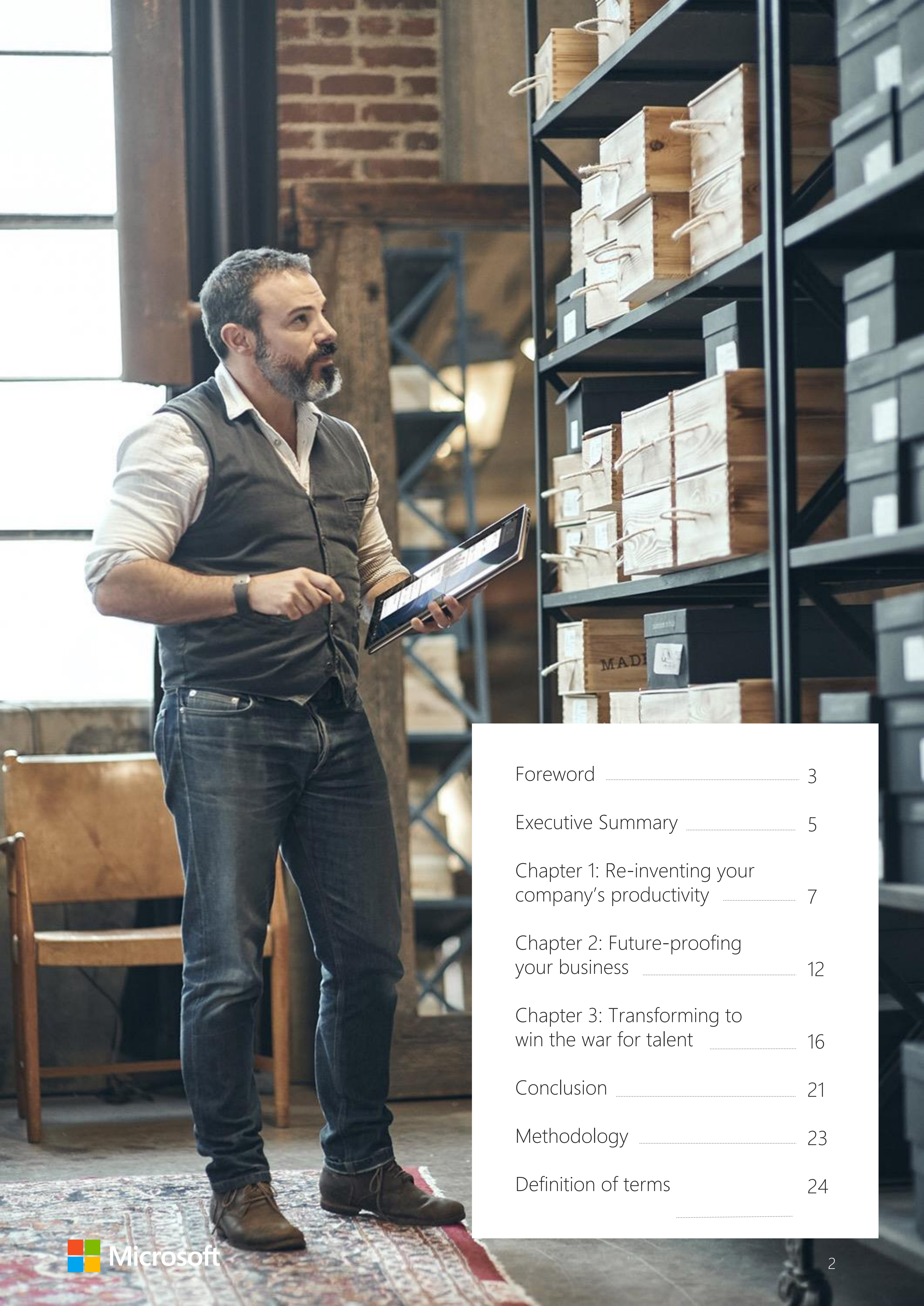


# Digital culture: Your competitive advantage



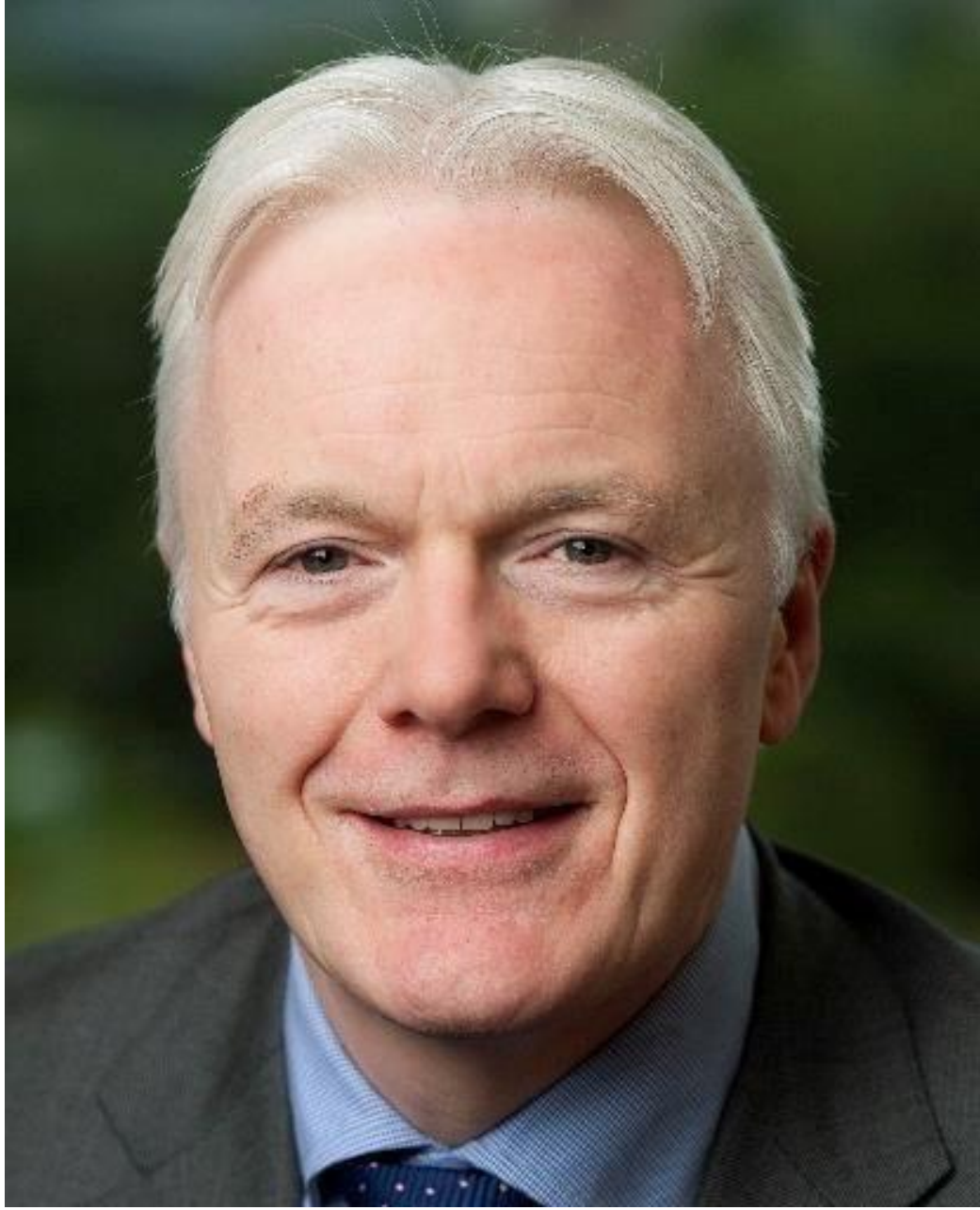




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# Foreword



**Michel van der Bel**  
**President of Microsoft EMEA**

The conversations we are having with customers across the EMEA region have shifted. 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?

Drawing from my many years in the sector – as well as Microsoft's own transformation journey – I tell them: Don't just think of transformation as an IT exercise. Think about it as a people journey.

With Gen Z entering the labor market, many companies have five generations of talent in the workplace, which is unprecedented. Each generation has unique values, perspectives and communication styles.

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 I 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 across the region understand how best to empower their employees, Microsoft commissioned research examining the interaction of technology and people in the workplace. We spoke to more than 20,000 people working in medium and large companies from a range of industries, in 21 different European countries. 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?

To compete in today's cloud-first world you not only need modern technology, you also need a strong digital culture. This is an environment where business leaders champion technology as critical in helping the company thrive and helping each individual achieve more.

When a business equips workers with technology and nurtures a strong digital culture, a significant difference emerges. Workers not only feel much more productive, they also report much greater ability to work in a flow state. A flow state is when someone is able to bring total focus and energy to whatever task is at hand. This means that people are working smarter, not harder. Work quality actually goes up in lockstep with efficiency – important for any company looking to boost its competitiveness today.

In addition, we found that people in these companies are able to work in a more creative and collaborative way. These are the people and the teams who can effectively take on the new challenges a business faces every day as well as identify new market opportunities. In short, these people are the people who can help future-proof your business.

Further, individuals in companies with a strong digital culture are much more likely to feel empowered to do their jobs to the very best of their ability. In the ongoing battle to cultivate and attract the best talent, this so important in my experience – especially for the many workers who are looking for more than just a pay check. They personally want to feel they are making an impact. For any company looking to future-proof its talent pool, this is an insight to keep front of mind.

*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





# 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 organization, 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 organizations 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 Organizational 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 11.4% of European employees feel highly productive.



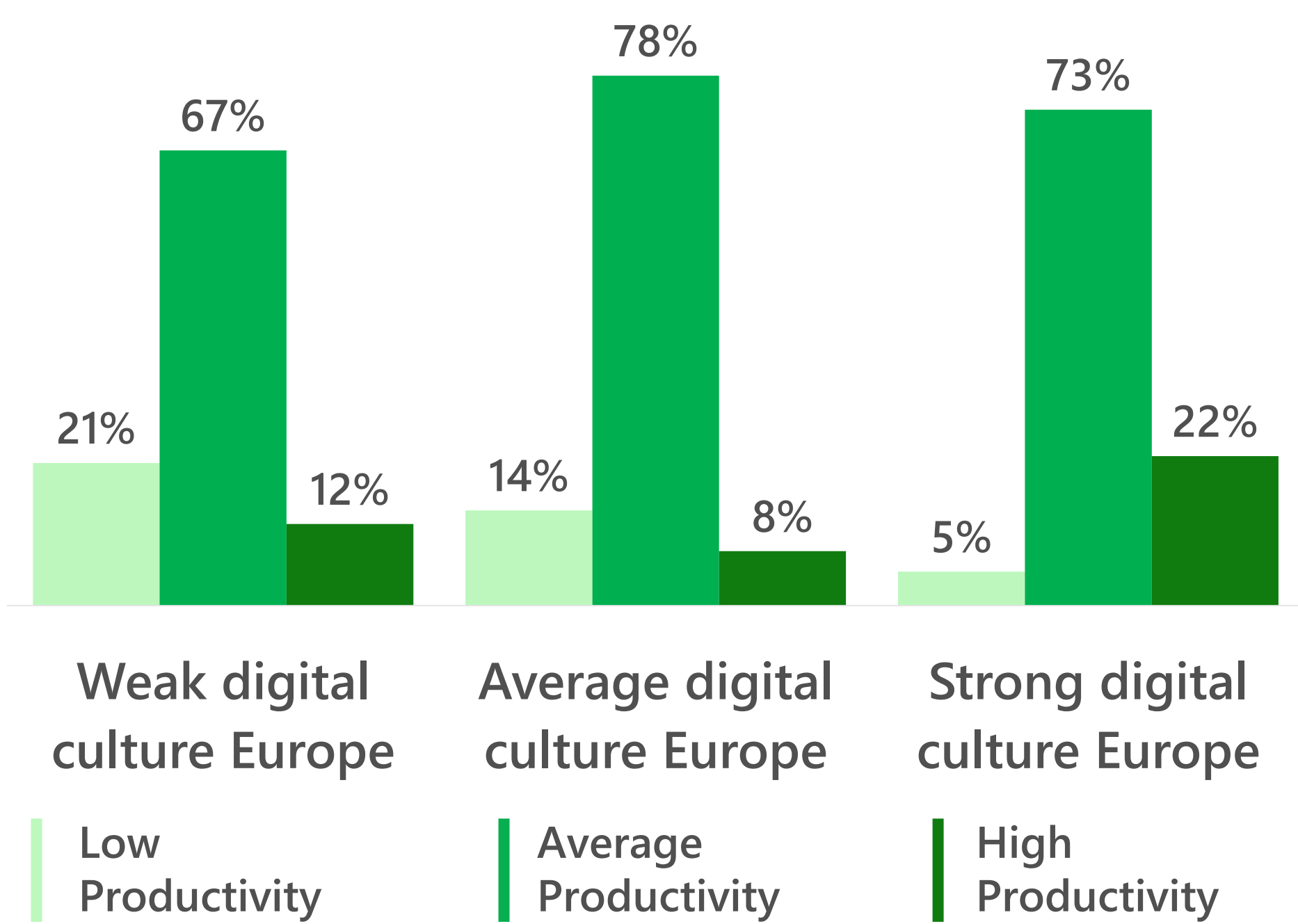


Against this background, efforts to boost productivity can be ill-perceived; a numbers exercise which inevitably asks employees to work longer hours in a bid to stay one step ahead of the competition. But our research found that employee productivity doesn't hinge on how long or hard people work. In 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 companies have a weak digital culture, just 12% of all employees feel highly productive. In a strong digital culture, this increases to 22% 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 employees who don't feel very productive at all drops from over 20%, to just 8%. That's a significant dip in the amount of efforts being made for very little in terms of an end result.

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 organizations. Without this, you cannot expect employees to embrace its potential.

Productive Employees



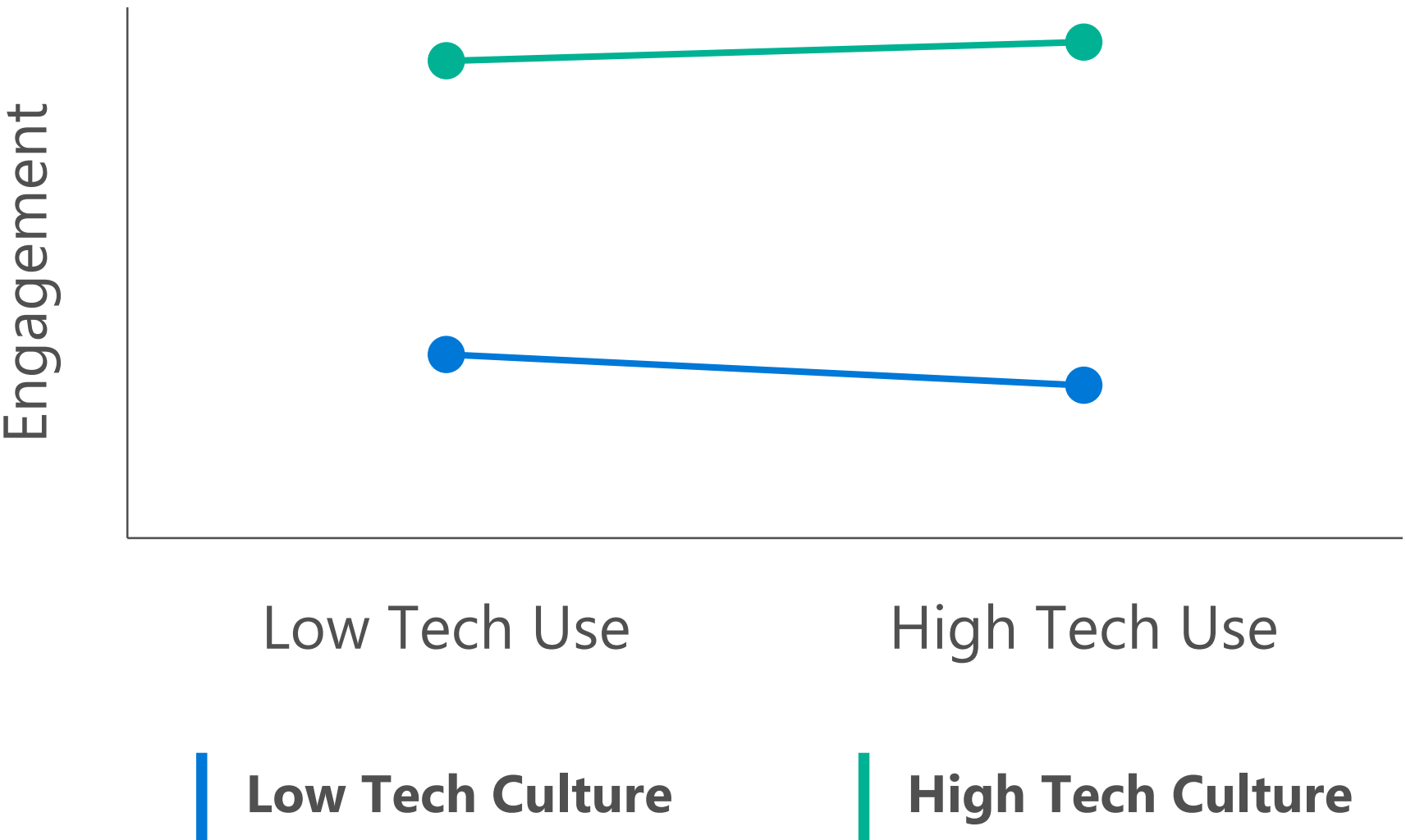
In a strong digital culture, twice as many employees report high levels of productivity as compared to a weak digital culture



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 20% of European employees feel highly engaged at work. 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.



We see that companies with a high tech culture start with a higher level of engagement in the first instance. In low tech cultures, 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 organization 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: TalkTalk Media

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 where impromptu conversations can happen, Mark Dickinson, Chief People Officer at TalkTalk Telecom Group, has seen a notable impact on employee productivity.

**"We're trying to shift decision making and power away from the head office to the people who are closest to issues and best able to contribute,"** Dickinson says. "With Skype for Business Online, it's easier to get the right people together quickly, without expensive travel. Where resourcing is concerned, this means we can hire the right skills more quickly and make more efficient use of our staff."





# Future-proofing your business





# Future-proofing your business

Innovation is one of those words where the meaning changes depends 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.

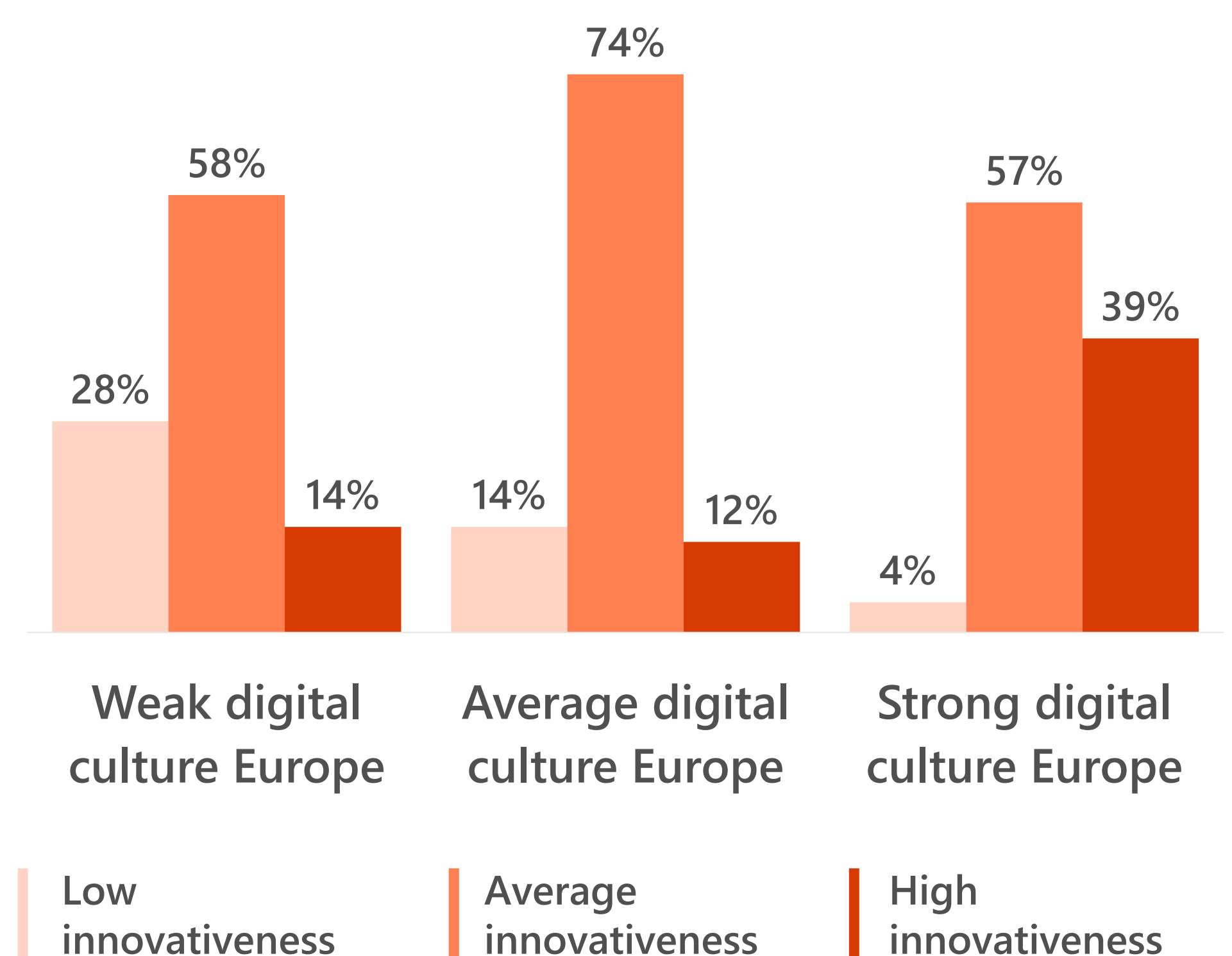
It's the process of innovation that is most interesting. Any new product or service that makes it to market results from a period of experimentation, discussion and the cross-fertilization of ideas drawn from every corner of a company. Despite the narrative of groundbreaking innovations suddenly springing 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 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 European employees feel highly innovative at work. In companies with a low digital culture, this was as low as 14 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 25 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: Stanley & Stella

Stanley & Stella, the Belgium-based B2B apparel brand, has digitally-enabled sustainability at its heart. Quality comes first – and using the latest innovations in digital technology and data management, the brand manages operations in over 100 countries, connects with 710 retailers around the globe, and provides tailor-made customer service in a sustainable manner.

**“Right from the beginning, the idea was to build a digital company”,** notes Alexandre de Goussencourt, CIO of Stanley & Stella. The company uses technology to manage and track every step of their supply chain, as well as their current and future customers. Socially-conscious brands like Stanley & Stella are becoming a part of mainstream culture. Being able to share the right information, at the right time and through the right channels, is crucial to build trust around the brand. This is sustainability in action.





# 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 labor 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.

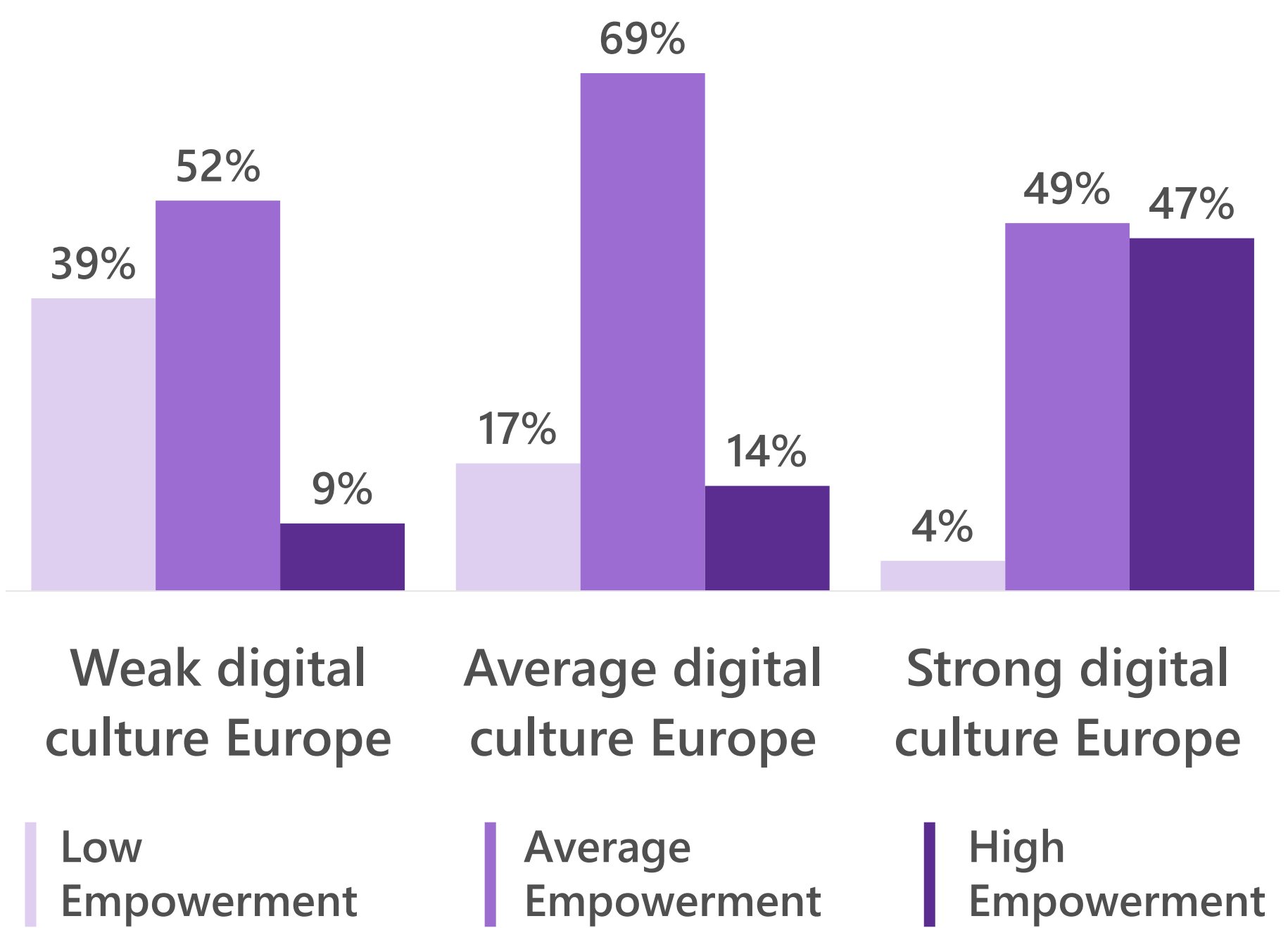
Employees want to feel that their work matters, that they are doing their job to the best of their ability, and that they are making a difference. Yet, on average, fewer than 20% of European employees feel highly empowered at work; and this drops as low as 9% in companies with a weak digital culture. 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: DEME

We live in a mobile world. DEME Group is an international leader in environmental science and engineering. Building on more than 140 years of know-how and experience, DEME is leading their sector while also prioritizing sustainability. With team members working in sorts of locations, whether out in the field and back at head office, enabling seamless teamwork is essential.

Business Application Officer Johan De Weerdts knows the importance of a mobile-first world: **"We have people who are working all over the world, so it's important people have the right information, at the right moment in the right place."**

Microsoft's Office 365 empowers DEME's geographically dispersed employees to work as one team.

DEME also has a laser focus on attracting top young talent to join its thriving team. "From an HR point of view, smart working is very important to the people coming in from school right now. They are used to working on different devices, and we need to make sure such tools can be easily implemented in our environment."

Equipping employees with Surface tablets has united the company, giving everyone the power and the portability they need to get the job done.





# 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

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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 organization thinks and act, but individuals shape it.

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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 an average sample size of 1,000 respondents per country.

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

1. UK

2. Germany

3. The Netherlands

4. Italy

5. Spain

6. Russia

7. Czech Republic

8. Poland

9. Sweden

10. Denmark

11. Finland

12. Belgium
13. Norway

14. Switzerland

15. Austria

16. Portugal

17. Romania

18. Hungary

19. Greece

20. France

21. Ireland





# Definition of terms

Company Culture	Shared, underlying, and deep-rooted basic assumptions, values, beliefs, and norms that characterize an organization.
Digital Culture	Shared, underlying, and deep-rooted basic assumptions, values, beliefs, and norms that characterize how an organization 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.





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