



“The Vision Thing:” Developing a Transformative Digital Vision



Introduction



"We had a vision, and the vision was to be the first company who was fully digital end-to-end... The [resulting] experience would be that a customer will have total access to Burberry across any device, anywhere..."

With this vision, CEO Angela Ahrendts drove a digital transformation within Burberry, a 155-year-old fashion company and an iconic UK brand. Burberry's executive team used the power of digital technologies to reinvigorate the brand, create a consistent customer experience on a global scale and deliver consistently healthy financial results.

Digital technologies are having a pervasive influence on business, transforming the customer experience, enhancing productivity in operations and improving the way employees collaborate. Yet, many organizations fail to capture the full potential of digital technologies because their leaders lack a transformative vision. Executives with an incremental vision get what they aim

for – incremental improvement. Those who realize the transformative power of digital can achieve much more.

**“
We had a vision, and the vision was to be the first company who was fully digital end-to-end.
”**

**- Angela Ahrendts,
CEO Burberry**

A bottom-up approach does not deliver successful digital transformation. Only the top layer of a company can create a compelling vision of the future and communicate it throughout the organization. Often, the real benefits of transformation come from seeing potential synergies across silos, and then

creating the conditions through which everyone can begin to unlock that value. Only senior executives are positioned to drive this level of change.

Over the last three years, Capgemini Consulting and the MIT Center for Digital Business have been researching the impact of digital technologies on the reach and the performance of organizations. We identified two key dimensions for successful digital transformation: the “What” and the “How.” The “What” represents digital intensity, a measure of the strength of digital activities of an organization. The “How” represents transformation management intensity, a measure of an organization's vision, governance, and skills. Companies that are strong in digital intensity conduct numerous digital initiatives, but only effective transformation management helps them identify and deliver digital investments in a powerful and well-coordinated way. We call companies that excel in both dimensions the “Digirati” (see Figure 1).

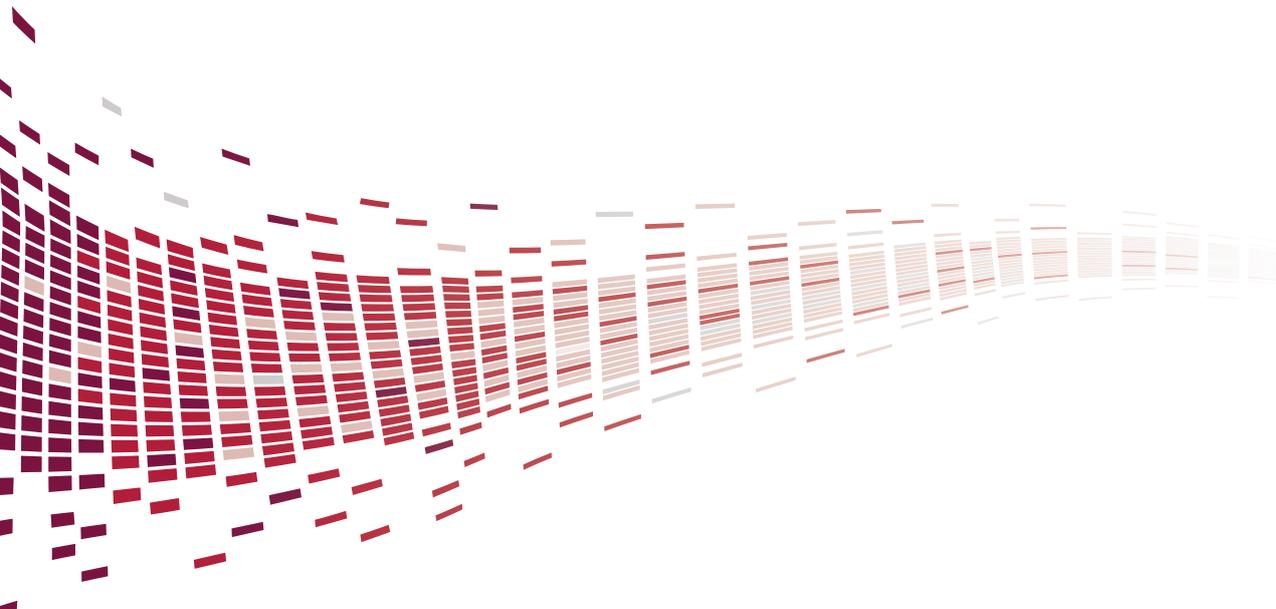
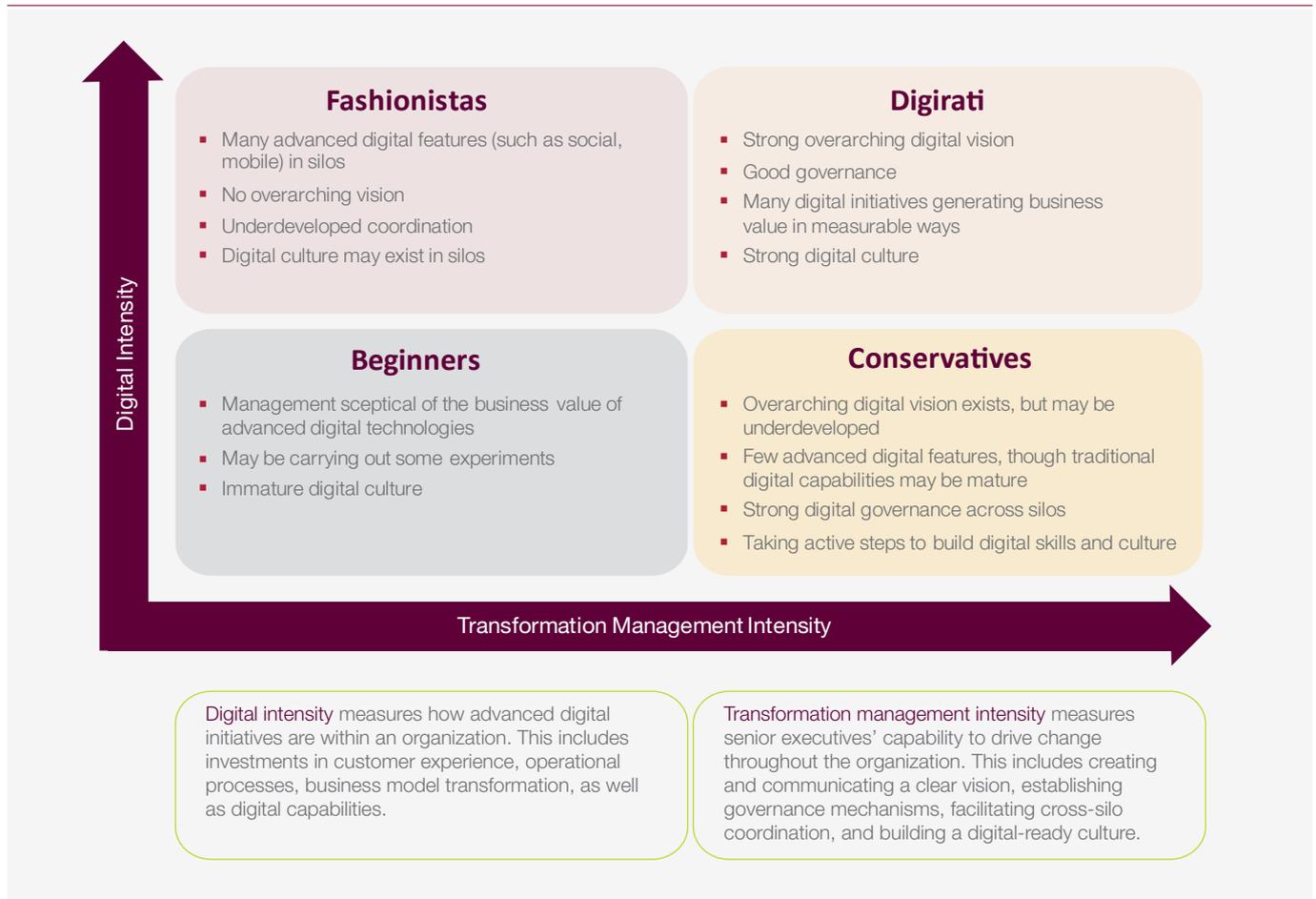


Figure 1: Four levels of digital mastery



Source: Capgemini Consulting and MIT Center for Digital Business – “Digital Transformation: A roadmap for billion-dollar organizations”¹

While executives within the Digirati have integrated the power of digital transformation into their vision and strategies, too few organizations today understand what it means to have a transformative digital vision. Therefore, we set out to answer three critical questions:

- Are executives paying increasing attention to digital technologies?
- How are executives expressing their digital visions?
- How can executives frame a transformative digital vision?

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Are executives paying increasing attention to digital technologies?

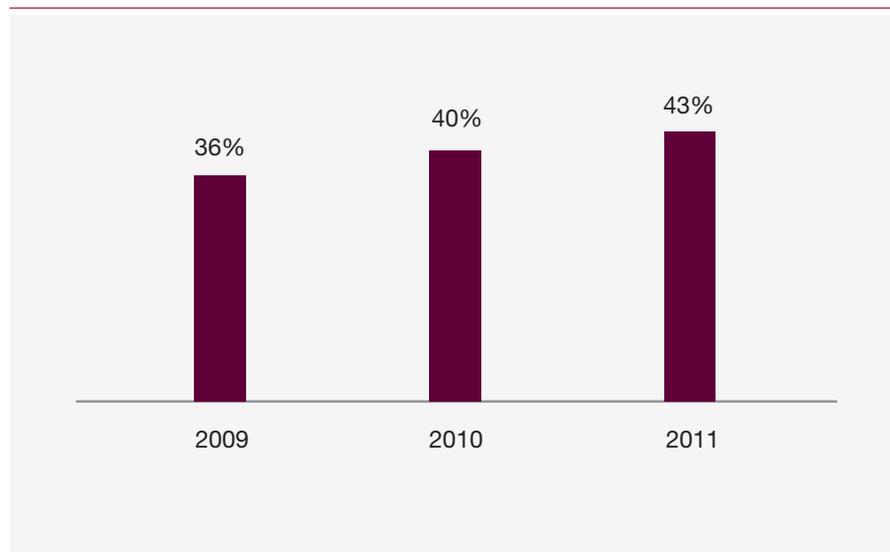
We analyzed the annual reports of the Forbes Global 100 companies from 2009-2011. Based on our analysis, we found that awareness of “digital” has grown by 19% between 2009 and 2011 (see appendix on research methodology). In 2011, 43% of Forbes 100 companies referenced “digital” in their annual reports, compared with 36% in 2009 (see Figure 2). This growth in digital awareness shows that executives are paying increasing attention to the potential impact of digital transformation.

Digital awareness differs by geography. More than half of Fortune Global 100 companies in North America emphasized “digital” in their annual reports while fewer companies in the rest of the world were digitally aware (see Figure 3).

But, awareness of the digital trend is not sufficient to drive transformational change. How many organizations have encapsulated this trend within a transformative vision for their company? Among the Digirati that we surveyed in our research, 82% of respondents agreed that their senior leaders shared a common vision of digital transformation. A majority also noted that leaders’ visions involve radical change and that a roadmap exists to turn that transformative vision into reality (see Figure 4). The picture is quite different in the other categories. Less than half of respondents agreed that their senior leaders shared a common vision for digital transformation and only 17% stated that a roadmap existed.

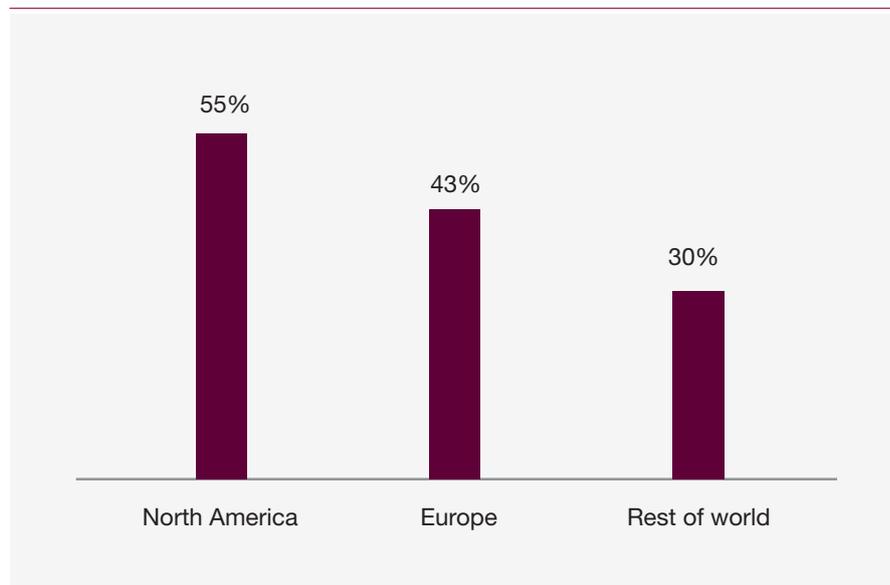
Are digital technologies gaining increased attention from large-company executives? Yes, and North American firms appear to be ahead of the curve. But only the Digirati are distinguishing themselves from their peers by translating that awareness into a transformational vision of the future.

Figure 2: Percentage of digitally-aware companies, measured by mention of “digital” in annual reports, Forbes Global 100 companies, 2009-2011



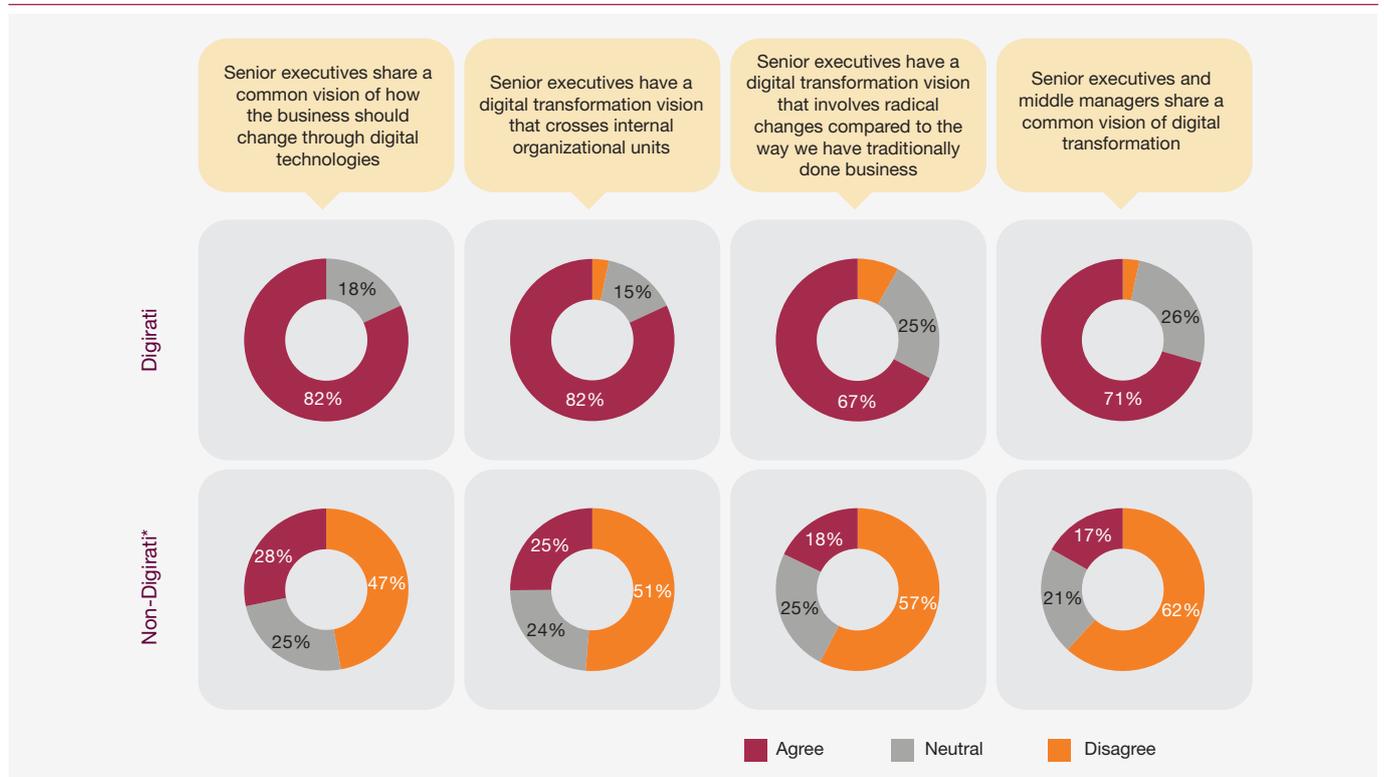
Source: Capgemini Consulting analysis, Forbes Global 100, company annual reports 2009 – 2011

Figure 3: Percentage of companies in key geographies that are digitally-aware, Forbes Global 100 companies, 2011



Source: Capgemini Consulting analysis, Forbes Global 100, company annual reports 2009 – 2011

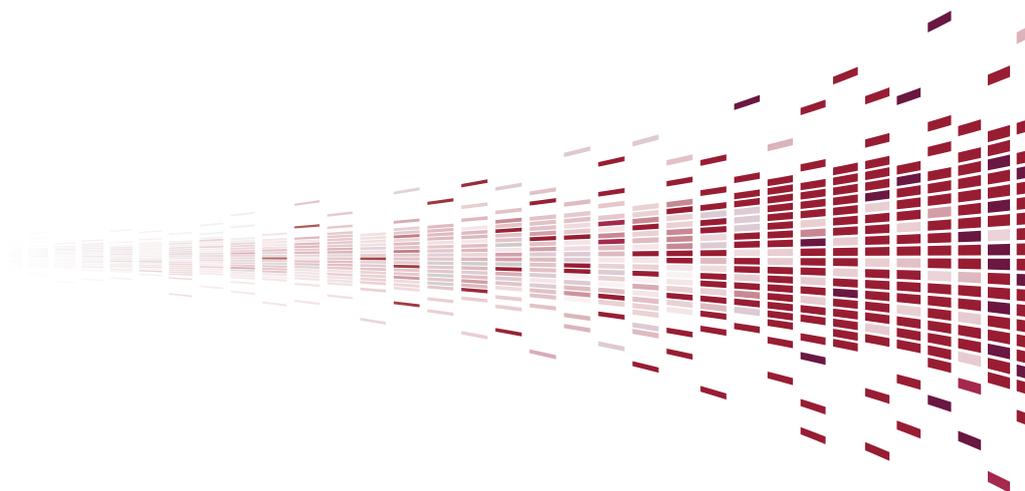
Figure 4: Having a transformational vision distinguishes the Digirati from their peers



*Fashionistas, Conservatives and Beginners

Source: Capgemini Consulting – MIT Center for Digital Business research, Survey of 391 firms, 2012

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How are executives expressing their digital visions?

In our research, we interviewed over 150 executives to understand how they were integrating digital transformation into their strategic visions. Our results showed that leaders typically express a digital vision from one of three perspectives: digitizing operational processes, digitizing customer experience or a combination of the two. These different approaches reflect both the priorities of the organization and the nature of competition in a given industry.

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Digitizing operational processes

Organizations whose fortunes are closely tied to the performance of their supply chain and core operations often start with this approach. The business drivers of such digital visions are often productivity/efficiency and the need to integrate disparate operations. The intent is to increase visibility and decision-making speed or to collaborate across silos.

For example, Boeing crafted a vision that is focused on operational excellence and how digital technologies and data can help the company improve:

“Boeing believes the future of the aviation industry lies in ‘the digital airline.’ To succeed in the marketplace, airlines and their engineering and IT teams must take advantage of the increasing

amount of data coming off of airplanes, using advanced analytics and airplane technology to take operational efficiency to the next level.”²

Boeing goes one step further by clearly defining what a “digital airline” means in practice:

“The key to the digital airline is delivering secure, detailed operational and maintenance information to the people who need it most, when they need it most. That means that engineering will share data with IT, but also with the finance, accounting, operational and executive functions.”³

Designing a vision based on operational excellence is by no means limited to manufacturing and engineering companies. For instance, in 2011, Procter & Gamble put operational excellence at the center of its digital vision:

“Digitizing P&G will enable us to manage the business in real time and on a demand-driven basis. We’ll be able to collaborate more effectively and efficiently, inside and outside the company.”⁴

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Digital has to help our store partners and help the company be the way we can tell our story, build our brand, and have a relationship with our customers.
”

- Adam Brotman, Chief Digital Officer, Starbucks

Digitizing customer experience

Many organizations have chosen the customer experience as the focal point of their digital transformation. These organizations focus their digital efforts on improving understanding of customer behavior through better use of analytics and digital channels. There are three key drivers for a customer experience-driven digital vision: delivering an integrated customer experience, using digital to establish a better connection with consumers and using digital tools to understand customer behavior.

Organizations that focus on delivering an integrated customer experience tend to focus on multi-channel coherence and a personalized experience for the customer. For instance, an executive at an apparel company states that a digital customer experience will impact, *“the way that the consumer accesses our brand, gives us feedback on it and expects a tailored experience...our products, where they buy them, how they buy them – I think it’s going to be a revolution.”⁵*

The second driver is to use digital as a means to establish stronger connections with consumers. For instance, Adam Brotman, Chief Digital Officer of Starbucks, shared this vision:

“Digital has to help our store partners and help the company be the way we can tell our story, build our brand, and have a relationship with our customers.”⁶

Burberry's CEO Angela Ahrendts has a similar vision with a focus on ubiquitous access to the brand:

"To create a company where anyone who wanted to touch the brand could have access to it."⁷

Equally, cosmetics giant L'Oreal describes how digital capabilities can enhance the emotional link with consumers:

"The digital world multiplies the ways our brands can create an emotion-filled relationship with their customers."⁸

The third driver for a customer experience-driven vision is using digital tools to understand and influence customer behavior. For instance, Novartis says in its annual report: *"...the technologies we use in our daily lives, such as smartphones and tablet devices, could make a real difference in helping patients to manage their own health. We are exploring ways to use these tools to improve compliance rates and enable healthcare professionals to monitor patient progress remotely."⁹*

Similarly, Commonwealth Bank of Australia sees new digital technologies as a key way of integrating customer inputs in its co-creation efforts:

"We are progressively applying new technology to enable customers to play a greater part in product design. That helps us create more intuitive products and services, readily understandable to our customers and more tailored to their individual needs."¹⁰

Changing business models

A third category combines visions focused on operational process and customer experience to create new business models. Organizations with this approach embrace digital transformation, even if it represents a fundamental departure from their current mode of operation. There are broadly two motivations for transforming business models.

The first is often defensive, focused on preserving long-term survival. Services and information-based industries are now going through fundamental structural changes. The rapid pace of change in these industries is forcing companies to redesign their business models.

Take the case of the French directory services provider, Pages Jaunes. Facing a 10% annual decline in its core markets, the company was reliant on a dying business model based on thick yellow books. Pages Jaunes' CEO articulated a clear vision of how the company would transform its business model through digital. The company was not in the business of producing paper directories; it was in the business of connecting small and medium-sized businesses to local customers. Paper is just an outdated technology; digital is a better one.¹¹

This vision set the stage for a radical redesign of the company and its products. The company's strategic focus is now on digital advertising, website design and mobile directories, not thick paper books.

Opportunity – not crisis – is the second driver of business model change. Companies with this type of vision seek to use digital technologies to extend their reach. Banco Santander, for instance, highlights a vision for how digital technologies can help it break into new market segments:

"Our objective for the coming years is to exploit the growth opportunities in segments where the bank has a low presence, such as companies, insurance and cards. Specifically, we are making significant investments in IT systems and staff to be able to take advantage of these opportunities."¹²

Others go one step further, seeing digital visions as a way to prepare a company for the next long term shift in their industry. General Electric, for instance, focuses its vision on the coming wave of smart connected devices.

"I don't see GE as a software company. However, we will lead in the productivity of our installed products and their ecosystems. This will require leadership of the 'Industrial Internet,' making infrastructure systems more intelligent."¹³

According to our research, there is no one right way to express a vision for digital transformation. Executives articulated a vision based on the existing core capabilities of their organizations, and/or the specific industry context they faced. Nevertheless, our research shows that digital craft an inspiring vision of the future in which digital technologies play a fundamental role.

How can executives frame a transformative digital vision?

Digital transformation is a tectonic shift, causing companies to rethink how they structure themselves and compete in the market. Leaders can help negotiate this transition by proactively defining what a radically different, digital future will look like. To begin crafting this vision, leaders must first identify the benefits they want to gain through digital technologies, and which strategies will engage customers, employees and investors.

Creating a vision is never a completely linear process. However, our research shows that Digirati companies go through three distinct steps to formulate their digital visions:

- Define a clear target
- Engage the organization
- Evolve the vision over time

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Leaders need to keep the vision specific enough to give employees a clear direction, while giving them the flexibility to innovate and build upon it.
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Define a clear target

First, executives need to lay out clearly the intent of the vision (what needs to change) as well as the outcome (the resulting benefits for the company, its customers and its employees). This will help employees visualize what the future of the organization will look like. Here, leaders should strive to be as

specific as possible. For instance, Pages Jaunes' CEO clearly stated his intent to move beyond thick paper directories while retaining the company's valuable role in connecting small to medium businesses with local customers. He coupled that intent with a concrete outcome: the company would earn 75% of its revenues from digital services within the next 3 to 5 years. This combination of intent and outcome gives everyone in the organization a clear set of guidelines to envision new ways of working. It also ensures that the focus of the transformative vision is not on the technology itself but on different ways of operating – identifying new ways for digital technology to improve performance and customer satisfaction.

Engage the organization

After articulating the intent and outcome of a digital vision, the next step is to engage the organization in achieving that outcome. While they have the important task of sketching out a clear picture of the future, executives should let the broader organization fill in the details. Leaders need to keep the vision specific enough to give employees a clear direction, while giving them the flexibility to innovate and build upon it.

Asian Paints, India's largest paint company, formulated a vision that combined operational efficiency with developing new ways to serve its customers.¹⁴ This vision did not define every step of the transformation. It provided a clear mandate for change while enabling people throughout the company to refine the details over time. The company embarked on its digital transformation several years ago and has been through three waves of transformation - each building on top of the other. The first wave focused on

industrialization, the second on creating a customer-centric organization, and the third on automation. The original vision remains a key inspiration behind improvements in operations and the customer experience, even as the company has extended its vision through successive waves of capability.

Evolve the vision over time

Organizations in all industries are still struggling to understand the long-term impact of digital technologies. Moreover, the vision of the changed organization will evolve in concert with the new possibilities created by technical advances and improved capabilities.

Procter & Gamble started with a vision to be completely digitized. By 2011, the company evolved its vision to create a real-time operating and decision-making environment. *“...we are accelerating innovation by using digital technology to create visibility from molecule-creation to the store shelf...”*¹⁵

A company's digital vision is not the sole responsibility of its senior leaders. Nor should that vision remain static over time. Executives need to provide a direction that is clear enough to mobilize their organization, but that also allows employees to actively participate in its refinement. In that way, the vision will evolve in concert with the implementation of the company's digital transformation.

Conclusion



An inspiring digital vision is the cornerstone of successful digital transformation. Though many executives appear to be aware of its impact on their business, few have incorporated digital into a compelling strategic vision of the future. These visions do not focus simply

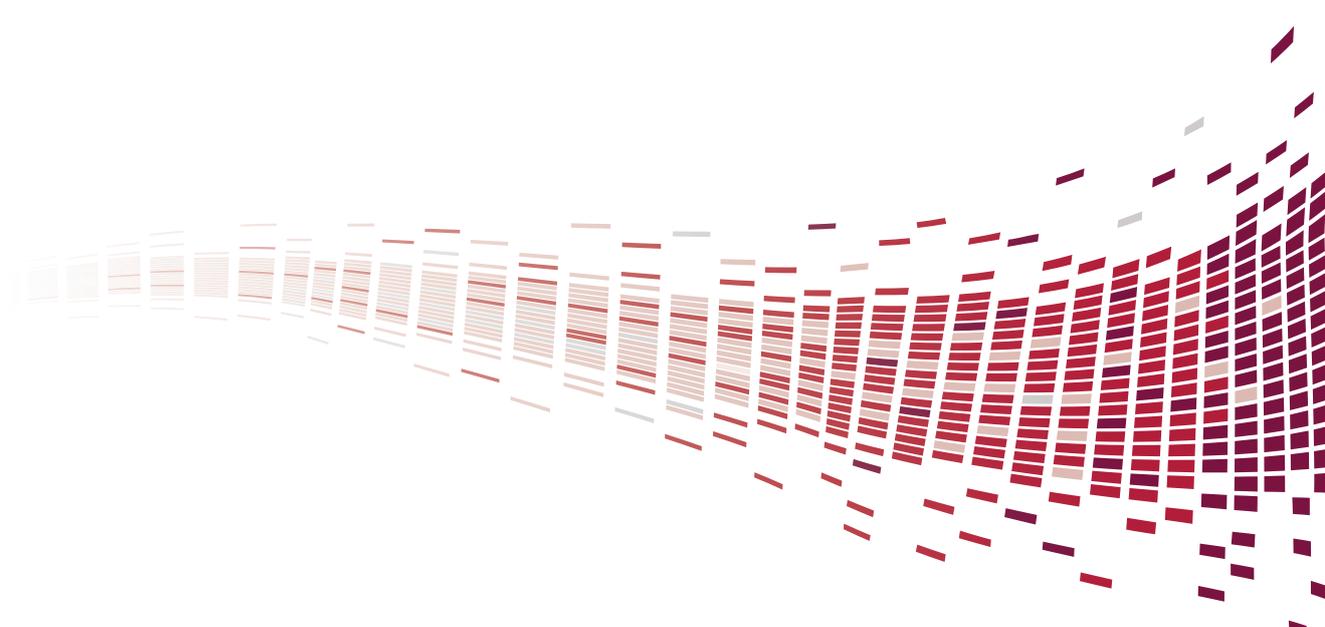
on implementing new technologies. Instead, they illustrate how organizations can enhance the experience of their customers, streamline their operations or transform their business models. This is no small task, and it should not be left to senior leaders alone. Crafting a vision

for digital transformation is a journey. Executives plant the seed at the top, but then they must engage people at all levels in the company to make the vision live and grow.

Research Methodology

This research is part of a three-year collaboration between the MIT Center for Digital Business and Capgemini Consulting aimed at investigating the ways in which large traditional companies around the world are managing – and benefiting from – digital transformation. In Phase 1, we spoke to over 150 senior executives from large enterprises around the globe. For further details and insights from this research, please refer to *Digital Transformation: A roadmap for billion-dollar organizations*.¹⁶ This led to our insights about the importance and characteristics of transformative digital vision. In Phase 2, we extended our research to benchmark digital practices around the globe. We gathered surveys from 469 senior executives in 391 large companies around the world. For further details on the insights from this phase, please refer to *The Digital Advantage: How digital leaders outperform their peers in every industry*.¹⁷

To gauge awareness of the digital phenomenon, we analyzed organizations in the Forbes Global 100 list. Using the 2012 list, we measured digital awareness as the number of times that an organization used the word 'digital' in its annual report in the period 2009-2011 in the context of industry trends, company initiatives or the CEO/Chairman's letters to shareholders.



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