WHAT ARE THE POTENTIAL EFFECTS OF POOR DIGITAL COMPETENCY ON PRODUCTIVITY IN YOUR INDUSTRY?

“Only 22.8% of employees have the digital capabilities required of them to achieve their business outcomes.”

Digital Chameleon – Survey of Learners, 2014

Most of you reading this will have already lived through one digital revolution, greatly increasing business productivity and efficiency with automated systems and digital processes.

As businesses increasingly move to cloud-based services, there are further rapid and important changes taking place operationally in the corporate world. But research from the US suggests that the digital competency of employees is not keeping pace with these changes.

A Harris Poll study from May 2014 found that only 10% of the US digital workforce rate themselves as ‘very proficient’ with the digital tools they use to do their work. “Training has not kept pace with technology, and workers, businesses and the entire economy are paying the price.”

Meanwhile, a second digital revolution is transforming consumer behaviour, as customers now expect a seamless, integrated and connected experience with brands. This is driving a greater focus on customer-centric “digital transformation” strategies.

But a study from Capgemini Consulting found that, while companies see digital transformation as a competitive opportunity, 77% considered a lack of the necessary digital skills as the key hurdle to achieving this transformation.²

We were keen to find out whether these alarming figures are reflected on the ground. With that in mind we surveyed over 4000 senior strategists and training executives working predominantly with large global organisations.

Participants were first referred to our own research from 2014, which showed that only 22.8% of employees have the digital capabilities required to achieve their business outcomes. Then we asked the following questions:

1. Based on your experience, is this figure accurate for your industry?

2. What are the consequences of poor digital competency?

3. Are a multinational’s learning requirements different to a local company’s?

A summary of the responses is included here, together with some of the key insights from the survey.

¹The Harris Poll: The Digital Skills Gap, Harris Interactive Inc., (May 14, 2014)
Key Survey Insights

**Question 1**
Is just 22.8% of staff being digitally capable accurate for your industry?

- **1.6%** Accurate
- **31.1%** More digitally capable in your industry
- **53.3%** Less digitally capable in your industry

Nearly half of respondents agreed there is a poor level of digital competency among employees.

Just over 30% of respondents agreed with the figure of 22.8%.

“I believe this figure is accurate due to such a large organization trying to keep all associates around the world at the same level technologically.”
Learning and Talent Development Specialist, Industrial (US)

“I can’t speak to the industry as a whole, but looking at my sales staff this is fairly close. Of my thirty Sales Reps, there are eight I am fully confident can sell digital media on their own.”
Director of Digital Sales, Marketing & Advertising, Media Industry (US)

A further 18% believed the number was even lower in their industry:

“I’d say that 22.8% is generous. I’ve found very few brands have competent and knowledgeable digital staff.”
Director of Digital Strategy & Social Media, Internet Industry (US)

The results highlighted the oil and energy industry as one of those most seriously lagging in digital capability:

“It is lower for us. We are probably at 10%.”
Head Strategy & Marketing, Oil & Energy (Holland)

Just over half of the respondents believed that the number of digitally capable employees in their industry was higher than 22.8%. However, many of these industries are based in the technology/IT sector:

“I believe in our industry (technology), the teams have a better and higher level of utilization of the digital platforms. I would say easily more than 40%.”
Director, Business Strategy & Marketing, Computer Hardware (Brazil)
“Staff in IT sector industries tend to have a higher level of digital competence than general business. They are technical graduates with net native capabilities, working in a highly globalized multinational where remote working and virtual networks of collaboration are the standard operating environment.”

European Marketing Manager, Information Technology and Services, IT Industry (Europe)

However, previous research has revealed that people often overestimate their abilities, and that it is only possible to determine the actual level of knowledge through skills-based assessments. In one instance, employees of a global brand estimated their ability for a particular discipline to be 7 out of 10 on average. Yet, when Digital Chameleon conducted a global skills assessment on behalf of the client, the true average was revealed to be just 4.

Based on this, it’s reasonable to assume that actual levels of digital competence may be even lower than this survey shows.

Question 2

What are the consequences of poor digital competency?

Low productivity, inefficiency, and missed opportunities are the key consequences of poor digital competency

Nearly 40% of respondents consider inefficiency and low productivity to be the main consequences of poor digital competency.

“Insufficient digital competency affects efficiency and quality of results.”

Senior Leader Marketing & Sales, Medical Device Industry (US)

Some respondents were specific about what these inefficiencies mean:

“Interference with job performance, inability to access necessary files, inability to upload and send necessary files…”

Learning and Talent Development Specialist-Industrial (US)

“Inefficiency and low productivity are ‘bottom line’ consequences of poor digital competence. Respondents also identified missed opportunities and sales leads as another factor that potentially affects the bottom line.”

Project Manager, E-Learning Industry (US)
“The consequences are easy to imagine in a world that is changing frenetically around technology every day. Without understanding digital strategies, many companies are losing a very important part of the market and the opportunity to reach and engage with millions of potential users/customers.”

Head of Digital Marketing, Internet Industry (Germany)

“Inability to get insights from customers and missing out on the opportunity to address target audience opportunities to increase engagement.”

Marketing Director, Latin America, Computer Networking (US)

Unsatisfied customers, lack of competitiveness, and disengaged staff are also consequences of a shortfall in digital capability

The remaining 38.6% of respondents identified two other main consequences of the digital competence gap: unsatisfied customers and lack of competitiveness—both critical factors in business performance and profitability.

“It should be seen as a competitive advantage. Or, if you prefer, not being efficient in this area would result in loss of productivity....”

Head of Intranet Strategy & Internal Digital Media, Pharmaceuticals (Europe)

With technology advancing at a rapid pace, some respondents recognise the rapidly changing demands of customers. They agree these trends can only be met by technologically-savvy organisations that are capable of integrating digital strategy into the customer experience. This means not only up to date internal systems, but also well-trained staff capable of using digital channels to engage customers:

“The customer expectation is 24x7 ‘always on’ engagement via social/mobile/web commerce transaction models. Failure to meet the needs of the digital buyer can result in declining revenue, loss of market share and declining growth for organisations that are not transforming to the new digital economy.”

Marketing Manager, Information Technology (Ireland)

The danger of losing customers and lagging behind competitors is very real, according to many respondents:

“Poor digital competency means not keeping up with competitors ... customers are demanding greater digital functionality.”

Senior Analyst, Financial Services (UK)

“Poor digital competency in today’s competitive landscape simply means losing. End of story. You cannot win without a top notch digital strategy and capability.”

Senior Customer Development Analyst, Market Research (US)

Beyond this, digital competency was also seen to have an “influence on employee engagement, satisfaction, and retention.”

One respondent pointed out that, unless you are technologically ‘with it’ as an organisation, you are not attractive to, or ‘competitive’ for, prospective talent in the employment market. And this may cause employees (as well as customers) to drift away.
"Inability to be effective and competitive, both from customer and employee acquisition and retention perspective. This applies equally to staff, leaders, and companies overall."

Information Technology & Digital Marketing Leader, IT Services (US)

Many of the major consequences mentioned above were summarised effectively by this respondent from the oil and energy industry:

"Poor digital competency is leading to several items within the resources/energy industry: Loss of productivity (both from a personnel and equipment perspective); lost or missed opportunities for production improvements and resource utilization; and most importantly, a decrease in competitiveness...The decrease in competitiveness is both from the perspective of the competition and also in a company not able to hire the best and brightest because they are interested in, and want to interact with, technologies."

Executive, Growth Strategy, Oil & Energy (US)

**Question 3**

Are a multinational’s learning requirements different from a local company?

A multinational company’s learning requirements are very different to that of a local company.

An overwhelming 83.1% of respondents believe that a multinational’s learning requirements are different to those of a local company.

Of those who responded with **YES**, they stated the following differences:

- **Culture & Language**: 46.9%
- **Scale**: 21.9%
- **Communication/Collaboration capacity**: 9.4%
- **Emphasis on standardisation**: 6.6%
- **Depending on Company Size**: 12.5%
- **Type of learning/Education Budget**: 16.9%

The main differences in learning requirements are cultural, linguistic and stylistic

Of the 83.1%, almost half stated that culture and language are the biggest difference in requirements.

"Definitely yes. Language issue, global platform. Necessity to provide (and constantly update) training materials and in several languages. Also to create a communication adapted to different cultures or way of doing things."

Co-founder & General Manager, Professional Training & Coaching (France)
“If a multinational chooses to have their software in English in all their offices around the world, an employee that would not normally speak English in a non-English speaking country will be forced to be digitally-proficient and language-proficient. Thus the language effect may affect their digital proficiency.”

Project Manager SAP Training & Facilitator, E-Learning (US)

Some respondents pointed out that it isn’t only the multinational nature of an organisation that changes the learning requirements; the nature of the market affects this too:

“I think learning requirements change with each market. The definition of digital competency also changes depending on the digital maturity of the market in which a company operates. Thus for a multinational it is imperative to localize the learning process for different markets.”

Strategy Consultant – IT Management Consulting (India)

The delivery style of education also changes according to the nature of the company in question:

“It depends on the business, if it’s a start-up and a lean one...then their learning requirements will be more aggressive”

Head Capability Development, Financial Services (India)

While there are some similarities and common requirements whatever the size of the enterprise, the larger training budgets available to multinational corporations make it possible to use a wide variety of learning delivery tools not commonly available to local companies:

“All companies have common and discrete learning needs based on their markets /solutions / customer profile needs. This is true for multinationals and local firms. In global corporations you will see bigger budgets for training, skills updating and continuous learning programs. More education is delivered virtually and more self-paced learning opportunities may be made available to staff.”

Marketing Manager, Information Technology (Ireland)

Obviously many multinational companies have a highly dispersed workforce spread around the world, so virtual learning opportunities make a lot of sense.

Other key differences exist in the scale of learning required, as well as standardisation & communication requirements

Around 12.5% of respondents believe that, while the learning requirements are fundamentally the same, the question of scale means multinationals have different requirements to local firms.
“As to whether it impacts us differently than small and midsize companies, I would say pragmatically probably not. But because of the scale at which we operate the consequences to the bottom line can be valued as discretely higher.”
Senior Director, Digital Innovation, Consumer Goods (US)

“The ways in which larger firms need to learn and adapt will manifest themselves differently just based on scale.”
Senior Customer Development Analyst, Market Research (US)

However, it was also observed that some large local companies have significant learning requirements themselves – in which case the difference is not as great.

Other respondents pointed out that, in multinationals, there is also a general requirement for “standardised learning” that is not always necessary in smaller, local organisations. They also mentioned that the budget, communication and “collaboration capacity” is often greater in larger organisations, enhancing the possibilities for employing better learning platforms in the education process.

“Obviously, the larger international companies have vastly more capital and can afford to build or buy the capability needed to perform efficiently. Smaller, local companies may not have that budget, but they’re still going to employ some sort of off-the-shelf technology or even build a rudimentary database just to help manage the information that flows throughout our projects.”
Indirect Procurement & Client Management Executive - Logistics and Supply Chain (US)

SUMMARY

The competitive advantage: stepping up to the challenge of digital competency

Many organisations are now facing the major challenge of a ‘digital capability gap’, largely because training has generally not kept pace with the rate of change of technology and is not aligned to a company’s digital strategy.

This has led to the pessimism demonstrated in these survey results. Some of the consequences of a poor level of digital competency include lack of efficiency in the workplace, a potential customer ‘drain’ to businesses that are more digitally competent, and a lack of competitiveness in the eyes of both customers and employees. This can only have a negative outcome for a business.

While this is affecting organisations of all sizes, the stakes for a multinational are greater than for local firms. But larger organisations may also have the resources to turn things around more readily than their smaller competitors.

The organisations that thrive in the years ahead will be those that not only embrace technology by upgrading their systems and processes, but also invest in their employee’s capability to derive the maximum productivity out of these systems.
The most significant repercussion of the digital skills competency gap is how it dramatically opens up another even more consequential gap—that between a brand and its own customers. Consumers increasingly engage with brands in the digital dimension. Perceptions around brands are being formed around the digital user experience, whether in websites, social media sites, chat rooms or forums. Consumer research, conversations, opinions and even purchases are taking place more often in the digital dimension than the physical one.

To conclude, the key question for businesses today is simply this: is your organisation adequately preparing your own staff to operate confidently and effectively in this rapidly expanding digital landscape? If not—why?

Not everyone in your business needs to be a digital expert, but everyone needs an understanding of the tools and concepts related to their roles.

Digital Chameleon unlocks digital capabilities in large organisations by establishing digital competence requirements, assessing the Digital IQ of teams, and designing learning programs that bridge the gaps and align with business objectives. The result is that everyone has the necessary skills to make your digital transformation strategy a success.