

Digital Transformation

Discussion of digital development based on results of the Digital Transformation Report 2017 Norway

April, 2018



Microsoft



QVARTZ



We are fueling digital transformation journeys by merging world class digital solutions and business impact



A **global** leader within digital solutions

- Microsoft has been empowering people and organizations in decades with advanced digital solutions to enable everyone to achieve more
- Microsoft brings in experience from helping the worlds largest companies to succeed with complex digital transformation journeys



QVARTZ

A **Nordic** leader within strategy consulting

- QVARTZ is a specialized tier-one strategy consultancy spearheading the strategic and digital agendas in the largest Nordic companies
- QVARTZ brings in the ability to successfully link digital ambitions to business impact both in terms of setting the corporate digital strategy and succeeding with the digital implementation



A **Nordic** partnership helping companies to succeed on their digital journey



We surveyed 29 leading Norwegian corporations across industries to understand the digital starting point



WHY

...do you focus on digital transformation

WHAT

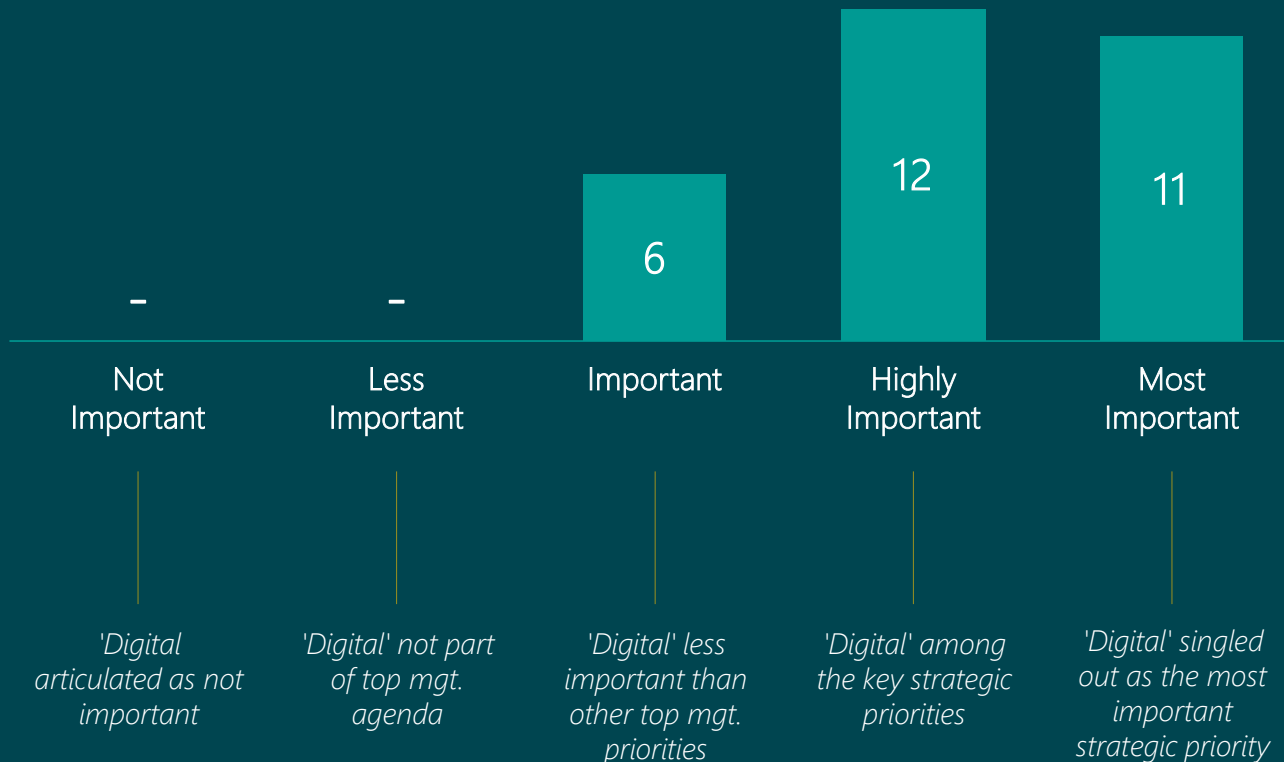
...do you focus on in regards to digital transformation

HOW

...do you operationalize digital transformation

WHY | Digital transformation is a key priority on the strategic agenda and anchored at the very top in most companies

How important is the Digital Transformation agenda at the highest executive level?



1

The results underscore the central position of digitalization on strategic management agendas

2

The digital agenda is anchored at the Board level in 48% of the companies and at the CEO level in 38%

3

Ownership from the top is strong and many leaders are vocal in their expectation of the digital transformation agenda

WHY | Digitalization is expected to affect core business strongly and only a few expect digitalization to generate growth in new and adjacent business

Where do you expect Digital Transformation will create most impact?



WHAT | Our point of departure for exploring the "What" of digital transformation builds on a framework with four primary domains

Engage your customers

- Harness data for a complete view on the customer journey
- Draw actionable customer insights
- Deliver personalized, differentiated customer experiences

Empower your employees

- Protect your organization, data and people
- Create a productive workplace to embrace diverse workstyles – and get things done anywhere
- Provide insights to your employees to drive fast, better decisions



Transform your products

- Utilize data to shift from hindsight to foresight
- Disrupt with new business models, products and services
- Differentiate and capture new revenue opportunities

Optimize your operations

- Accelerate the responsiveness of your business
- Improve service levels and reduce costs by moving processes from analog to digital
- Anticipate the future with intelligent processes

WHAT | Optimization of operations and engagement of customers is the primary digital focus – empowerment of employees is not prioritized today

To what degree do you prioritize digital-enabled initiatives that...



HOW | A framework with seven capabilities measures how the companies design the right setup to succeed with their digital transformation agenda



Digital Leadership

Executive sponsorship

Digital Leadership

- To what degree the company has executive sponsorship and broad, capable digital leadership of your digital transformation agenda



Foresight & facts

Ambiguity & risk

Governance and Performance

- To what degree the company's governance model support the desired future mindset, new ways of working, and agile decision-making processes necessary to succeed with its digital transformation agenda



Speed

Coherence

Functional Clarity

- To what degree organizational responsibilities for digitalization are clearly defined, both with regards to articulating a company-wide direction and enable execution with agility and speed



Full-stack

Inhouse Outsourced

Technology Development

- To what degree the company has an agile technology development setup that ensures fast tracking of build and scale development activities without compromising its operational IT



Startup mindset

Scale with confidence

Ways of Working

- To what degree a startup mindset and methodologies (processes and tools) is adapted into the relevant parts of the business



Inspiration from outside vendors

Value-creating partnerships

Multiple unexpected collaborations

External Collaboration

- To what degree the company leverage external collaboration in open and collaborative ecosystems to enhance its transformative capacity



Identify

Attract

Retain

Competencies

- To what degree the company is able to identify, attract, develop, and retain the necessary competencies to succeed with your digital transformation agenda

HOW | Companies assess their own development on the seven capabilities as relatively high – however, organizational issues seems challenging



1

Generally, companies experience progress in moving ahead on their digital agenda

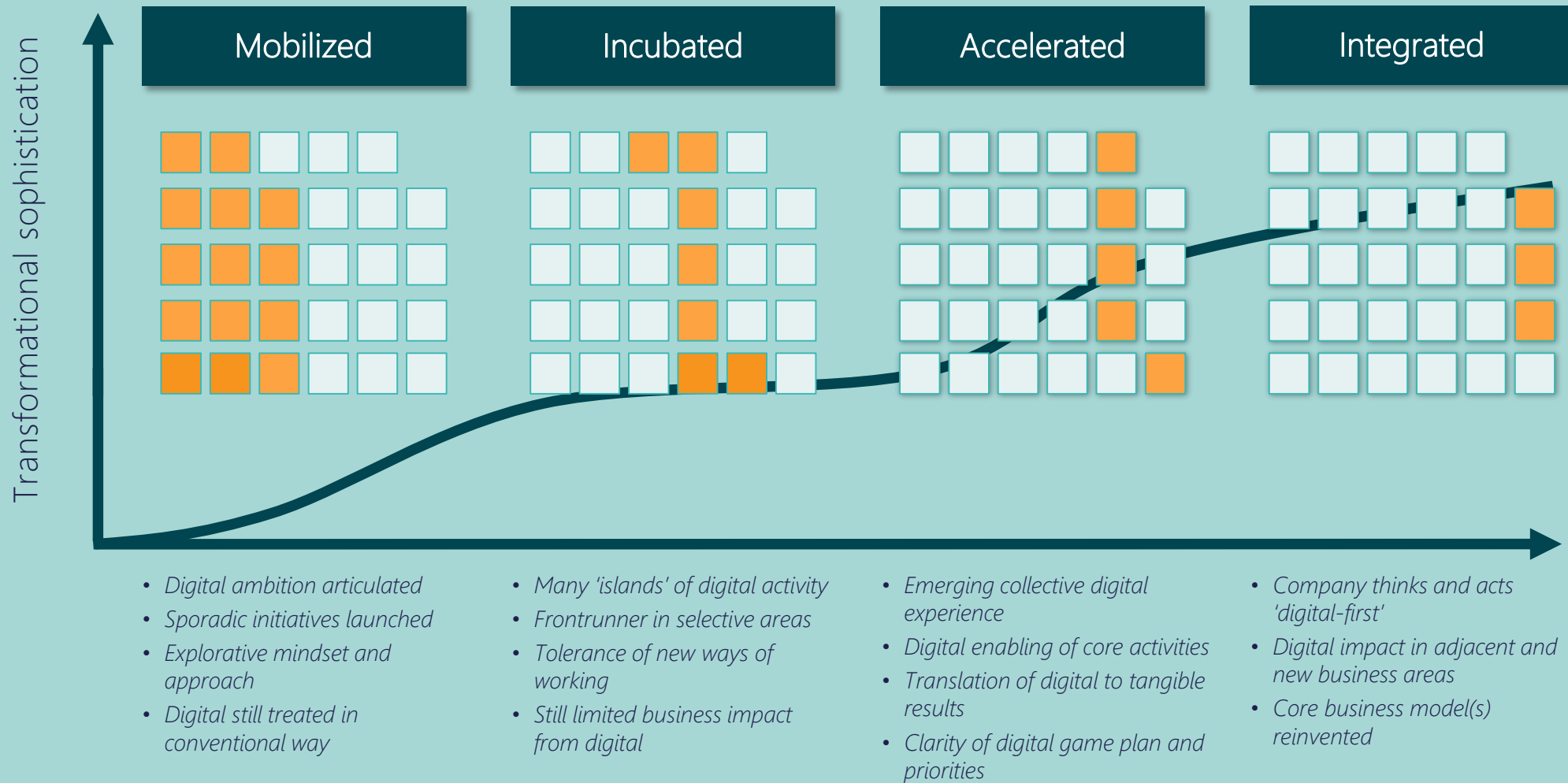
2

Across the board, there is a strong sense of digital ownership and buy-in from management

3

Organizational issues seems to be a primary pain point as clarity and structures are unclear

DIGITAL MATURITY | Norwegian businesses are just starting to adapt to a new digital reality



MAIN CONCLUSIONS | Digital transformation is on the executive agenda – but companies find it challenging to reap the full benefits of digitalization

WHY

...do you focus on digital transformation

- Digitalization is a **key priority** on the executive management agenda
- Primary focus on leveraging digital opportunities to **develop core business**

WHAT

...do you focus on in regards to digital transformation

- High priority on optimizing operations and improving customer interaction
- **Limited focus** on truly empowering employees through digital solutions

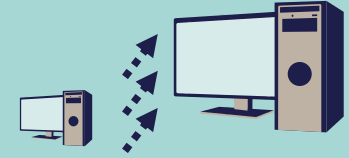
HOW

...do you operationalize digital transformation

- Companies have **started digital efforts** within all seven capability areas
- Despite this increasing focus most companies are still in the **early stages of digital maturity** and are struggling especially with **organizational issues** and implementing **new ways of working**

What is different this time around? | Current buzz around digitalization resemble the dot.com era – how much is hysteria, how much is real?

1. Computer power is at a completely different level and growing exponentially



2. Magnitude, speed and complexity of change is bigger than ever before



3. Conditions for new business model invention have never been better



4. Consumers are more tech savvy and always online

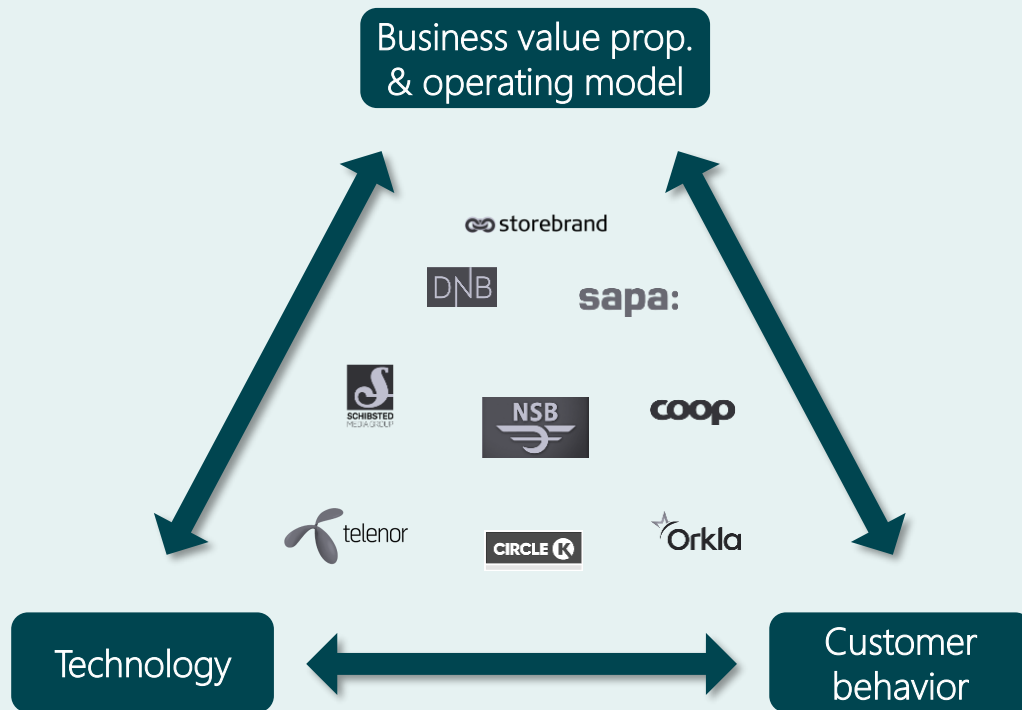


5. GAFA(M) and other tech companies have a lot more cash and power to use

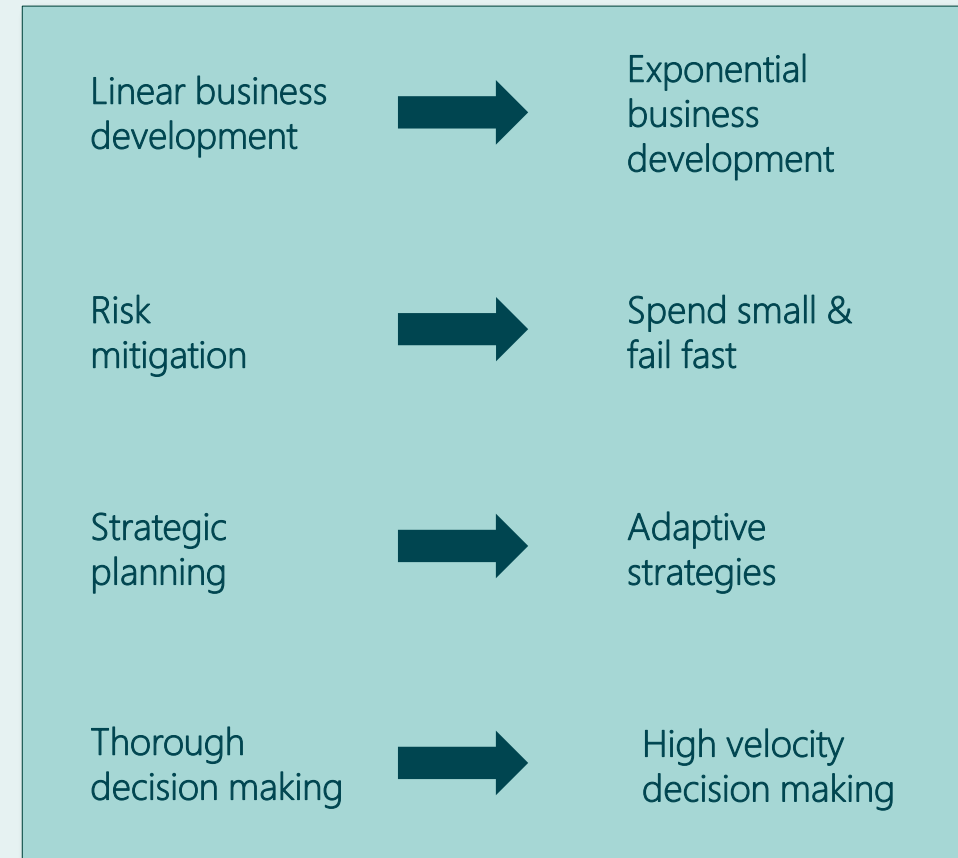


New requirements | Tough to analyze and predict change – but tougher to let go off old ways of working

In a new digital reality it is highly challenging to grasp industry and business dynamics...



...and as old habits are hard to let go, decision making therefore proves difficult



Reflections | Some questions to consider



1

From head to heart: How do we ensure that management moves from acknowledging importance of digitalization to engaging in acquiring technological understanding and its impact on people?

2

From few enlightened to many engaged: How do we encourage change, empower employees, and mobilize across all levels?

3

Organizing for agility: How do we organize to infuse agility and speed into a traditional incumbent setup

4

Balancing a focus on core with investments in new areas: How do we avoid defining the boundaries of *core* too narrowly to ensure capitalizing on opportunities in the periphery?

5

From burning platform to tangible plan: How do we prioritize effectively and re-deploy CAPEX to fuel real digital progress?

6

Accessing sufficient scarce capabilities: How do we ensure attracting, nurturing and developing competences to maintain a critical mass?

Map opportunity space | Seek out digital opportunities in the current setup by deploying the four lenses across the value chain

Selected examples

Value chain:



Domains:

<p>Engage your customers</p>			<ul style="list-style-type: none"> E-commerce with last-mile delivery directly from warehouse 	<ul style="list-style-type: none"> Use analytics to create intelligent customer segments (based on volume, loyalty, potential etc.) 	<ul style="list-style-type: none"> Personalized, real-time communication through integration of information from apps, IoT units, sensors/beacons (e.g. "Plexure")
<p>Transform your products</p>	<p>What could we do better?</p>		<p>What if we could solve...?</p>		
<p>Optimize your operations</p>					
<p>Empower your employees</p>	<ul style="list-style-type: none"> Provide analytics tools for increased supplier transparency 	<ul style="list-style-type: none"> Data provide real-time analysis 		<ul style="list-style-type: none"> Robotics for shelf-diagnostics (e.g. "Shelfie") Employee app e.g. "Education of the Day" 	<ul style="list-style-type: none"> Evaluate sales force activity