

Executive Roundtable: Digitalization

The transformation challenge: journeys and approaches



Executive Roundtable – digitalization

On the day of the sales launch of a long-awaited new digital wearable, the Apple watch, managing partner *Dr. Fabian Dömer* invited the participants of Arthur D. Little's Executive Roundtable to a discussion about digitalization in the Arthur D. Little office in Frankfurt.

The Roundtable, used as an exchange platform about the current challenges in digitalization, took place for the second time in Frankfurt – in the well-proven format of a small group with 10 participants crossing various industries.

Digitalization is disruptive



As an introductory note, *Volker A. Pfirsching*, Partner at Arthur D. Little, emphasized the disruptive character of digitalization, which has already substantially changed numerous industries and is at the top of the agenda for business leaders.

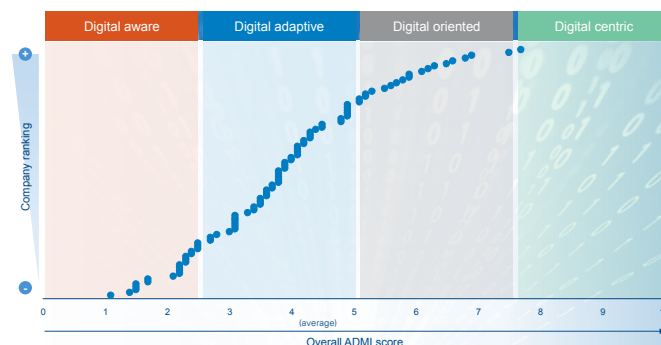
In particular, enabling continuous change turns out to be a major challenge across all industries to successfully taking advantage of digitalization.

“Digital maturity still low across all industries...”

One major finding of Arthur D. Little's recent study on digital maturity is the fact that even companies that seem to have

mastered technology in the past, such as telecom providers, don't see themselves as well prepared for the digital challenge.

Only few companies are at the front line of Digital Transformation



Source: Digital Transformation Study Arthur D. Little

Main challenges to digital transformation¹⁾

- Lack of knowledge
- Insufficient understanding of importance
- Excessive complexity
- Goal definition
- Management support

Hardly any company rated its maturity as “digital centric”; and a few saw themselves as “digital oriented”. In particular, the survey identified lack of knowledge, lack of understanding, and high complexity as the main reasons for this unpleasant truth – aspects that served as focal points for discussions at the roundtable.

¹ Source: Digital Transformation Study Arthur D. Little

Radical transformation towards omnichannel

Leapfrog in digital only via radical change

Volker Glaeser, managing partner at Twice Reply, demonstrated what a successful digital transformation could look like. He illustrated the radical example of the transformation of a telecommunication company towards an omnichannel strategy.

Digital as the “new normal”

Glaeser pointed out how IT in today’s classical sense will disappear within a short time frame, due to an environment in which digitalization will increasingly be perceived as the “new normal”. In the telco business, for instance, the pressure to digitalize has become tangible, as new competition is growing from market entrants such as instant messengers.



Offline turnaround through online improvements

In Glaeser’s example, a telecommunication company implemented a multichannel approach aimed at accelerating offline business through online services, without cannibalizing it. The multichannel ability was designed as an addition to the existing platform. It was accompanied by radical standardization of processes and tariffs, which turned out to be a significant success factor. Instant growth of leads into the retail chain showed the impressive success of this transformation.

Behind the scenes – telco omnichannel

- Omnichannel as “plug-in” to existing platform
- Very strict management guidance
- Reduction from more than 500 to less than 50 tariff plans
- Bundles through integration of partners in front end
- Rollout to hundreds of shops in 12 months
- Simplified customer experience for customers and retailers:



Cross-industry application

The application of this drastic approach to other industries served as the main topic in the following discussion. Although exact characteristics and approaches will certainly differ, certain success factors are decisive across the industry:



Behind the scenes – success factors

- Top management commitment
- Communication to employees, customers and partners, including training
- Appropriate risk attitude
- Very strict complexity reduction on the product, process and technical aspects

Digitalization roadmap, IT organization and digital know-how

Digitalization roadmap and implications for the IT organization

Dr. Matthias Hocks, vice president IT development operations at Lufthansa Passage, illustrated the digitalization roadmap and its impact on the IT organization. All dimensions of digital impact are being managed: process, customer and employee focus. And they are implemented in that exact order. Process IT is the starting point, followed by customer IT as a second step and finally employee IT. The necessary cultural change and paradigm shift have been achieved by partially drastic internal reorganizations combined with new methodologies (e.g. design thinking) and selected measures to test new grounds: as with many companies today, Lufthansa gained experience in founding a digital lab – the Co-Creation Hub. Differentiating factors for the execution of the roadmap: data insight, mobile enablement, social media and seamless collaboration.



Behind the scenes: digital opportunities roadmap

- Customer connectivity
- Predictive analytics
- Multichannel sales
- Digital employee communication
- Dynamic pricing
- Contactless payment

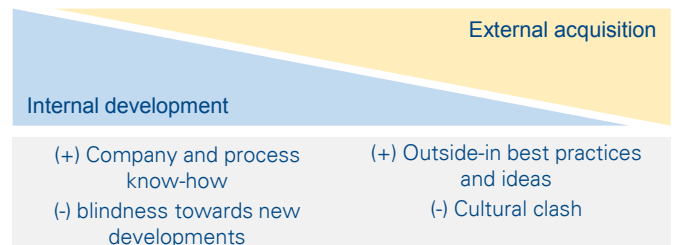


Viewpoint capabilities: data access and analytics are crucial for success

The discussion uncovered the cross-industry relevance of data insight for digital offerings. A proper data strategy is therefore necessary. Positive examples include the foundation of an internal “smart data lab” reporting at board level and creating transparency about data sources, content and responsibilities as a first step. Yet, the importance of data usage and analytics is already resulting in scarcity of skilled professionals and will be rising in the near future.

Know-how acquisition and “war for specialists”

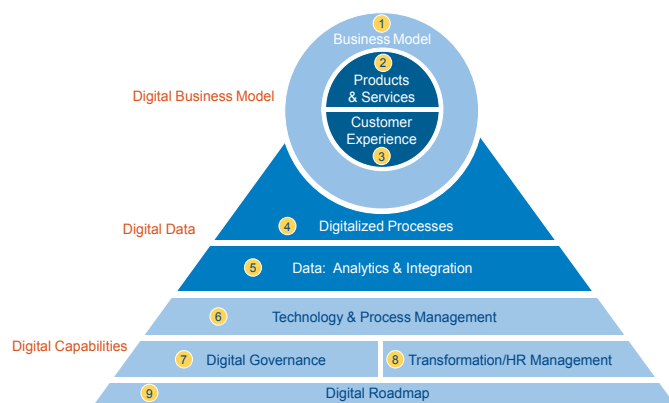
Controversially, contrary approaches to dealing with human resources and know-how scarcity – from complete internal know-how development to external sourcing strategies – were discussed. While detailed know-how of internal business and support processes was mentioned as a critical success factor, other participants highlighted the valuable insight that came from experts without prior industry experience or the foundation of labs outside of existing company borders in attracting new talent.



ADL Digital – our approach

The challenge of digital transformation goes further than pure IT. It touches all parts of companies and requires holistic approaches. Arthur D. Little's digitalization approach emphasizes seven key aspects:

- Develop the digital roadmap
- Create and prototype digital innovation
- Get it done (commercialization)
- Digitalize your processes and IT
- Exploit your data treasures
- Transform your organization towards digital
- Establish perfect-fitting digital governance



Arthur D. Little speaks strategy, innovation and transformation at the same time – helping companies to master the challenges of digitalization. Our view on digitalization covers all areas, from the digital business model to enabling abilities that set the foundation for long-term success. The format of the Executive Roundtable reflects the underlying idea that enabling challenges are similar cross-industry and cross-functionally. Through shared best practices combined with input from recent studies and projects, we build an exchange platform and open up dialogue to demystify digitalization.

Outlook: III. Executive Roundtable Digitalization in 2nd semester 2015

In the second half of 2015 Arthur D. Little will host the third Executive Roundtable on the topic of digitalization.

For further information on dates and specific topics, please contact Volker A. Pfirsching.

Contacts

Volker A. Pfirsching

Partner

pfirsching.volker@adlittle.com

+49 89 38088 747



Authors

Volker Pfirsching, Markus Hübner

Arthur D. Little

As the world's first consultancy, Arthur D. Little has been at the forefront of innovation for more than 125 years. We are acknowledged as a thought leader, linking strategy, technology and innovation. Our consultants consistently develop enduring next generation solutions to master our clients' business complexity and to deliver sustainable results suited to the economic reality of each of our clients.

Arthur D. Little has offices in the most important business cities around the world. We are proud to serve many of the Fortune 500 companies globally, in addition to other leading firms and public sector organizations.

For further information, please visit www.adlittle.com

Copyright © Arthur D. Little 2015. All rights reserved.

www.adl.com/digitalization