

smith&beta

2018

**STATE OF DIGITAL  
TRANSFORMATION  
AND TALENT REPORT**

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# EXECUTIVE SUMMARY

In the second decade of the new millennium, the most successful businesses realize that *people capabilities* equal business capabilities. Training employees is critical. Continual learning, the ability to move employees' capabilities forward, is part of work. Technology now allows employees to quickly research, learn and apply new skills despite shifting priorities, uncertainties and daily pressures.

What's new in 2018? This report could be summarized as '*what's not new.*' For many companies, capabilities remain stalled. There will continue to be winners and losers. Winners will continue to operate with people at the center of their business model. Five summary points contained within this report:

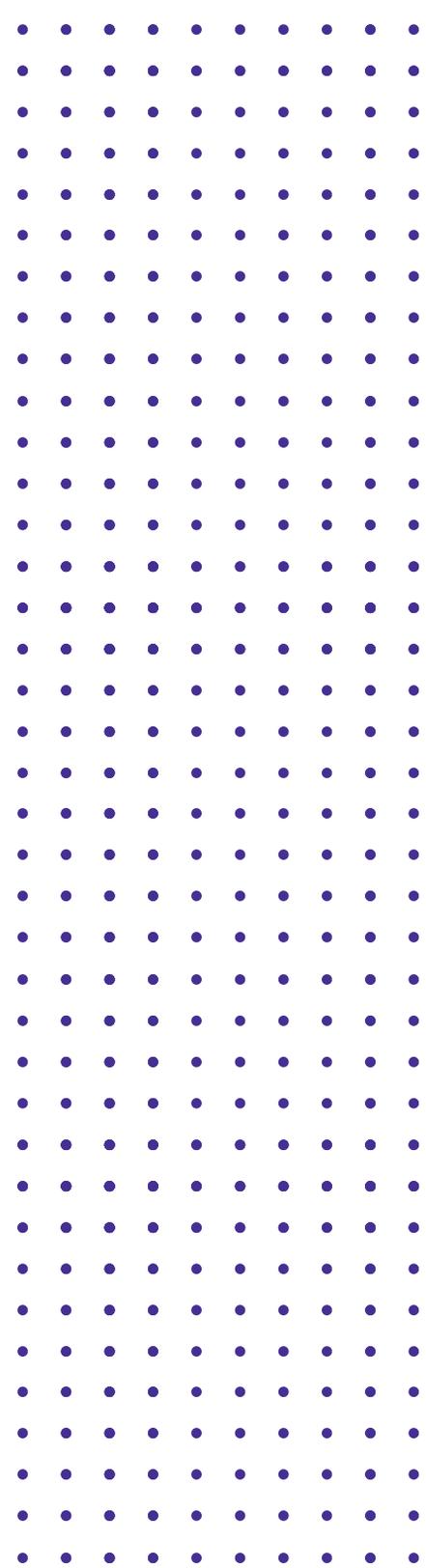
- 1. Businesses are experiencing skill deficits, capabilities are not evenly distributed.
- 2. There is an overreliance on experts. Skillsets do not scale.
- 3. Transformation is part of everyday business strategy, which requires new skills.
- 4. Businesses remain focused on talent acquisition vs talent development, despite the costs of double digit turnover rates.
- 5. Employees are actively seeking solutions for evolving their own capabilities and ways of working.

The data contained within this report confirms that employees' skills are not up to speed. Most businesses do not have the capabilities needed in their current role, much less to advance within their organization.

Skills matter and so does the truth about those skills.

# TABLE OF CONTENTS

- 1 Welcome
- 2 Cha-Cha-Cha-Change
- 3 Learning Investment
- 4 Learning [R]Evolution
- 5 State of *Actual* Capabilities
- 6 State of *Actual* Capabilities (cont.)
- 7 Capabilities that Matter
- 8 Capabilities that Matter (cont.)
- 9 Talent Transformation
- 10 Get started
- 11 Bibliography



# WELCOME.

In 2018, the spirit of reinvention is contagious. The savviest businesses have moved to a more iterative, responsive and customer-focused way of working. "...Companies need to become more like living businesses, building and sustaining symbiotic ties with their customers..."<sup>1</sup> The skill sets required to succeed in marketing and advertising have changed. Digital and technology – from voice to blockchain—continues to challenge how we work, what we create, and who we hire and retain.

Employee capabilities, i.e., their skill set, mindsets, behaviors, and habits, are at the center of organizational transformation. Businesses change when people change. Rick Gomez, Exec VP and CMO of Target was quoted in a recent Forbes article, "It's our people—because people separate great brands from average brands. So we're investing more in growing and developing our team."<sup>2</sup> It's the individuals that matter.

If talent is truly a company's most valuable asset, then we must understand what employees are capable of and continually help them evolve and improve.

At smith & beta, we have a privileged view inside leading companies. Our work, in any given year, includes evaluating ways of working and designing training programs to address culture and competitiveness. The *2018 State of Digital Transformation and Talent Report* tells a story about current capabilities at select companies across multiple categories.

The data in this report includes insights collected from over 1,100 employees of smith & beta clients. We've also included data from a survey sent to CMOs and marketing leaders during the CMO Roundtables produced by the Association of National Advertisers. This data is aggregated from employees and leaders who shared their skill set levels, opinions about the state of company transformation, and what's needed to evolve.

So, let's dig in.

1. John Zealley, Robert Wollan, and Joshua Bellin, "Marketers Need to Stop Focusing on Loyalty and Start Thinking About Relevance," Harvard Business Review, March 21, 2018.

2. Jenny Rooney, "Here's What Will Command CMOs' Attention In 2018," Forbes, January 8, 2018.

## CHA-CHA-CHA-CHANGE

How brands connect with customers looks different today. “Amazon—which for years has been growing at over 20% a year—is not slowing down. Instead, its growth rate is accelerating.”<sup>3</sup> But not all businesses are experiencing the same Amazon-like acceleration. For example, Facebook’s dominance is shrinking. “78% of 18- to 24-year-olds use Snapchat, and a sizeable majority of these users (71%) visit the platform multiple times per day.”<sup>4</sup> Twitter is finally making money, but their audience is not growing.<sup>5</sup> Shifts in platform preferences are overwhelming and also expected. Customer centricity and experience design are prerequisites for success.

Given rapid changes in technology, platforms, consumer behavior, and new ways of working, companies are examining “employee readiness” and investing in scalable transformation efforts. Yet, our data reveals that some companies are more “ready” than others.

“ The digital world is critical to the consumer decision and purchase cycle and not being in-touch with that makes it harder for brands to be successful in today’s retail and digital landscape. ” – ANON survey respondent

65%

of employees say their company talks more than it makes

24%

say their company is threatened by technology

52%

of employees do not know the type of digital work their company wants to do

57%

think their company does not have the right processes that involve the right people

52%

do not believe their company is fast and iterative

3. Peter Cohan, “3 Reasons Amazon is the World’s Best Business,” Forbes, February 2, 2018.

4. Aaron Smith and Monica Anderson, “Social Media Use in 2018,” Pew Research Center, March 1, 2018.

5. Jacob Kastrenakes, “Twitter lost users in the US again, but it finally made a profit,” The Verge, February 8, 2018.

96%

of marketing leaders  
want to evaluate  
their team's  
capabilities in 2018

“ Skill set and capability evolution is a natural part/need  
of daily job execution ” – ANON survey respondent

“ I think we want to have a culture that supports evolving  
our digital capabilities, but the infrastructure is not in  
place, ” – ANON survey respondent

## LEARNING INVESTMENT

Are capabilities evolving quickly enough? A good indicator is a company's investment in and commitment to learning. Many leading companies are actively reinventing skills, processes, and structures which requires a dedicated talent development effort. Learning is not a single workshop, but part of everyday work.

As underscored in the 2017 report *The Digital Talent Gap—Are Companies Doing Enough?*, employee education centered around digital skills and fluency are needed more than ever before. Over half of all respondents identified the digital talent skills gap as a major contributor to missed business opportunities.<sup>6</sup> Learning, particularly in areas of digital and technology, is the new business currency.

Shifts in how employees work each day require new types of skill sets across every department. Companies cannot rely on hiring superstars to solve for lack of overall capabilities. Experts simply do not scale. “It doesn't matter what business you're in, superstars, by themselves, don't scale.”<sup>7</sup> There's a new focus on skill distribution, which allows for generalists to shine and build new skills daily.

Despite the need for new capabilities, if you ask most employees, they believe that change is not happening fast enough. Speed is important, but so is getting employees involved in the capability transformation process. “Only around one third (36%) of organizations say both senior executives and middle managers share a common vision of digital transformation.”<sup>8</sup>

6. Nick Kostov and Stacy Meichtry, “Ad Industry's Digital Upheaval Rocks WPP; Shares Tumble,” *The Wall Street Journal*, March 1, 2018.

7. John Winsor, “5 Ways to Save Agency Holding Companies From Becoming Irrelevant,” *Adweek*, March 12, 2018.

8. “Understanding Digital Mastery Today,” *Capgemini Digital Transformation Institute*, 2018.

“ Please describe the ocean in which we are drowning. ”

– ANON survey respondent

## EMPLOYEE LEARNING [R]EVOLUTION

There is a learning revolution happening in the workplace. Particularly with a younger demographic. A recent ManPower Group survey of 19,000 working millennials across 25 countries found 93% see ongoing skills development as important to their future careers. 80% rate the opportunity to learn new skills as a primary factor in considering a new job, and 93% want lifelong learning and would spend their own time and resources on further training.<sup>9</sup>

Employees are actively seeking new learning opportunities at work. “Most companies already have a suite of online learning modules that employees can access on demand. Although helpful for those who have clearly defined needs, this is a bit like giving a student the key to a library and telling her to figure out what she must know and then learn it.”<sup>10</sup> It’s not enough to invest in online learning and hope for the best. Talent development requires a consistent and varied effort, with a focus on *application* of skills.

9. Mason Stevenson, “5 Learning Trends and Strategies to Watch When Developing Millennials,” HR Exchange Network, June 18, 2018.

10. Peter Cappelli and Anna Tavis, “HR Goes Agile,” Harvard Business Review, March 2018.

96%

say training is needed to evolve skill sets

34%

say they’ve attended training at their current company

“ I believe employee training and development is an afterthought and often eliminated when budgets are reviewed. ” – ANON survey respondent

47%

say their company is not prepared for the future work of the industry

# STATE OF *ACTUAL* CAPABILITIES

Employee opinions about organizational-level shortcomings remain consistent among those we surveyed. Capabilities do not match demand. Employees are being asked to do more advanced and complex digital work, yet do not the right skills. Despite these shifts, some businesses are not taking the steps necessary to address individual and organizational deficiencies. Employees overwhelmingly acknowledge the need to improve their work and learn more to keep up with evolving needs of clients and customers.

“ Digital is changing so fast. To do it right, we need to be thinking, testing, constantly learning and applying that knowledge to different situations and opportunities. ” – ANON survey respondent

- “Totally Unfamiliar” ●
- “Total Newbie” ●
- “Novice” ●
- “Middle of the Road” ●
- “Semi-Expert” ●
- “Expert” ●

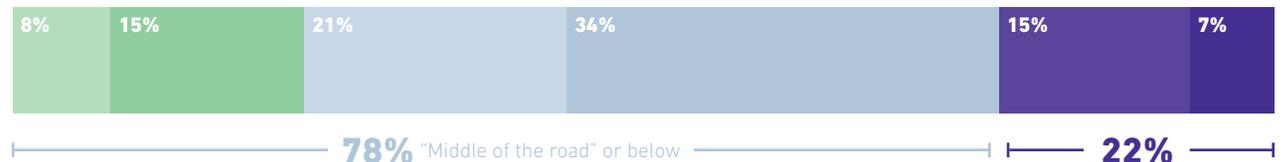
## Content Strategy



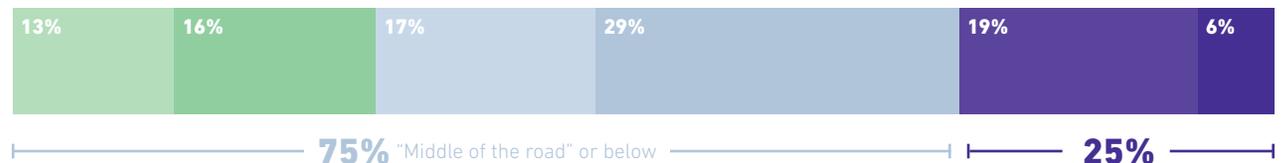
## Cross-Platform Storytelling



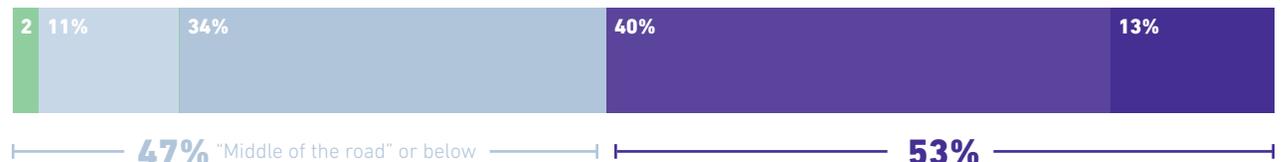
## User Experience



## Presenting Digital Ideas



## Presentation



34%

of survey respondents said their organization does not know how to collaborate among multidisciplinary teams

## STATE OF ACTUAL CAPABILITIES

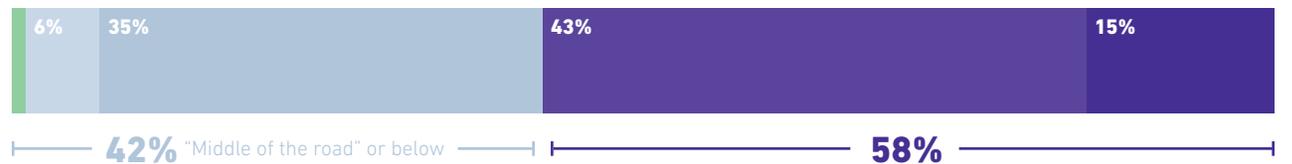
Employees are being asked to work in new ways and change how they interact with each other. At smith & beta, we are often asked to design learning experiences that improve employee connectivity and group dynamics. Often, when an employee is asked to learn something more technical (or just not close to their core expertise), weaving in topics like courage, curiosity, flexibility, and other mindsets are critical.

“Totally Unfamiliar” “Novice” “Semi-Expert”  
“Total Newbie” “Middle of the Road” “Expert”

### Risk Taking

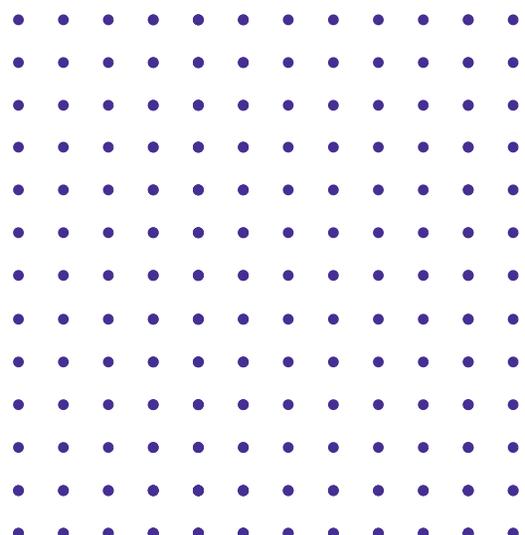


### Conflict Resolution



### Providing Feedback





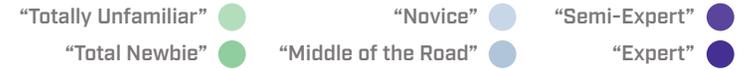
# CAPABILITIES THAT MATTER

When employees possess the capabilities required to succeed, they are more connected and engaged. They remain in their positions and have greater impact long-term. Culture shifts. Employees are more optimistic. The collective shift in employee knowledge creates a groundswell that impacts everything from financials to meetings.

Without a doubt, many of the new capabilities required at companies today are connected to digital and technology. "Digital" capability building is a priority for training often with a focus on data, metrics, social and mobile. With a device in almost every pocket *if you don't know mobile, you don't know marketing*. Yet, our

data reveals that 86% of survey respondents claim they are below expert in mobile advertising strategy. Very few are comfortable navigating mobile platforms, devices, or consumer behavior in their current position. Lack of mobile knowledge is more common that most leaders care to admit.

Social Media is another capability that many leaders assume is a strength versus a weakness. Social is an integrated part of daily life. Nearly 70% of Americans are on social media - including 86% of 18 to 29-year olds and 80% of 30 to 49- year olds.<sup>11</sup> Yet, many employees lack a deeper understanding of social media platforms.



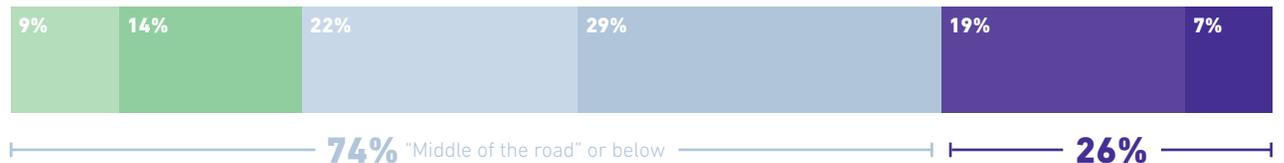
## Social Media: Platforms, Behaviors, and Culture



## Mobile Advertising Strategy



## Mobile: Platforms, Behaviors, and Culture



**85%** of survey respondents claim to be "Middle of the road" or below in Mobile Design or Development

11. Aaron Smith, "Record shares of Americans now own smartphones, have home broadband," Pew Research Center, January 12, 2017.

# CAPABILITIES THAT MATTER

Some capabilities are more valuable than others. For most businesses, the ability to prototype ideas, leverage customer data and produce relevant content is essential. When these three capabilities are distributed across an organization, there is more creativity, connectedness and confidence among employees.

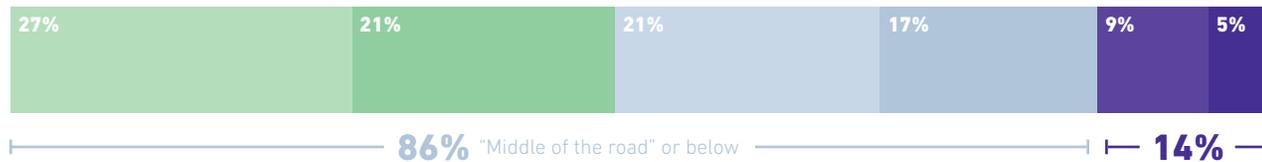
Customer-centricity and experience are also important capabilities. Some companies, like Sephora and Zara, are leading the way. “For Zara, it is all about the customer—experiences for the customer, exchange with the customer, Evangelism through the customer, and being every place for the customer.”<sup>12</sup> Designing customer experiences is not new, but experience design is not a common capability outside of software and design departments.

“Totally Unfamiliar” ● “Novice” ● “Semi-Expert” ●  
 “Total Newbie” ● “Middle of the Road” ● “Expert” ●

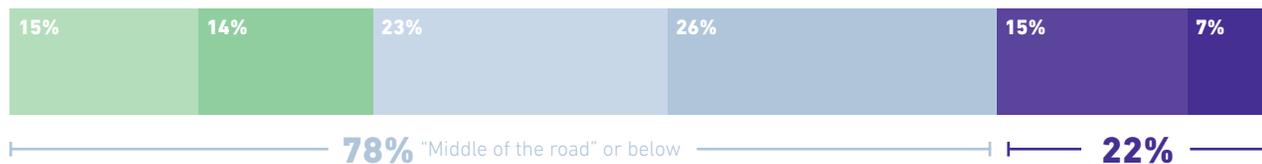
## Customer Journey



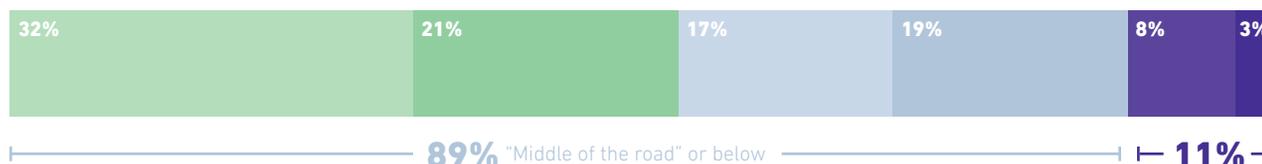
## Prototyping



## KPI/Metrics/Data Analysis

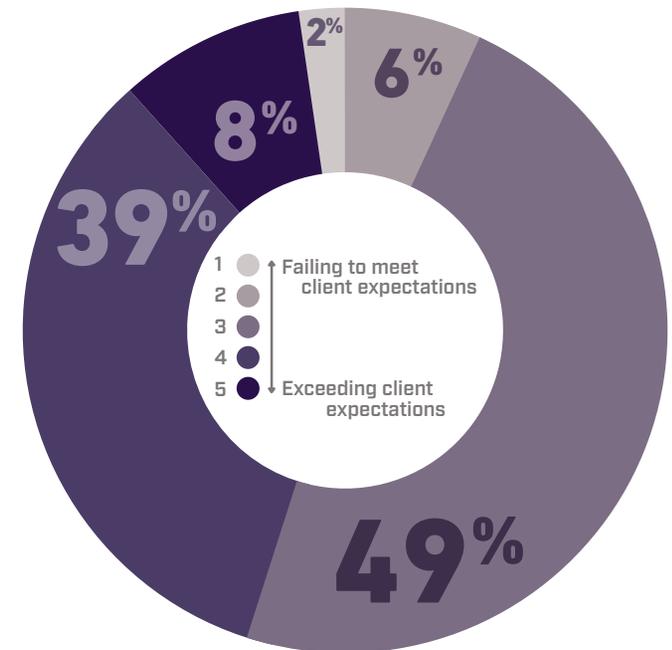


## Nimble Content Creation



“Over the years clients have agreed that prototyping is important, but often struggle with applying this skill to everyday work. We’ve seen a dramatic change in ways of working and output when prototyping is adopted.”

- Allison Kent-Smith, CEO smith & beta



12. Pamela N. Danziger, “Why Zara Succeeds: It Focuses On Pulling People In, Not Pushing Product Out,” Forbes, April 23, 2018.

The need to transform employees' capabilities is paramount to business survival. Many leaders and their staff feel the pressure to continually learn, but are overwhelmed with where to start. At times, companies are paralyzed by the requirements of transformation and employees are experiencing the impact.

Most companies cannot hire fast enough to solve for lack of capabilities across the organization. Yet, talent acquisition still preoccupies human resources and people operations strategy (and budgets) each year. Companies often consider "buying talent" as the first move to solve for lack of capabilities. Unfortunately, hiring does not meet demand. There are still employees walking in the doors each day who need to quickly evolve what they know.

“ Retaining great talent seems to be the one notable deficiency. ”

- ANON survey respondent

Despite employers' focus on hiring the right talent, employees aren't confident that their company is making the right talent investment.

Less than 50% of survey respondents believe their company hires the best talent in the industry.

“ Due to constant change, adaptation is needed to remain relevant, responsive, and effective. ”

- ANON survey respondent

We hire the best talent in the industry



We challenge ourselves to evolve digitally



We can anticipate the needs of digital execution



True ●  
False ●

# TALENT TRANSFORMATION

32% of respondents state that their company is not challenging itself to evolve

# Three Critical Steps to Take

1/

## Start with employee capability data

Many businesses lack the data on actual capabilities of employees. Begin with a simple capabilities assessment across your organization. This simple survey should list the capabilities and mindsets that you believe are most valuable. Think about now and into the future, what skill sets are difficult to find but absolutely necessary for success? Ask employees to take the survey anonymously. Take a close look at the results, do employee's self-reported capabilities match business needs?

2/

## Design work-connected learning experiences

Once you understand more about the actual capabilities of employees, design ongoing learning experiences to support transformation. Program design should consider workflow, processes, culture, and dependencies such as how employees would like to learn. Best advice: take the time to design for application of skills and make sure to provide immediate opportunity to learn "back at the desk". Application is key and can make all the difference in your capability investment.

3/

## Measure the impact of learning

To ensure that learning becomes part of everyday work, companies should measure the impact of education initiatives. Measurement should focus on how processes, ideas and financials are changing. Take the time to understand what business areas could greatly benefit from improved capabilities such as reducing rounds of revisions, increased collaboration, or customer satisfaction – then measure improvements in those areas. Put perennial systems in place to measure progress.

**GET STARTED**

Capability deficiencies are not an isolated business condition, but a chronic one. At smith & beta we encourage our clients to access the capabilities required and invest in continual talent development – ongoing. Evolving capabilities is not a one time investment. Learning never stops. Consider the possibility of 25% to 40% of your staff reporting their skills as "novice" in some of the most critical areas such as mobile, social media, data and analytics. It's okay to panic, but what's needed is action.

No outside force can shape employees to be competent or innovative. There's no magic workshop.

So, let's get started.

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