

Digital transformation – Brief for business leaders

A new report by Ai Group Centre for Education and Training, *Skilling Australia to lock in our digital future* explores the opportunities and challenges of digital transformation from a skills and workforce perspective.

What is digital transformation?

New technologies are transforming the ways in which we live, learn, work and play in previously unimagined, and sometimes completely unexpected, ways.

‘Digital transformation’ is the strategic adoption of digital technologies to improve, and indeed transform, business models.

This ‘transformation’ is not a one-off event but an evolution, whereby firms travel from

digitally nascent to digitally mature. In this sense, digital transformation is actually a story of human leadership, vision, capability and management.

What does this mean for jobs and skills?

Digital skills continue to be in high demand for employers. Just under 60% of businesses reported increased demand in basic digital skills in 2021¹. This is closely followed by increases in demand for cyber security and data analytics skills.

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¹ Australian Industry Group. (2021). Skills Urgency: Transforming Australia’s Workplaces. Australian Industry Group, Centre for Education & Training.





Opportunities

Digital transformation is creating many new jobs and tasks, as we need people to develop, apply and service digital technology. This presents an opportunity to transition to higher value, more flexible and less physically demanding jobs.

Digital transformation is also driving increased demand for flexible education and training, able to provide skilling and reskilling opportunities over a lifetime.





Challenges

A higher level of digital literacy is now required across the workforce, as digital tools are increasingly being used to perform tasks across all industries and occupations.

Ai Group surveys show that industry demand for digital skills is broad and deep, and ranges from basic digital skills to specialist technology skills.

As more tasks are done by machines some skills and jobs become redundant. This is driving significant structural change, with many workers needing to upskill in search of alternative employment.

When it comes to our digital progress, Australia receives a mixed report card...

Australia's performance over time		2018	2021
Overall	The overall ranking has slipped from 13th in 2018 to 20th in 2021	13	20
Knowledge		15	19
Technology		14	18
Future Readiness		11	22

Source: International Institute for Management Development. (2021). *World Digital Competitiveness Ranking*

How digital transformation is affecting Australian businesses

We conducted interviews and case studies with 18 Australian companies drawn from a broad cross section of Ai Group's members. We found that the **pandemic** has been an incredible catalyst for change.

Adopting and adapting to new technologies in recent years has:

- ▶ Driven demand for entirely new skillsets in a relatively short time
- ▶ Caused businesses to focus more on training and development
- ▶ Required existing jobs to be re-designed
- ▶ Driven cost savings
- ▶ Changed the role and function of managers
- ▶ Caused shortages in 'in demand' skills

There is a **wide spectrum of 'digital maturity'**, with strategic planning for a digital strategy less common outside of large corporations. Changes in smaller businesses tend to be more ad hoc and reactive. Many businesses felt the **education and training system needed to better reflect today's business environment** and prepare workers with a mindset to continually update their skills to remain productive.

Large corporations tended to be more strategic in their approach to digital transformation. The process in smaller businesses, while equally transformative, tended to be less structured.





Attributes of digitally mature organisations



1. An intimate and dynamic understanding of the customer

Key Signals

- ▶ Data informed decision-making
- ▶ Customer focus
- ▶ Cross-functional collaboration
- ▶ Continuous learning



2. Culture that's data-informed, not data-driven

Key Signals

- ▶ Productivity optimisation
- ▶ Incremental growth



3. A challenger mindset and willingness to disrupt

Key Signal

- ▶ Curiosity and creativity are vital resources for a digitally mature company



4. Distributed decision-making and co-creation

Key Signal

- ▶ Organisational silos are a thing of the past and leaders seek to empower employees as 'collaborators' as opposed to 'followers'



5. Continuous experimentation and learning

Key Signal

- ▶ Digitally mature organisations leverage design thinking, lean start-up, and agile methodologies to power innovation



6. Ethical decision-making and proactive governance

Key Signal

- ▶ Employees aligned around a shared purpose and stakeholders placed at the centre of decision making. Businesses are trusted custodians of customer data

10 policy strategies that will help us develop the skills and capabilities we need to lock in our digital future

1. Ensure baseline digital literacy for all

Develop a nationally agreed and easy to understand benchmark for digital skills.

What this means for business leaders

We know that, moving forward, meaningful participation in work (and life) will require a baseline level of digital literacy. With a strong public policy strategy in place, the education and training system will consistently deliver a digitally literate workforce that is ready to adapt (and thrive) in modern digitally enabled work.

By agreeing on a digital literacy standard, the intention is to provide employers with confidence in the proficiency of their workers' skills, regardless of where or how these skills were developed.

2. Remake the education and training system for lifelong learning

Review and improve the extent to which current tertiary education funding models support lifelong learning.

What this means for business leaders

The current model of education and training was effective in previous decades when working lives were shorter and the pace of change in the workplace was slower. The model of 'one post-school qualification, work, retire' no longer applies to most employees or employers.

A more responsive and agile education and training system that provides rapid skill development that meets the changing needs of businesses will reduce downtime and ensure that the talent pool is readily able to access job-ready skillsets.



3. Make work-integrated and work-based learning the norm

Scale up work-based learning through cadetships and higher-level apprenticeships across all industries and occupations and ensure adequate incentives for participation.

What this means for business leaders

The pathways from training to employment utilised in health sciences, agriculture and education, drive better outcomes for graduates and may serve industry better if extended to other occupations. A broad roll-out of cadetship models and higher-level apprenticeships will help drive an increase in job ready Australians participating in the labour force.

Expanding the opportunities and ways of learning can help to springboard career changes and rapidly fill skill gaps. Work-based learning can also be an effective means for employers to grow closer connections to the higher education system.

4. Expressly develop 'human' capabilities and characteristics

Explore ways to broaden capability development in senior schooling, and seek to embed continuous development of these capabilities as part of admission to tertiary courses and subsequent careers.

What this means for business leaders

As businesses invest in more advanced robotics in the workplace, the value of human skills will increase. It will be important that employees are equipped to spot opportunities, formulate strategies and build networks and collaborations.

To ensure that the workforce is prepared to play their increasingly human role, it is essential that these skills are on the agenda for the education and training system. This will involve exploring ways to develop general capabilities in school and tertiary education and developing ways to recognise these capabilities in tertiary admission.



5. Ensure no one is left behind

Flexible, accessible training products must be developed to enable existing and older workers to develop the baseline digital capabilities they need to continue working. Governments at the state and federal level should explore ways to support displaced workers transitioning into entirely new industries and roles.

What this means for business leaders

As the market continually invests in the digitally augmented future of work, many jobs will be automated, and new jobs will take their place.

To prevent widespread skill shortages, it will be important to facilitate workers' transitions to new digitally augmented roles. Australia needs to maximise the upside of productivity-enhancing industry transition, while also minimising the downside risks of displaced and under-skilled workers, not adaptable to the changing business environment.

6. Get skilled migration right

The Commonwealth Government should adequately resource and prioritise the provision of a timely, dynamic dataset on national skill needs and occupation classifications. This must be constantly reviewed and updated in consultation with industry.

What this means for business leaders

For a nation like Australia, getting the skilled migration pipeline right – meaning finely tuned to demand – will be key to our continued prosperity.

Australia has, and will continue to, rely on skilled migration to plug skill gaps, and grow the economy. The Government needs high quality and accurate data to understand skill needs and get the skilled migration settings correct.

7. Foster business certainty to drive investment

National policy settings should be carefully calibrated to incentivise and encourage technology driven investment in people, particularly for small and medium enterprises.

What this means for business leaders

The investment needed to drive digital transformation across the economy relies on decisions at the enterprise level. This investment can mean taking on significant risk and require large amounts of capital.

Policies need to incentivise and encourage business investment in both technology and technology skills if we are to succeed in reaping the benefits.

8. Create trust in technology

The Commonwealth Government must continue to play a strong role in building an environment that fosters trust in a digitally enabled economy. This should be done in close collaboration with industry.

What this means for business leaders

There is a level of fear and scepticism about the risks of relying too heavily on technology. If left unaddressed, these fears will hold Australia back.

Cyber security is an evolving challenge requiring significant collaboration between industry and government to build resilient systems.

9. Ensure a better data picture of skill needs

Explore ways to improve the quality of data provided to industry, policymakers, the education and training sector and individuals, to better understand skill challenges and demands and stimulate investment in skill pipelines.

What this means for business leaders

The collection and analysis of comprehensive and timely data on skill needs, and data sharing between governments, the education and training sector and industry will be key to staying one step ahead of the digitally enabled economy.

By having a coordinated map of the supply and demand for the new skills across all sectors, the education and training system can be responsive to the needs of businesses and deliver the appropriate mix of skills in the short, medium and long term.

10. Work together to step up to the challenge

As with all major economic transitions and upheavals, the transition to a digitally enabled economy will be protracted and complex, and there will be inevitable winners and losers.

In order to step up to this opportunity, Australian businesses need the leadership, capability, and skills to seize the moment.

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