Part 3: Empowering Employees

Aligning skillsets and culture with the digital revolution

An IDC eBook, Sponsored by Microsoft

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Introduction

The Microsoft Digital Transformation series is a collection of five eBooks outlining the business opportunity to build or accelerate your digital transformation practice.

Learn how Microsoft partners have developed cloud technologies to evolve their digital transformation practices and deliver innovative services and solutions to customers. Understand how Microsoft's digital transformation pillars are your roadmap to align solutions and customer transformation needs.

eBook #1: The Digital Transformation Opportunity

Gain insight into the opportunity and size of the rapidly growing digital transformation market, the digital maturity of your end-customers, and the business attributes for success. Align your business strategy to the digital transformation market opportunity.

eBook #2: Engaging Customers

Understand how partners are engaging customers across the transformation lifecycle and integrating customer centricity across the business and through data driven insights. Align your customer engagement strategy to help customers succeed on their digital journey.

eBook #3: Empowering Employees

Learn what partners are doing to recruit, train, and develop digital-savvy skills across their organizations. Understand how partners are building modern work environments with self-service and simplified processes leveraging data and insights to aid decision making.

eBook #4: Optimizing Operations

See how partners are transforming their operations to be more adaptive, agile, and efficient by harnessing technology and digital platforms. Identify where and how you can make improvements to your business through automated processes and governance.

eBook #5: Transforming Products

Learn how partners develop and capitalize on their products and owned intellectual property (IP), leverage data to enter new markets, revise business models to prioritize agility, and make customers their business partners on the joint digital journey. Understand the breadth and value of owned IP, and where your strategy should align.

According to IDC, **by 2020, 85% of new hires** will be screened for analytical/AI skills and **25% of Global 2000 companies** will have developed digital training programs.

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Employee Engagement

Two key components of your business are its culture and people. Your company's culture, embodied by your leadership, is essential in establishing the values and behavior of your employees.

"You'll always be learning, adapting and trying to be as flexible and agile as possible."

– Anil Singh, Founder and CEO, Hanu

This is an important factor in any business, but even more so for one that is digitally transforming, where employee engagement is based on an agile and flexible foundation.

Your workforce and leadership must be synchronized and operating in a customer-centric and empowered way. This drives scale in your business accelerated through collaborative and communication technologies that align internal and external activities. As your company evolves along the transformation path, so do the practices around your employees.

Digital transformation requires a reconsideration of how your business engages with its employees. As your focus shifts from time and materials projects to recurring revenue streams, a customer-centric, customer-for-life mentality becomes the norm. While you can't hire an entirely new staff to fit this model, you can be creative in using attributes such as training and flexible work hours, as well as equipping employees with the right tools, to build an engaging work environment.

Cloud technologies and applications play a significant part in enabling employee engagement. Employees can work anywhere at any time and they can collaborate with colleagues and connect with customers — all in ways that are secure, flexible and that can accommodate innovation.

For this reason, collaboration and communication must permeate your company, which is fostered by using the right tools that allow access to relevant data, providing the ability to solve problems or take appropriate action, and responding to customers quickly. In the

"Our number one attribute is our flexibility because the expertise du jour last month is different this month."

– Zoiner Tejada, CEO, Solliance

digital economy, collaboration and communication take on heightened importance, and employee use of mobile technology and social apps to reach out to each other, to prospects, and to customers is crucial.

All this change that you're bringing to your business is evident in a recent IDC survey of 600 partners worldwide. With transformation, you and your peers are focused more on increasing employee training than any other area of employee engagement, as well as simplifying the way your company is managed to meet the agile demands of a digital business.

Other employee engagement priorities include establishing programs to build a collaborative environment and increasing the decision-making powers of front-line employees. Partners identified as being more digitally mature than other partners were more likely to have made these changes to their employee engagement attributes, reflecting the importance of these attributes in taking your business to the next level.

Top Employee-Related Digital Transformation Initiatives

Initiative	Percentage
Increased employee training activities	44%
Simplified the way the company is managed	39%
Established programs to build collaboration culture	32%
Increased decision-making powers of front-line employees	29%
Made major changes to core organizational structures	29%
Changed recruiting criteria to digital sales and technology skills	24%
Changed retention criteria and plans to encourage employees to stay	20%

Source: IDC Global Partner Survey, Dec 2017. n=639

Enabling greater agility through automation also applies to departments such as human resources (HR). Automating some HR processes is key to streamlining employee engagement. In fact, many transforming partners are planning major changes to their employee management systems as a means of increasing their levels of sophistication. Reaching for a higher level of automation relative to staffing is why partners provide self-service tools that automate routine processes for their human resources function. Digital enablement also makes use of collected employee data to help address trends, increase job satisfaction and retention, and identify training needs.

"No organization works well if everybody's the same. Companies that have the most diversity are the most successful."

— **Julie Simpson, CEO, Resource IT**

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Recruiting and Talent Development

"I think it's a loss not to consider hiring someone that you have to retrain."

– Jeff Shuey,
IAMCP Social
Media Chair

The pace of change in digital technology is accelerating daily, and so too are the skills requirements for your company in meeting the needs of your customers. Your business needs to be highly attuned to the capabilities, skills, and processes necessary from a people perspective to keep apace of competitors.

If flexibility defines the outcome of transformation and its cloud foundation, it also defines a critical mindset for your business. Just as you're transitioning customers from static to dynamic IT models, you're also shifting your business — its culture, leadership, and employees — to be more agile.

As a digitally enabled partner you recognize the importance of defining the mission of your company, setting strategic priorities, and identifying resources and investments that can create successful outcomes. As such, you're redefining what success looks like, and this applies equally to employee recruitment and talent development.

You can predict some elements of what you will need in your staff, but there are always new skill sets emerging. Technical and business process evolutions will drive a redesign of your ongoing recruitment, development and professional training. This includes initiatives for employee retention and leadership development.

Fostering a culture of learning within your organization results in a workforce that is motivated to acquire new skills and the latest, in-demand certifications. This in turn often improves staff retention. Keep in mind that customers that interact with less-prepared staff are also less likely to extend their relationship with your company, which goes against the tenants of customer lifetime value (CLV).

You can predict some elements of what you will need in your staff, but there are always new skill sets emerging.

For their part, leadership and human resources must have data and analytics to continuously assess employee strengths and identify any skills gaps to develop the relevant recruiting and training your company needs. Data and analytics can also be leveraged to establish policies that attract and keep the best employees, learning opportunities that impact attrition rates, and compensation and employee recognition programs that build loyalty.

Consider acting on two key talent management initiatives:

Skills inventory planning

If you can more accurately plan for talent requirements – with technology, location, or vertical industry – you can more efficiently build strength in one area and reduce it in another. This has the added benefit of not overburdening current staff, which can lead to attrition.

Staff retention as KPI

Programs that help retain and retrain quality people can have a significant impact on your profitability by increasing retention rates and helping maintain a consistent focus on company goals.

Iterative practices and evolving processes are the norm in the digital world. Because of this, your recruited and developed employees tend to have a higher level of entrepreneurialism, with a focus on customer success and business outcomes. Sustaining this requires investment in training as an ongoing metric of success.

Hiring

In a fast-paced, digitally transforming world, you are constantly solving customer challenges that require inter- and multi-disciplinary capabilities. This is also a key function of your hiring practices – to attract people who can thrive in such environments.

Astute partners understand the needs of agile teams who have a range of skill sets that can be rapidly assembled to address a customer's ever-changing needs. With highly ambiguous customer requirements, your team needs to be comfortable in addressing these situations.

Finding people who can thrive in this environment requires appropriate screening processes across skills, cultural fit, and operational acumen. Even the ability of a potential hire to handle new and unarticulated issues has become an important attribute in hiring decisions.

Diversity is also a critical strategy for hiring. Knowledge, expertise, and experience are critical for an organization undergoing digital transformation. Invest in a culture of diverse ideas and shared purpose. Innovate with new ideas, that can, and should, come from anywhere.

"Our employees know they make a positive difference every time they help a customer solve challenges. Our focus on delivering great customer experiences empowers our people to build rewarding relationships that contribute to our positive and rewarding work environment."

— Jeff Tench, CEO, New Signature

Diversity of talent fosters a culture of innovation and empowerment. As a leader, harness the breadth of your team's skills and experience, recognize talent, and invest in growth to instill confidence in employees to achieve longer term outcomes and results.

New Signature, a partner based in Washington, DC, merges its passion for technology and innovation with its people-first values and commitment to diversity. Customers require a lot of trust to transform their businesses, and it's the human connection that helps build confidence. This confidence is carried over in your work environment, where creativity is encouraged, and employees aim to make a difference in every customer interaction.

You need to capitalize on the transformation opportunity by being self-aware, continuing to learn, and always listening. Understand the culture you want to shape, then determine how that best aligns with the direction of your organization. To truly transform, your culture must encourage new ideas, and leaders must showcase those ideas.

> **"Flexibility and agility is what we look for in new hires. It's important for prospective hires to understand that going in so they can take themselves out of the selection process if need be."**
>
> – Alex Brown, CEO, 10th Magnitude

Perhaps no role defines the change in hiring processes better than sales. It is no longer about hiring salespeople experienced in transactional sales or selling big on-premise revenue deals. Instead, it is about bringing on sales personnel with consultative capabilities in their sales approach, who can work with the customer to understand their pain points and engage with technical teams in pre-sales to envision new technological solutions for success.

In a digital culture that demands agility and flexibility, it's important to hire people who are not bureaucratic or rigid in their thinking, have the ability and desire to solve problems, and pursue the change necessary to embrace innovation (i.e., transitioning from selling transaction-based to recurring subscription deals). To this aim, many partners compensate sales people based on the innovative solutions they sell. These partners recognize that developing innovative solutions require sales people to learn what the digital opportunity is at a very deep level, and from all angles – and do so very quickly.

Hiring is made more difficult by the fact that many organizations – including vendors and customers – are recruiting for similar criteria of candidates in the same talent pool. There is also a shortage of candidates with advanced certifications and expertise in advanced workloads. It's a constant, competitive battle that's always in flux.

In a digital culture that demands agility and flexibility, it's important to hire people who are not bureaucratic or rigid in their thinking.

It's not surprising to see partners hiring less-experienced Millennials at a fraction of the cost of hiring a Baby Boomer or Gen-Xer with years of IT experience. Millennials are expected to comprise 75% of the workforce by 2025, according to the Brookings Institution. It's critical to embrace this new wave of talent as Millenials shape the future and further define the digital workplace. It's important to establish an environment that meets the needs of Millenials.

The skills and experience needed for transformation are innovative and constantly evolving. Opportunities extend to those eager to learn the necessary skills. For some partners, that's an easy trade off because they put new hires through a rigorous training process. For others, it's more important to hire for the experience relative to customer service, or communication skills, or an in-depth understanding of legacy systems and how they can be digitally transformed. Build a diversity of people and talent that reflect the business model you want to grow and capitalize on the new ideas that they bring to deliver your company's vision.

A new hire onboarding process is important both for streamlining and immersing new employees into their roles and your company's culture. For some employees, the onboarding process begins before their first day of employment. Providing early access to things like company communication and collaboration tools is effective in getting someone comfortable with their new environment.

This is particularly true in the emergent world of digital marketing and selling, with its roots in social media. Understanding tools like LinkedIn Sales Navigator, as one example, is important in providing new employees with an opportunity to be immersed early in the art of social marketing and selling.

A new hire onboarding process is important both for streamlining and immersing new employees into their roles and your company's culture.

"
You have to change within before you can change externally, and you need a culture that cultivates and fosters collaboration, which helps create an environment for innovation.
"

— **Geeman Yip, CEO, BitTitan**

Retaining Employees

Culture

A healthy company culture seeks to align the values, expectations, and goals of your company with those of your employees, and embraces cultural attributes, such as agility.

Customer requirements and expectations can change quickly in a digital economy. And your staff's ability to shift quickly and drive to new outcomes will further cement your own transformation and make agility one of your differentiated values.

"Be honest, not just with yourself, but be open with employees – bring them into the same mindset."

— Ben Gower, CEO, Perspicuity

Clearly articulating goals and expectations, and how your employees can perform against digital-specific requirements, breaks down barriers to success. Ongoing metrics that enable each employee to know whether they are achieving their key performance indicators (KPIs) is critical for defining what success looks like.

As a digitally enabled partner, you embody an agile approach to the market – it's not about solving customer problems with fixed solutions but about identifying specific customer business challenges and offering unique ways of overcoming them. This agile approach is a part of your culture, which includes a highly collaborative environment of digitally savvy employees driving innovation.

If agility is the goal of a digital business, then your culture is the engine that helps drive this outcome. Microsoft partner New Signature represents an interesting case study in cultural integration. As a combination of seven Microsoft partners, each of these separate businesses had to have or develop a cultural connection to make the whole entity work smoothly. That connection was found through their respective commitments to customer experience. The company's agility comes from each partner bringing different capabilities to the table that collectively allow them to deliver far more than was individually possible.

If agility is the goal of a digital business, then your culture is the engine that helps drive this outcome.

> **"You want your employees to look at your business not as a means to an end, but as an enriching experience."**
>
> – Anil Singh, Founder and CEO, Hanu

Openness and communication is also important in your culture and in driving employee retention. This applies across roles and levels. Being open means just that – speaking openly and regularly about company performance on a yearly, monthly, or quarterly basis and sharing the profitability picture, or the staffing requirements moving forward.

If gross margin is the driver of the company, that's an important message to communicate regularly. Speed and efficiency are the watchwords to profitability and every single employee is responsible for meeting that goal and driving the right behavior.

An environment of trust goes a long way, especially in a workplace where much of the work is done outside the office – at home or other distributed locations. Managing people too closely – micromanaging – can be counterproductive to trust. Instead, partners should rely on KPIs to keep everyone on task.

The social selling index via LinkedIn Sales Navigator is one such KPI used by digitally sophisticated partners to understand how sales and other staff are engaging with people online. If staff is building online communities, that can be an indicator of potential success in driving digital sales. It's also a gamified approach – something that can become a positive driver of behavior.

Compensation/Commission

Modernizing your compensation structure is a critical element of digital integration. Use compensation as a lever to facilitate the transition from traditional on-premise business to a recurring revenue model.

Be aware that transformation brings complications, especially if your sales people continue to expect large upfront payments, even in monthly recurring deals.

An environment of trust goes a long way, especially in a workplace where much of the work is done outside the office – at home or other distributed locations.

For this reason, commission structures can play a role in fostering sales employee satisfaction and helping drive agility in your business. However, there is no silver bullet – some partners pay one-time up-front commission on the total amount of a recurring contract, and others pay ongoing monthly commissions based on the monthly revenue.

The idea is to provide as much upside as possible for sales to drive the right behavior, such as developing intellectual property (IP) or managed services. This can translate into higher commission for higher value deals and for longer value deals.

Many partners are focusing investment on their own IP such as packaged software. In such cases, like for Microsoft partner BitTitan, sales reps are commissioned equally on licenses regardless of type and revenue (i.e., perpetual vs. subscription). Perpetual licenses may generate more revenue, but this is not a factor when you're trying to drive behavior in line with strategic goals, such as greater recurring revenue.

Most partners are moving in the direction of becoming services organizations, and you must reinforce this shift with incentives. This focus on services also aligns with the concept of selling outcomes to clients, which in turn aligns with upselling and cross-selling everything that you offer.

One challenge is addressing how to pay commission on recurring revenue deals without compromising your cash flow, i.e., paying out a full annual revenue commission when you're paid monthly by the client. Microsoft partners Emit and Resource IT are doing exactly that.

"I can't say that there's one compensation plan that's going to work forever, but one of the constants in being a digitally-enabled business is change."
— Geeman Yip, CEO, BitTitan

Salespeople at these two partners receive commission in the first month of the recurring revenue sale based on the full year revenue. This is balanced by a volume of deals offsetting negative impacts on cash flow. This approach requires automation in monitoring the finances to make sure you're not giving money out before it comes in, and that there are enough deals in the pipeline and being closed to balance the output.

Commission drives behavior, and the strategic goal of most partners is to drive annuity-based managed and cloud services in high volume. The way you do that is by rewarding the people who are in control of the sale. This can also help reduce churn among the sales team.

Other partners that have transitioned to a digital business compensate sales representatives at different rates for differently valued sales. This also drives behavior. Partners like New Signature compensate its salespeople differently based on the type of deal, i.e., higher commissions for what the company calls transformational vs. non-transformational deals.

Transformational deals are defined as anything related to Azure, application development, and managed services. To drive the sale of transformational deals, the partner pays double the commission on the higher valued deals. And in situations where there's a blend of technologies, New Signature pays a blend of commission.

Expect to change your commission structure. Microsoft partner Perspicuity has done so numerous times over the years; currently the company has a focus on gross margin, plus incentives for leading and lagging indicators. They establish targets that drive the right behavior. When a salesperson achieves one target, such as profit, they are incentivized to complete other targets, which can include any number of things that can be tracked and that propel customer sales or satisfaction, such as number of deals.

> "Things are changing all the time and we can't afford to have people in protective mode and not advancing their skills."

— Itay Inbar, SVP, Hitachi Consulting

Skills/Training

> **"People need to invest the time in understanding the technologies and how they match to the business challenges, or they won't do well in a company like ours."**
>
> – Eamon Moore, Founder and Managing Director, Emit

You must have the ability to train employees to enhance your company skills in marketing, sales, development, and other key processes that are changing through transformation.

It is both fundamental and strategic to be intentional about your training and staffing priorities. This includes using data to gain insights about your workforce and investing in new skills development programs and training to enhance retention.

Develop a strategic view of training because of its importance to your success in talent development. This can often result in creating a learning culture marked by well-structured and proactive training and enablement plans. Career development paths should be well-articulated, as should the skills and attributes your employees need to pursue them. Self-service options for continuous learning and ongoing certifications should be readily available and aligned to your organization's overall business and growth strategy.

Continuous learning programs across emerging digital technology and other disciplines can ensure that your staff is kept up to date on new capabilities and use cases, and how these apply to their specific roles. These programs can guide both HR and individual employees in defining career development paths, with the relevant training needed to meet your company's strategic and growth objectives.

> **"You can't say that to digitally transform you don't need to know anything about legacy IT — someone has to know how that all worked to be able to put a plan in place to modernize IT."**
>
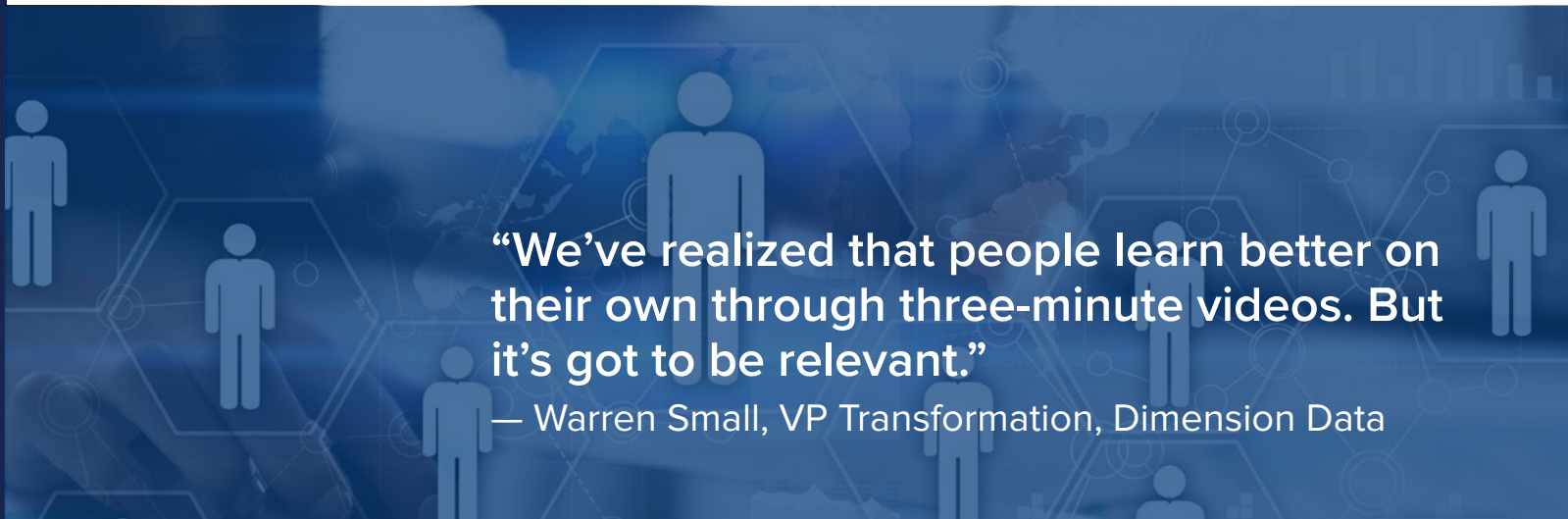> — Anil Singh, Founder and CEO, Hanu

Consider that you may not always recruit employees with the specific skills you're looking for. In many cases, and especially in the digital world, those skills might be hard to find or simply too expensive. Instead, look for people who have a good core set of IT skills, e.g., development, infrastructure management, systems administration, and then ramp them up through training in the skill sets that you require.

With experienced people in short supply, there's a trend to hire talent before experience – finding the right people in terms of temperament and ambition, and then helping them gain the needed skills. With the skills, these people can then build on their experience, whether in a specific solution or vertical.

Providing relevant training is also important to employee success and satisfaction. This includes a combination of external curriculum (from vendors like Microsoft, for example) and internal sources like shadowing and mentoring programs. What's becoming important is to get educated in bite-sized and/or gamified training methodologies and strategies, but the key is that the content is relevant.

Providing incentives to staff around training also drives behavior. Create a training profile, and your employees are then encouraged to complete a certain amount of training that can include certifications and self-assessments.

Dimension Data, as an example, only allows employees to view available roles based on their profile and their training status. Only when employees complete the required training are they able to view – and apply for – senior roles in the company. In this way, Dimension Data builds the skill set of its talent and prepares employees for leadership roles.

"We've realized that people learn better on their own through three-minute videos. But it's got to be relevant."
— Warren Small, VP Transformation, Dimension Data

To bridge the skills gap in new technologies, partners are developing their own training programs and establishing re-training programs for old guard IT people. Microsoft partner Hanu developed Azure Rock Star University, an intensive training program on the platform. The company gets a regular flow of attendees from the New Jersey state-funded Ready to Work program aimed at helping longer-term unemployed people get back into the workforce.

Partners like Hanu see value and great potential in people with legacy IT skills and experience. Given the broad range of customer scenarios in the market, partners often need employees with firsthand knowledge of mainframes and other legacy technologies during digital transformation engagements. Individuals who have gone through rigorous training on digital technologies, like those offered through Hanu's Rock Star University, have the knowledge and skills to understand what these customers are experiencing.

Having different people with different skill sets is important. It should be in your DNA that your core group of people have a wide range of skills, and that these skills are adaptable. Hitachi Consulting, as an example, has shifted 75% of its staff to a digital focus, but not just on the technical side; this shift encompasses areas like supply chain, ERP, and IoT. To achieve this, Hitachi created a community of practices within different regions and different teams and conducted training to prevent silos and encourage cross-pollination.

In addition to legacy skills, partners also recognize that the emergence of new skills requires new kinds of training. An area such as data science, for example, brings in a whole new generation of skills, and typically from a younger generation with a different mindset – they think and consume training in a different way. Microsoft partner Perspicuity believes in hiring apprentices and training them accordingly.

It's imperative to create a proactive plan to maintain the skills of your staff, leverage effective modes of delivery that are efficient and convenient – think self-paced and online – and utilize the value of certifications and digital badging as a carrot.

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Recommendations

Successfully empowering your employees is a cornerstone of your digital success. It's ultimately what ignites the engine of your profitable business. To win the hearts and minds of your employees, it's important to enact some key tenets in your business, including the following:

1. **Create a culture of learning**
Foster a culture of learning within your organization to help motivate employees to acquire new skills and get up to speed on the latest, in-demand certifications. This will improve staff retention.

2. **Make collaboration a priority**
Adopt the right enabling technologies for collaboration among colleagues and with customers. Collaboration should be a business priority. Employee use of mobile technology and social apps to reach out to each other, to prospects, and to customers is mandatory.

3. **Develop talent management initiatives**
Skills inventory planning and staff retention as KPIs are two areas of talent management to consider. Both can have positive impacts on employee retention and satisfaction, not to mention your company's profitability.

4. **Clearly define your company's goals and expectations**
Clearly articulate goals and expectations, and how employees can perform against digital-specific requirements. Provide ongoing metrics that enable each employee to know whether they are achieving their KPIs — they need to know what success looks like.

What's Next In This Microsoft Digital Transformation Series

This eBook is one in a series of five that will be published throughout 2018. Each eBook seeks to explore the digital maturing of the partner ecosystem relative to partners' ability to address the digital requirements of their customers. In addition, the eBooks examine how partners work with Microsoft to address key attributes aligned to the digital transformation pillars.

eBook 1: The Digital Transformation Opportunity

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Research Methodology

The content in this eBook series was developed through a combination of 16 in-depth interviews with forward-thinking Microsoft partners, and a survey of 600 partners worldwide. The goal of the research is to understand the partner view of the digital transformation opportunity, and the steps they're taking to position themselves for success with their customers. For more complete description of the methodology please refer to the Appendix in eBook 1 found here.

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