and worker-centricity. And it's about helping to future-proof our businesses and our workforces as we enter an exciting but risky digital age.

While those ideas are true, we've learned over this time that digital transformation is a lot more than business.

To work towards the full opportunities of digital – and proactively guard against the negative consequences it threatens – we will need to engage our leaders to work together to establish new standards, policies, and business practices to guide our emerging, complex digital world.

We need to be mindful in managing the inequities and risks possible, prioritizing a human-centric agenda to solutions.

We need to learn quickly and experiment often, while maintaining clarity that our purpose is always to have technology work for people.

In times of heavy disruption and change, people look to their leaders for values-based decisions. It must be our purpose to create binding organizational culture: to reliably demonstrate strong commitment to human values, to provide purpose and meaning for employees and their future work, and to demonstrate the organization's understanding of its responsibilities to society and stakeholders – as much as its commitments to capital and shareholders.