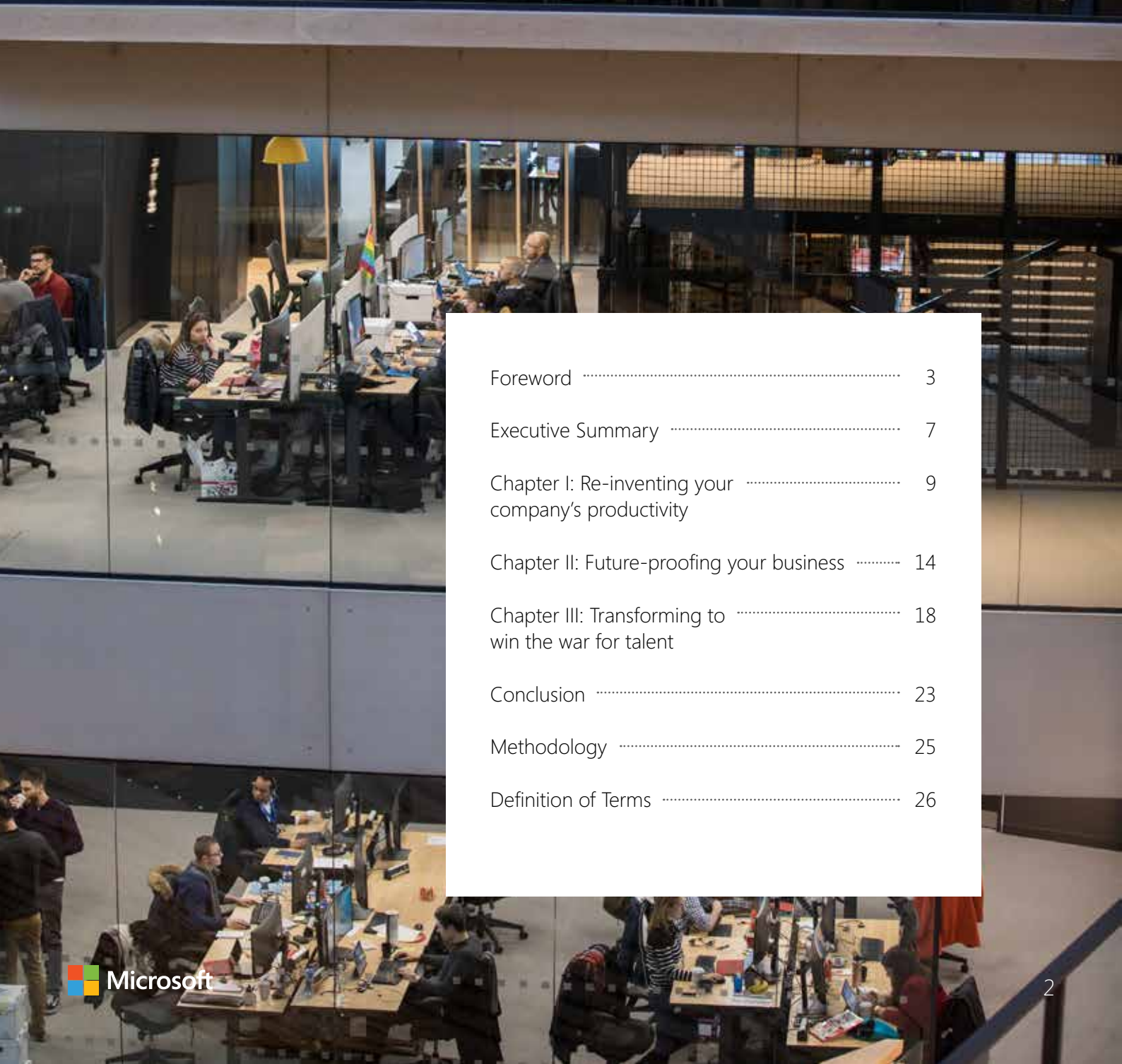


Digital Culture: Your competitive advantage





Foreword	3
Executive Summary	7
Chapter I: Re-inventing your company's productivity	9
Chapter II: Future-proofing your business	14
Chapter III: Transforming to win the war for talent	18
Conclusion	23
Methodology	25
Definition of Terms	26



Foreword

Aisling Curtis Commercial Director at Microsoft Ireland

The conversations we are having with customers in Ireland have begun to shift. Technologies like the cloud and artificial intelligence are helping businesses scale and innovate like never before. So, instead of discussing why technology is so critical to compete in a cloud-first world, the question on leaders' minds now is: how exactly do I digitally transform my business?

One year ago, we conducted Irish research that showed businesses had two years to digitally transform – but there were several challenges. There is a need to view digital transformation as business evolution, and Irish businesses were unprepared for this shift in understanding. This confusion about digital transformation was then leading to business myopia. Additionally, digital transformation was driving business innovation from new areas in the business, with younger and digitally savvy employees becoming more sought after while older employees felt potentially threatened.

With this latest piece of research, we are focusing on the 'how', and the message to Irish businesses

is clear: Don't just think of transformation as an IT exercise. Think about it as a people journey. How do business leaders ensure their talent is unified in such a way that individuals feel empowered? How do companies create an 'inviting culture' of empowerment where individuals and teams can work effectively together and people feel welcome?

As we in Microsoft see it, three core pillars underpin successful digital transformation, and these questions sit right at the heart: **leadership, culture change and technology.**

To help businesses understand how best to empower their employees, Microsoft commissioned research on over 20,000 employees across 21 countries examining the interaction of technology and people in the workplace. In Ireland, we spoke to over 1,000 people working in medium and large companies from a range of industries, and across five generations. We asked them about the technology they used and explored their attitudes about their jobs and their job performance.

The key insight for business leaders?

The research revealed the importance of a digital culture in the race to digitally transform. A digital culture is the environment in which workers feel inspired by their leaders and managers about the potential of technology to help them in their jobs and help grow the business. In Ireland, 84% of employees believe they have a weak digital culture, and close to 90% feel unproductive at work because they feel disconnected.

To that end, successful digital transformation is not just an IT exercise. It's a people exercise. Our research also found that businesses with a strong digital culture are more likely to have twice as many employees who feel productive – they are working smarter not harder. They will also see four times as many employees feeling more engaged with their jobs, and three times as many

employees who feel innovative – as the sense of collaboration and creativity is higher, it enables a more innovative mind-set.

One of the main considerations here is that, for the first time in history, we have up to five generations in the workforce. Each generation has unique values, perspectives, communication styles and attitudes toward technology. In an organisation with employees who span these generations, what adaptable skills are needed to ensure these employees are engaged, empowered and productive? How do business leaders ensure their employees are unified in such a way that individuals feel empowered while at the same time teams are able to work together effectively?

These are the questions that this report explores in detail – as well as providing actionable guidance for Irish businesses on considerations and approaches to digital culture.

**In your transformation journey,
digital culture will be your competitive edge.**

//

We can have all the bold ambitions.
We can have all the bold goals. We
can aspire to our new mission.
But it's only going to happen if we live
our culture, if we teach our culture.

//

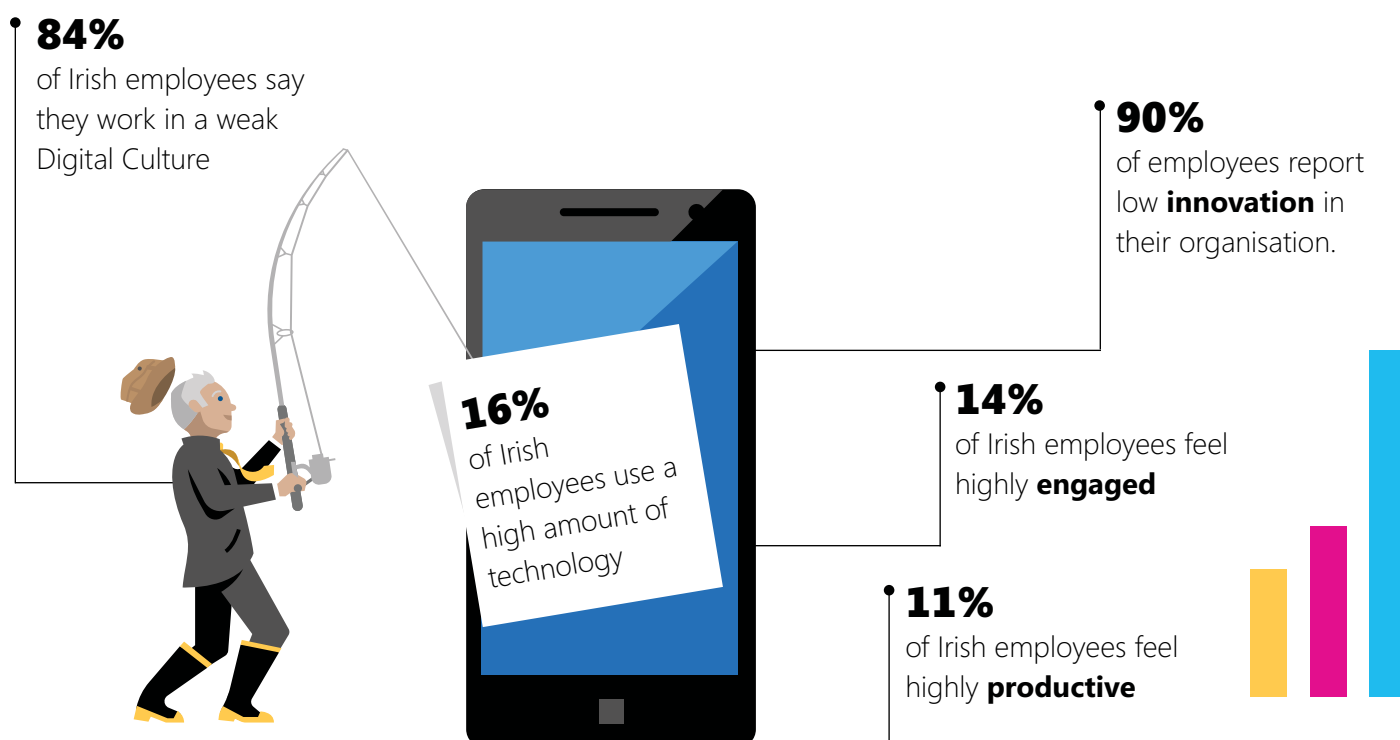
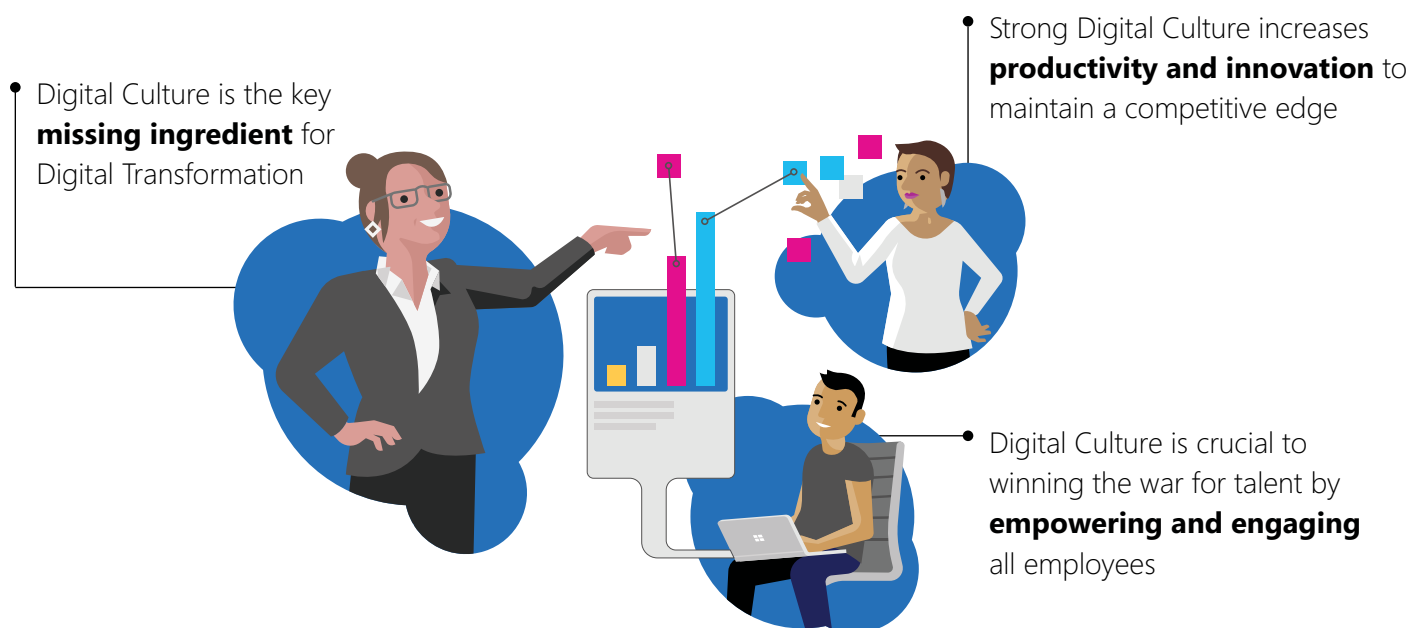
Satya Nadella, CEO, Microsoft



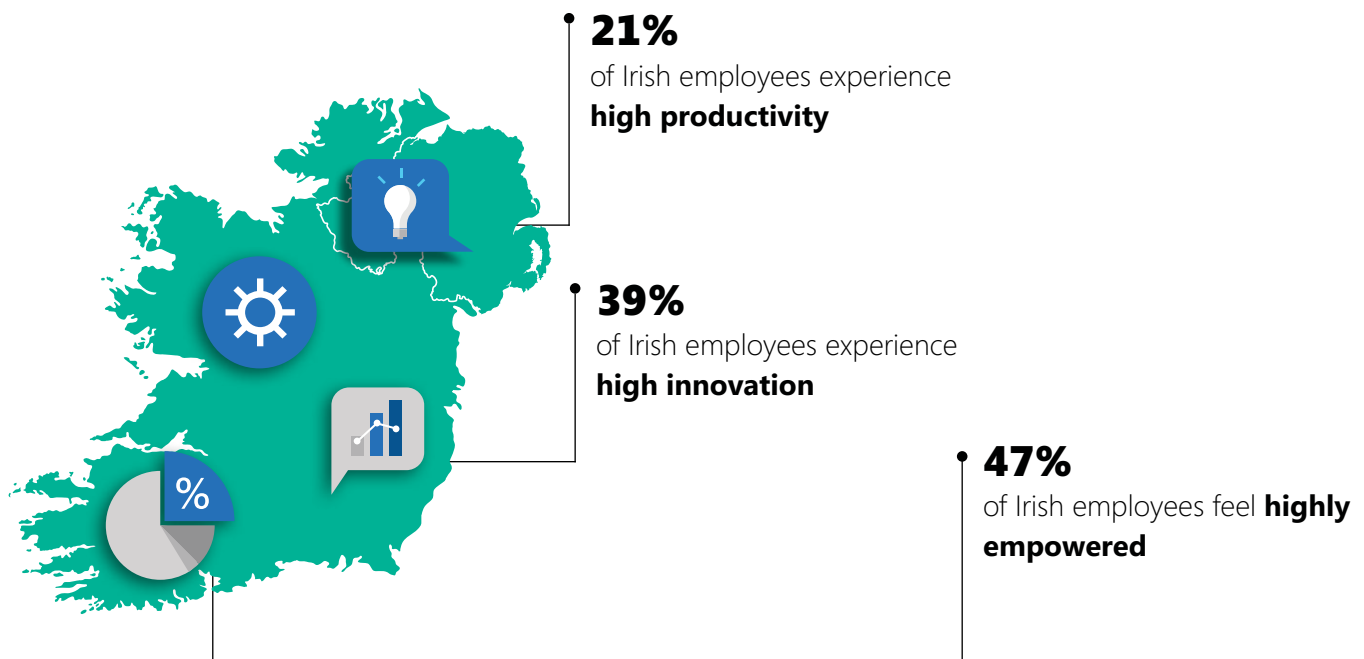
Digital Culture

Helps Irish business gain **competitive advantage**
& win the **war for talent**

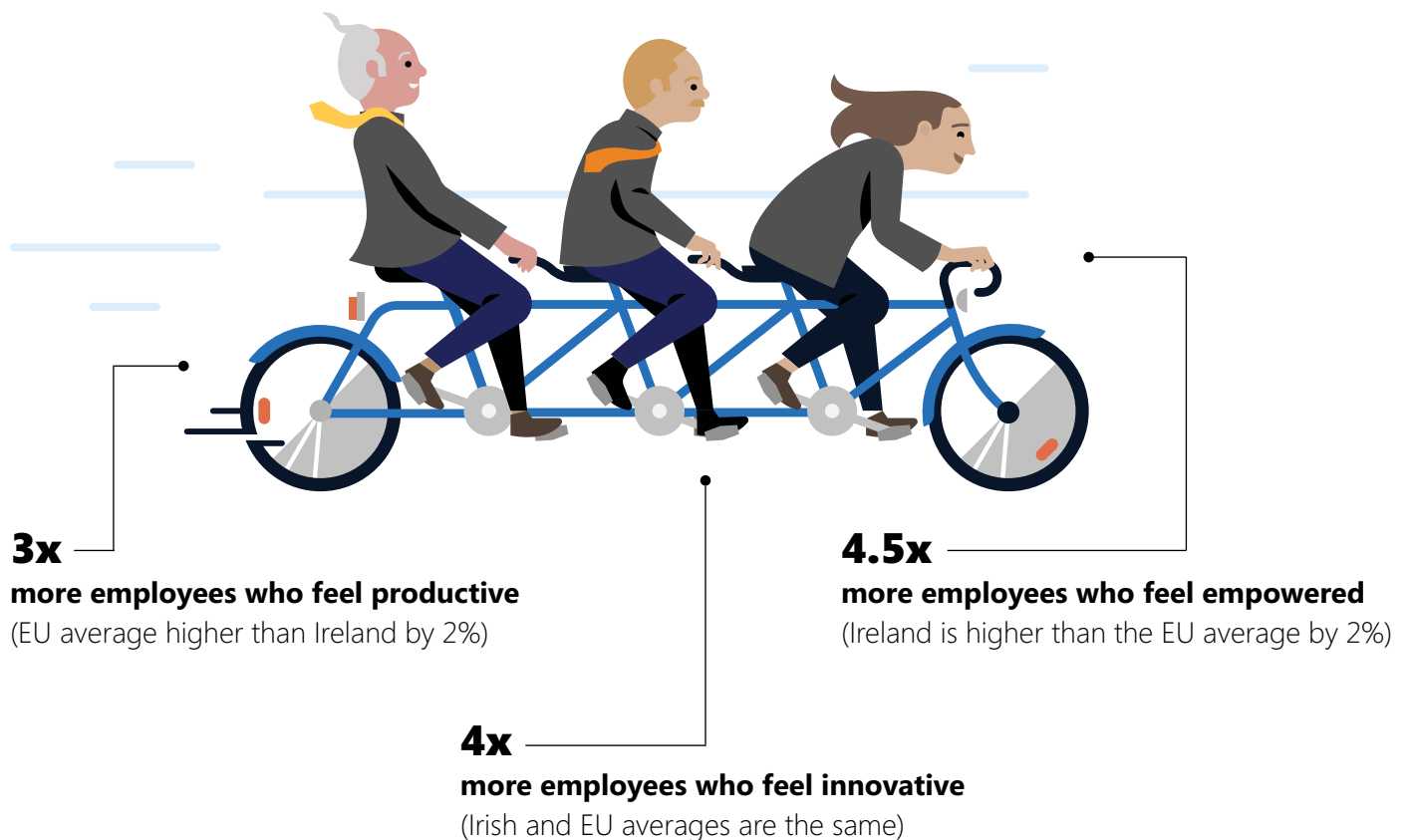
Microsoft conducted research on Digital Culture with over 1,000 Irish employees, across 5 generations, between 25 to 44 years of age. Digital Culture is where an organisation encourages and supports technology use to get work done in the most effective way.



Where there is a Strong Digital culture:



Irish companies with a strong Digital Culture are poised to leapfrog the less well-equipped competition as they have:



Executive Summary

Digital transformation dominates business discussions from headlines to boardrooms. Companies of all kinds are rethinking the role technology plays in how they operate. But knowing that digital transformation matters is one thing. Going about it in the right way is another.

80% of today's CEOs believe digital disruption is imminent, and almost half think their business model will be obsolete by 2020*

*Harvard Business Review Analytic Services Survey, Competing in 2020
Winners and Losers in the Digital Economy

Impactful digital transformation isn't really about IT. It's about people. This is where company culture comes in. When we talk about culture, we're talking about how people work, whether together and or as individuals. Flexibility, agility, autonomy: these are just some elements of culture that define the ways in which employees go about their daily work.

In any organisation, the CEO is the curator of culture; responsible for nurturing a space where different elements can coexist and thrive together. In our digital age, this also means fostering the conditions for using technology at work. Modern workers have an abundance of technology at their fingertips. But this availability doesn't necessarily translate into impact. To ensure technology truly empowers people to unlock growth, every company needs a strong digital culture.

//

Studies have been carried out for years into how organisations can create environments that promote employee engagement and flow in order to improve creativity and overall effectiveness at work. For me, what's new and interesting is looking at technology's role and how culture may play a role in determining its positive or negative impacts.

//

Dr Michael Parke, Professor of
Organisational Behavior, London Business
School

To understand how business culture and technology come together in today's workplaces, we worked with Dr Michael Parke of the London Business School to survey 20,476 employees across Europe about the relationship between their technology usage, the context in which they use technology, and how they felt about their day-to-day work.

We looked into how engaged, empowered, creative, collaborative, innovative, and productive employees felt at work. We also asked how much technology they were using in their jobs (high tech use vs. low tech use) and to what extent they felt there were sufficient supporting conditions in

place around the usage of technology. These include training, access to information, manager promotion of tech adoption, and a clear strategic vision from leaders regarding technology's transformative potential.

When all these elements are in place, a company can be said to have a strong digital culture. And when a company has a strong digital culture, the impact on key performance indicators is substantial. Productivity is an important starting place. The term can carry negative connotations; efforts to boost productivity are often associated with employees being asked to work harder and longer hours for the benefit of shareholders. But it doesn't have to be this way. Our research found that, in companies with a strong digital culture, twice as many employees feel productive. This is because the conditions are in place for employees to use technology to get work done more efficiently and effectively.

The right digital culture can also nurture employee engagement. In this context, engagement means the ability to work in a flow

state – i.e. when employees are utterly immersed in work; applying focus to the task at hand without distractions. It's when people bring passion to their work. Flow leads to higher-quality work, happier employees, and better business outcomes. Our research also found that the right digital culture can empower your talent to be at their best; to create and collaborate together; to do great work; and to grow in their roles. The impact is considerable: compared with low digital culture companies, companies with a strong digital culture have five times as many employees who feel empowered. That's five times as many people who feel able to make a difference to your business, each and every day.

This report explores all of this in great detail. It also provides actionable guidance on thinking about your company's approach to digital culture.

Digital transformation is a journey, not a destination. And as with any journey, it's important to put the right foot forward.

What is flow?

Distinguished Professor of Psychology and Management. Mihaly Csikszentmihalyi's investigations into "optimal experience" have revealed that what makes an experience genuinely satisfying is a state of consciousness called flow.

People are happiest in a state of flow - a state of

concentration or complete absorption with the activity at hand and the situation. It is a state in which people are so involved in an activity that nothing else seems to matter.

During flow, people typically experience deep enjoyment, creativity, and a total involvement with life.

Re-inventing your company's productivity

Re-inventing your company's productivity

If there's one thing that every business leader has at the top of their to-do list, it's driving productivity. At the advent of the information age, technology, we were told, would boost growth and raise living standards. Despite the rapid advances in digital tools, global productivity has stagnated. This discrepancy is one of the most hotly debated topics today.

One possible explanation is time lag. Many researchers point out that it can take several years for the beneficial effects of a particular technology to be felt, meaning that current productivity growth can only be mapped back to past digital developments. By extension, this means it's impossible to properly measure the impact of emerging technologies in reference to current growth. Another explanation for why global economies haven't yet reaped the rewards of

technology on a broader scale comes down to the pace of change. Productivity is most often spoken about in terms of numbers; bottom-line business results. Yet the driver behind every company's balance-sheet is its people; humans who need time to adapt to change.

At Microsoft, we believe it's important to openly and constructively address the inevitable challenges new technologies present. There are increasing concerns, for instance, about the impact of constant connectivity on modern workers' wellbeing. Many companies now issue guidance to limit out-of-hours emails. And flexible working, once heralded as the path to greater freedom, is under fire for implicitly asking employees to be constantly available, rather than being able to shut down and head home in tandem. Not surprising then that on average, just 11% of Irish employees feel highly productive.

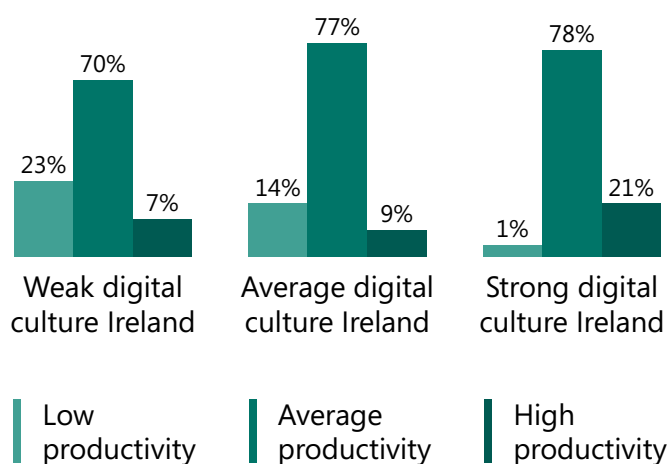


Against this background, efforts to boost productivity can be ill-perceived; a numbers exercise which inevitably asks employees to work longer hours in a bid to stay one step ahead of the competition. But our research found that employee productivity doesn't hinge on how long or hard people work. In fact, it comes down to the conditions in which they are able to get work done, using technology as effectively as possible. It all hinges on digital culture.

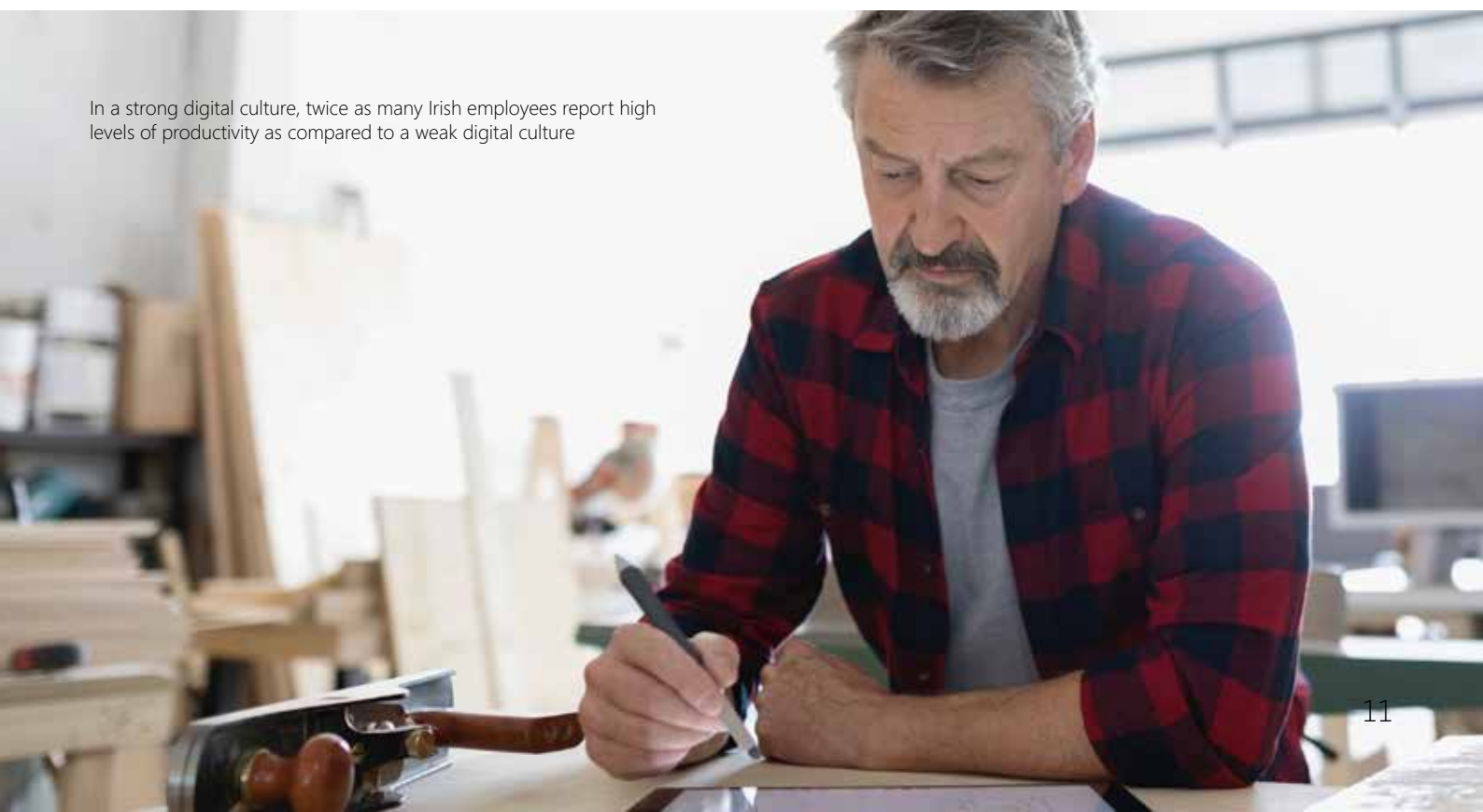
When Irish companies have a weak digital culture, just 7% of all employees feel highly productive. In a strong digital culture, this increases to 21% of all employees. Even though this final outcome suggests there is still more work that can be done to help every employee do their best work, by comparison, the increase is considerable. And it's worth noting also that, in a strong digital culture, the number of Irish employees who don't feel very productive at all drops from over 23%, to just 1% - almost to nothing.

This increase in productivity within a strong digital culture can be traced back to certain key elements: access to technology support, training, and information; managerial promotion of technology; and a clear understanding of how and why technology is a business priority. Business leaders need a crystal-clear vision for how they see the role of technology within their organisations. Without this, you cannot expect employees to embrace its potential.

Productive Employees



In a strong digital culture, twice as many Irish employees report high levels of productivity as compared to a weak digital culture



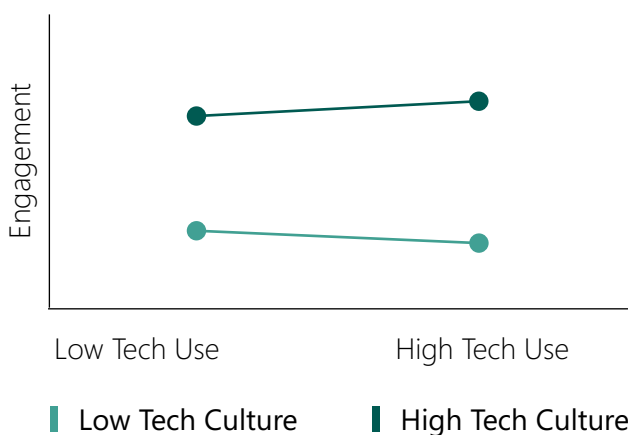


The boost in productivity can also be traced back to digital culture's impact on another key performance indicator that we measured: engagement, or flow. When employees are able to work in a 'flow' state, with total focus and passion being applied to the task at hand, they deliver a better end-result with less effort.

In our current workplaces, achieving flow isn't easy: something which is all too clear from our findings is that only 14% of Irish employees feel highly engaged at work – which is even lower than the European average of 20%. But in a strong digital culture, this increases dramatically: with four times as many employees saying they felt engaged.

The real impact of a strong digital culture, however, only comes to light when you see what happens without it. Ask employees to use technology without supporting conditions, and engagement actually drops. Without guidance, information and clear steer from senior leadership, employees are overwhelmed, hampered, and unable to reach their ideal state of flow.

In low tech culture, adding more technology reduces engagement



Five questions to ask...

in order to help your employees feel productive and engaged:

1. Does your company have a set of principles for how technology should be used e.g. Is there a shared understanding of appropriate email response times? Do people have a basic understanding and ability to use all work-related technology?
2. Does your business have a clearly defined shared purpose and would any employee chosen at random be able to tell you what it is?
3. Does each and every employee – from intern to senior management – understand their role in helping the organisation exceed customers' expectations?
4. How does leadership promote the health and well-being of employees and is the use of technology considered within this?
5. What processes do you have in place to measure satisfaction at work when it comes to technology availability, support and usage?

Case Study: Mayo County Council

A digital culture isn't about saying "send fewer e-mails". It's about considering how work gets done. That means thinking about where conversations happen to reduce complexity, how enabled people feel to disrupt business models and namely about speed. By nurturing an environment that easily connects employees with each other and to the customer.

Liam Hanrahan, acting Director of Services, Communications, Information Systems and Corporate Development at Mayo County Council is on a journey to improve operational efficiency and employee productivity.

"We are the third largest County Council in Ireland serving a population of 130,000 with offices and locations across a diverse landscape. We're trying to find the most efficient way to deliver the best and fastest service to the public," Hanrahan says. "With Skype for Business Online, it's easier for people to connect quickly and face-to-face without unnecessary travel time. This means we can deliver a better and reliable service to our local community and beyond."



Future-proofing your business

Future-proofing your business

Innovation is one of those words where the meaning changes depending on how it's used. In the business world, the noun 'innovation' usually refers to a specific item or service; a new gadget, app or piece of technology taking the world by storm. But use innovation as a verb; and suddenly you're talking about a process, not a product.



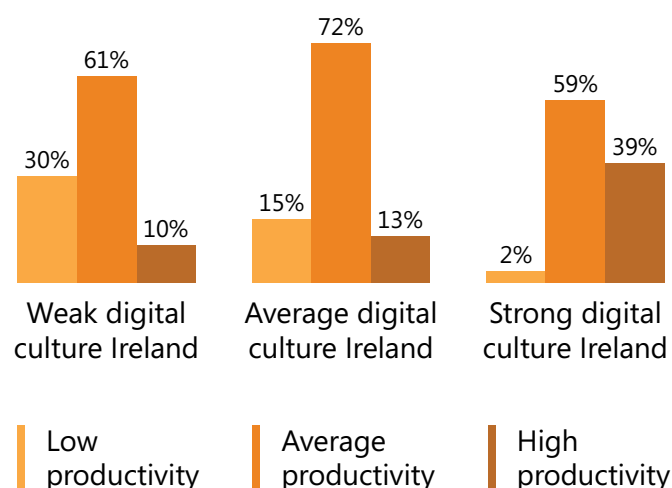
It's the process of innovation that is most interesting. Any new product or service that makes it to market results, from a period of experimentation, discussion and the cross-fertilisation of ideas drawn from every corner of a company. Despite the narrative of groundbreaking innovations suddenly springing to life fully-formed, that's rarely the case. In fact, it's usually the ongoing input of different people, from diverse teams and backgrounds that helps turn an idea into an innovation.

In order to develop better innovations (the product), it's therefore in every business leaders' interest to nurture the process of innovation. This

hinges on two key ingredients: collaboration and creativity. To innovate, businesses must tap into people's individual strengths. But there also needs to be space for people to build on each other's ideas; to test, stretch and strengthen them until the final, reinforced result is the best that it can be. Taken together, the whole is more than the sum of its parts.

We surveyed Irish and European employees about workplace innovation – looking specifically at how creative and collaborative they felt. We asked employees about these two performance indicators in as it is a company's creative and collaborative employees who are best able to tackle key business challenges, identify new market opportunities and impact business outcomes.

Innovative Employees



Our research found that, on average, just under 17 percent of Irish employees feel highly innovative at work. In companies with a low digital culture, this was as low as 10 percent. Yet when a strong digital culture was present, and where employees could use technology to enhance, not stifle their creativity and collaboration, this jumped by a full 29 percent.

This means that more than one-third (39 percent) of employees in strong digital cultures said they felt highly innovative. That's a lot more people working together to bounce ideas around and come up with the next breakthrough that will wow customers. It's these employees who are able to best adapt, react and respond to challenges and opportunities alike – ultimately fueling the future of your business.

//

By finding new ways to work with machines, humans can be freed up from time-consuming routine work to focus on what we're really good at; working with others on projects centered around creativity, critical thinking, and adapting to change.

//

Lisa Talia Moretti, Digital Sociologist and Associate Lecturer, Goldsmiths College and Cardiff University



Five questions to ask...

to encourage more innovation within your workforce:

1. Does the senior leadership team clearly communicate the longer-term business strategy with all employees? Would any employee be able to see how they contribute to advancing the strategy?
2. Is everyone, regardless of level, encouraged to ask questions and challenge assumptions of their managers and leaders?
3. How do you encourage brainstorming and collaborative teamwork both in person and virtually?
4. Is smart risk-taking rewarded? If yes, how? If not, why not?
5. How do you build a sense of community in which knowledge and experiences are shared – across teams, divisions, geographies?

Case Study: Belfast Trust & Social Care Trust

Belfast Health and Social Care Trust is the largest integrated health and social care trust in the UK, responsible for the care of 340,000 citizens and the majority of regional services in Northern Ireland. The Trust is the largest employer in Northern Ireland with over 20,000 members of staff and has an annual operating budget exceeding £1.3 billion.

Given growing challenges in the health service the Trust had to find an innovative solution to supporting the placement of vulnerable, often elderly, service users into residential and nursing homes. Historically, this process was time consuming, requiring 200 key workers, with two hours spent on paperwork per patient, equating to approximately 3,600 hours a year.

To improve this, the Trust created a “Care Home Portal” using SharePoint Online and Office 365 which has enabled Care Home staff to proactively “self-declare” their available beds. For Trust staff, the portal provides an easy way to see where beds are available, so a service user, their families and caregivers can begin finding the right location and facility while having a Trust healthcare professional at their side.

“For the first time, managers have an overview of bed capacity within this sector,” Jackie Campbell, Services Manager at Belfast Trust. “It is assisting the management of hospital delays and patient flow, and it is reducing practitioner time contacting individual homes to determine capacity,” concluded Campbell.



Transforming to win the war for talent



Transforming to win the war for talent

The modern workplace is an increasingly age-diverse environment. For the first time in history, there are as many as five different generations working side-by-side. You've heard of the baby-boomers and the millennials. But what about Generation X or Z? Today's employees can be aged anywhere between eighteen and eighty.

Every generation of employees brings something unique and valuable to their companies; from

experience and wisdom, to unique perspectives and styles of communication.

To unlock all employees' potential, businesses need to unify their talent. Individuals need to feel empowered to be at their best every day. In parallel, teams need to be able to work together seamlessly. In short, companies need an 'inviting culture' of empowerment, where everyone feels welcome and able to share ideas.



Current demographic trends mean that it will be increasingly common to find different generations working alongside each other. That means that in order to attract and retain the brightest and the best, businesses will increasingly need to appeal across the generational divide. In addition, given the fluidity and fluctuating nature of labour markets – where people change jobs more frequently, yet will keep working until much later in life – cultivating talent, whilst also managing institutional knowledge has never been more important. Future-proofing your talent pool, today and tomorrow, hinges on empowerment.

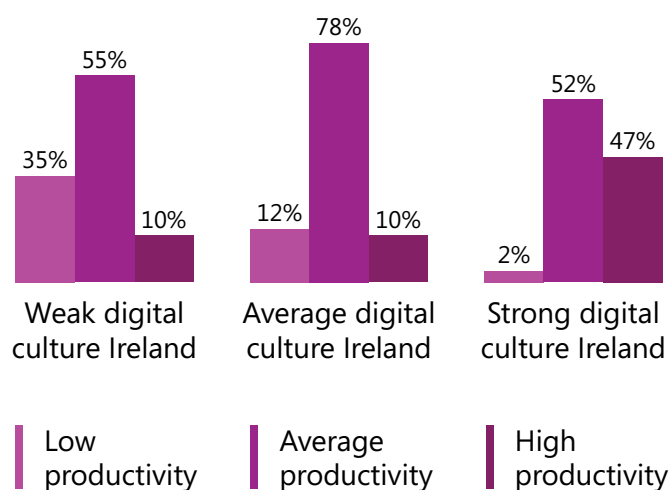
Employees want to feel that their work matters, that they are doing their job to the best of their ability, and that they are making a difference. Yet, on average, just 16% of Irish employees feel highly empowered at work; and this drops as low as 10% in companies with a weak digital culture. In companies with a strong digital culture, however, the number of employees reporting high levels of empowerment jumps to almost half (47%). That's a dramatic difference; and one that suggests that digital culture is a key driver in helping workers feel fulfilled.

One key element of digital culture is managerial support; making sure employees have managers who lead by example in promoting the use of technology as a way to help with everyday tasks.

Another factor is putting in place an overarching vision from senior leadership that allows employees to see a clear connection between using technology at work, and achieving end business goals.

Finally, companies need to make an ongoing commitment to preparing their employees for the new world of work. New technology can be initially off-putting for some employees. Yet failing to address this issue head-on risks being a self-fulfilling prophecy. Employees become more and more reluctant to adopt new technologies, widening the gap between them and the company's digital natives. This in turn makes it even less likely that they will be able to forge ahead and achieve their full potential in a digital workplace.

Empowered Employees





When a strong digital culture is in place, however, employees have access to all the necessary information and training they need to adopt new technologies with confidence – regardless of their background or previous experience.

With the right digital culture in place, businesses can unlock the full potential of their people. The ultimate outcome? A more productive and effective workforce, and a pool of passionate employees who see your company's successes as their own.

//

At Microsoft we believe every piece of technology should help embellish the capability of human beings.

//

Satya Nadella, CEO, Microsoft

Five questions to ask...

when looking to nurture an environment where employees feel empowered – as individuals and as teams:

- 1.** Are managers trained to work through projects with employees as coaches, not as bosses?
- 2.** Do leaders communicate regularly regarding their own successes and challenges?
- 3.** Do you encourage an ethos of lifelong learning and mentoring/reverse-mentoring?
- 4.** Do you have processes in place that ensure people receive regular, timely feedback for employee development?
- 5.** Do you empower people – through technology and flexible work culture – to take initiative and work independently?

Case Study: Allianz Ireland's Digital By Default Journey

In its 127 years, Allianz has transformed itself many times as society has changed. Now, as part of its digital transformation strategy they are moving to be 'Digital By Default' in how they deliver high quality personalised, data-driven digital experiences that are tailored to customers' needs. A key part of this transformation is its focus on encouraging and supporting staff to embrace new technologies and to develop a robust digital culture.

Working with Microsoft, Allianz has digitally transformed its customer experience through new services like MyAllianz, where customers can take control and manage all their Allianz policies in one place. Its websites now help customers access Allianz services 24/7 365 days a year.

Karen Forte, CIO, Allianz Ireland commented, "As one of the oldest and largest global and Irish Insurers today, Allianz has seen and adapted to huge transformations across business and society. Allianz Ireland was the first in the Irish market to provide online "quote and buy" facilities to customers in 2000, and has always punched above its weight when it comes to digital innovation. To do this, we have worked to create, grow, support and maintain a strong culture of innovation and adoption of technology. Development of our digital culture will be a crucial element of our continued digital evolution."



Conclusion



Conclusion

When it comes to digital transformation, it's said that the future belongs to the fast. But before moving ahead, companies need to lay the right foundations for success. As we've seen, this means carefully considering the culture, context, and conditions in which technologies are put to use in the workplace; not just their technical specifications. Put simply, there needs to be strong connection between technology and business outcomes.

By keeping people, performance and purpose front of mind, digital culture can be the ultimate catalyst for propelling your business forward into a cloud-first future.

//

I think of culture as a complex system made up of individual mindsets – the mindsets of those in front of me. Culture is how an organisation thinks and act, but individuals shape it.

//

Satya Nadella, CEO, Microsoft



Methodology

Microsoft undertook an online survey across 21 European markets with KRC Research. A stratified random online sample of 20,476 workers from large (250+ staff) and small (50-250) businesses was collected with a sample size of 1,000 respondents from Ireland.

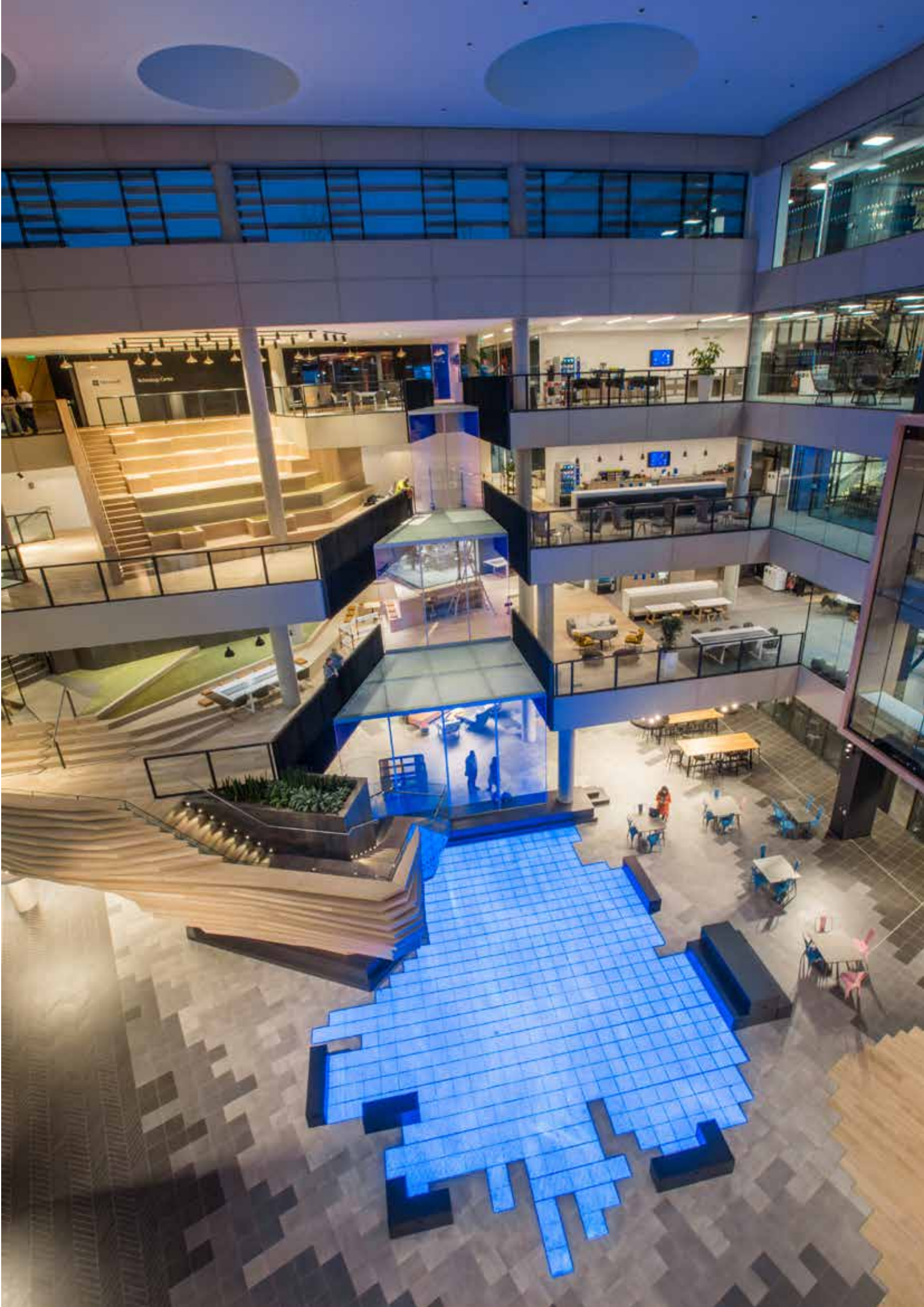
Panels and sampling were compliant with the ESOMAR/GRBN Guideline on Online Sampling Quality.

- | | |
|--------------------|--------------------|
| 1. UK | 13. Norway |
| 2. Germany | 14. Switzerland |
| 3. The Netherlands | 15. Austria |
| 4. Italy | 16. Portugal |
| 5. Spain | 17. Romania |
| 6. Russia | 18. Hungary |
| 7. Czech Republic | 19. Greece |
| 8. Poland | 20. France |
| 9. Sweden | 21. Ireland |
| 10. Denmark | |
| 11. Finland | |
| 12. Belgium | |



Definition of Terms

Company Culture	Shared, underlying, and deep-rooted basic assumptions, values, beliefs, and norms that characterize an organisation.
Digital Culture	Shared, underlying, and deep-rooted basic assumptions, values, beliefs, and norms that characterize how an organisation encourages and supports technology use to get work done in the most effective way.
Empowerment	Employees feel valued and that their work is making a meaningful difference; that they are able to contribute at a strategic level.
Engagement/Flow	Employees are more productive when they have total focus and energy on what they do. Experts call this “flow” because it feels like things run perfectly smoothly and with minimal conscious effort.
Productivity	The balance between how much effort or work is needed to be put in by an employee to deliver a specific output, or product.
Innovation	This is a combination of ‘creativity’ meaning the production of new and useful ideas; and ‘collaboration’ meaning the action of working with someone to produce something.





©2018 Microsoft Corporation. All rights reserved.