LEADING DIGITAL MATURITY & TRANSFORMATION

CXO INSIGHTS REPORT

MATURITY INSIGHTS FROM MORE THAN **300 CXOS** IN **THE TOP 200 COMPANIES** ACROSS NORDICS

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ABOUT THIS SURVEY

The data for this survey was collected online in October 2021, by twoHundred. The target group was **top management** within Finance, IT, HR, Marketing and Supply Chain in Nordic **Top 200 companies**.

389 RESPONDENTS

71% C-level Executives
29% VP's etc.

GEOGRAPHICAL SPLIT

25%   60%   15%

This summary is designed for the CxOs who responded to the survey. It aims to **provide insights** into how their company compares with others **on digital transformation and maturity**. In particular, it provides information about the differences between companies with **high and low digital maturity**, to support benchmarking and help to increase digital maturity across the region.

All industry sectors were represented, although there was a stronger focus on Manufacturing, Retail, Finance, and Transportation. The respondents' roles were split relatively evenly. A quarter worked in each of Supply Chain*, IT and HR and the remainder were in Marketing or Finance.

*Supply Chain is defined as CSCO, CPO, COO etc

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TOP TRENDS REVEALED

THERE ARE SEVERAL KEY SUCCESS FACTORS FOR DIGITAL TRANSFORMATION

Respondents identified top management dedication, having the right skills and internal culture, clear goals, capacity to change and customer focus as key success factors

DIGITAL MATURITY VARIED FROM LOW OR PRE-DIGITAL TO HIGH OR FULLY DIGITAL

Though the entire spectra was used to rate digital maturity most respondents rated their company "medium". At the same time respondents are ambitious about their digital maturity targets with 91% aiming for high maturity.

COMPANIES HAD SEEN SEVERAL KEY DIGITAL OUTCOMES TO DATE

The most notable outcomes were process automation, increased efficiency, improved customer experience, new technologies, and increased collaboration. More mature companies had generally seen more outcomes.

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EXPECTED OUTCOMES FROM DIGITAL TRANSFORMATION VARIED WITH MATURITY

Low digitally mature companies were more likely to say that they expected to see cost savings. However, more mature companies were more likely to expect improved customer experience, increased ability to meet changing customer expectations, better competitive advantage and growth.

CXOs in companies that were less digitally mature were more likely to report to the CFO. In more mature companies, they tended to report to the CEO.

DIGITAL MATURITY VARIED, AND OFTEN CORRELATED TO WHERE THE FUNCTION REPORTED

DIGITALISATION STRATEGIES WERE MORE LIKELY TO BE CENTRALISED THAN DECENTRALISED

High maturity companies were more likely to describe their strategy as fully centralised, and low maturity companies as 'somewhat decentralised'.

OWNERSHIP OF THE DIGITALISATION AGENDA CHANGED WITH MATURITY

The digitalisation agenda was owned by the top management team in 52% of companies, and rose to 63% of high maturity companies.

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VIEWS ON SUCCESS FACTORS FOR DIGITAL TRANSFORMATION DIFFERED BY MATURITY

In low digital maturity companies, having the right skills and changing the internal culture were cited more frequently as critical for success factors. Conversely, top management dedication, clear goals, capacity to change and customer focus were factors across the board.

BARRIERS TO DIGITAL TRANSFORMATION VARIED BY MATURITY

High maturity companies were more likely to see legacy technology and systems capabilities as barriers. Low maturity companies saw capacity to change, and lack of internal support, top management dedication and funding as stronger barriers.

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DIGITALLY MATURE COMPANIES KEY ATTIBUTES

We looked at several structural and organisational aspects of a company that we thought might affect digital maturity.

The CEO's level of involvement in the digital transformation agenda. We hypothesized that having a more involved CEO might make the transformation easier.

The number of functions involved in driving the transformation agenda. We hypothesized that having more functions involved might ease the transformation process.

The level of centralization of digital transformation. Centralization usually allows more speed, but less specialization, and we wondered how this would affect the transformation agenda.

The reporting line of the company. We hypothesized that having more CxOs report direct to the CEO might smooth the process of digital transformation.

CEO'S LEVEL OF INVOLVEMENT IN THE DIGITAL TRANSFORMATION AGENDA

As expected, we found that the CEO was more likely to be the owner or driver of digital transformation in more digitally mature companies. The CEO was also increasingly cited as the driver as maturity increased.
It does not seem a coincidence that commitment from the top management team was given as the most important success factor by over 60% of respondents. However, the real question is whether the CEO's involvement increases with maturity, or whether a more involved CEO drives increased maturity.

NUMBER OF FUNCTIONS INVOLVED IN DRIVING THE TRANSFORMATION AGENDA

We also found that the number of functions driving digitalisation increased with digital maturity. Companies that were considered to be highly digitally mature had an average of two functions driving digitalization, compared with 1.7 in low maturity companies, and 1.9 in those with medium levels of maturity. This suggests that digitalisation is easier when more functions are involved, perhaps reflecting a need for a 'critical weight' of involvement, or simply the benefits of collaboration.

LEVEL OF CENTRALIZATION OF DIGITAL TRANSFORMATION

Similarly, centralization increased with digital maturity. High maturity companies were more likely to describe their digitalization strategy as highly or somewhat centralized. Low maturity companies generally described theirs as less centralized. Interestingly, there was also a split by function on this issue.

IT leads were more likely to describe their company's strategy as decentralized, especially compared to managing directors, marketing, and finance leads.

We suggest that this may reflect the reality that follows increasing digital maturity. As companies mature, the responsibility for digitalization moves towards the board and CEO, and therefore away from the IT team.

IT leads therefore see digitalization as becoming more decentralized because it is moving away from the traditional pattern of IT teams being responsible for technology. In reality, however, the control is likely to be moving closer to the heart of the business: the board and top team.

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REPORTING LINE OF THE COMPANY

The reporting line developed with increasing maturity. In both high and low maturity companies, the majority of respondents reported directly to the CEO. However, the proportion reporting direct to the CEO was greater in high and medium maturity companies (47% vs. 39%).

This chimes with findings about the key benefits expected from digital transformation. Low maturity companies were most likely to say that they expected to achieve cost savings. High maturity companies, by contrast, were more likely to cite benefits such as improved customer experience and meeting changing customer expectations.

This suggests that one of the key changes that come with digital maturity is technology's move from a cost center to a profit center.

Success factors for digital transformation differ with maturity

We hypothesized that there might be differences between companies at different levels of maturity in views about the main success factors associated with digital transformation—and there were both similarities and differences.

Both high and low maturity companies highlighted the importance of dedication from top management and having the right skills.

However, the proportion citing each was different. Among high maturity companies, dedication from top management was considered the most important factor, cited by 57%. It was, however, only the second factor for low maturity companies, but cited by 61%. Skills came in second on 52% for high maturity companies, and third, on 57%, for low maturity companies.

High maturity companies cited the importance of having a customer focus. This was cited by 45% of the high maturity companies but did not appear in the top three for low maturity firms.

The most important factor for low maturity companies was changing the internal culture. This was cited by 66% of these companies but did not appear in the top three factors for high maturity firms.

We can draw several points from this. First, as companies mature, their understanding of digital transformation changes. They seem to develop a growing understanding that no single factor is crucial. Instead, several different factors must all be in place for success.

Second, the lack of focus on internal culture in more mature companies suggests that this change may take a long time to achieve. In other words, more mature companies have had a different culture for a significant length of time—perhaps so long that they have forgotten a time 'before'.

BARRIERS TO DIGITAL TRANSFORMATION

The top three barriers to digital transformation were capacity to change, legacy technology and systems capabilities, and skills shortages. All these were cited by between 40% and 50% of respondents. This varied slightly with maturity. High maturity companies were more likely to cite legacy technology and systems capabilities. Low maturity companies were more likely to see the capacity to change as a bigger issue, and also cited several other structural issues, such as top management support. We suggest that there may be a relationship between the three key factors.

Modern systems often automate much of the dull repetitive work that is part of any business. This frees up staff to concentrate on more interesting work. This, in turn, makes it easier to attract new staff, particularly those with strong digital skills.

This relationship works both ways. When your staff have fewer skills and are less up-to-date, there is less push to modernize technology platforms. This means that you will, in turn, find it harder to recruit people with the skills you need to thrive and therefore find it harder to achieve digital transformation. This may go some way to explaining why recruitment and retention is such an issue for so many companies at the moment.

During the pandemic, the changes to working practices have led many people to question their jobs and even careers, and what is really important to them. There are signs that there will be massive career and job changes around the world over the next few months and years. This is combined with the existence of jobs marketplaces, making it significantly easier to find another job or even work freelance. If companies do not take this seriously, it will have huge cost implications, and may even lead to systematic instabilities in critical functions over time.

TRANSFORMATION OUTCOMES

The most notable outcomes were process automation, increased efficiency, improved customer experience, new technologies, and increased collaboration. More mature companies had generally seen more outcomes. Expected outcomes included increased efficiency, improved customer experience, process automation, and increased process efficiency.

Low digitally mature companies were more likely to say that they expected to see cost savings accruing from digital transformation. However, more mature companies were more likely to expect improved customer experience, increased ability to meet changing customer expectations, better competitive advantage, and growth.

FINDING THE PATH TO DIGITAL MATURITY

The biggest question for any company embarking on digital transformation is perhaps how to reach digital maturity. In other words, what changes should the company make to improve its chances of successful transformation?

Surveys and studies such as this are useful in highlighting the path to digital maturity. It is helpful to examine the route taken by more digitally mature companies and compare them with what is happening in less digitally mature businesses.

The next question, of course, is whether the differences between companies at different levels of maturity are the cause of digital maturity, or part of the result of reaching that status. In other words, should you seek to make the change as part of your roadmap towards digital maturity, or will it emerge naturally from the process? This is a much harder question to answer.

ABOUT INSIGHTS

The mission of twoHundred is to empower c-levels by sharing relevant insights and expanding their network within Nordic top 200 companies.

As trusted facilitator of knowledge we strive to bring thought leadership to our community and this CXO review is one of the deliverables that helps you monitor the pulse of the market.

From 2022 we will offer a membership option for the top 200 CxO's across Nordics. We will provide members with market insigths and the possibility of requesting personalized events and surveys.

We hope you will join us.