The *Real* Impact of Digital – As Seen From the "Virtual Coalface"

Eleven Insights and Ten Recommendations for the 21st Century
Derived from the 2016 global Digital Research Survey

By Liri Andersson, this fluid world
and Ludo Van der Heyden, INSEAD

INSEAD
The Business School for the World®

this fluid world

Contents

About The Survey

Today's business world is going through a shift not seen since the second industrial revolution. The enhanced capabilities and affordability of technology caused by digital innovation has led to fundamental changes in how business is conducted, organisations are managed, and consumers behave.

The digitalisation of business is having a significant impact on the entire value chain, from operations and logistics to how companies compete and with whom, where innovation comes from, how organisations engage with consumers, and the role consumers play in the value chain.

Speculation about the exact impact of the digital revolution on business emanates from the media, analysts and consultants alike, but little is heard from the workplace – people grappling with their own digital reality every day in businesses large and small. Therein lies the novelty of this report.

Authors Liri Andersson, founder of the business and marketing consultancy this fluid world and Ludo Van der Heyden, Chaired Professor of Corporate Governance & Professor of Technology and Operations Management at INSEAD, undertook a quantitative and qualitative investigation among 1,160 managers, executives and board members representing a wide range of organisations, industries, functions and regions. The aim of their research was to shed light on the following:

- How digital is seen by the business community
- What organisations expect from digital
- The success rate of digital initiatives
- The nature of digital strategies
- Levels of engagement in key areas of digital transformation

The first section of the report presents the insights derived from the research. In the second section the authors offer recommendations and advice. The final section presents detailed findings from the study.

Eleven Key Insights

Eleven Key Insights

1 Digital Currently Defies Definition

Although the use of the term 'digital' is widespread, the extent to which it means different things to different organisations came as a surprise. Asked about their most important digital-related initiative, responses could be grouped into 20 different categories, and the activities in each differed in both shape and complexity. Clearly the number of business problems addressed by digital is vast and varied. How organisations perceive and define digital depends on the circumstances and specific activities they engage in.

2 Digital is Being Actively Explored

When exploring any new initiative, organisations start by building awareness and understanding, after which the available options are explored before settling on a framework that seems feasible from an implementation viewpoint. Digital initiatives are no exception to this process. All the companies surveyed were engaged in digital initiatives, and had moved beyond the awareness-building phase to active exploration of the digital space.

3 Digital is a Journey With No Clear Destination in Sight

For the majority of organisations, digital is a journey of discovery with no clear destination as yet. The routes they take vary significantly. Companies appear to be threading along their own digital pathway through their respective challenges in pursuit of distinct opportunities.

4 There is no Such Thing as a 'Digital Form'

Any kind of change tends to start with a phase of probing, learning and improving that eventually leads to a given shape and form around which the market converges. However, there is no evidence that digital has a given form or that such a form is starting to emerge. There is no 'one-size-fits-all' or right way to do digital, nor has a corporate digital solution emerged to benchmark against. This raises the question as to whether indeed a single form will emerge around which organisations coalesce, or, at the other extreme, whether digital creates the opportunity for true customisation of a company's offering, business model and processes, potentially leading to as many different digital forms as there are organisations.

5 Digital Initiatives are Actually Business Initiatives

Contrary to expectations, companies are not driven by the desire to 'go digital'. Rather, they focus on using digital to achieve specific business objectives. The digital initiatives they engage in are problem-driven, prompted by external or internal business needs or aspirations. And even if triggered by external forces, they are likely to be incorporated into a firm's existing way of doing business, rather than developed as stand-alone digital initiatives. This is explained in part by a desire to get more out of digital initiatives through insisting on a strong business rationale, and in part by the change-management objective of reducing internal resistance and fear.

Eleven Key Insights

6 Digital Initiatives are Primarily Driven by Traditional Business Functions

The survey found that digital initiatives are mostly launched and managed by the different functional areas inside the organisation. They may cut across different functions but – and this came as a surprise – they are rarely company-wide or mandated from the top. This has the advantage of ensuring that digital is fully integrated into business operations and objectives rather than misaligned with traditional business operations.

7 Only a Minority of Companies are Engaged in a "Digital Transformation"

While different functional areas are often the drivers of digital initiatives, 14% of respondents stated that their company was engaged in "business model transformation" or "digital transformation". These are more complex initiatives that involve the entire value chain and are typically driven by corporate headquarters. It is tempting to assume that such companies must be the digital leaders cited in many expert reports, although interviewees suggested that transformational initiatives are more often driven by the need to survive in a digital world.

8 There is Limited Awareness of Digital Transformation at the Top

Despite the strategic importance of transformational digital initiatives, awareness at the level of the board remains low. Only 1% of board members, compared to an average of 6.5% of the remaining respondents, stated that digital transformation was their organisation's main digital undertaking. This supports the hypothesis of a "digital divide" within the hierarchy, with boards often lacking the knowledge to be able to fulfil their responsibilities competently.

9 It's Too Early to Measure the Success of Digital Initiatives

Only 3% of respondents judged their digital initiatives to have been a failure. For the majority (60%) it was "too early to say" if they had succeeded. Whether due to the fact that these initiatives started only recently or due to their complexity, the success rate can't be ascertained until the organisation is further down the road. In many instances there is an absence of metrics, making it difficult, if not impossible, to measure the outcome of a digital initiative.

10 Success in Digital is About More than the Technology

One of the main findings of the survey is that digital success is not just about the technology. Only 12% of respondents cited "having the right technology in place" as a critical success factor. Although success was perceived as being rooted in leadership and management, many respondents felt it got insufficient attention. When asked what digital initiatives their organisation should focus on (but had so far overlooked) "people, management and culture" was the top response. Ironically, the need for traditional change management is increasingly important in a digitally-enabled world.

11 Not all Companies Need a Dedicated Digital Strategy

Perhaps most surprising of all, 30% of the organisations surveyed have no digital strategy. For some this is a conscious choice – they are still acquiring the knowledge needed to define their digital strategy, convinced that preliminary exploration is vital to getting the strategy right. For others, digital is seen as part of a larger corporate strategy, hence decisions with a digital dimension are driven by the objectives of the business. Of more concern is that over 20% of digital strategies described are in fact "visions", "aspirations" or "tactics".

Ten Recommendations

Ten Recommendations

The following recommendations, distilled from the survey findings and the author's experience, are designed as a guide for managers, senior executives and board members with regard to effective digital management within their organisations.

1 Clarify and Qualify What You Mean by 'Digital'

In some respects the word "digital" fills a vacuum. Dubbing the technological changes faced by the business community "digital" may make them more tangible. However, from the research it was apparent that no standard form or meaning of digital has yet emerged – the term has a variety of applications. Managers, executives and board members must be clear about what digital stands for in their specific context.

2 Own Your Digital Journey

Organisations should explore, test and learn along the digital journey. Don't wait for a standard form to emerge (as a "fast follower" strategy would suggest) because it may never materialise. Meanwhile you might be missing out on the competitive advantage to be gained in the digital world by customising your products, solutions and processes.

3 Make Digital Everyone's Business

Companies can't afford to ignore this imperative. It's not sufficient to hire "digitally savvy" staff, or appoint a head of digital or a digital director to the board. There has to be awareness and understanding of the impact of digital (on the business environment, the business and the organisation) among board members, the leadership team and throughout the organisation. Only then can the company be sure to make the right choices, among the vast number of digital options that underpin the promise of customisation, and embark on appropriate change initiatives.

4 Fully Explore the Opportunities that Digital Offers Prior to Defining a Solution

Technologies designed by tech-savvy teams are often pushed onto users via tech-driven marketing and commercial teams. Yet the digital activities uncovered by the survey were mostly problem- or solution-led, designed to solve specific business or organisational challenges, or to capitalise on a particular business opportunity. Prior to investing in specific digital solutions, there must be internal cooperation and external collaboration with key partners to identify the business problems and opportunities that digital can address.

5 Be Wary of "Expert Bias" in the Digital Space

The companies surveyed tend to seek help externally before acting in the digital space (not surprising given the myriad applications available and the limited experience they can muster internally). But beware: "expert advice" often has "expert bias" embedded in it. Experts are susceptible to bias in the way they frame problems and solutions – typically in favour of options they are familiar with – rather than customising these in a way that truly meets the company's needs and addresses its business challenges and opportunities.

Ten Recommendations

6 Engage the Entire Board in Digital

From responses to the survey, a disconnect emerged between board members and the digital changes underway in organisations. Not only must board members stay abreast of these developments, they need to be made aware that digital is a fundamental disrupter, and that one digital solution “does not fit all”. A digital transformation has an impact on the entire organisation and is inextricably linked to its future success. A disconnect from digital is a disconnect from the business, and thus undermines the board’s competence in the governance sphere.

7 Make People, Management and Culture the Main Drivers of Digital

With the evolution of digital, technology and processes are no longer perceived as the main drivers. To succeed, organisations need a stronger focus on people, management and culture. The survey suggests that these aspects are typically addressed too late, potentially because digital leadership is excessively tech-driven and led by experts.

8 Measure the Impact of Digital on Business Success

While measuring the success of digital is on the agenda of many organisations, it brings its own challenges. Stand-alone KPIs for digital projects are neither realistic nor valid. Companies can only assess the success of their digital activities by examining the role they play in achieving the organisation’s business objectives. Executives need to recognise this shift and not demand digital KPIs in isolation but acknowledge digital’s impact on the wider business.

9 You May Not Need a Stand-Alone Digital Strategy

It’s OK for an organisation not to have a digital strategy in place, but only if there is a clear strategic justification – for example if it is still acquiring the knowledge necessary to devise an effective digital strategy or if it has incorporated digital into a wider corporate strategy. The absence of a digital strategy becomes a risk if there is no sound reason for it, or its importance is not acknowledged. At the same time, companies that have developed a “digital strategy” must ensure that what they are describing is truly a strategy, rather than a vision, aspiration or mere tactical plan.

10 Manage the Spill-Over Effects of Digital on the Wider Organisation

Don’t underestimate the impact of a digital initiative. Even a basic digital adjustment can necessitate widespread changes to an organisation’s purpose, product, structure, people and processes. It’s not only about getting the implementation right, but taking the appropriate change management steps to support the emergence of a new business order brought about by engaging with digital.

Detailed Findings

Detailed Findings

The authors questioned 1,160 board members, executives and managers from a mix of organisations, across regions, industries and functions. The quantitative phase was exploratory – there were no predetermined theories, notions or hypotheses. The purpose was to understand what 'digital' means to organisations on a day-to-day basis, and how people are currently engaging in digital initiatives. More specifically:

- How digital is seen by the business community
- What organisations expect from digital
- The success of their digital initiatives
- The nature of digital strategies
- Levels of engagement in key areas of digital transformation

Using the results from the quantitative stage, the qualitative phase involved in-depth interviews focused on the following:

- The decision-making process: How do organisations determine their main digital initiative, what drives the process, and who is involved in the decision?
- Success of digital initiatives: Why is it 'too early to say' if a digital initiative has been successful for a majority of respondents?
- Measuring progress: What, if any, key performance indicators (KPIs) are used to measure the progress or success of digital initiatives?
- Absence of a digital strategy: Why do a relatively large number of companies have no digital strategy in place?

How Digital Is Seen By the Business Community

No Single Digital Solution Fits All

Respondents were asked about the single most important digital-related initiative in which their organisation was engaged. The varied responses were grouped into 21 clusters and defined by the authors to give an overview of areas of engagement in digital today (see Table 1).

Table 1: Definition of Clusters

Clusters	Definition
Collaboration	Implementation of digital platforms aimed at facilitating collaboration with suppliers, partners and/or customers
Cost Efficiencies	Digital initiatives aimed at reducing an organisation's costs
Customer Engagement	Initiatives primarily focused on allowing an organisation to engage more frequently, or differently, with consumers using digital as a facilitator
Data Management & Analytics	Initiatives aimed at facilitating the gathering and manipulation of internal or external data to improve an organisation's strategic decision making
Customer Experience	Implementation of new initiatives, processes, and digital platforms and tools aimed at creating, managing and/or measuring cross-channel customer experiences
Digital Marcomms	The use of various digital techniques, channels and platforms to build a brand, communicate and/or promote an organisation, its products or services
Sales & Marketing	Creation of new digital sales & marketing initiatives, or digitalising the organisation's existing sales, marketing and customer service processes (excluding communications)
Digital Transformation	A fundamental transformation of the organisation across the value chain and its functions, impacting the business model and all touch-points with consumers, suppliers and collaborators
Industry Sector	Initiatives aimed at digitalising an industry sector
Administrative Solutions	Initiatives aimed at digitalising the organisation's administrative activities
Business Model	Strategic initiatives aimed at changing the organisation's business model, from its operating model to its infrastructure, including what it sells, to whom, and how it goes to market
Business Process	Initiatives aimed at digitalising and automating an organisation's internal processes to achieve efficiencies
Products & Services	Initiatives aimed at digitalising an organisation's offer in terms of its products and/or services
System Integration	Initiatives aimed at integrating an organisation's systems and/or tools
Software Deployment	Implementation of software or digital tools
IT Systems	Implementation of information technology business systems
Legal	Initiatives aimed at handling legal realities brought about by digital
Product Innovation	Initiatives aimed at innovation of new digital products and/or services
Organisational Management & Culture	Initiatives aimed at addressing organisational, management and/or cultural issues
Security	Initiatives aimed at increasing an organisation's security in relation to technology
Customer Facing Technology	Implementation or updating of customer-facing technologies

How Digital Is Seen By the Business Community

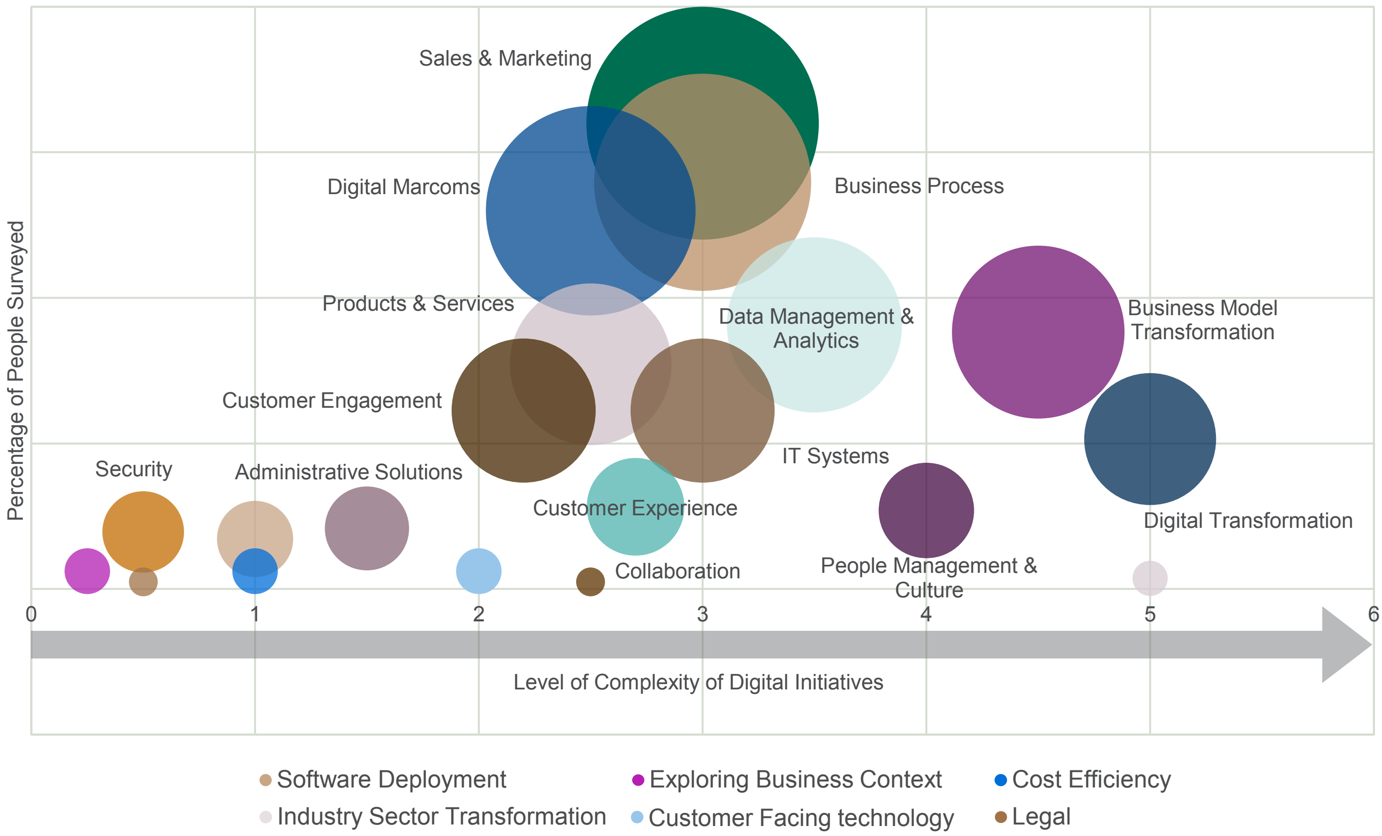
The range of answers highlights the extent to which the definition of digital varies from one organisation to another in terms of type and complexity of the engagement (see Table 2).

The majority of digital initiatives fall within the top three clusters, Sales & Marketing, Business Processes, and Digital Marcomms, which together make up 43% of all digital initiatives.

There is no significant statistical difference in the performance of the top two clusters. However, the different industries engaging in each cluster is worth noting. Perhaps not surprisingly, Manufacturing, High Tech and Heavy Industries are more geared to Business Process-driven initiatives. Banking & Finance, Retail, and other Non-financial Services are more engaged in Sales & Marketing and Digital Marcomms initiatives.

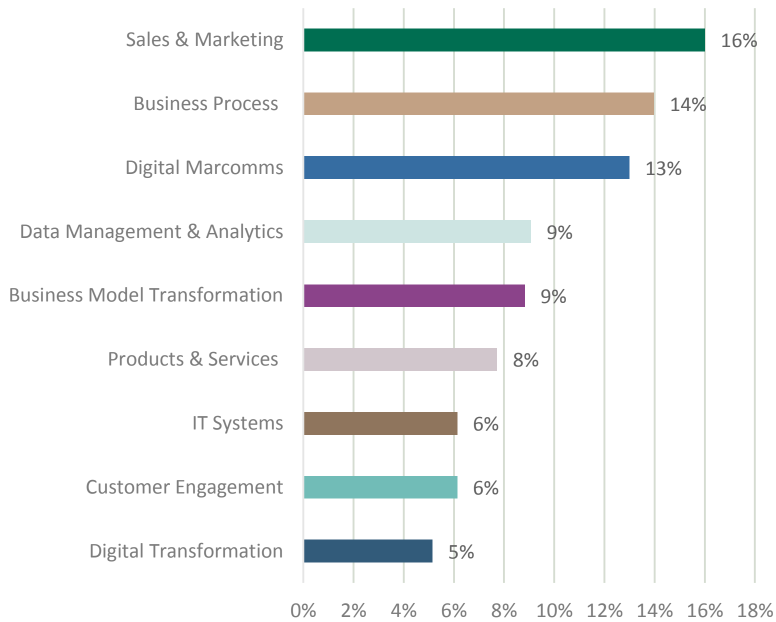
There are differences in the digital initiatives based on the positions held by the respondent in the organisation. Sales & Marketing initiatives were cited by an average of 14% of respondents overall, but only by 8% of board members, compared with 18% for senior managers. Board members were also less likely to prioritise customer-facing initiatives; Business Process initiatives were the most cited by this target group (18%).

Table 2: Clusters of Digital Initiatives by Level of Complexity



How Digital Is Seen By the Business Community

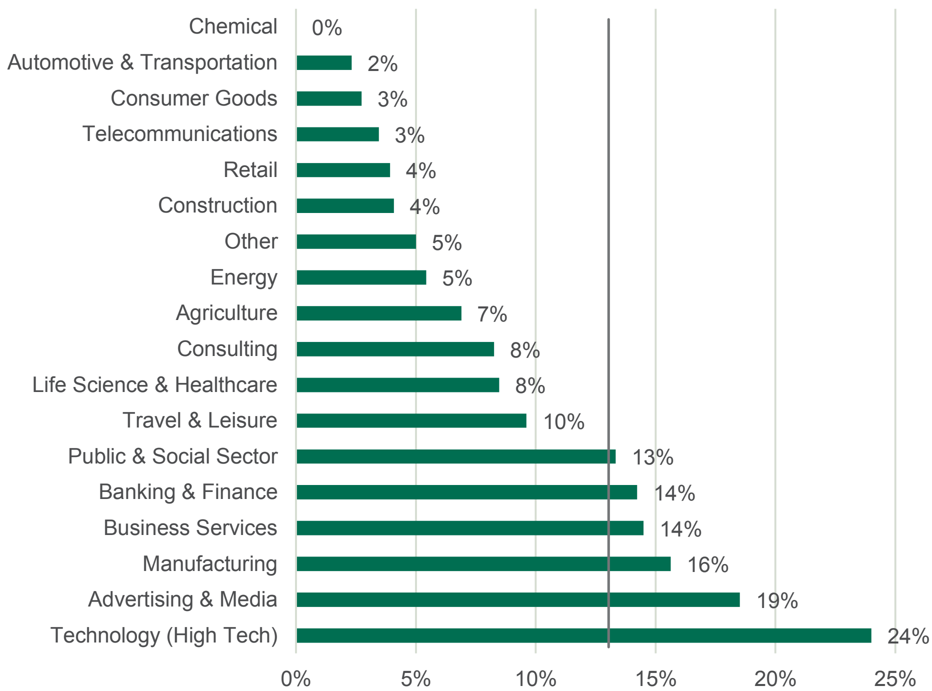
Table 3: Categories of Main Digital Initiatives



More complex initiatives that span different functions and the value chain are less common: 9% of organisations were engaging in Business Model Transformation, and 5% in Digital Transformation (see Table 3).

Most effort in Business Model and Digital Transformation are taking place in the Technology (High Tech) industry, followed by Advertising & Media, Manufacturing, Business Services, and the Banking & Finance Sectors (see Table 4). Isolating Digital Transformation highlights that this initiative occurs primarily in the Public & Social Sector, as well as in the Telecom and the Media Sectors.

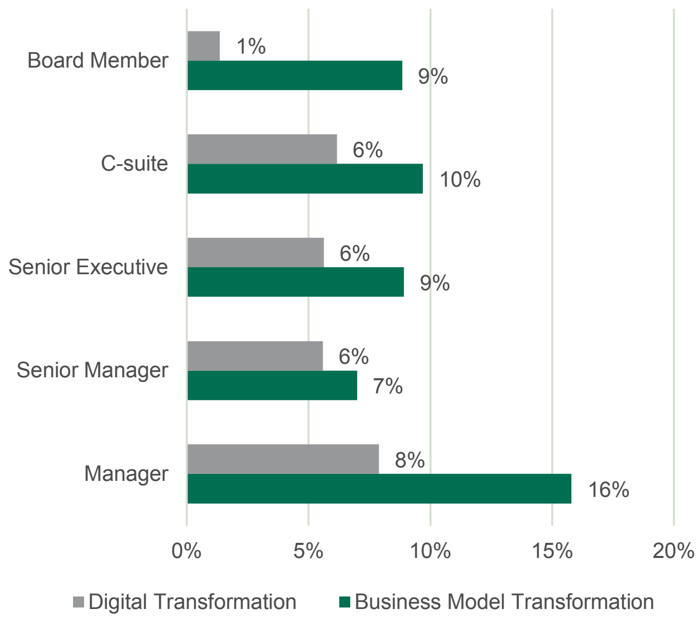
Table 4: Involvement in Business Model and Digital Transformational Initiatives by Industry



Line Represents the Average Response Rate of all Organisations Engaged in Business Model and Digital Transformational Initiatives

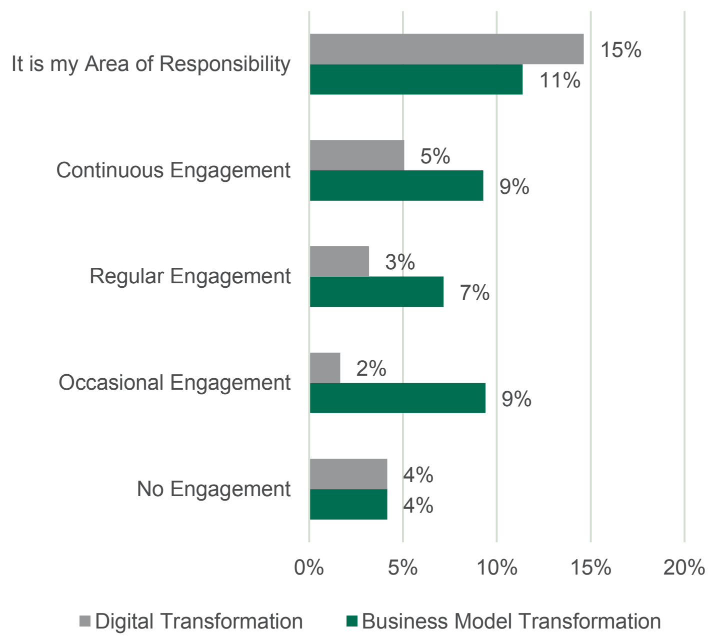
How Digital Is Seen By the Business Community

Table 5: Involvement in Transformational Initiatives by Level in the Organisation



Again, there is a significant difference in responses based on the positions held by the respondent in the. Only 1% of board members indicated that digital transformation is the main digital initiative of their company. Managers seem significantly more confident than the rest of the organisation that their company is working on initiatives aimed at transforming their business model. Business Model Transformation was cited by 15% of this group as their organisation's main digital initiative. (see Table 5).

Table 6: Involvement in Transformational Initiatives by Level of Engagement in Digital



The respondent's level of engagement in digital also plays a role in how they perceive the main digital initiative. Respondents in charge of digital were more likely to classify activities as Digital Transformation (15%). This may be because they have a more holistic view or an inclination to see these activities as significant because of their own involvement (see Table 6).

The remaining digital initiatives are spread across 14 categories, forming a long list of activities with no clear pattern. This may indicate that digital is no longer in its infancy, as organisations have started to adapt it to their specific business needs. However, the lower scores given to transformational digital initiatives suggest that digital has not yet reached a level where most organisations are being truly transformed.

How Digital Is Seen By the Business Community

Digital as a facilitator

There is little consistency in the types of digital initiatives underway within each category. These are scattered across different areas of the business and functions, and are not always integrated or connected. One conclusion is clear: no single definition or solution fits all (see Table 7).

The level of sophistication of the digital initiatives varies significantly across all types of initiatives mentioned by respondents. See Table 8 for an illustration of the levels of sophistication of digital initiatives. The interviews confirmed that the term 'digital initiative' had a broader definitional range than expected. Notwithstanding, respondents rarely saw digital as a separate initiative in its own right.

Their main digital initiatives were driven by external or internal business needs or aspirations. The focus was not on 'going digital' but on achieving business objectives for which digital was a facilitator. Companies' digital initiatives are in fact business initiatives, made in pursuit of business rather than digital objectives. Hence the need or opportunity is identified at the level of the business unit, and the vision is defined at a more senior level.

The interviews indicated that many bottom-up initiatives were taking place that were not covered in the survey (which focused on the 'main' digital initiatives). These were not yet on the radar of senior top executives, and indeed may never get there. They are often tactical moves, aimed at improving day-to-day processes, and closer to the responsibility of line managers.

Table 7: Range of Digital Initiatives Cited

- Automation of processes through integration of different systems
- Creating a seamless sales & service experience for clients, prospects, suppliers and colleagues
- Identifying digital tools to enhance the connection between our people and our clients
- Implementation of a full IT manufacturing suite and manufacturing flow robotisation
- Improving the quality of CRM and its usage to define commercial activities
- Achieving business intelligence by focusing on the quality of the data and ability to analyse the data
- Determining both opportunities and risks relating to disruptive business models, and how they better allow us to add value to our customers
- Scaling our service offerings to reach a more global audience and increase revenue

Table 8: Illustration of the Sophistication of Digital Initiatives

Level of sophistication	Sample answers from respondents
Low	Setting up a corporate Twitter account
	Creating a website for our product line
	Achieving search engine optimisation
Medium	Automating our processes through integration of different systems
	Capturing data from the field, crunching it, and presenting it to end-users
	Streamlining and making the supply chain visible to customers
High	Building digital capabilities, integrating them into the organisation and managing the change
	Building a full IT manufacturing suite and manufacturing flow robotisation
	Digitally transforming customer-facing & back-end processes

How Digital Is Seen By the Business Community

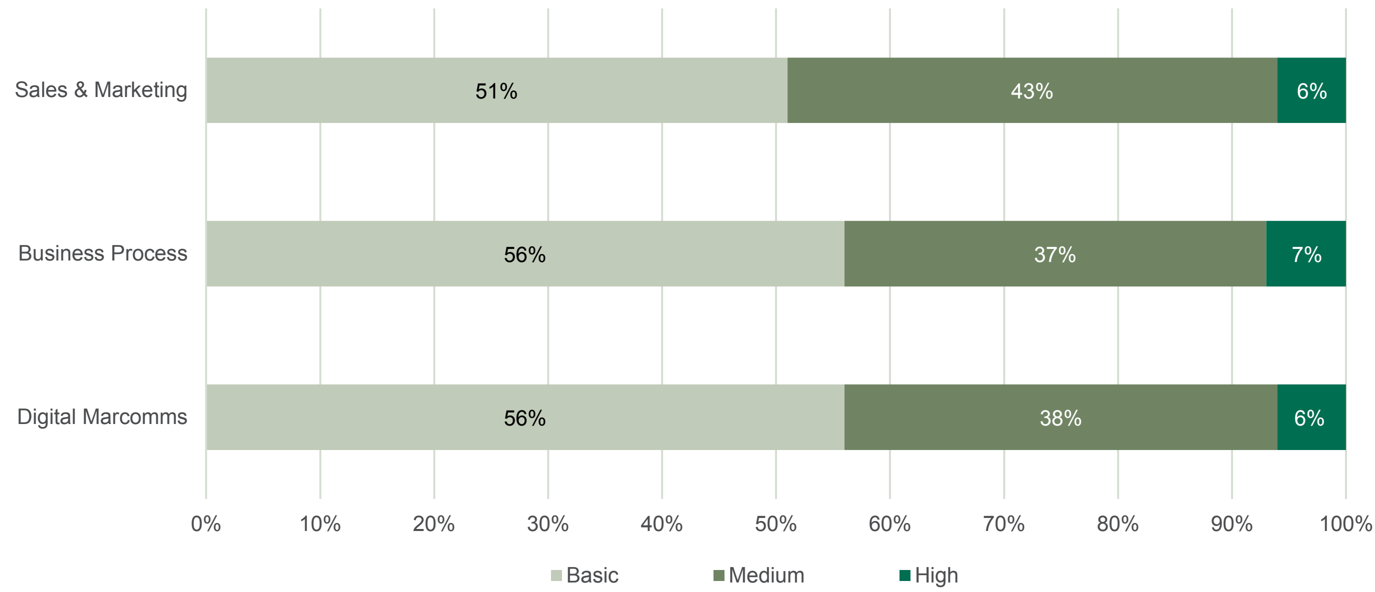
The level of sophistication of the digital initiatives does not differ significantly between the top three categories, Sales & Marketing, Business Process and Digital Marcomms (see Table 9).

As the quantitative survey indicated, in a smaller number of cases digital is the catalyst for the initiative, creating an opportunity for the organisation to adapt or change its business model, or contributing to the transformation of the organisation. In such instances, digital becomes the initiative in its own right and the need is generally identified by senior managers or even at corporate level.

Digital Transformation is, by definition, a complex process. As one interviewee noted: "Going digital is more complicated than it seems. For example, we are drowning in paper; we think by digitising, by scanning these papers, we have solved the problem. In fact, all we have done is put lipstick on a gorilla and called it a baboon. Digital transformation is far more complex than this."

Another respondent explained how a digital transformation initiative was positioned as tactical so as not to overwhelm employees: "The initiative may seem like a marketing initiative, and the rest of the company may not understand the profound extent of the change that is taking place, but we did this by design: we did not want to say 'We are transforming the organisation' and scare everyone."

Table 9: Level of Sophistication of Digital initiatives



What Organisations Expect From Digital

Digital Supports Customer-Facing Activities

According to respondents, the principal reasons for engaging in digital initiatives are to Improve Engagement with consumers and Increase Efficiency (see Table 10).

Table 10: Main Reasons for Engaging in Digital Initiatives

Breaking the answers down by the three top categories of digital engagement areas sheds light on those reasons.

The high score (19%) for Increase Efficiency is primarily due to the importance of this objective for organisations engaging in digital initiatives related to Business Process. Some 35% of the respondents who cited Business Process as their main digital initiative gave Increase Efficiency as the main reason for doing so, compared to only 11% who cited Improve Engagement with consumers. In contrast, respondents whose main digital initiatives were in Sales & Marketing and Digital Marcomms tended to give Improve Engagement with customer as the main reason for engaging in digital.

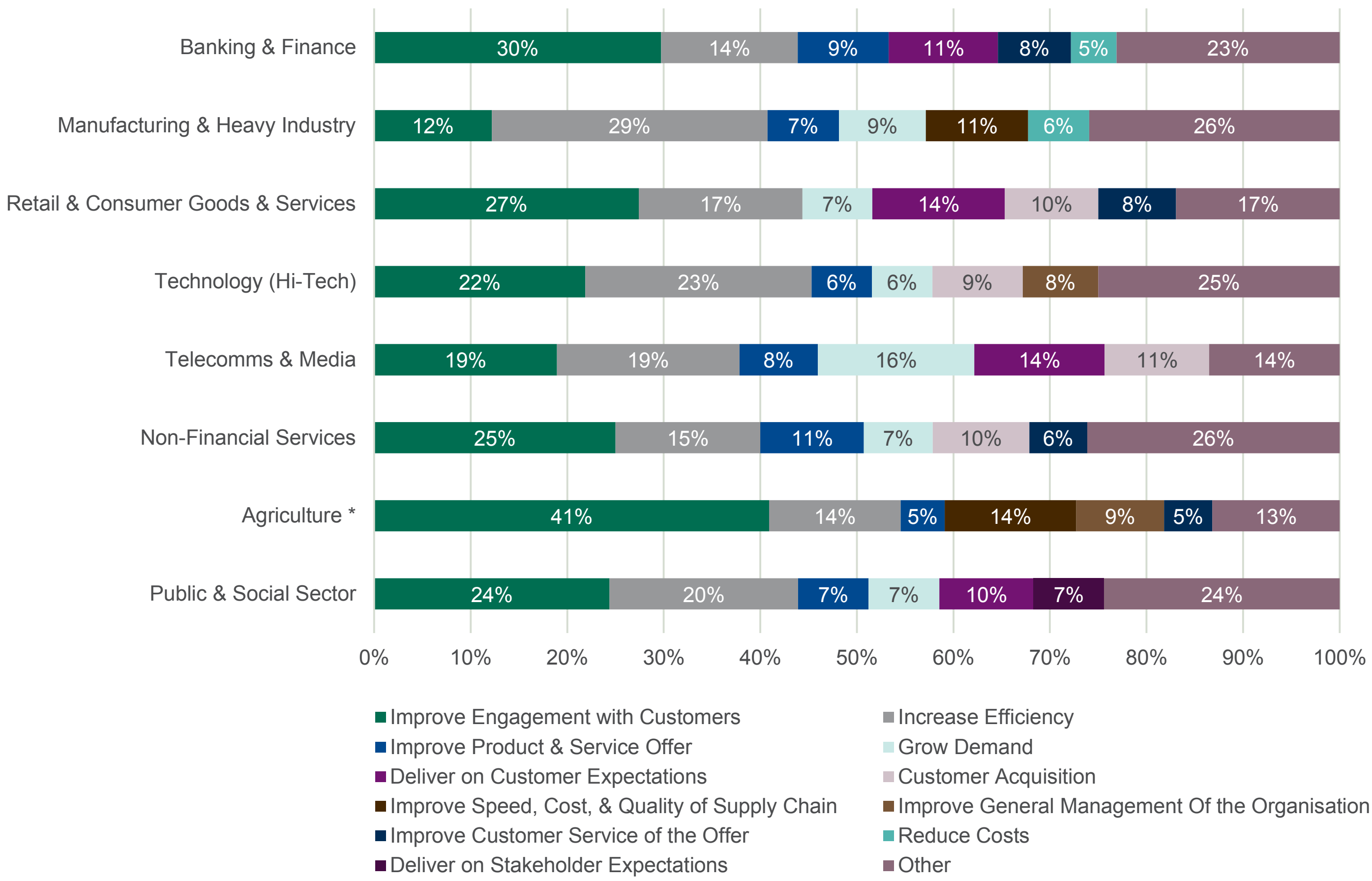
> *"To us it's about engaging better with a consumer who has changed his buying patterns. Twenty years ago one single channel and a sales representative was enough. Today people are using different channels to get the job done, and we have to make sure they can engage with us in that way"*

What Organisations Expect From Digital

Unsurprisingly, Improve Engagement with Customers was given as a key reason by respondents whose companies are engaging in digital initiatives in Retail, Consumer Goods, Services, and Banking & Finance. More surprising was the importance given by the Agricultural sector to engaging with customers.

The main industries driving initiatives to Increase Efficiency are Manufacturing & Heavy Industry and High Tech (see Table 11).

Table 11: Main Reasons for Engaging in Digital Initiatives by Industry



* Small Sample size

Measurement is Focused on Business Objectives

Digital initiatives are rarely seen as separate projects with their own specific KPIs. Generally the impact of a digital initiative is measured on corporate or business KPIs, consistent with the previous observation that 'going digital' is rarely the key driver. Business metrics used include competitive benchmarking, customer satisfaction, impact on sales, increased leads, improved customer experience, etc.

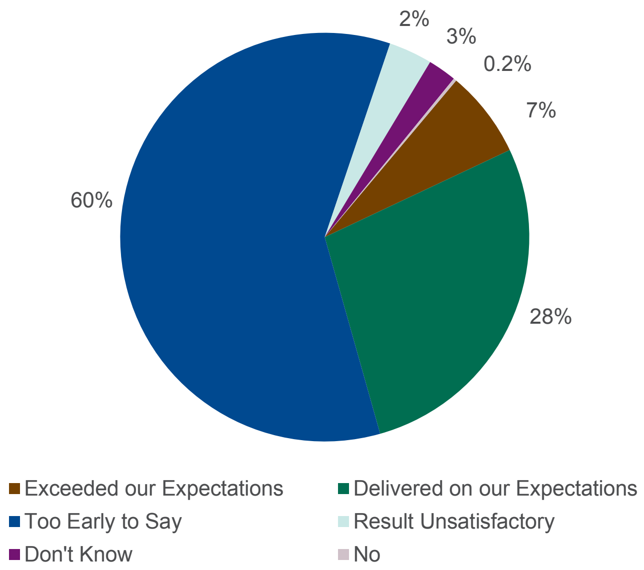
KPIs such as website hits or number of new subscribers that were developed as part of digitisation are still used, but tend to be deployed for tactical reasons such as driving readers to a particular destination, or measuring engagement on social media. They serve the purpose of providing analytical granularity to specific activities.

The Success Rate of Digital Initiatives

Too Soon to Judge Success

The number of perceived failures of digital initiatives was extremely low. Most respondents said it was “too early” to say whether their digital initiatives had been successful (see Table 12).

Table 12: Level of Success of Digital Initiatives



Although less common, half of the Digital Transformation initiatives were perceived as a success.

Industries with the greatest uncertainty regarding the success of digital initiatives were Agriculture (82%) and High Tech (67%).

Industries which had achieved above-average success with their digital initiatives were:

- Advertising & Media (47%)
- Telecommunications (45%)
- Retail & Consumer Business (42%)
- Non-Financial Services (40%)

Interestingly, the position the respondent held within the organisation did not appear to impact perceptions of the success of the digital initiative. Nor was there a difference between respondents responsible for digital in their organisation and those simply engaging with it.

The greatest uncertainty regarding the success of the digital initiatives was in the following categories:

- Business Model Transformation
- Sales & Marketing
- Data Management & Analytics
- Customer Engagement
- IT Systems

Over one third of respondents stated that their main digital initiative had delivered, or exceeded their expectations. The greatest success was reported in the following categories:

- Digital Transformation (42%)
- Business Process (42%)
- Digital Marcomms (40%)
- Product & Services (39%)

> *Digital initiatives can be complicated and can consume a lot of resources. The challenge is to get the leadership team to understand the complexity, and to support and commit to the initiative*

The Success Rate of Digital Initiatives

The high incidence of ‘too early to say’ responses was followed up in the qualitative phase of the research, revealing three reasons for this tendency:

- Time: the digital initiative started recently and had yet to go through critical phases such as understanding, prioritisation, testing, learning and acceleration - on which its success could be assessed.
- Complexity: a complex digital initiative (involving a number of functions, technologies, processes and people) takes longer to implement and thus the ability to assess success was delayed.
- Lack of metrics: in some cases, ways to measure progress or KPIs have not been identified. At an early stage this may be a conscious choice so as not to limit creativity and innovation, yet it came as a surprise that quite a few companies had no progress metrics or KPIs in place.

Respondents cited a range of reasons for the success of their main digital initiative (see Table 13).

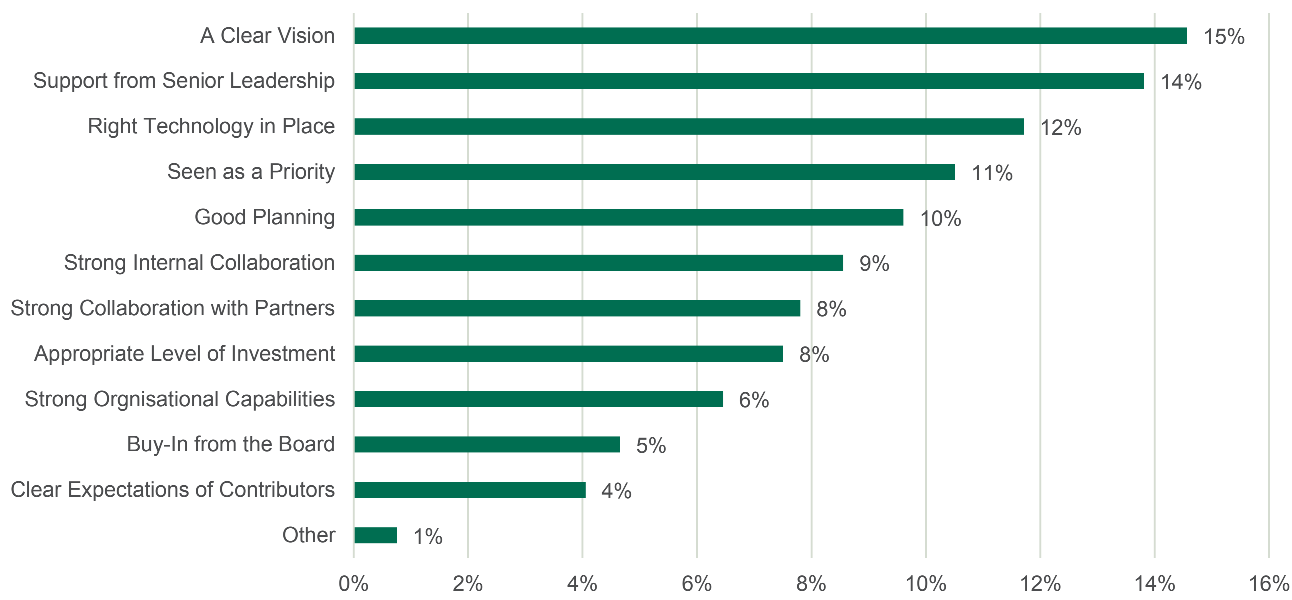
Note that the ‘Right Technology’, which is the basis of many digital offerings and solutions, was only indicated by 12% of respondents as the reason for success.

Rather, the number of references to ‘A Clear Vision’ and ‘Support from Senior Leadership’ highlight the importance of leadership to the success of digital initiatives. All of the reasons cited are very much in line with requirements for success in any change management initiative.

In some cases respondents reported that a digital initiative over time became a transformational initiative for the organisation. This pattern is consistent with ‘entrepreneurial’ or ‘bottom-up’ innovation, and acquires a longer-term horizon.

But how to determine the success of transformational digital initiatives? By definition, this cannot be done using digital measurements alone, as business performance metrics have greater importance in such a context. Intermediate proxy measures such as the impact on people and behaviours should be considered.

Table 13: Reasons for Success of Main Digital Initiatives



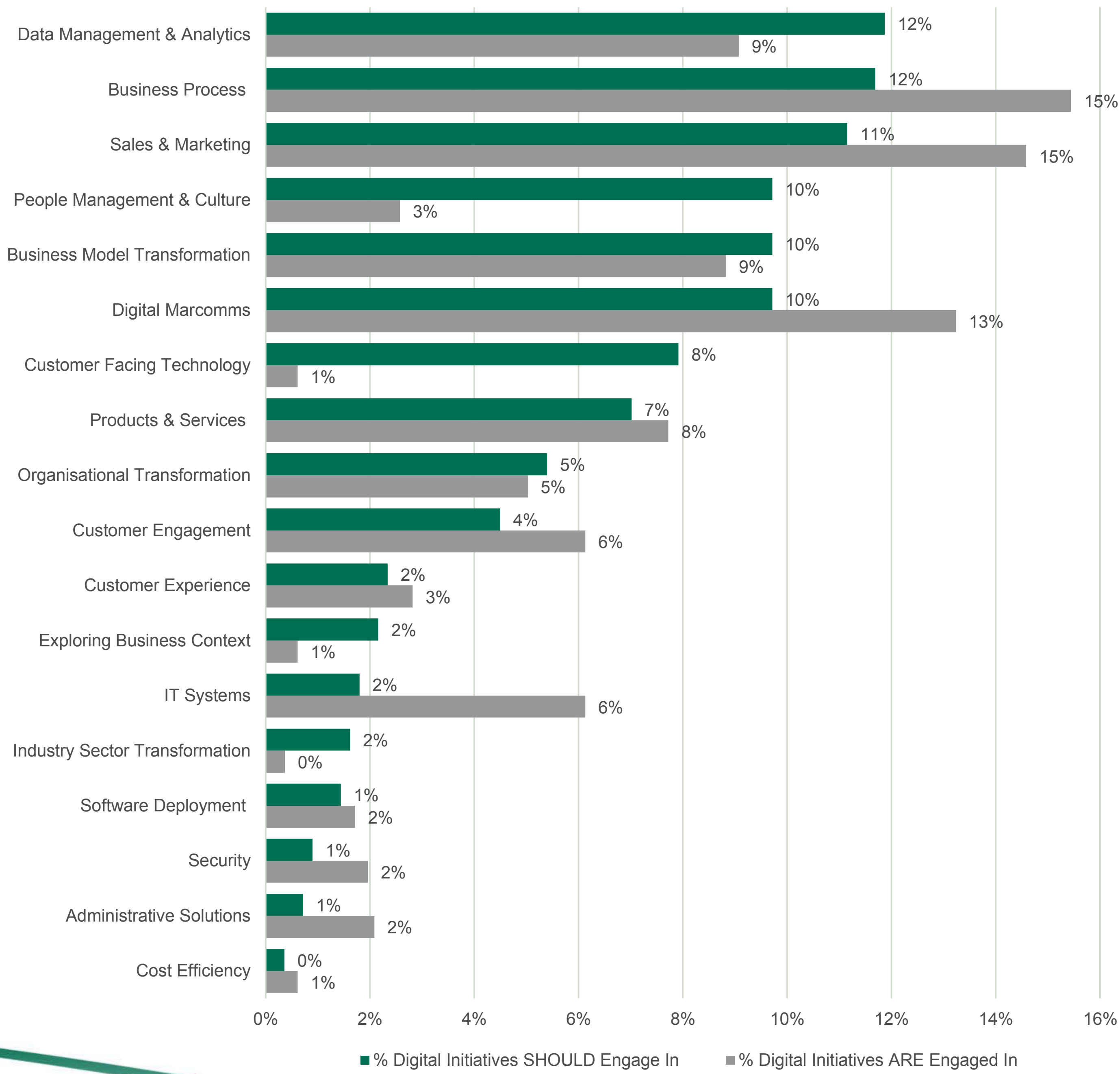
The Success Rate of Digital Initiatives

Current Initiatives Match Respondents' Opinions

Seeking to ascertain whether there was a gap between what companies are actually doing and what respondents think they should be doing (see Table 14), we found little evidence of this.

One explanation for this convergence could be the relative seniority of the people in the sample. Given that most of the respondents are the decision makers, they might be expected to give the same answer. This supports the earlier finding that many respondents perceive digital as a tool to support existing business initiatives, processes and objectives rather than a business revolution in its own right.

Table 14: Digital Initiatives Organisations Should Engage in Compared to Are Engaged in



The Success Rate of Digital Initiatives

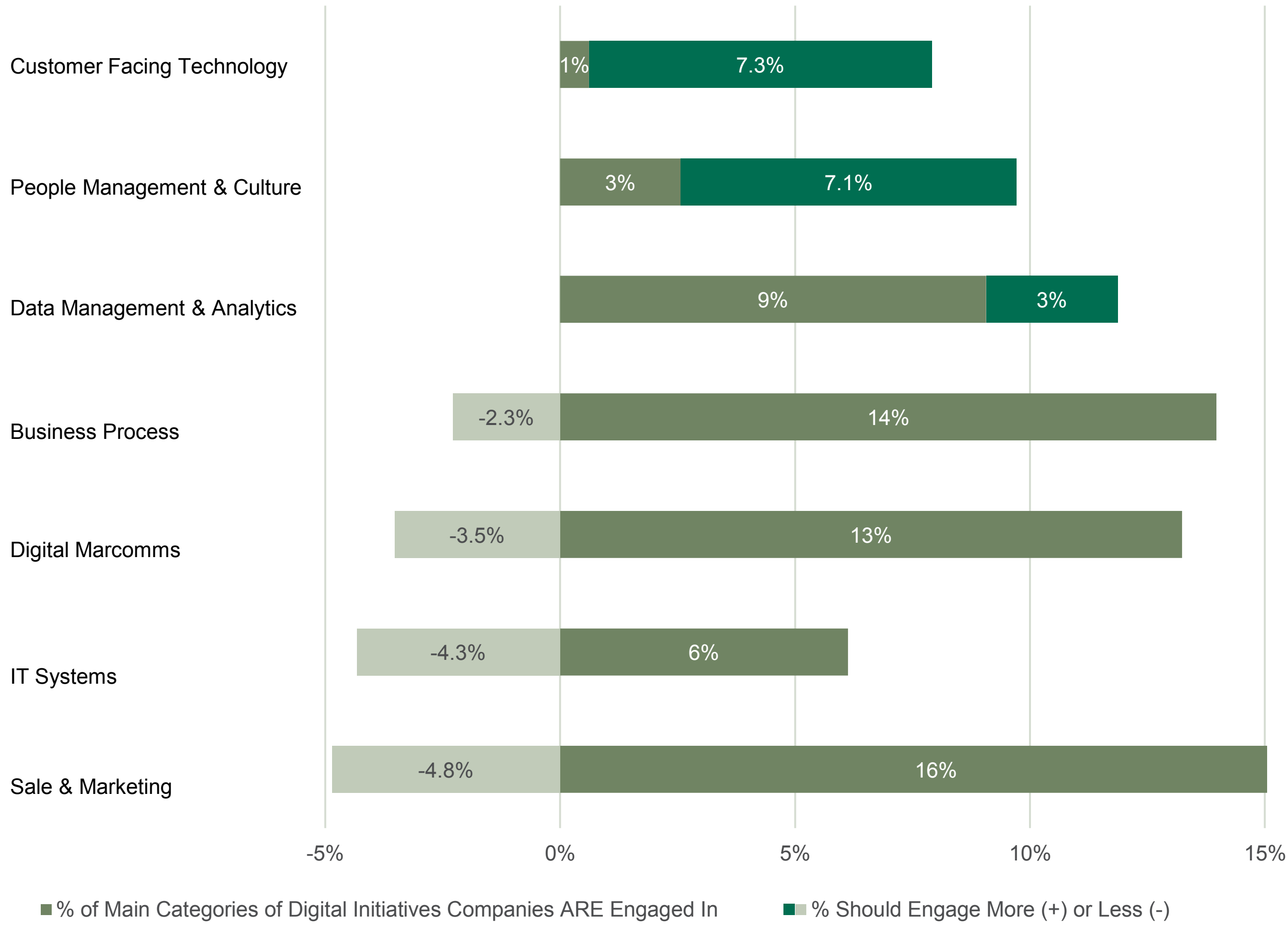
10% of respondents felt that their organisation's main digital initiative should be in that area of People Management & Culture compared to 3% for whom it was already the main initiative. 27% of respondents at management level thought their organisation's main digital initiative should be in People, Management & Culture. This suggests that when it comes to digital, too little effort is put into the people, organisational and cultural aspects.

Another key area requiring further attention, according to respondents, is Data Management & Analytics, primarily due to its importance in Asia, and to its being prioritised by Manufacturing & Heavy Industries (more specifically the Chemical and Energy sectors) as well as Banking & Finance.

Finally, 8% say the organisation should engage in Customer-Facing Technology compared to only 1% that state that the primary digital activity they are engaged in is Customer-Facing Technology.

A surprising result was that Digital Transformation and Business Model Transformation did not score higher for 'should engage in' compared to 'are engaged in'. More than any other group, the managers felt that their organisation should engage in Business Model Transformation (23%). Table 15 highlights areas that respondents believe require more attention than they are now getting; the greatest gaps are in Customer Facing Technology, People Management & Culture. On the other hand, other areas are receiving more attention that the respondents feel is truly needed, especially Business Process, Digital Marcomms, IT Systems and Sales & Marketing.

Table 15: Digital Initiatives Requiring More or Less Engagement



The Nature of Digital Strategies

A Surprising Lack of Digital Strategies

The research revealed that at least one third of the organisations do not yet have a digital strategy in place, despite the fact that the topic has been at the forefront of business for almost a decade (see Table 16).

The percentage of organisations lacking a digital strategy is even more surprising considering that the responsibility for digital is situated at a high level within the organisation (see Table 17).

Table 16: Presence of a Digital Strategy

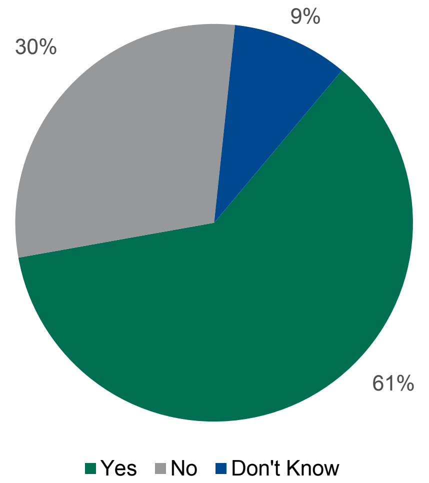
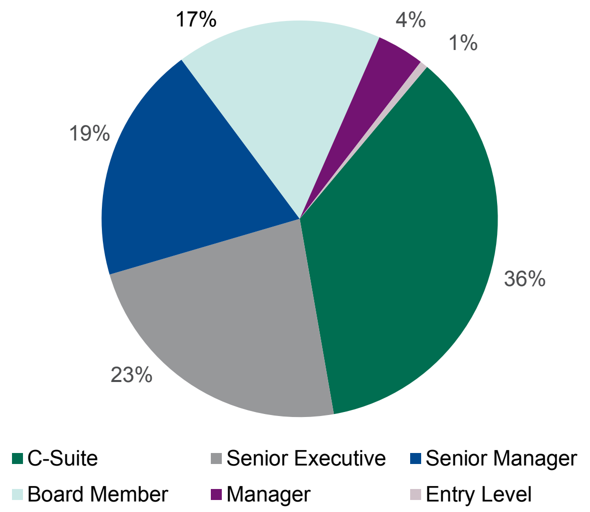


Table 17: Level in Organisations at which the Responsibility for Digital Sits



Looking more deeply, 20% of organisations reported to be engaged in Digital Transformation and Business Model Transformation do not have a digital strategy (see Table 18).

At least 21% of the people who are responsible for digital admit to not having a digital strategy in place (see Table 19).

Table 18: Organisations with a Digital Strategy Engaged in Business Model and Digital Transformation

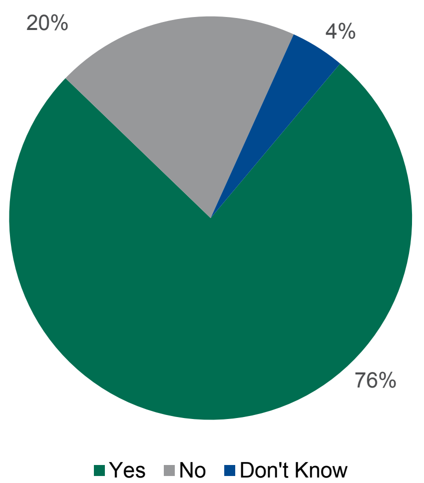
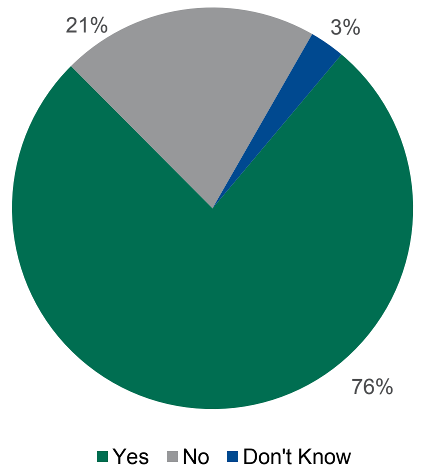


Table 19: Presence of a Digital Strategy by People Responsible for Digital



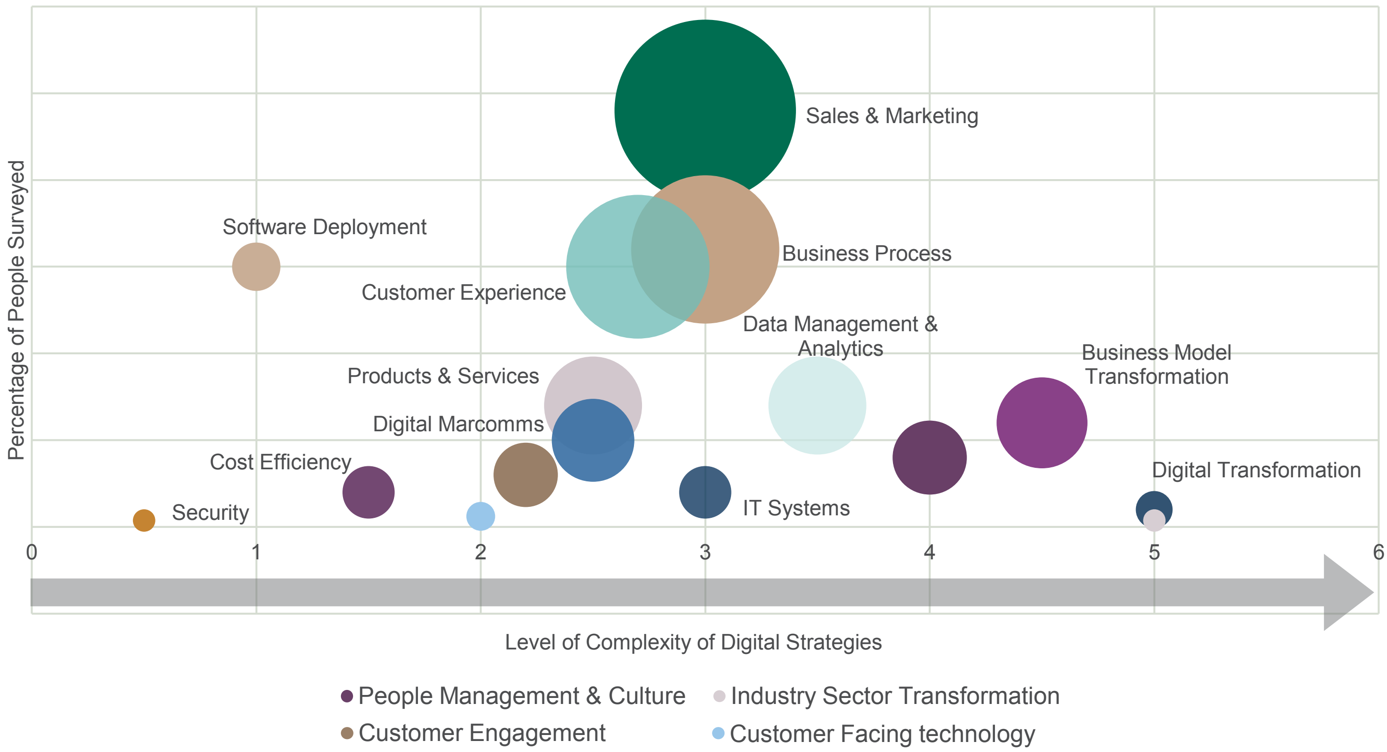
The Nature of Digital Strategies

When broken down by the position held within the organisation it becomes clear that the group with the lowest awareness regarding the existence of a digital strategy are managers: 24% said they 'don't know' (vs. 9% of all respondents questioned). Senior managers also showed a lack of awareness – 18% stating they 'don't know' if their organisation has a digital strategy. As many as 50% of managers said there was no digital strategy in place, significantly higher than the average (29%) of all respondents questioned.

It seemed from the survey that the further down the chain of command a person sits, the lower their awareness of the existence of a digital strategy. This suggests either a failure of communication between hierarchical levels or lack of a clear message from the top or those responsible for digital strategy.

However, the interviews uncovered further explanations for the lack of a digital strategy:

Table 20: Clusters of Digital Strategies by Level of Complexity



- The fact that organisations are still trying to figure out what digital means, the impact it will have, the opportunity it creates, etc., and how it can best be leveraged for business success. This level of understanding is necessary in order to define a strategy.
- The result of a conscious decision by the leadership not to craft an explicit digital strategy, but rather to include it as part of a broader business strategy or corporate strategy (revealed in the qualitative interviews). This does make sense in that the rationale for the digital strategy is immediately apparent by virtue of it being embedded within the business or corporate strategy.

When there is a digital strategy in place, it is typically defined at a senior level, often with external help from experts and specialists. It may also reflect the organisation's overall approach to the market, as the following observation from the qualitative research illustrates: "Our view is that organisations who are early adopters from a technology perspective are rarely winners … We want to be a fast follower with a proven technology, and we kept the same thinking in our digital strategy."

Digital strategies are spread over 16 areas of engagement (see Table 20), suggesting that there are multiple ways in which digital is prioritised.

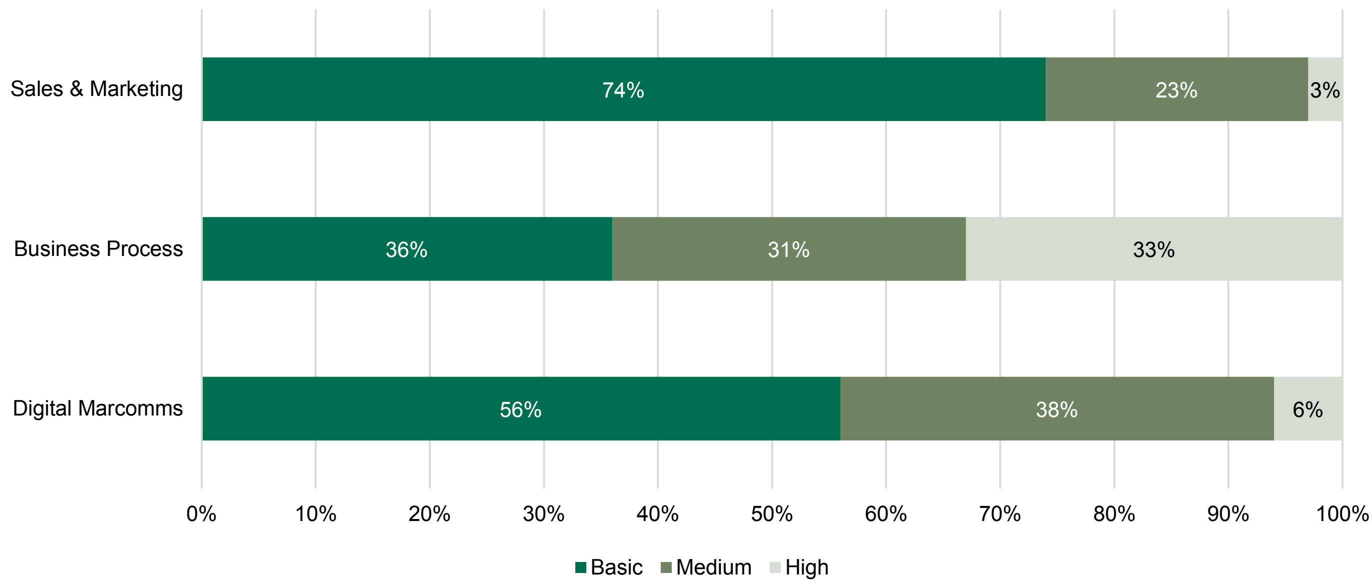
The Nature of Digital Strategies

From the somewhat vague descriptions of their digital strategies it was apparent the subject remains confusing to many respondents. Although 77% of respondents described an actual strategy, 14% of responses presented a ‘vision’ for digital, and 9% could be more appropriately described as ‘tactics’ than strategies.

Within these clusters, three key categories account for 42% of all digital strategies: Sales & Marketing, Business Processes, and Digital Marcomms.

Regardless of the category, the sophistication of the digital strategies in the three main categories Sales & Marketing, Business Process and Digital Marcomms remain at a basic or medium level (see Table 21). Strategies that are customer-focused appear more basic than those that focus on adapting the organisation.

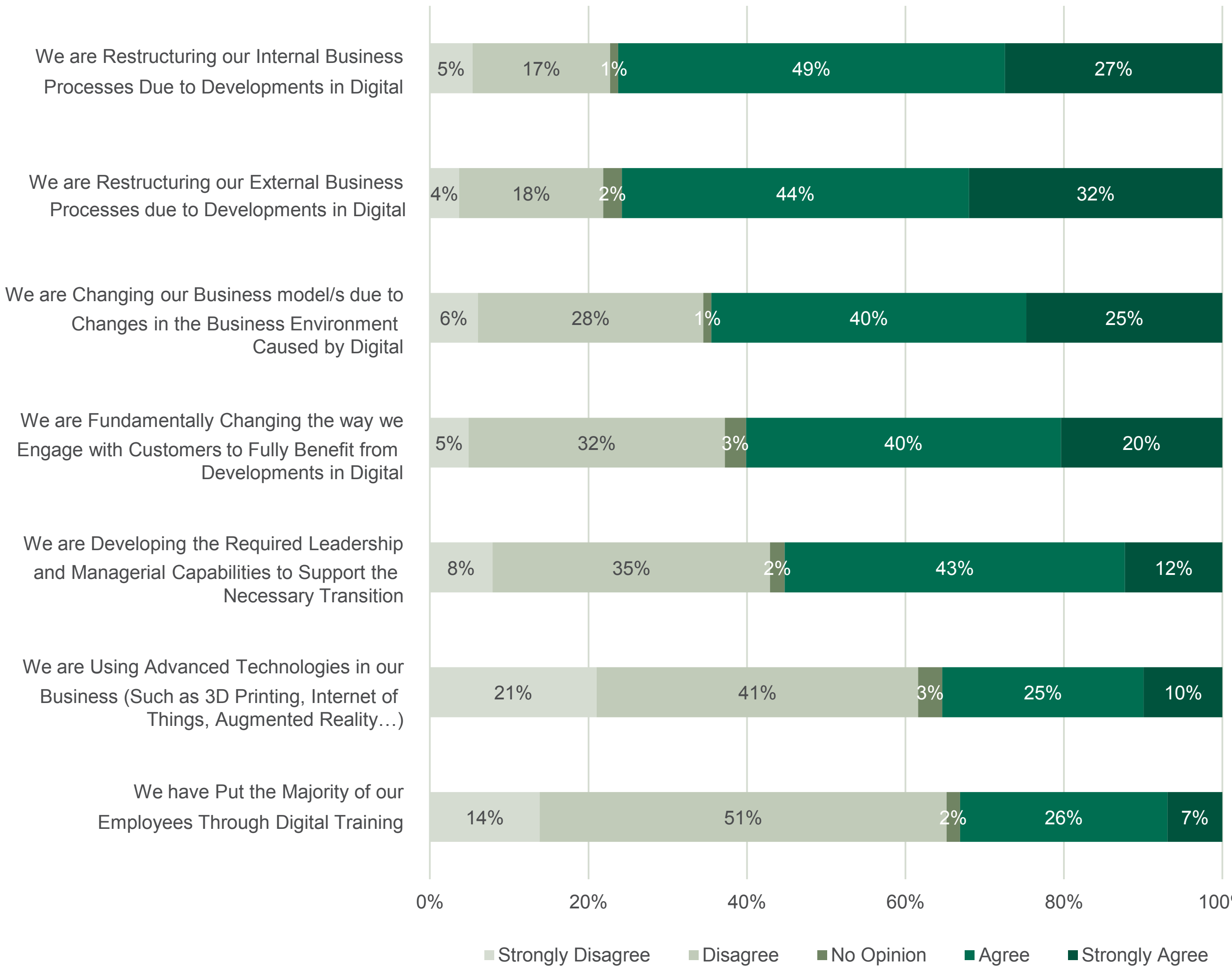
Table 21: Level of Sophistication of Digital Strategies



Levels of Engagement in Key Areas of Digital Transformation

Whether an organisation has a digital strategy per se or not, certain changes and actions are necessary to become digitally enabled. To assess the current level of digital enablement, respondents were asked to indicate what aspects were already being addressed by their organisation (see Table 22).

Table 22: Engagement in Key Areas of Digital Transformation



Levels of Engagement in Key Areas of Digital Transformation

Most organisations are engaged in some aspects of digital transformation. More interesting is whether there is a discrepancy between reported levels of engagement and actual organisation-wide engagement in digital.

Although 65% of respondents agreed with the statement 'We are changing our business model/s due to changes in the business environment caused by digital', when asked what their key digital initiatives were only 9% of respondents cited business model initiatives.

All respondents showed a high level of confidence in their engagement in the key areas that make up digital transformation (with the exception of technology and people training), yet only 5% had previously indicated that they were actually engaged in digital transformation.

These answers backed up the previous conclusions regarding the focus on business processes over pure marketing and communications initiatives, as well as the greater difficulty of navigating complex scenarios that include people and/or technology.

The interviews confirmed how difficult it is to achieve fundamental change in this area:

"It's like Chinese water torture, but with time people will comply," commented one respondent. The organisational culture aspect is complex: "It has taken time to feed the change brought about by digital into the culture of the organisation." And "You cannot change through the adoption of a technology; it is a new way of life."

Respondents also stressed the degree to which people play a crucial role in the required shift, as illustrated by the observation:

"To be successful in this new digital environment you need people that like change more than the average human being."

Change associated with digital is a continuous process:

"The challenge is that change is one thing, but to keep on changing that is another thing altogether. The impact of digital will require us to change continuously."

"*To be successful in this new digital environment you need people that like change more than the average human being*"

About The Authors

Liri Andersson
Founder
this fluid world

Liri Andersson is the founder of this fluid world, a boutique business and marketing consultancy that enables global organisations to understand, navigate and commercially exploit the changing business and marketing environment.

Since its inception, this fluid world has built up an impressive track record, and has become a trusted advisor, at a senior management and board level, to many global brands.

Liri's experience spreads across nations, industries, brands, business problems and disciplines. Her energy, experience and ability to decipher the complex business environment have propelled her around the world, developing winning business and marketing strategies for global brands such as Nestlé, General Mills, Nespresso, Crédit Agricole, Danone, Bacardi, IKEA and Cisco.

Liri's contributions to the areas of strategy, innovation, marketing and organisational management is a testament to the breadth of her knowledge and talent.

Liri holds an MBA specialising in Strategy & Management and a BA in International Marketing. In addition to researching disruptive technologies at INSEAD, she is a guest lecturer on its prestigious executive education programme.

Ludo Van der Heyden
Chaired Professor in Corporate Governance

Professor of Technology and Operations Management at INSEAD

Academic Director, INSEAD Corporate Governance Initiative

Ludo Van der Heyden is the founding Director of INSEAD's Corporate Governance Initiative. He is co-Director of the International Directors Programme and 'Value Creation for Owners and Directors' and lectures on leadership, team dynamics and business model innovation.

Ludo was the first holder of the Wendel Chair in Large Family Firms and of the Solvay Chair in Technological Innovation. He directed the Advanced Management Programme, the INSEAD Zentrum Leipzig, and was Dean of INSEAD from 1990 to 1995. He has received several Outstanding MBA Core Teacher awards, as well as an award for Outstanding Service to Executive Education.

He has a degree in Applied Mathematics from the Université Catholique de Louvain and a Ph.D. from Yale. Before joining INSEAD, Ludo was on the faculty of Yale and Harvard. His work has been published in many journals, the latest of which is 'Fair Governance: Setting a Tone of Fairness at the Top', in the Journal of Business Compliance.

He is a member of the Advisory Board of Bencis Capital Partners, and is on the supervisory boards of two start-ups, Celpax and Seisquare.

For questions or inquiries please contact Liri Andersson on liri@thisfluidworld.com
or Ludo Van der Heyden on Ludo.VAN-DER-HEYDEN@insead.edu or corporate.governance@insead.edu

Acknowledgements

We wish to thank INSEAD alumni for responding to the survey and participating in the interviews, as well as the following for their support:

- The INSEAD Corporate Government Initiative (ICGI)
- this fluid world
- Sven Cedric Andersson, *Researcher*
- Virginie Bongeot-Minet, *ICGI Coordinator*
- Muriel Larvaron, *Assistant Director, ICGI*
- Craig McKenna, *Senior Director, Alumni & Institutional Relations*
- Hazel Hamelin, *Senior Editor*

INSEAD

The Business School for the World®

this fluid world

INSEAD Europe Campus
Boulevard de Constance
77305 Fontainebleau Cedex, France
Tel: +33 (0)1 60 72 40 00
Fax: +33 (0)1 60 74 55 00
Email: mba.info@insead.edu

INSEAD Asia Campus
1 Ayer Rajah Avenue
Singapore 138676
Tel: +65 6799 5388
Fax: +65 6799 5399
Email: mba.info@insead.edu

INSEAD Abu Dhabi Campus
4th Street - Muroor Road
P.O. Box 48049
Abu Dhabi, United Arab Emirates
Tel: +971 2 651 5200
Fax: +971 2 443 9461
Email: mba.info@insead.edu

www.insead.edu