Digital Excellence index

Key findings - September 2018

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Digital transformation is entering a new phase, industrialization

Enterprise Digital Maturity stages

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<th>Stage 1</th>
<th>Stage 2</th>
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<td><strong>Diagnostic &amp; Strategy</strong></td>
<td><strong>Launch &amp; Acceleration</strong></td>
<td><strong>Industrialization</strong></td>
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<tr>
<td>• Trend analysis</td>
<td>• Enterprise programs</td>
<td>• Portfolio rationalization and focus</td>
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<td>• Digital Check-up</td>
<td>• Spread innovation portfolio</td>
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<td>• New business modelling</td>
<td>• Experiments, new business models</td>
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<td>• DCO setup</td>
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<td>• Roadmaps</td>
<td>• New Cloud Digital vs old Legacy</td>
<td>• Industrialization</td>
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**Vision**

**Execution**

Source: Industry Surveys, A.T. Kearney
Companies are investing Billions in Digital Transformations, however the results are limited

Digital Transformation results overview

- $400bn per year spent by large enterprises on digital programs that fail to deliver benefits
- 84% of companies fail at delivering the digital transformation they originally began
- 73% of businesses have incoherent digital strategy
- 2/3rd of digital transformation projects fail
- 39% of organizations lack digital skill set and expertise

Money is being burned
Possible competitive advantages are gambled away
Frustration on shareholder and executive level is increasing

Source: Industry Surveys, Forbes, Forrester, Consultancy.UK, A.T. Kearney Analysis
The overall Digital excellence index of Slovenian and CEE market companies, increased

Summary of Digital Excellence 2018

Overall score 2016: Improvement vs 2016

Overall score
Strategy Score: +14%
Digital business model score: -10%
Digital processes score: -3%
Digital ecosystem and culture score: +19%
Digital enablers score: +1%
Digital ecosystem and culture score: -14%
Digital enablers score: -5%

Source: A.T. Kearney, IMProve academy
### Some facts...

81% have digital on their strategic agenda

69% believe that revenues will grow due to digital transformation

47% have strong partner ecosystem networks which can help them drive digital innovation in the next 3 years

Analytics is becoming an increasingly important trend, with 76% considering data driven process optimization as very relevant

29% have their digital strategy formalized (as a part of regular strategy or separately)

50% say it will grow by >10%

57% consider analytics key for decision making

Today in 41% of companies digital is CEO responsibility

10% revenue is generated through digital channels

55% consider digital capabilities of high importance in recruitment, while 60% consider it highly important for promotion

Best prepared industry

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Source: A.T. Kearney, IMProve academy
Share of top management that drives the Digital transformation has increased to 70%

Who is driving the digital agenda? (as a % of companies that selected a certain attribute)

- Digital agenda is driven by a non-dedicated top manager: 41%
- Digital agenda is driven by a dedicated top manager: 26%
- Digital agenda is driven by the CEO: 5%
- Middle management responsibility: 19%
- Top management responsible: 30%
- Unknown: 11%

Source: A.T. Kearney, IMProve academy

Results from 2016
Analytics is still important trend, with customer related trends gaining traction

Digitalization trends

<table>
<thead>
<tr>
<th>Rank</th>
<th>Percentage</th>
<th>Description</th>
<th>Change</th>
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<tbody>
<tr>
<td>1</td>
<td>76%</td>
<td>Analytics driven process optimization</td>
<td>-1</td>
</tr>
<tr>
<td>2</td>
<td>64%</td>
<td>From physical to digital offerings</td>
<td>+8</td>
</tr>
<tr>
<td>3</td>
<td>57%</td>
<td>Data driven forecasting and decision making</td>
<td>-2</td>
</tr>
<tr>
<td>4</td>
<td>55%</td>
<td>Growing customer (buying) power</td>
<td>+6</td>
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<tr>
<td>5</td>
<td>52%</td>
<td>Anything, anywhere, anytime expectation</td>
<td>NEW</td>
</tr>
<tr>
<td>6</td>
<td>52%</td>
<td>Customization and micro batch sizes</td>
<td>+9</td>
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<tr>
<td>7</td>
<td>45%</td>
<td>Process integration with partners</td>
<td>-4</td>
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<tr>
<td>8</td>
<td>43%</td>
<td>Digitalization of processes</td>
<td>NEW</td>
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<tr>
<td>9</td>
<td>40%</td>
<td>Business development in partnerships</td>
<td>-3</td>
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<tr>
<td>10</td>
<td>38%</td>
<td>From ownership to usage</td>
<td>NEW</td>
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1. Answers “to a large extent” and “to a very large extent”
Source: A.T. Kearney, IMProve academy
Laggards in analytics maturity, can see significant gains in profits if they embrace analytics

Profitability gains from embracing analytics

Potential increase in profits

- **Laggards**: +60%
- **Followers**: +55%
- **Explorers**: +15%
- **Leaders**:

Key success factors

1. **Strategy and leadership** have the strongest positive association with profits
2. **Culture and governance** are crucial to successfully deploy analytics across the organization
3. Leaders offer company-wide analytics trainings while balancing hiring and development of internal talent

1. Potential refers to the increase in profit if a company were to increase its maturity to the level of the Leaders in the industry

Source: Melbourne Business School, A.T. Kearney
The ambitions from Digital are still not bold enough.
Only 23% of companies seek to make radical changes to their business model.

Objectives of Digital Innovation

"We don’t take giant steps; however, we seek to make rather small changes to existing products, processes, services and/or business models to add value.”

"We seek to make substantial changes to either the business model or the technology (products, services and processes) that provide changes to the competitive environment but are usually not disruptive or dramatic.”

“We strive for radical innovation by making significant changes in the business model and products, services and processes of the organization to fundamentally change the competitive environment.”

Source: A.T. Kearney, IMProve academy
The survey „Excellence in Digital innovations” remains open for participation…

A.T. Kearney in collaboration with IMP³rove Academy

Each participant will get a **free benchmarking report** about the successfullness of your company in the area of **digital innovations**

…to get your current Digital Innovation Quotient please visit: https://www.improve-innovation.eu/improve/Invitation/ShowInviteUser.do
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