

Fujitsu Future Insights

Global Digital Transformation Survey Report 2018

Real digital

Success factors for digital transformation

Introduction

Digital transformation has moved from strategy to execution in the majority of businesses around the world. Yet their experiences are far from uniform.

The transition to new digital models and operational approaches is happening at different speeds in different industries, and companies are seeing a wide variety of outcomes depending on their levels of digital maturity and the priorities of their sector.

Taking a snapshot of that changing business landscape, Fujitsu's Global Digital Transformation Survey 2018 questioned 1,535 CxOs and decision-makers at large and mid-sized companies from key industry sectors spread across 16 countries worldwide.

It sought insight into their digital transformation strategies, exploring in detail:

- Where and how they are deploying digital technologies
- The challenges they have encountered
- The business outcomes they are seeing
- Effective organizational capabilities for digital transformation

The results not only reveal the current digital state of play across the globe but also offer a guide to the critical success factors for real digital transformation – the kind that leads to a step change in business success.

We hope this report will prove useful for organizations preparing for, or in the throes of, their own transformation.



The findings align with much of the thinking behind the Fujitsu Technology and Service Vision 2018, which provides business and public sector leaders with a strategic outlook and insight on how they can apply advanced digital technologies to build a future that is highly positive for both businesses and wider society. Fujitsu Future Insights looks at specific fields in order to provide a deeper analysis of challenges and the impact of technologies. It also offers suggestions for possible future scenarios and strategies related to those fields.

Websites

Fujitsu Technology and Service Vision

<http://www.fujitsu.com/global/vision/>

Fujitsu Future Insights

<http://www.fujitsu.com/global/vision/insights/survey2/>

Management Summary

An uneven digital landscape

- Companies that operate exclusively online (42% of the survey) have almost universally embraced digital transformation while two-thirds of companies with more traditional operating models have transformation projects in progress.
- The business drivers behind transformation initiatives differ across industry sectors. Finance, manufacturing and healthcare are primarily motivated by the need to increase operational efficiency while transportation companies are driven mostly by responding to competitive threats and retail companies by a hunger for growth.
- Outside of the online-only companies surveyed, the finance industry is the furthest advanced, with nine out of 10 financial services companies planning, testing and/or implementing digital transformation. This sector is also the furthest advanced in terms of delivering outcomes.

Outcomes of digital transformation

Many companies have already attained the business results they expect from their digital transformation initiatives. In finance and retail, about 30% of projects have delivered successful outcomes, while in other sectors are: transportation (25%), manufacturing (21%) and healthcare (14%).

Success factors of digital transformation

Six factors seem to determine the success of outcomes from digital transformation projects: leadership, people, agility, business integration, ecosystem and value derived from data – capabilities that might be seen as a company's digital muscles.

Attitudes to AI

Business leaders understand that AI is set to have a significant impact on their industries, organizations and wider society. The bulk of respondents are positive about its future development, with 68% believing that the future will involve people and AI working collaboratively.

Digital transformation at a tipping point

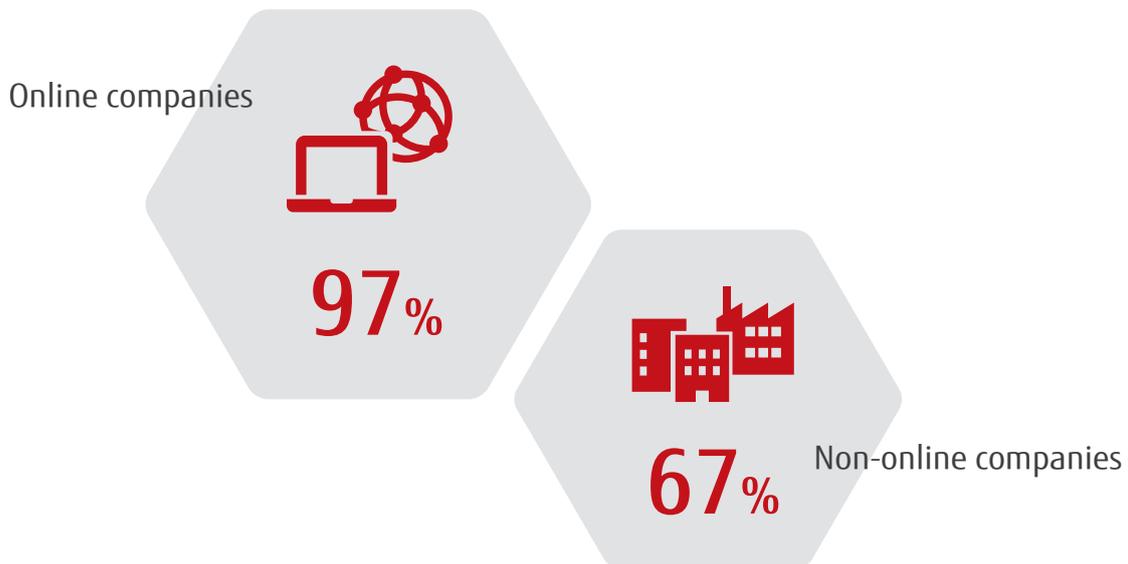
Among the companies surveyed, 42% provide their products and services solely over the internet channel (referred to as online companies). And, not surprisingly, almost every one of those (97%) has planned, tested and implemented digital transformation projects.

In contrast, the remaining 58% of participants were from companies that provide goods and services mainly through the physical channel (referred to as non-online companies). Among them, two-thirds (67%) have started on that digital transformation journey.

We believe digital is at a tipping point. It is critical for organizations to start your digital journeys, if you have not done so. It is important to understand the landscape of digital in your business domain and learn from best practices.

Status of digital transformation journey in online companies and non-online companies

% of companies which planned, tested, implemented digital transformation



Digital transformation drivers

The business drivers behind transformational initiatives differ widely from industry to industry.

In the case of traditional organizations excluding on-line only companies, the quest for greater efficiency and cost reduction is the primary motivation behind digital transformation projects within finance (cited by 31% respondents), compared to 40% in manufacturing and 41% in healthcare. Business growth was the secondary motivation for all three.

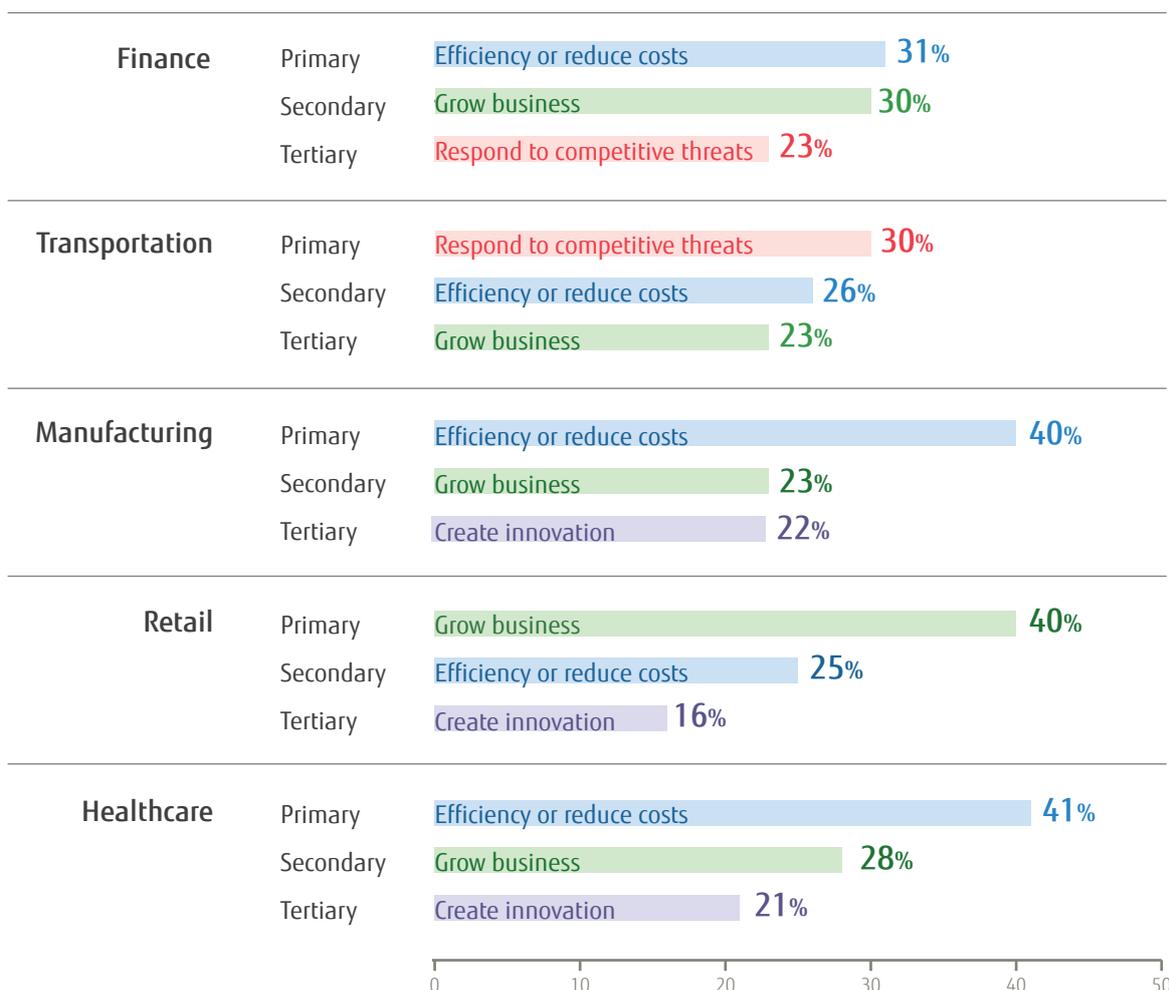
For transportation companies, response to the threat from

competitors stands above efficiency as the primary driver for change, at least in part reflecting the rapid rise of digitally led logistics services. The threat from competitors is also on the mind of those in finance, with 23% of executives surveyed from the sector naming that as a key driver.

With retail companies, a hunger for growth outweighs the prospect of efficiency gains, reflecting the desire to regain territory that may have been lost to online retailers in recent years.

Drivers of digital transformation differ in sectors

(non-online companies)



Industries are embracing digital transformation

Digital transformation journeys are well underway at the majority of the companies surveyed. Outside of online-only businesses, two-thirds (67%) are planning, testing and/or implementing digital transformation.

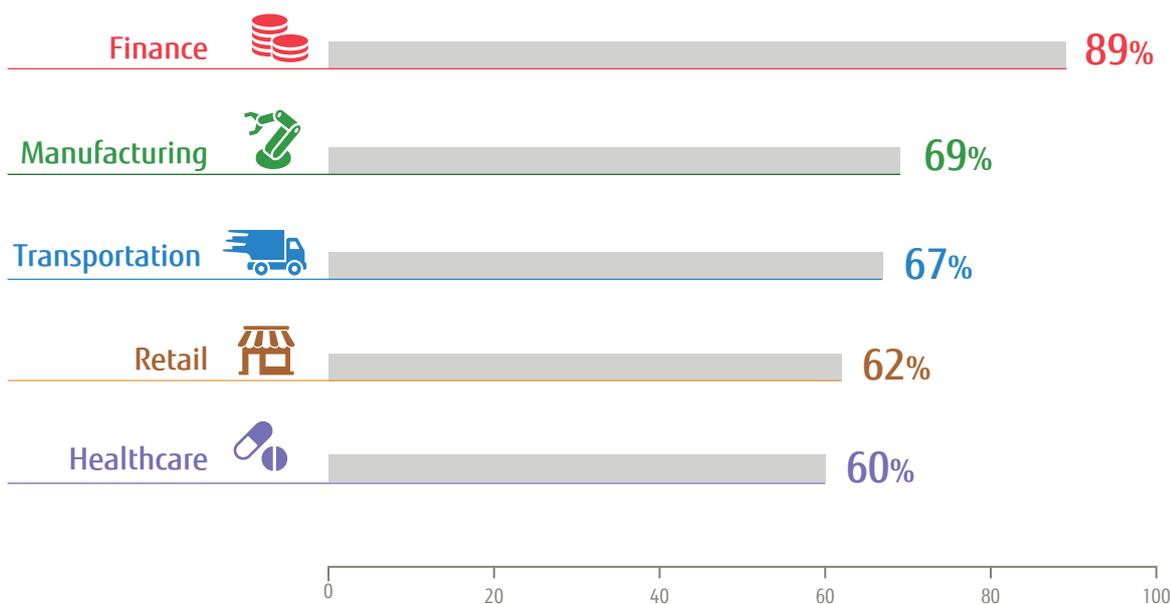
The finance sector is by far the most advanced, with almost nine out of 10 (89%) of businesses reporting that their journey is ongoing. This likely reflects the fact that technologies such as analytics and AI are seen as providing significant

competitive advantage in the sector, and organizations appreciate that staying at the forefront of technological change is critical for success.

Manufacturing (69%), transportation (67%) and retail (62%) follow. The results indicate that healthcare is the least digitally transformed industry compared to the other industries, although 60% of organizations in the sector have nonetheless begun their journey.

Finance industry sector leads digital transformation

% of companies which planned, tested, implemented digital transformation in each industry (non-online companies)



High-impact areas of digital transformation by industry

While most companies are naturally concentrating the largest part of their digital transformation efforts on their core business activities, there are plenty of initiatives underway within other fast-digitizing areas of the business.

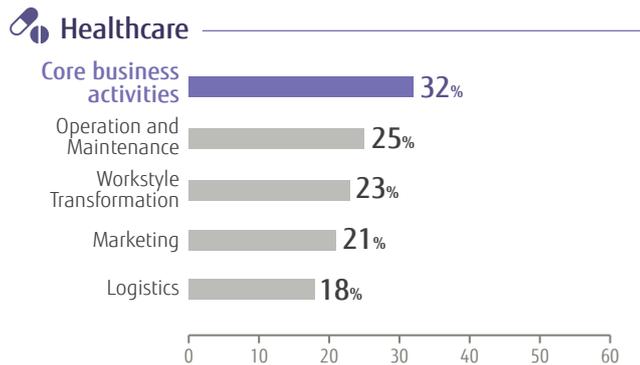
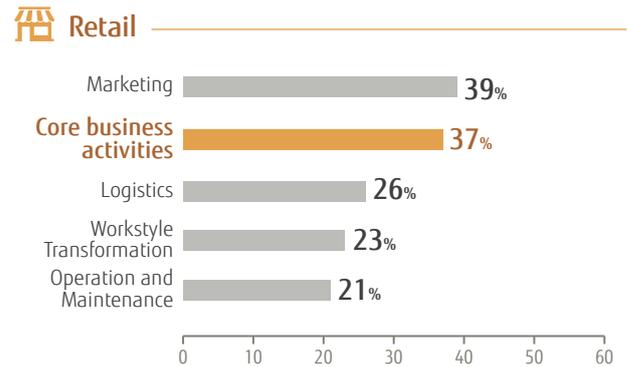
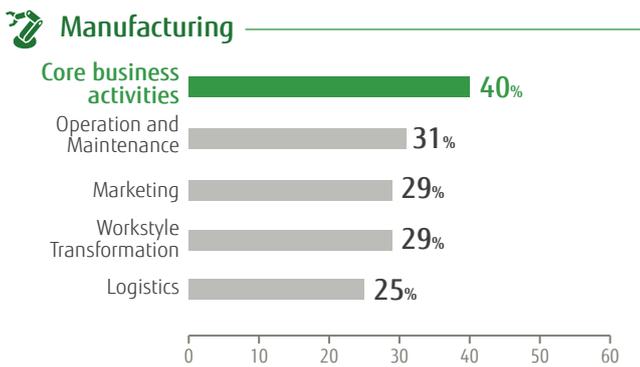
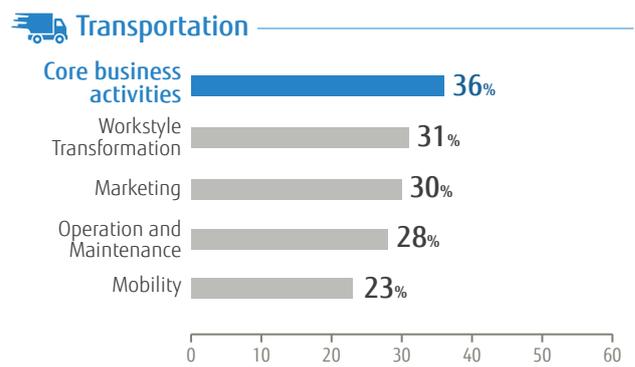
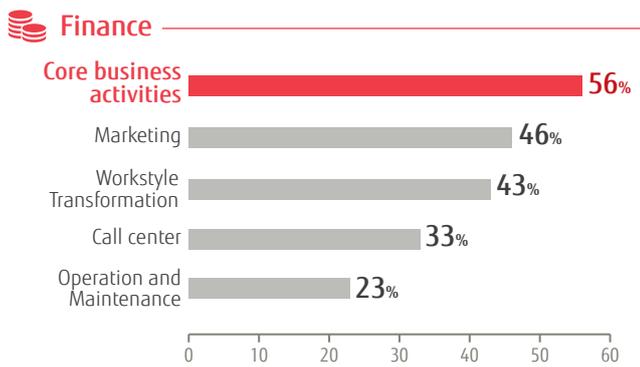
Again excluding the online-only companies, across all sectors explored in the survey, the business areas of marketing, work-style, logistics and operations & maintenance are also common targets for digitally enabled transformation.

Among finance companies, marketing and work-style transformation stand out as the top non-core focuses for digital transformation. In transportation, aside from the natural focus of logistics, those were also top priorities.

With retail companies, digital transformation of marketing and core retail activities were given almost equally high priority.

Top 5 areas of digital transformation by industry

% of companies which planned, tested, implemented digital transformation in each area (non-online companies)



Digital transformation challenges

Digital transformation is not easy: it presents different challenges at different points on the journey.

The biggest overall challenge is lack of skilled staff. For companies whose operations are not 100% internet-based, it is the number one concern at the planning, testing and implementation phases, and is only nudged into second place by cybersecurity risks in the post-implementation phase.

This underscores why co-creation with technology partners, drawing on their extensive skills and knowledge bases, has become critical to the success of digital transformation projects.

At the planning stage, other significant challenges cited are lack of funds and lack of leadership. But as organizations go through to testing and implementation, cybersecurity risks begin to rise in importance, becoming concern.

Top challenges in each stage of digital transformation

% of companies which responded that the degree of the challenge they face was "to a moderate extent" or "to a greater extent" (non-online companies)

Planning



Trial



Implementation



Post Implementation



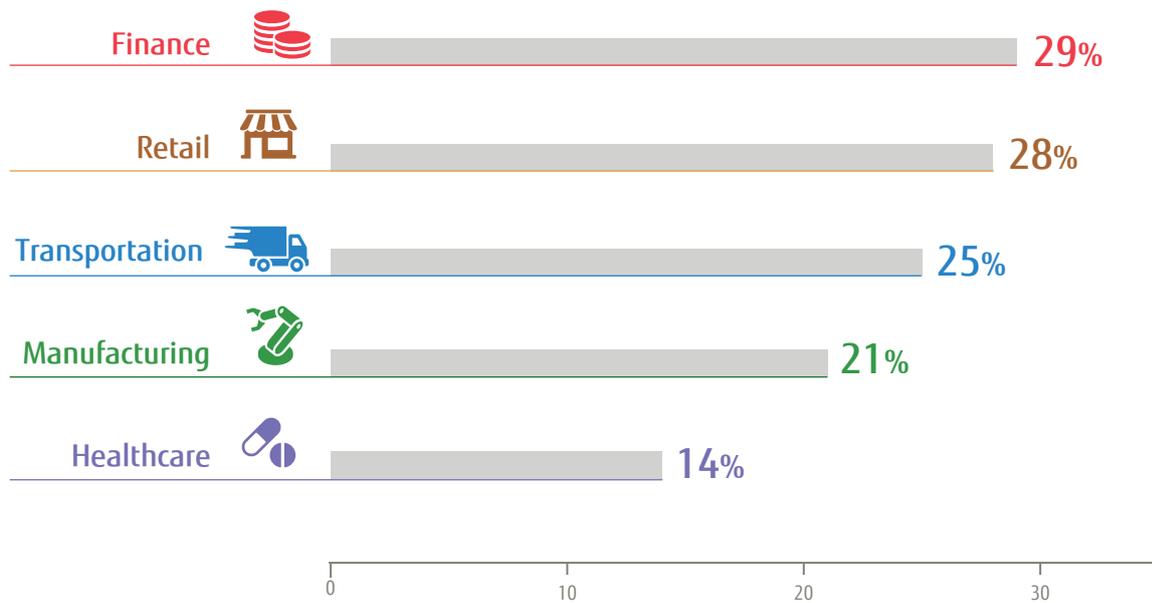
From strategy to outcomes

Many companies surveyed have delivered business outcomes from their digital transformation initiatives. Excluding the internet-only businesses, in finance and retail, almost 30% of projects have delivered tangible business outcomes so far.

In transportation, 25% have attained positive results; in manufacturing that is 21%; while healthcare organizations follow with 14% saying they have seen successful outcomes.

Companies experiencing positive outcomes from digital transformation (by Industry)

% of digital transformation projects which already delivered positive outcomes (non-online companies)



Critical success factors of digital transformation

What can we learn from organizations successfully delivering outcomes from digital transformation? Analysis of the survey results indicates that those respondents seeing more positive outcomes also show strong organizational capabilities in six key areas:

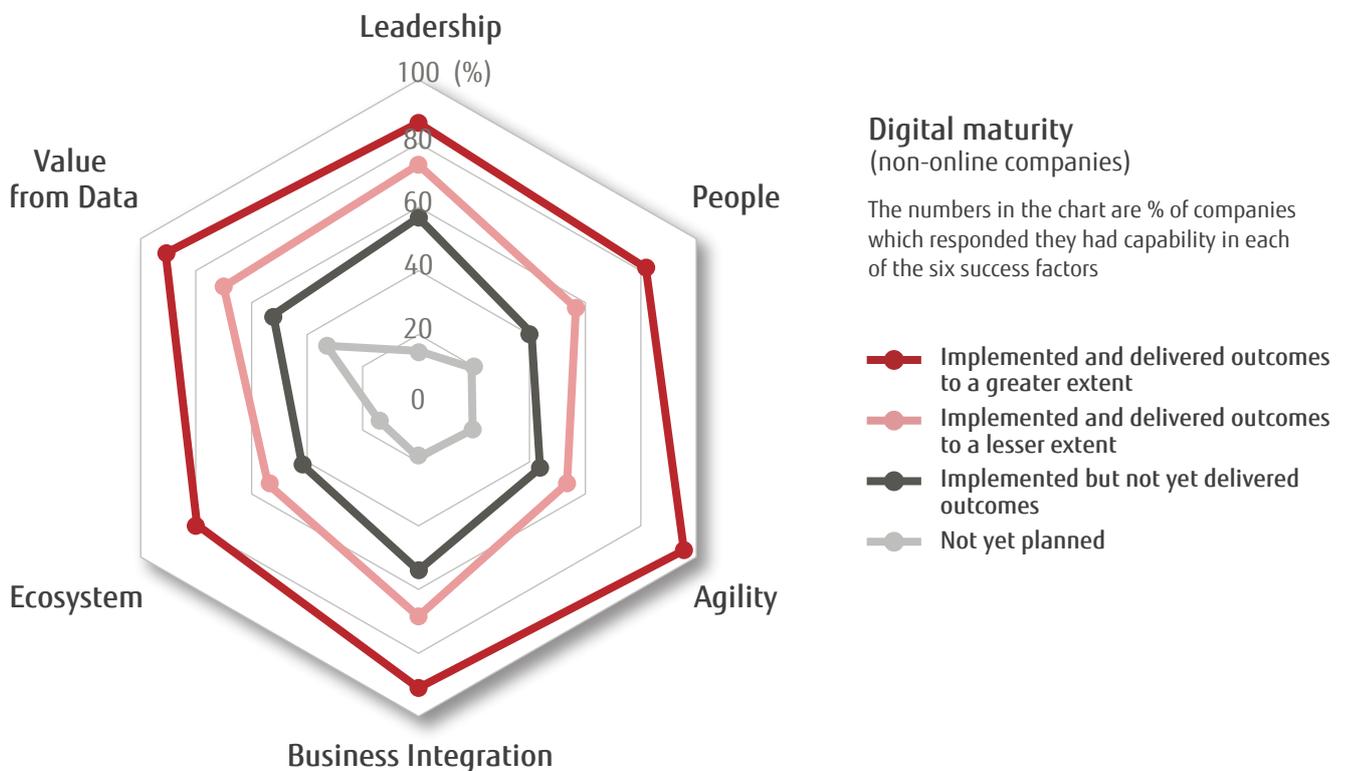
- Leadership
- People
- Agility
- Business integration
- Ecosystem
- Value from data

As the spider chart shows, those with the greatest level of

capabilities in these six areas are also those that have seen the highest levels of positive outcomes from digital transformation. Those who have not yet planned digital transformation show the least level of capability in every area. As their capabilities in all areas increase, companies move further along the digital transformation path.

A good parallel to this might be an athlete who needs to build up strength before a big race. Understanding this is a gradual process, he or she commits to training in order to build and develop their muscles. Organizations might want to think of the six success factors as their 'digital muscles' – the stronger these become, the more likely they are to deliver successful outcomes from digital transformation.

Delivery of outcomes correlates with higher capabilities in six success factors



What differs between online and non-online companies

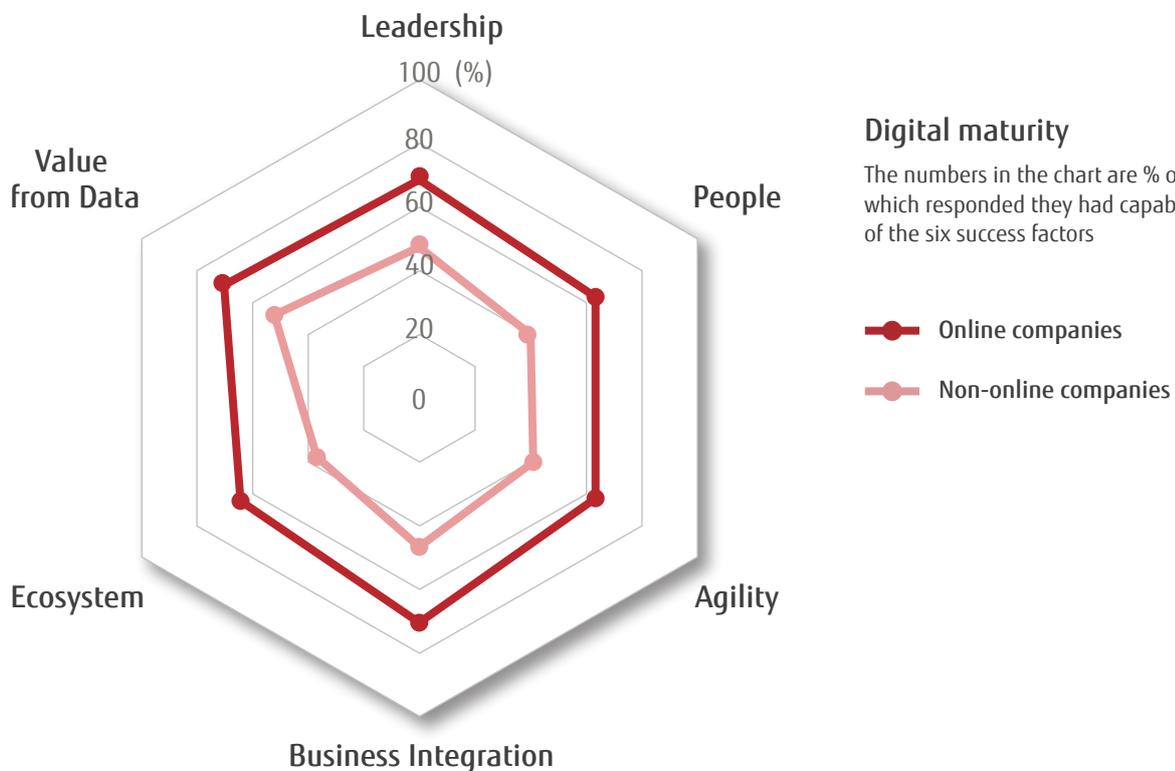
Predictably, online-only companies, which have many of the advantages of a digital set-up, demonstrate stronger digital muscles than traditional companies.

Without physical constraints to providing their goods and services, or decades of cultural and technological legacy, online companies are able to implement digital transformation more quickly and easily. In many cases, these

businesses are typically more open to partnership opportunities and co-creation. Either way, traditional organizations can learn from online companies in their digital transformation.

The divide between the online only companies and traditional companies is most evident in the degree to which on-line only companies focus more on their ecosystem partners.

Online-only companies have stronger digital muscles



Co-creation through ecosystems: the key to digital success

Building strength in digital transformation takes the exploitation of an ecosystem of partners that can help companies co-create business. A central pillar of the Fujitsu Technology and Service Vision, co-creation – and the value it delivers – is strongly backed up by the survey results.

As we have seen in the comparison of digital muscle strengths, online-only companies place more emphasis on collaboration with ecosystem partners. When we looked into the responses in more detail, we identified there was a clear difference between the type of partners preferred by online-only and traditional organizations.

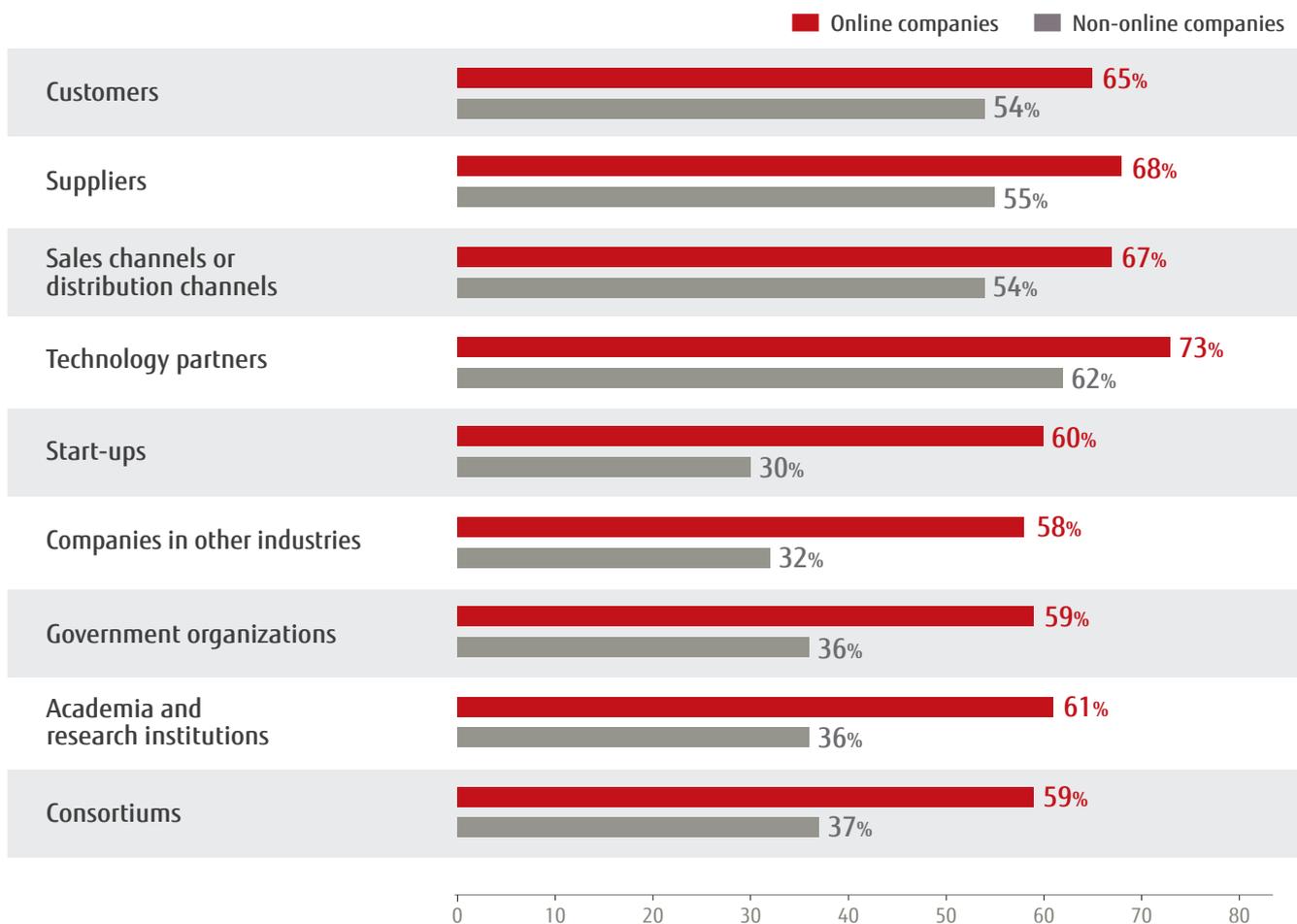
For both online-only and traditional companies, technology partners were the most important. It is also common to

prioritize sales channels, supply chains and customers as their important partners, following technology partners. However, around 60% of online-only companies responded that start-ups, companies in different industries, academic institutions, government organizations and consortiums were also crucial, while only about 30% of traditional companies placed priorities on these types of partners. The analysis also revealed that those traditional companies that already delivered digital transformation outcomes to a greater extent, similar to online-only companies, placed high priorities on these types of partners.

These results suggest that successful digital transformation requires partnership with a broad range of ecosystem partners such as start-ups and organizations in different industries.

Online-only companies build ecosystems for digital transformation in a different way

% of companies which responded the importance of the support from each partner was "to a moderate extent" or "to a greater extent" in terms of implementing digital transformation



Co-creation towards a sustainable future

Digital transformation is not all about creating business value – there is huge scope for companies to come together in order to apply advanced digital innovation for social good.

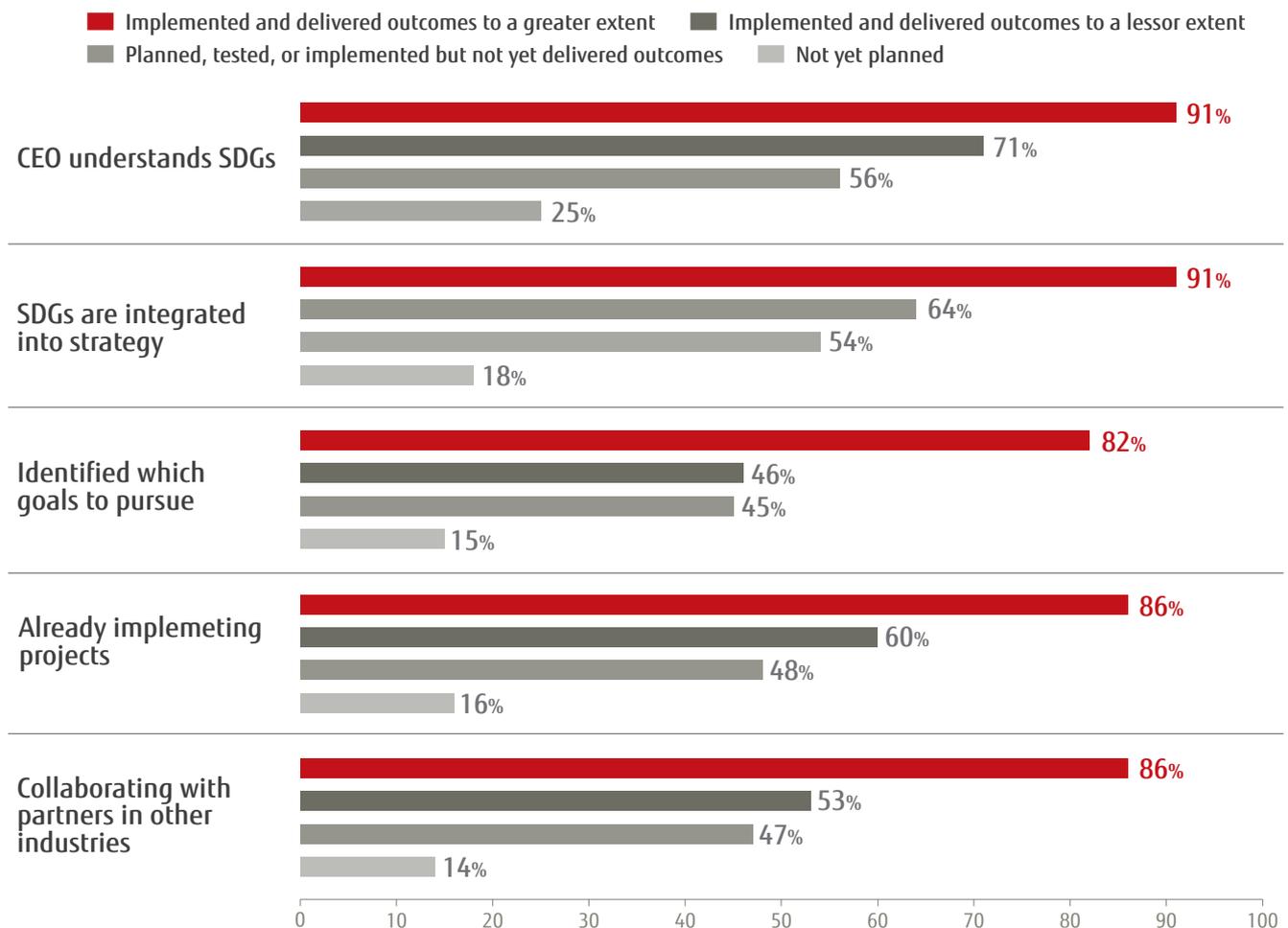
In fact, the research identifies a strong correlation between companies that are delivering successful digital outcomes and those working towards the shared values encapsulated in the UN’s Sustainable Development Goals (SDGs), which aim to end world poverty, protect the planet and ensure that all people have the opportunity to enjoy a peaceful and prosperous life.

[<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>]

Excluding online-only companies, 91% of respondents that had delivered outcomes to a greater extent said their CEO understands the importance of SDGs and their organization has integrated such goals into its business strategy. Moreover, 86% have already engaged with partners in other industries to contribute to SDGs.

Contribution to SDGs correlates with higher performance of digital transformation

% of companies which agreed or strongly agreed with each statement about initiatives of SDGs (non-online companies)



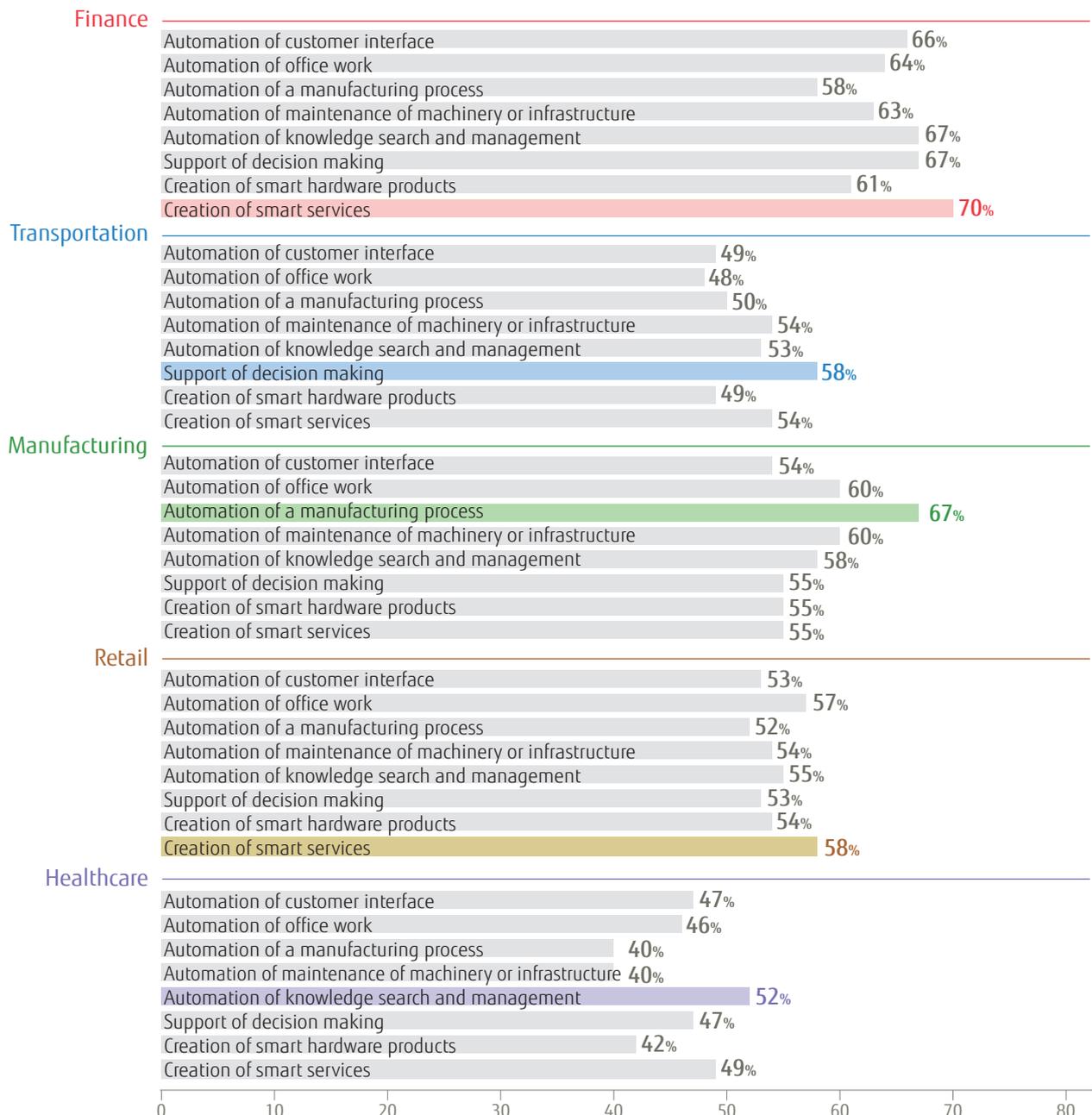
AI delivers business impact

Of all the transformational technologies emerging today, artificial intelligence has generated the most interest due to its potential impact on so many areas of business and society. With organizations generating and dealing with ever-larger amounts of data, AI is going to be essential for making sense of increasingly complex, data-rich environments.

The survey shows that most business leaders are aware of AI's impact in many different areas. Respondents from the finance sector, in particular, have the greatest appreciation of that potential, with 70% believing it will help create smart services and 67% saying it will support decision-making and automate knowledge management. Respondents in the manufacturing sector are also aware of the impact of AI. 67% of them answered that AI would have impact on the automation of manufacturing processes.

AI will have business impact on wide range of areas

% of companies which responded that impact of AI was "to a moderate extent" or "to a greater extent" in each area



Businesses are positive about the future of people and AI

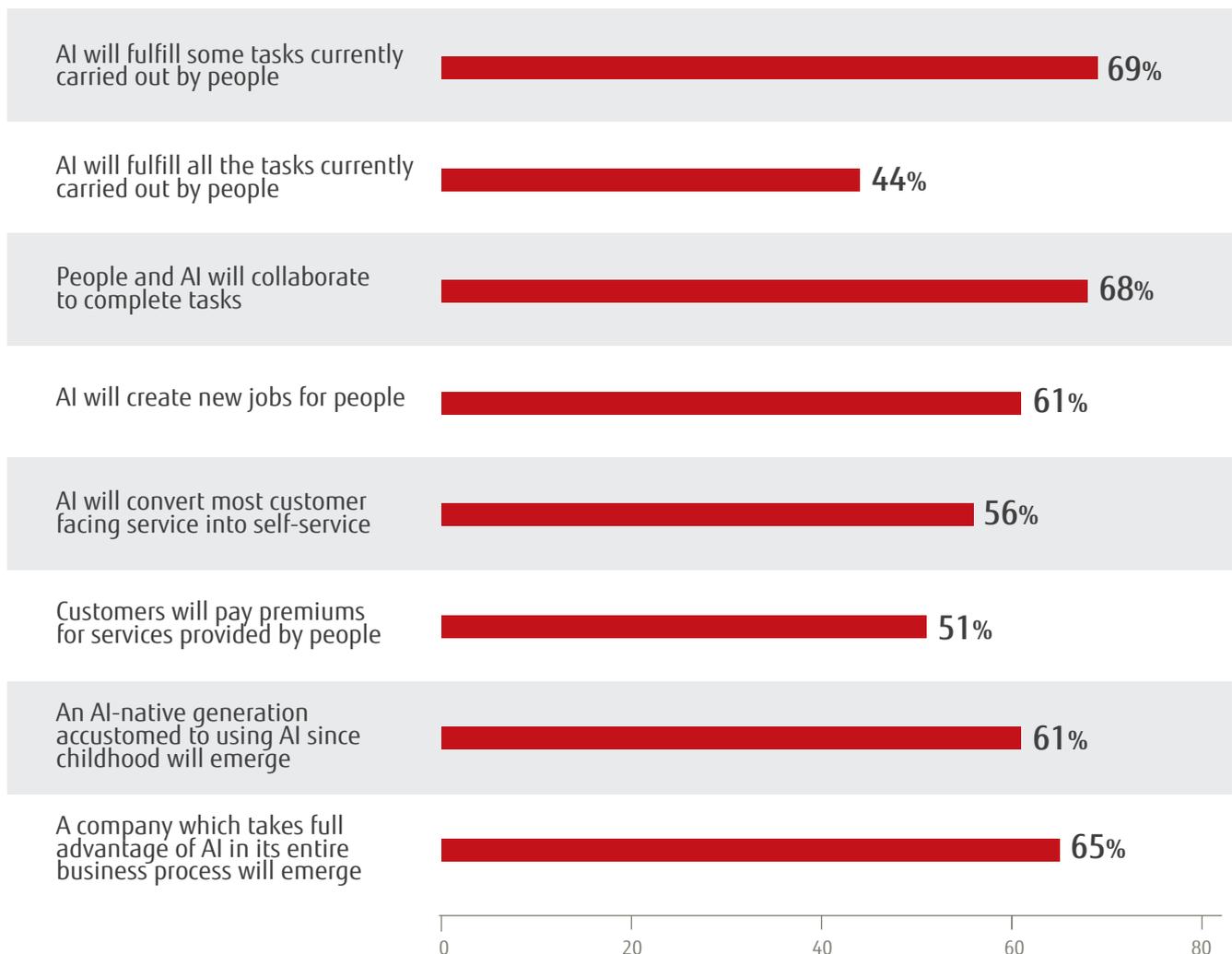
Many business leaders expect that AI will be useful for business in the future. Although 69% of the respondents say AI will take over some tasks currently carried out by people, 68% agree that people and AI will increasingly collaborate on tasks and 61% are confident that the technology will create new jobs. In contrast, 44% of the respondents believe that AI will be capable of fulfilling all of the tasks currently carried out by people, and 56% think AI will convert most customer facing service into self-service.

AI has the potential to provide a huge impact on how people think or behave as well as how businesses will be managed in the future. 61% of the business leaders surveyed agreed that an AI-native generation, accustomed to using AI since childhood, will emerge. Moreover, 65% think that a company which takes full advantage of AI in its entire business processes will emerge.

Fujitsu believes the mission of technology is to empower people, and it is working on developing advanced AI technology for business and society according to our Human Centric vision.

Future development of AI

% of companies which agreed or strongly agreed with each statement about the future development of AI



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