The experience revolution
New teams, new rules

Executive Report

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Reinventing CX with digital – an employee game changer

If you believe customers experience your brand through your employees, then what will happen when your customer experience (CX) becomes more digital? Survey respondents predict their company's digital CX reinvention will have great ramifications for their leadership and teams: New skills, new job responsibilities and new organizational structures will be necessary. While managing all this change poses numerous challenges, most of the survey respondents who we identified as financial Outperformers believe happy employees make for happy customers, and they are using this transformation to prioritize and invest in employee experience (EX). In fact, our findings point to a number of leading practices Outperformers follow to help ensure their digital CX reinvention will be a positive game changer for employees, as well as for customers.

Executive summary

Think you know how to compete in this digital era? Think again. Looking to differentiate themselves, businesses everywhere are investing heavily in innovations that digitally tether customers to their brand – from mobile apps and mobile pay, to beacons, virtual or augmented reality, and artificial intelligence (AI). But today's innovation could well be tomorrow's convention. Lasting brand differentiation is realized through your employees. This simple idea has never been more important, as companies rush to deploy new digital ways for customers to engage and transact with them.

The change brought on by this digital shift has profound implications, not just for customers, but for organizations internally. What sort of leadership is required to drive this digital reinvention of customer experience (CX)? How are organizational functions realigning? What new skills are needed? How is this affecting employees' day-to-day tasks? And how are companies managing all this change?

These are questions we explore in this third installment in our CX series.[1] To find answers, we surveyed 600 C-suite and line-of-business (LOB) executives from multiple industries and regions whose companies are engaged in their own digital CX reinvention.[2]

Regardless of how far along they are in their transformation journeys, survey respondents indicated that their own company's digital CX reinvention is touching nearly everyone across their business. Companies are adding leaders to the C-suite mix who have deep expertise in digital, data, CX and innovation. Many organizations are considering merging customer-facing functions like marketing, customer support and customer analytics.

Financial Outperformers believe EX
heavily influences CX.

74%
say their employees are invested
in making customers happy

74%
feel employee morale suffers
when customers aren't satisfied

62%
are reallocating budgets to
make EX a priority

Companies are revisiting their talent strategies – revising employee performance metrics and incentives – so they can attract and retain people with the digital skills they need. Respondents predict employees will have new roles, new management structures and new processes and tools to master.

In today's world of continuous change, *new* is the new normal.

Even though companies' urgent need to serve customers better is a key driver of this workforce transformation, the majority of companies surveyed neglect to integrate employee experience (EX) into their CX strategy. This oversight is especially troubling considering that many organizations are struggling with a number of change management challenges. One such challenge is low employee morale, which companies could improve significantly by paying more attention to employees' experience.

However, there is a group of financial Outperformers who we discovered are approaching many aspects of their digital CX reinvention quite differently.[3] They recognize that their teams are changing, and so are the rules of the game.

There is much we can learn from *their* experience.

Changing the top of the roster – new leadership and alignment

In 2011, the IBM Institute for Business Value published its first Chief Marketing Officer (CMO) report, "From Stretched to Strengthened," as we saw CMOs were in the midst of drastic change.[4] The onslaught of digital technologies was hitting all aspects of marketing, from mobile and social to customer insights and analytics. Delivering a seamless omni-channel CX was – and still is – a principal concern. One CMO we interviewed admitted he continually had to go beyond his comfort zone to oversee parts of the business that hadn't even existed just a few years prior. As he put it, he had become the "Chief Everything Officer."
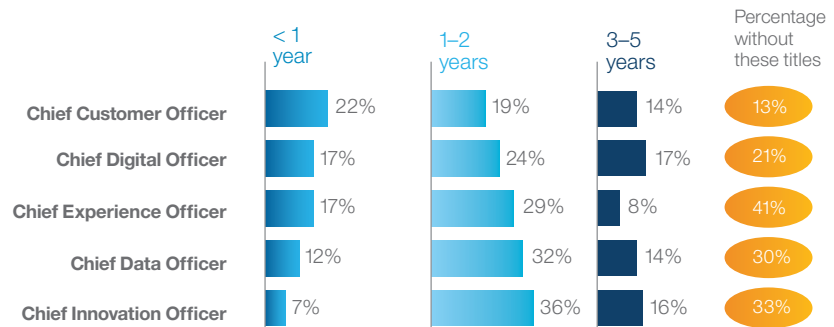
Today, just five years later, digital is everywhere, and CX is increasingly seen as a strategic imperative across the enterprise. This evolution has resulted in the need for officers and senior executives who have deep expertise and a laser focus on the specific areas required to successfully reinvent a company's digital CX. As we noted in an earlier report in this series, "Mobilizing to Win," today's CMO is more likely to be among a team of C-suite leaders responsible for CX, not the sole, primary owner.[5]

The recent proliferation of new C-suite titles reflects the urgent strategic priority many organizations are placing on CX, digital transformation, data analytics and innovation. Most of the companies that now support these roles have only added them within the past two years (see Figure 1).

Figure 1

Tenure of new C-suite roles: Most respondents who maintain these positions have done so for two years or less

Number of years C-suite roles have existed within respondents' organizations

	< 1 year	1–2 years	3–5 years	Percentage without these titles
Chief Customer Officer	22%	19%	14%	13%
Chief Digital Officer	17%	24%	17%	21%
Chief Experience Officer	17%	29%	8%	41%
Chief Data Officer	12%	32%	14%	30%
Chief Innovation Officer	7%	36%	16%	33%

Source: IBM Institute for Business Value, n = 600.

However, the financial Outperformers from our survey sample are far more likely than others to have established these positions more than five years ago. They were quick to recognize that the scope and scale of change their organizations faced called for new additions to their leadership mix (see Figure 2).

Overall, respondents who maintain these roles say the vast majority of Chief Experience Officers (88 percent) and Chief Customer Officers (80 percent) report directly to the CEO. Chief Innovation Officers and Chief Digital Officers align mostly to IT, and Chief Data Officers often report to the Chief Operations Officer. All of these new positions serve as a significant part of the executive leadership team orchestrating the digital transformation of their company's CX. They are acting as primary owner, sharing responsibility with other leaders or influencing those who are accountable.

Is the Chief Digital Officer your next CEO?

Many think these new C-suite roles will grow in importance and influence, especially the Chief Innovation Officer and the Chief Digital Officer positions. In fact, among these new roles, Outperformers think the Chief Digital Officer is the most likely to be a stepping stone to a CEO position (32 percent of Outperformers predict this; only 6 percent of other respondents feel this way).

Today, we often use "digital" as shorthand for "modernization." Because we are still in the early phases of this digital era, it's understandable that the most senior executive stewarding digital reinvention across the enterprise could be heir apparent to lead the company into the future. We believe, however, that despite today's white-hot demand for Chief Digital Officers, the need for this title will diminish as digital becomes so pervasive that businesses treat it like a utility.
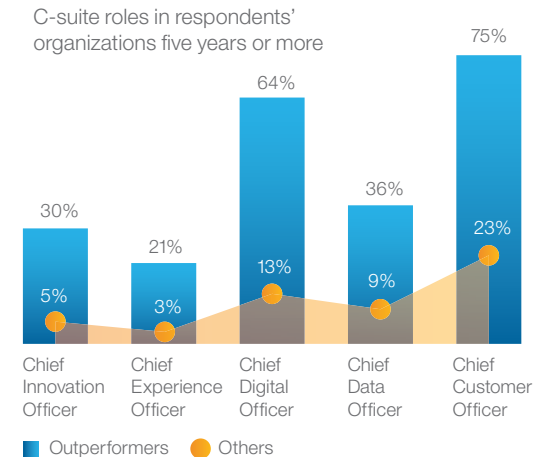
To merge teams or not? The big question for marketing

For many companies, marketing has been command central for CX, and the changes brought on by digital have had a massive impact. Within the next two years, more than a third of non-Outperformers think their marketing function will merge with digital services, customer service or customer insights, if they haven't already done so.

The need to innovate quickly, create a more seamless, frictionless experience for customers and build a more customer-centric corporate culture are top drivers motivating leaders to push for these changes. Reducing costs or staff redundancies are less of a concern, especially for Outperformers.

Figure 2

Skin in the game: More Outperformers have had new C-suite roles in place for five years or longer

C-suite roles in respondents' organizations five years or more

- Chief Innovation Officer — Outperformers 30%, Others 5%
- Chief Experience Officer — Outperformers 21%, Others 3%
- Chief Digital Officer — Outperformers 64%, Others 13%
- Chief Data Officer — Outperformers 36%, Others 9%
- Chief Customer Officer — Outperformers 75%, Others 23%

■ Outperformers ● Others

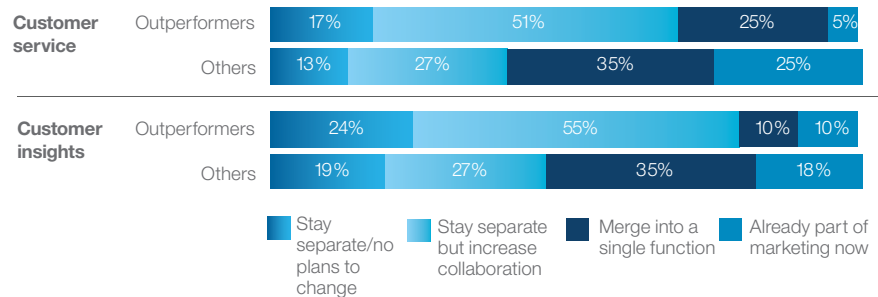*Source: IBM Institute for Business Value, n = 600.*

45% of Outperformers believe there is no such thing as traditional marketing – that all marketing is digital now.

Interestingly, Outperformers are more inclined to favor a separate but collaborative approach, especially for customer service and customer insights. They recognize that breaking down organizational silos – which is essential for delivering a seamless, integrated CX – doesn't mean everyone needs to live under the same departmental roof. Indeed, keeping these functions distinct but tightly aligned enables Outperformers to maintain a keen focus on discrete areas of expertise, where they can build deep capabilities that can be applied, as needed, across their business (see Figure 3).

Leadership changes and reorganizations can have serious ramifications for evolving teams. It can be tempting for leaders to treat each change as an isolated event, especially if these changes occur over a span of time. But it will be easier for employees to engage and embrace the transition if they understand how the cumulative effect of these shifts aligns to the company's CX reinvention strategy and vision.

Figure 3
Team players: How marketing will work with other functions over the next two years

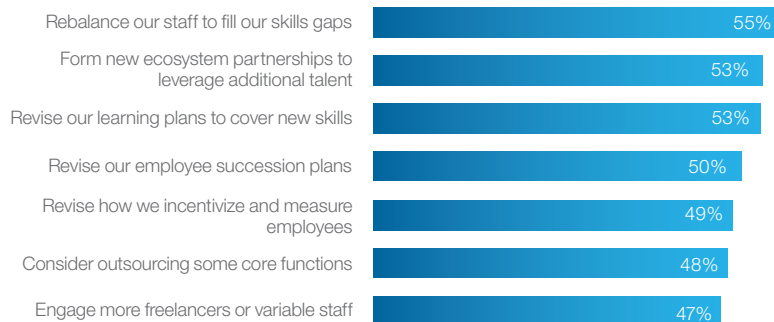|		Stay separate/no plans to change	Stay separate but increase collaboration	Merge into a single function	Already part of marketing now
Customer service	Outperformers	17%	51%	25%	5%
	Others	13%	27%	35%	25%
Customer insights	Outperformers	24%	55%	10%	10%
	Others	19%	27%	35%	18%

Source: IBM Institute for Business Value, n = 600.

New skills call for a new playbook – employee impact

Companies have been fretting over the talent wars for some time now, with good reason. Executives are having to rethink their talent strategy to attract and retain the people they need. Fifty-five percent of those we surveyed plan to rebalance their staff because of their digital CX transformation. Roughly half are revising employee succession plans and incentives. And 53 percent are also forming new ecosystem partnerships to attract the talent they need (see Figure 4).

Figure 4

Revisiting talent strategies: Changes respondents expect to make — or have already made — because of their company's digital CX transformation

Rebalance our staff to fill our skills gaps	55%
Form new ecosystem partnerships to leverage additional talent	53%
Revise our learning plans to cover new skills	53%
Revise our employee succession plans	50%
Revise how we incentivize and measure employees	49%
Consider outsourcing some core functions	48%
Engage more freelancers or variable staff	47%

Source: IBM Institute for Business Value, n = 600.
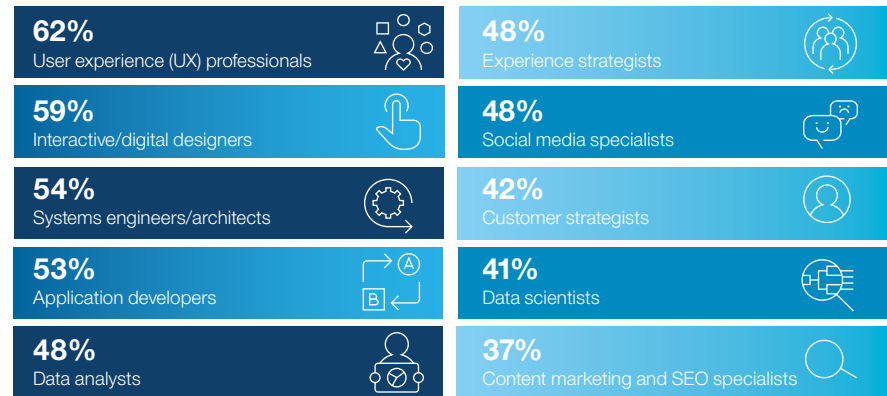
Building the new digital team

Which digital CX skills are on the top of companies' wish lists? Let's just say it's a good time to be in this field. The list is long and the demand is high (see Figure 5).

Outperformers' biggest talent gap:
Interactive/digital designers – 73%.

Figure 5

The Dream Team: Respondents need more of these roles to digitally transform their CX

Percentage of respondents looking for more of these professionals

62% User experience (UX) professionals	**48%** Experience strategists
59% Interactive/digital designers	**48%** Social media specialists
54% Systems engineers/architects	**42%** Customer strategists
53% Application developers	**41%** Data scientists
48% Data analysts	**37%** Content marketing and SEO specialists

Source: IBM Institute for Business Value, n = 599.

Reinventing customers' experience is reinventing employees' experience

From the employee's perspective, the impact of this CX reinvention on his or her own job could be huge. Executives cite a plethora of changes they expect their employees to encounter as a result of their digital CX reinvention plans. New processes. New positions. New reporting structures. New ways to interact with customers. All of it could change within the next two years. Executives also anticipate workforce improvements such as new opportunities for career advancement, more flexible work schedules, more collaboration and redesigned work environments (see Figure 6).

Figure 6

Employee overhaul: Executives predict employees' jobs will change significantly within the next two years as a result of their digital CX reinvention

Percentage of respondents predicting these changes

Be trained to interact with customers differently than before	53%
Work in workplaces redesigned to improve EX	49%
Be part of reorganization of functions and/or teams	48%
Work more collaboratively	47%
Have new opportunities for career advancement	47%
Have more flexible work arrangements/schedules	47%
Learn new digital skills	47%
Change positions/roles within the company	46%
Switch to mobile devices to get work done	45%
Learn new process	43%

Source: IBM Institute for Business Value, n = 598.

Despite the massive amount of change that's predicted, and the impact employees can have on their company's ability to deliver CX excellence, two-thirds of businesses still aren't seeing EX as an important component of their CX reinvention strategy.

Outperformers, however, get it. Seventy-four percent believe employee morale suffers when customers aren't satisfied (only 47 percent of respondents from other companies feel this way). And 74 percent of Outperformers are confident their employees are personally invested in making customers happy, while only 45 percent of non-Outperformers claim the same.

Outperformers are also more likely to include a focus on EX in their CX strategy and measure the correlation between EX and CX. Plus, more than half of them use CX design methods to design EX, compared to only a third of non-Outperformers. Outperformers also put their money where their mouths are: Sixty-two percent are reallocating budgets to make EX a priority (see Figure 7).

A CX reinvention is the perfect time to address improvements for employees. As the Outperformers clearly believe, it is the employee who enables CX. Whether they are customer-facing or back-office personnel, all employees have a part to play to make CX successful. The most exciting customer innovations won't matter much if employees aren't on board.

Figure 7

Building a winning team: Outperformers are making EX a priority, far more so than other companies

Statement	Others	Outperformers
We measure correlation between EX and CX	28%	53%
We expect CX to improve as a result of EX enhancements	33%	50%
Our CX strategy includes a focus on improving EX	35%	45%
We are reallocating budgets to make EX a priority	35%	62%

■ Outperformers　● Others
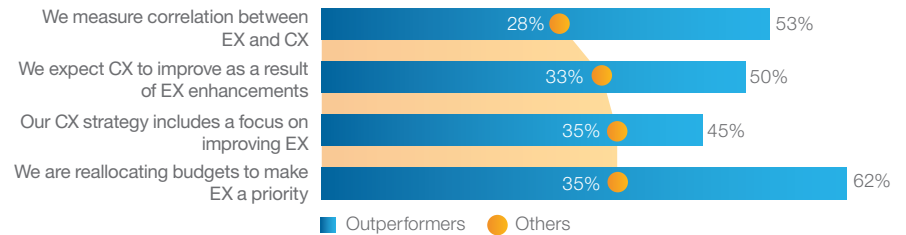
Source: IBM Institute for Business Value, n = 600.

The challenge of change

There is hardly a part of the business that digital CX reinvention doesn't touch, so having an effective change management plan is essential. Easier said than done. When we asked respondents what their top change management challenges were, not surprisingly, they provided a host of concerns. Many worry about changing quickly without disrupting current operations, and that their culture is resistant to change.

Outperformers' priorities are different. They are most challenged by operational considerations such as the volume and scope of training that's needed and the scale of organizational restructuring. Other companies share these concerns, but they are equally worried about low employee morale and lack of executive support, which are non-issues for most Outperformers (see Figure 8).

Different plays for different teams: Change management styles
We also found there are significant differences between Outperformers' approach to change management and the path other companies are taking. The majority of Outperformers (64 percent) use a top-down, structured, prescribed program to facilitate their change management initiatives. This includes communications campaigns, training and timelines for completion.

Other companies are inclined to take a more organic approach (58 percent). They prefer "change by doing," where goals are communicated and teams are empowered to change as they conduct their individual projects.

Figure 8

Change management challenges: Outperformers have different priorities

Challenge	Outperformers	Others
Volume and/or scope of training needed	50%	61%
Scale of organizational restructuring	46%	60%
Lack of coordination and/or communication	47%	55%
Corporate culture is resistant to change	50%	54%
Difficulty changing quickly without disrupting current operations	49%	52%
Difficulty measuring progress	49%	51%
Complexity of new digital technologies	46%	51%
Insufficient funding and/or resources for change management programs	43%	49%
Low employee morale	21%	43%
Lack of executive support	16%	44%

■ Outperformers ● Others

Source: IBM Institute for Business Value, n = 587.

While all respondents believe that C-suite and LOB executives have to be involved in strategy and execution, Outperformers are twice as likely to expect managers to lead strategy and facilitate implementation, since they are the ones closest to their teams. Outperformers are also significantly more comfortable engaging change management specialists to help with strategy and implementation, and to act in an advisory role (see Figure 9).

You might expect that those who want a top-down approach would want more control. But we believe it is their prescribed program that enables Outperformers to confidently share the heavy lifting of day-to-day implementation with specialists and managers, leaving executives more flexibility to focus on their core responsibilities. Given today's constant state of change, many companies may opt to engage specialists on an as-needed basis to augment implementation and communication efforts by working with empowered employee teams.

Figure 9

Augmenting the team: Outperformers are far more likely to work with change management specialists throughout their transformation journey

Change management specialists ...

	Outperformers	Others
Lead strategy	34%	8%
Implement	54%	14%
Advise	70%	35%
Not involved	12%	56%

■ Outperformers ● Others
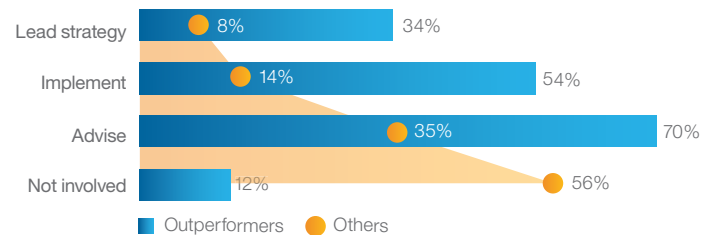
Source: IBM Institute for Business Value, n = 600.

Recommendations: What it takes to win

CX is a team sport – make sure you have the best players on the field
Outperformers have had C-suite leaders specializing in digital, experience, data and innovation in place longer than other organizations, and it shows. Not only does this practice signal the priorities and direction of the business, it enables these senior executives to drive discrete areas that are essential for digital CX reinvention. Companies that are serious about competing in the digital era but that haven't yet added some of these new roles to their C-suite mix should assess whether they could benefit from deeper expertise in these disciplines.

Focus on the long game – think twice before revamping your game plan
Does the need to innovate quickly and create a frictionless CX mean companies should collapse groups like customer service and marketing into one large function? Most Outperformers don't think so. They prefer to keep these teams separate but highly collaborative. Companies pondering consolidations should weigh the pros and cons. Though a restructuring can be temporarily disruptive, sometimes it's needed to effect real change. But, consider whether revising CX governance models, offering digital collaboration tools and providing better access to integrated sources of data might be an effective alternative. These steps will be necessary regardless of where people sit in their company's organization chart.

Rely on your ecosystem – the superstars you need can belong to someone else's team
Competition will continue to be fierce for the digital skills most in demand. Roughly half of our survey respondents are already looking to form new ecosystem partners to leverage needed talent. This approach has multiple benefits beyond just gaining access to additional skills. With this cross-pollination of expertise and perspectives, companies can often innovate more quickly than if they relied on internal resources alone. Share the risks as well as the rewards.

Be a CX champion – make employees your most valuable players
No question about it – Outperformers are firmly committed to improving their EX as an essential part of their CX strategy. They understand that if employees don't have the right tools, training, environments, processes, data, communications and a corporate culture that values their engagement, it will be nearly impossibly to consistently deliver an excellent CX. Reinventing EX with design rigor and driving principles of frictionless, seamless processes and service will pay off handsomely for businesses, as the Outperformers have shown us.

Call the plays – find the change management approach that's right for your team
The extent of change most companies will go through as they reinvent their digital CX warrants thoughtful, thorough planning and execution. Determine whether a structured approach or a more organic one would be the best fit for your organization based on scope, scale, timelines, people affected and corporate culture. Companies worried about disrupting their day-to-day business would do well to employ a "change as a service" model so they can quickly sense and respond to organizational needs and pull in specialists as required, regardless of where they are on their transformation journey.

Ready or not? Ask yourself these questions?

- Does your current C-suite mix provide the depth of specialized expertise needed to envision, architect and orchestrate the digital reinvention of your customer experience?

- What factors do you need to weigh before determining if collapsing customer-focused functions into one large function is the right move for your business?

- What type of partners do you need to add to your ecosystem to not only fill your digital CX skill gaps, but kick-start innovations that could differentiate your business?

- Are you giving as much attention to employee experience as you are customer experience, and if not, what steps can you take to integrate EX into your CX strategy?

- How can you modify your current change management approach to ensure that it will successfully support all employees affected by the digital reinvention of your CX?

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The IBM Institute for Business Value, part of IBM Global Business Services, develops fact-based strategic insights for senior business executives around critical public and private sector issues.

Notes and sources

1   The results of the IBM Institute for Business Value Customer Experience study are published in
     multiple reports. The first is "The experience revolution: The game is on," http://www-935.ibm.
     com/services/us/gbs/thoughtleadership/custexperience/cx-trends/; the second report is
     "The experience revolution: Mobilizing to win," http://www-935.ibm.com/services/us/gbs/
     thoughtleadership/custexperience/

2   Data findings in this report are based on a 2016 IBM Institute for Business Value survey, issued
     in partnership with The Economist Intelligence Unit (EIU), to 600 CEOs, CMOs, and other
     members of the C-suite including Chief Customer Officers, Chief Digital Officers, as well as
     line-of-business executives in China, Germany, India, Japan, the United Kingdom and the
     Untied States. Industries represented include banking, retail, telecommunications, and travel,
     each with a business-to-consumer focus. All participating companies are currently engaged in
     the reinvention of their customer experience by introducing new digital ways for customers to
     engage and transact with them.

3   Financial Outperformers are those respondents who report outperforming their competition,
     based on profit and revenue, over the last three years. They comprise roughly a quarter of our
     survey sample.

4   "From Stretched to Strengthened: Insights from the Global C-suite Study." IBM Institute for
     Business Value. October 2011. http://www-01.ibm.com/common/ssi/cgi-bin/
     ssialias?infotype=PM&subtype=XB&htmlfid=GBE03433USEN

5   Gosling, Amanda, and Carolyn Baird. "The experience revolution: Mobilizing to win." IBM
     Institute for Business Value, August 2016. http://www-935.ibm.com/services/us/gbs/
     thoughtleadership/custexperience/

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