Global Digital Transformation Survey Report

FUJITSU

Digital Transformation
Delivering Business Outcomes

shaping tomorrow with you

Introduction

Digital technologies such as IoT and AI are being embedded into core value-generation processes in business and society, transforming people's work and daily lives and generating new innovation. This is digital transformation. Business leaders around the world are becoming aware of the huge potential of digital transformation and taking action.

Digital transformation initiatives usually start from the testing phase, a Proof of Concept (PoC) and a Proof of Business (PoB), and then shift to the implementation phase. The introduction of new technology does not always lead to digital transformation. New talents, people who have different skills and new approaches, are required. Design thinking and co-creation with partners, and leadership are the most important elements. Furthermore, organizations need to develop new culture supporting transformation initiatives.

To find out more about how business leaders are responding to these challenges and to identify what digital transformation initiatives are being undertaken by organizations, Fujitsu conducted a global survey. We received 1,614 responses across 15 countries.

- Areas of the survey
  - Status of digital transformation：Business areas, status, outcomes, success factors, challenges
  - Co-creation in digital business：Partners for digital transformation
  - Perception of Artificial Intelligence(AI)：Perception of AI, capabilities of people required in the digital era
- Methodology：On-line
- Period：February 2017
- Companies：Mid and large size companies and organizations
- Respondents：Management(CEO, CMO, CFO, CIO, CDO, CSO) and key decision makers
- Countries and the number of the respondents：15 countries (1,614)

  Japan(309), U.S.A(258), Canada(56), U.K.(103), Germany(103), Spain(103), France(103) , Sweden(52) , Finland(56), China(103) South Korea(55) , Singapore(103) , Thailand(52) , Indonesia(52) , Australia(106)

The theme of this survey is aligned with the story of Fujitsu Technology and Service Vision, which sets out our vision along with some insights on how business leaders can leverage to enable digital transformation in business and society and to create a different future.

The Fujitsu Technology and Service Vision can be downloaded from the following link.
URL: http://www.fujitsu.com/global/vision/

Key Findings

- 89% of business leaders have responded that their organizations are planning, testing, and implementing various digital transformation projects. Even more striking is that 34% of their digital transformation projects had already delivered positive outcomes.

- Marketing is the top functional area for digital transformation. Finance and insurance as well as healthcare are the major areas of digital transformation for specific to industry sectors.

- The outcomes of the digital transformation differ in areas of digital transformation such as increase in sales revenue and improvement of customer relationships in marketing area and improvement of efficiency and reduction of cost in operation and maintenance area.

- Talent with the right skills and streamlined organization will lead to successful digital transformation. In addition to these, the co-creation with a technology partner which has capability of technology and understanding of business and industry as well as alignment with the vision and strategy is key.

- 77% of business leaders responded that they see AI as an opportunity. Regarding the impact of AI, 82% of business leaders agreed that AI would enhance the capabilities of people in the future.

- Business leaders chose professional knowledge of digital technology as well as creativity and imagination as the most important capabilities that people need to strengthen in the digital era.
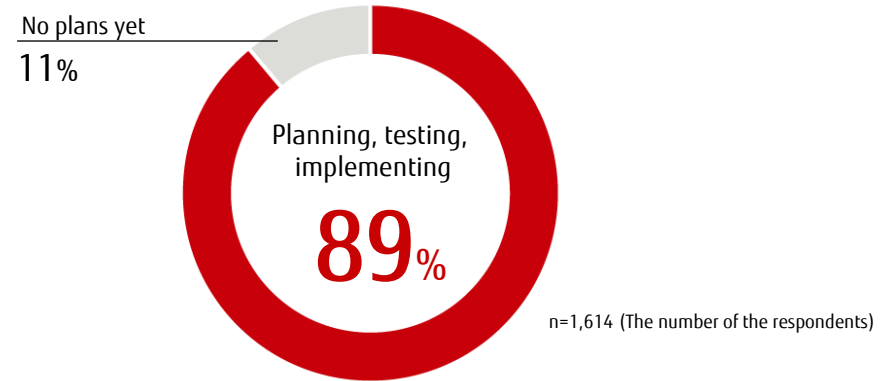
Digital transformation is already delivering positive outcomes

Digital transformation can be applied in broad areas including marketing (i.e. digital marketing), manufacturing (e.g. smart factory), finance (e.g. Fintech), and others. Digital transformation initiatives in these areas have been shifting out of the planning or testing phase into the implementation phase to deliver positive outcomes.

When they were asked if they have started digital transformation, 89% of business leaders have said their organizations are planning, testing, or implementing digital transformation in one or more areas.

Furthermore, 67% of digital transformation projects are in the implementation phase, and 34% of these digital transformation projects have already delivered positive outcomes.

Have you started digital Transformation?

No plans yet
11%

Planning, testing, implementing

89%

n=1,614 (The number of the respondents)

What is your progress with digital transformation?

Planning
9%

Testing
24%

Implementing
33%

Outcomes
have been delivered

34%

n=3,408
(The number of the digital transformation projects)
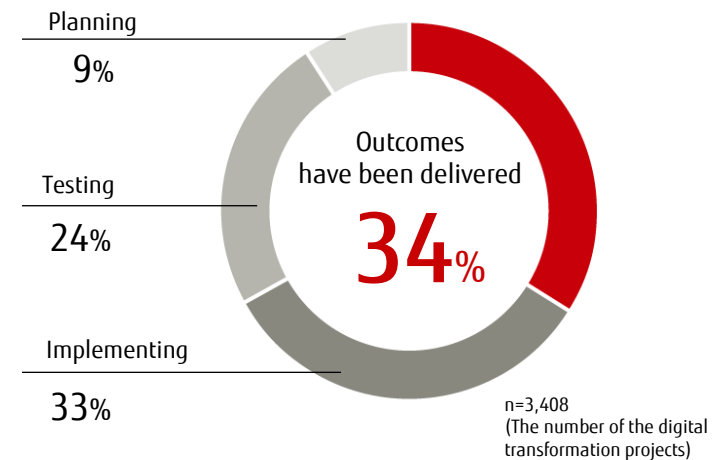
Marketing is the top functional area for digital transformation implementation

Digital transformation is undertaken in many functional areas. Digital transformation is planned, tested or implemented most in marketing, followed by workstyle, then operation and maintenance, and call center.

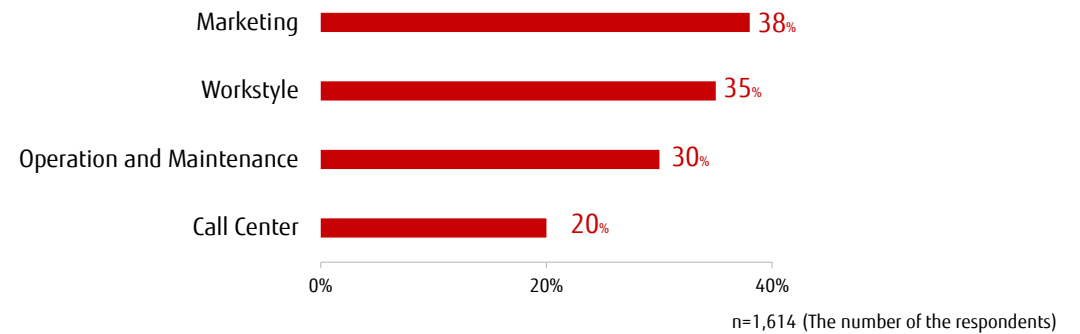In terms of the progress of digital transformation in business functions, marketing is also the most advanced area. 74% of projects are in the implementation phase, and 41% of projects have delivered outcomes. The more progress and outcomes, the more organizations start digital transformation in marketing. This creates a positive cycle.

What is the functional focus of your digital transformation?

Marketing	38%
Workstyle	35%
Operation and Maintenance	30%
Call Center	20%

0%   20%   40%

n=1,614 (The number of the respondents)

Which best describes the progress of the digital transformation?

■ Outcomes have been delivered   ■ Implementing   ■ Testing   ■ Planning

	Outcomes have been delivered	Implementing	Testing	Planning	
Marketing	41%	33%	18%	8%	n=609
Operation and Maintenance	35%	34%	21%	10%	n=491
Call Center	37%	32%	26%	6%	n=329
Workstyle	31%	36%	24%	8%	n=563

(The number of the digital transformation projects)
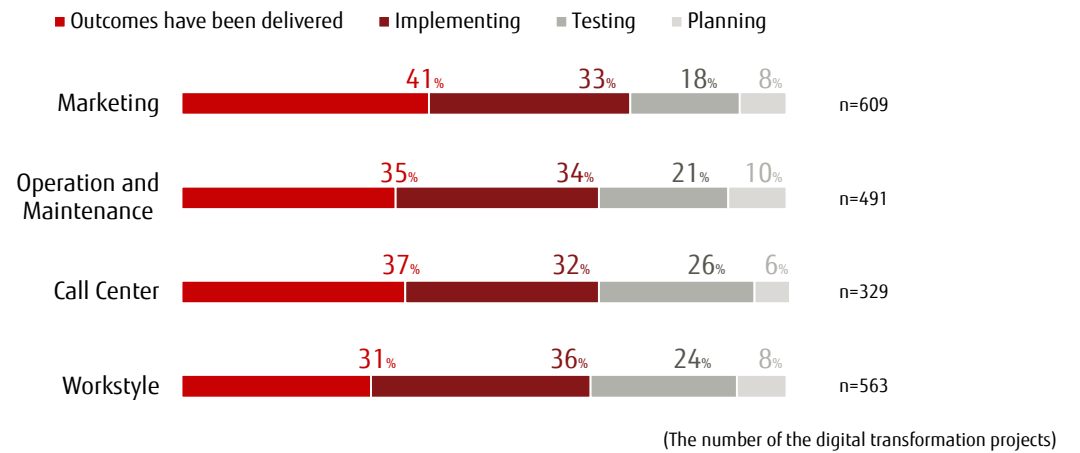
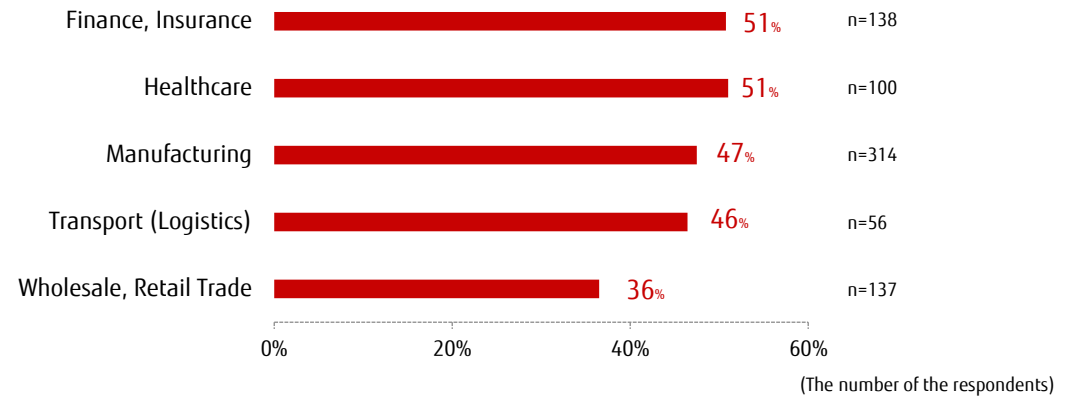## Digital technology in the core of business

Digital transformation has been planned, tested and implemented in industry specific areas, meaning that digital technology has been introduced in the core of business process.
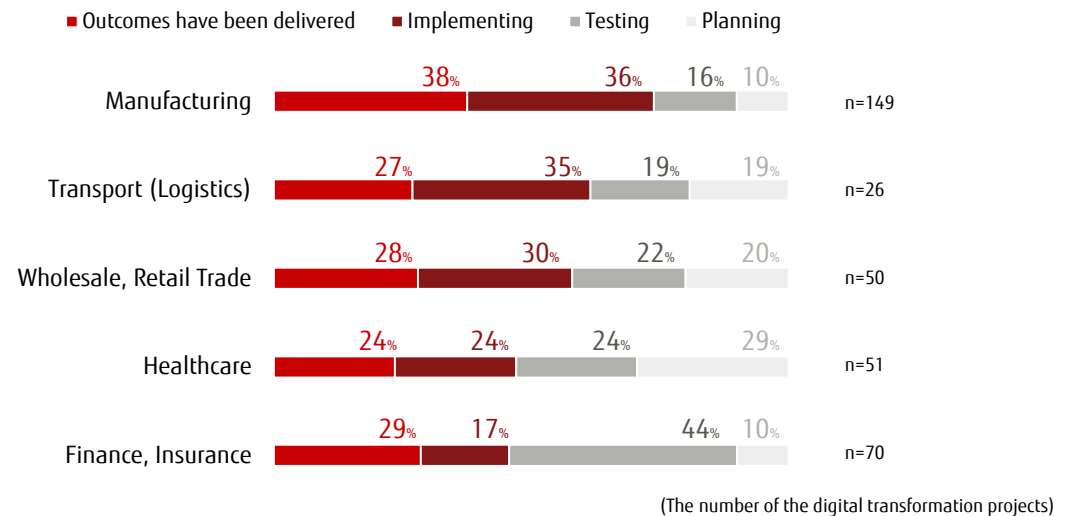
More than half of the respondents in finance and insurance, and healthcare are planning, testing, or implementing digital transformation. About half of the respondents in manufacturing and transport are also embarking on digital transformation.

Finance and insurance as well as healthcare are the top two areas for planning, testing, or implementing digital transformation. However they turned out to be the bottom two in terms of the ratio of implementation and outcomes that have been delivered with 48% for healthcare and 46% for finance and insurance. Conversely in manufacturing, over 70% of projects are in the phase of implementation or outcomes having been delivered.

Have you embarked on digital transformation specific to your industry sector?

Industry	%	n
Finance, Insurance	51%	n=138
Healthcare	51%	n=100
Manufacturing	47%	n=314
Transport (Logistics)	46%	n=56
Wholesale, Retail Trade	36%	n=137

0%　20%　40%　60%

(The number of the respondents)

Which best describes the progress of the digital transformation?

■ Outcomes have been delivered　■ Implementing　■ Testing　Planning

Industry	Outcomes have been delivered	Implementing	Testing	Planning	n
Manufacturing	38%	36%	16%	10%	n=149
Transport (Logistics)	27%	35%	19%	19%	n=26
Wholesale, Retail Trade	28%	30%	22%	20%	n=50
Healthcare	24%	24%	24%	29%	n=51
Finance, Insurance	29%	17%	44%	10%	n=70

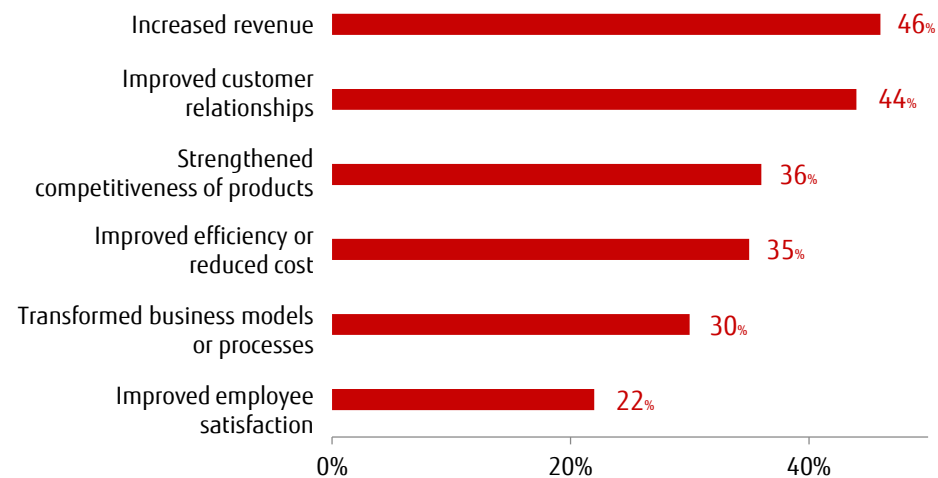(The number of the digital transformation projects)

Growth delivered by digital

In our survey we have asked business leaders what kind of outcomes have been delivered through their digital transformation projects.

46% of their digital transformation projects contributed to increasing revenues. 44% of them improved customer relationships as a result of digital. These were followed by other outcomes, namely strengthening product competitiveness, improving efficiency or reducing costs, and transformation of business model or processes. This finding has big implications for business.

Which outcomes has the digital transformation delivered to your organization?

Outcome	Percentage
Increased revenue	46%
Improved customer relationships	44%
Strengthened competitiveness of products	36%
Improved efficiency or reduced cost	35%
Transformed business models or processes	30%
Improved employee satisfaction	22%

n=1,147 (The number of the digital transformation projects)

The outcomes differ in areas of digital transformation

Analysis of the outcomes indicated that those outcomes differ according to the area of digital transformation. Increase in revenue and improvement of customer relationships are major outcomes of digital transformation in marketing and workstyle areas. In the area of call center, improved customer relationship is the top outcome with the highest rate of 68%. On the other hand, improved efficiency or reduced cost are the top outcomes in the area of operation and maintenance as well as manufacturing. In addition, strengthened competitiveness of products is also a major outcome in manufacturing area.

Marketing

- Increased revenue: 62%
- Improved customer relationships: 50%
- Strengthened competitiveness of products: 39%
- Transformed business models or processes: 29%
- Improved efficiency or reduced cost: 25%
- Improved employee satisfaction: 15%

n=249

Workstyle

- Increased revenue: 46%
- Improved customer relationships: 42%
- Strengthened competitiveness of products: 35%
- Transformed business models or processes: 35%
- Improved efficiency or reduced cost: 38%
- Improved employee satisfaction: 32%

n=177

Call Center

- Increased revenue: 36%
- Improved customer relationships: 68%
- Strengthened competitiveness of products: 32%
- Transformed business models or processes: 24%
- Improved efficiency or reduced cost: 24%
- Improved employee satisfaction: 21%

n=121

Operation and Maintenance

- Increased revenue: 39%
- Improved customer relationships: 36%
- Strengthened competitiveness of products: 35%
- Transformed business models or processes: 31%
- Improved efficiency or reduced cost: 46%
- Improved employee satisfaction: 29%

n=173

Manufacturing

- Increased revenue: 38%
- Improved customer relationships: 27%
- Strengthened competitiveness of products: 45%
- Transformed business models or processes: 32%
- Improved efficiency or reduced cost: 57%
- Improved employee satisfaction: 25%

n=56

(The number of the digital transformation projects)

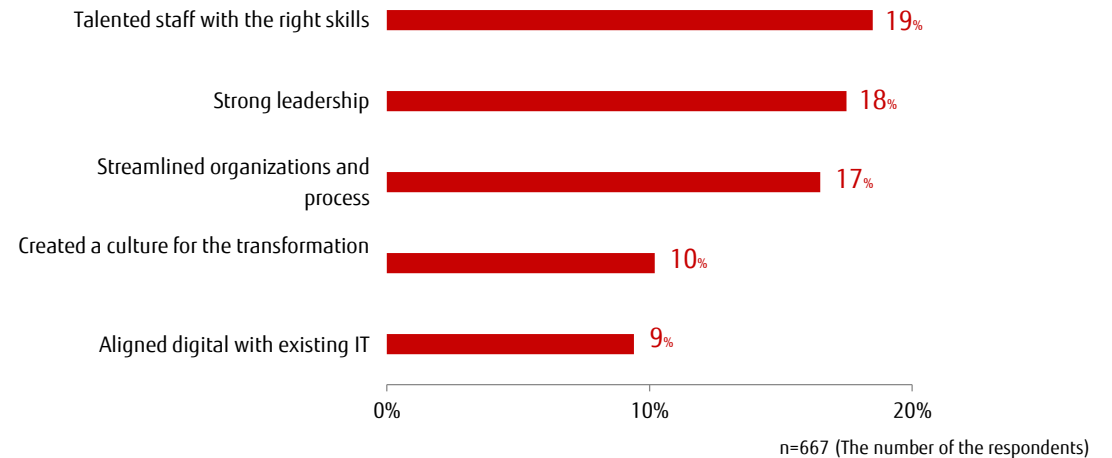## Talent with the right skills and streamlined organization will lead to successful digital transformation

What are the key factors for their successful digital transformations?

Business leaders replied that talented staff with right skills, strong leadership , and streamlined organizations and processes were the most significant factors for successful digital transformation. Those factors are related to talent and organization.
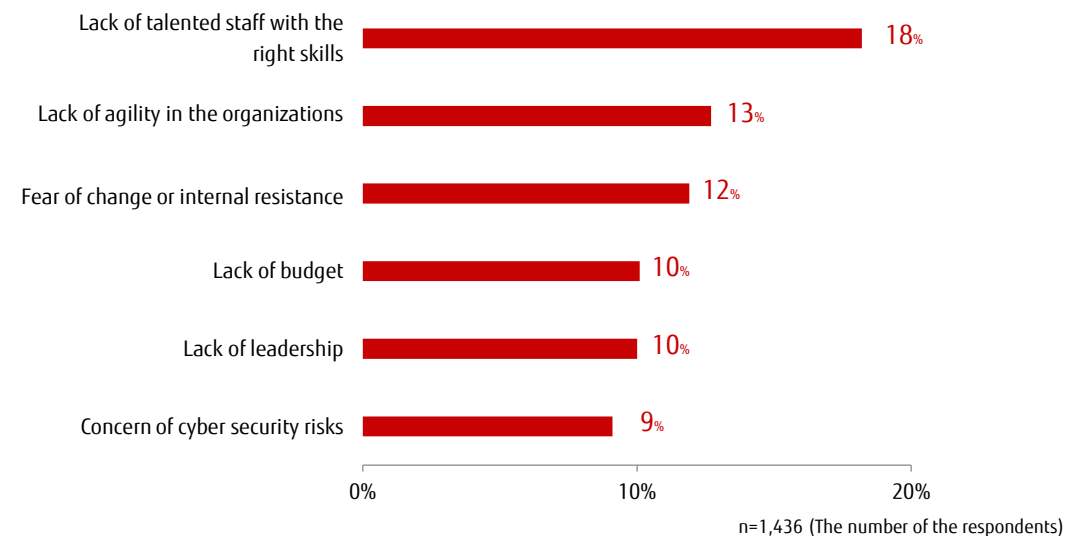
Asked what was hindering their transformational processes, they cited a lack of the above factors, also adding a fear of change and internal resistance to transformations.

Digital transformation is not just about introducing new technologies. In order to deliver certain outcomes we need talent with new skills and a culture for the transformation.

Which factors were key to delivering outcomes of the digital transformation?

Factor	%
Talented staff with the right skills	19%
Strong leadership	18%
Streamlined organizations and process	17%
Created a culture for the transformation	10%
Aligned digital with existing IT	9%

0%   10%   20%

n=667 (The number of the respondents)

Which factors are hindering the progress of the digital transformation?

Factor	%
Lack of talented staff with the right skills	18%
Lack of agility in the organizations	13%
Fear of change or internal resistance	12%
Lack of budget	10%
Lack of leadership	10%
Concern of cyber security risks	9%

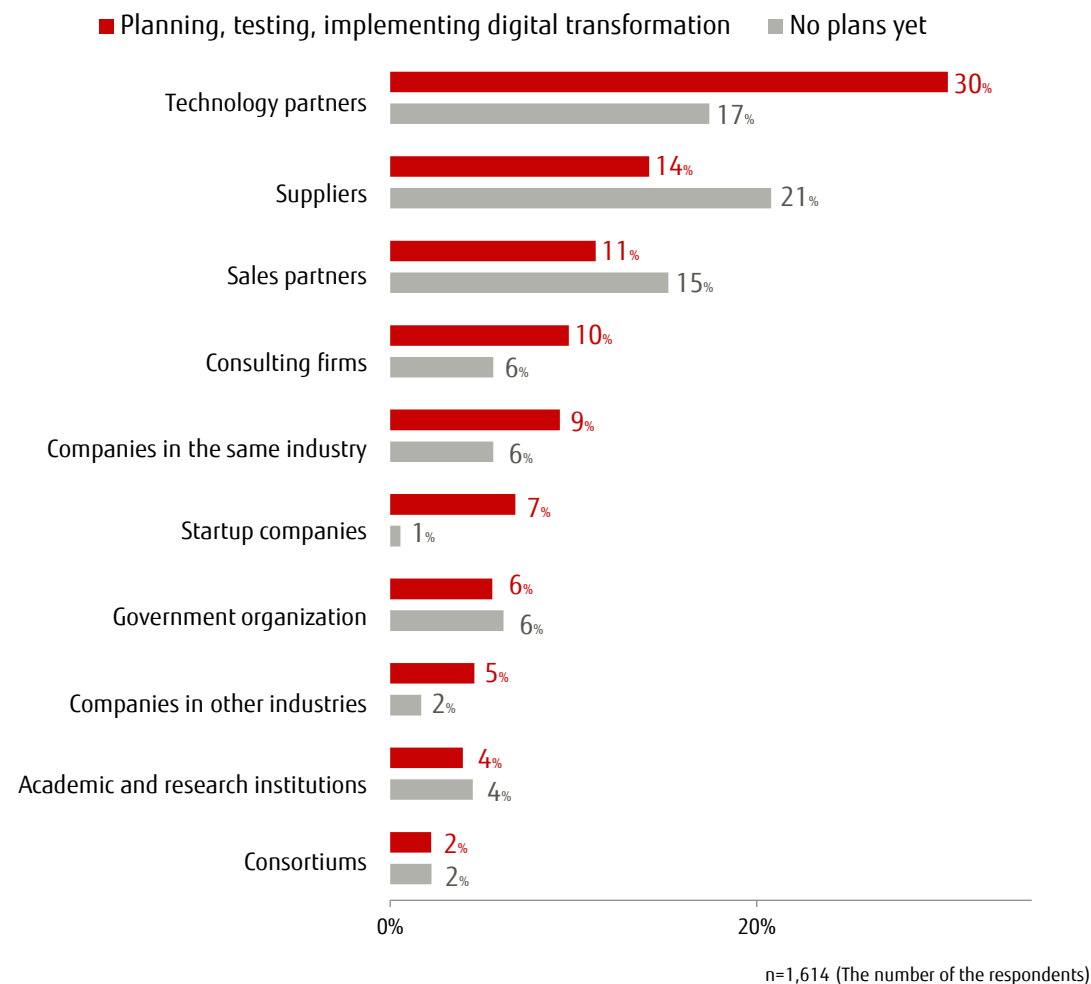0%   10%   20%

n=1,436 (The number of the respondents)

A technology partner is the most significant partner for digital transformation

To be successful in digital transformation co-creation with external partners is required. The respondents chose technology partner as being the most significant partner for their digital transformation. Suppliers and sales partners followed.

The difference between the organizations that have been already planning, testing or implementing digital transformation and those that have no plans yet revealed that the former type of organizations tend to select technology partners or startup companies and the latter type of organizations chose supplies and sales partners.

In fact, if business leaders have experience of digital transformation, they have a tendency to choose the partners with expertise of digital technology.

Which partner is it important to collaborate with for digital transformation?

■ Planning, testing, implementing digital transformation   ■ No plans yet

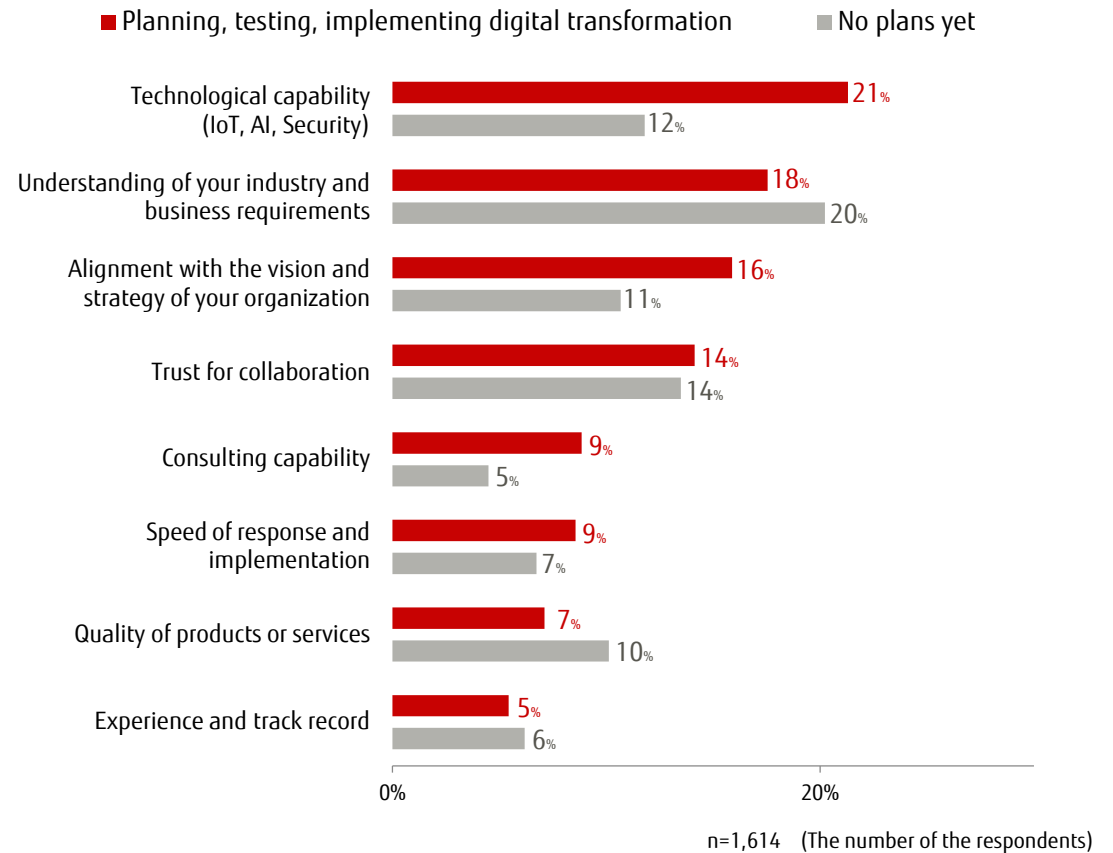| Partner	Planning, testing, implementing	No plans yet
Technology partners	30%	17%
Suppliers	14%	21%
Sales partners	11%	15%
Consulting firms	10%	6%
Companies in the same industry	9%	6%
Startup companies	7%	1%
Government organization	6%	6%
Companies in other industries	5%	2%
Academic and research institutions	4%	4%
Consortiums	2%	2%

0%   20%

n=1,614 (The number of the respondents)

Capability of technology and understanding of business as well as alignment with the vision and strategy are most required for a technology partner

What capabilities do business leaders expect from a technology partner for digital transformation?

The capability of digital technology is the most required factor, followed by understanding of industries and business requirements. Alignment with the vision and strategy is also an important factor next to these two.

Business leaders who are working on digital transformation consider technological capability and alignment with the vision and strategy more important than those who have no plans yet.

What do you expect from a technology partner for digital transformation?

■ Planning, testing, implementing digital transformation   ■ No plans yet

Technological capability (IoT, AI, Security)
- 21%
- 12%

Understanding of your industry and business requirements
- 18%
- 20%

Alignment with the vision and strategy of your organization
- 16%
- 11%

Trust for collaboration
- 14%
- 14%

Consulting capability
- 9%
- 5%

Speed of response and implementation
- 9%
- 7%

Quality of products or services
- 7%
- 10%

Experience and track record
- 5%
- 6%

0%   20%

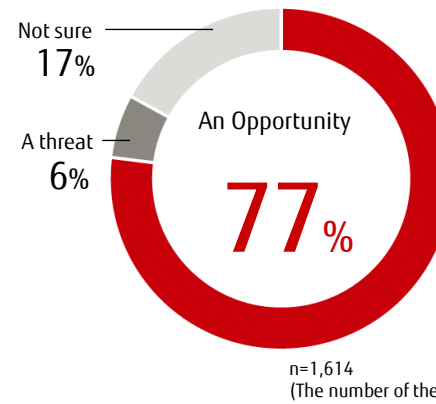n=1,614   (The number of the respondents)

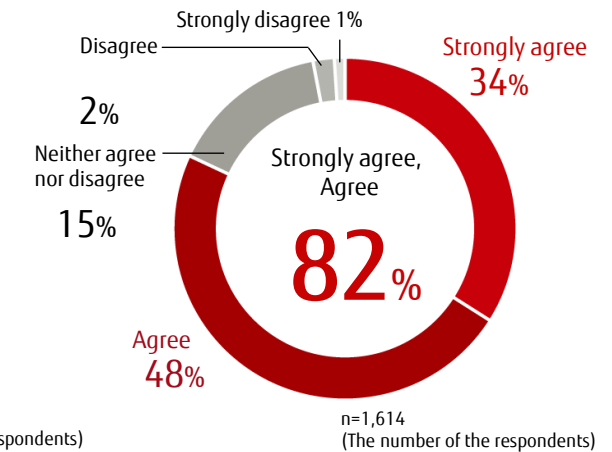## Business leaders are enthusiastic about the potential of AI

Not only are ICT companies pursuing and implementing digital technology but automotive, media, and retail industries are developing and implementing those technologies. The reason behind this is an extremely high expectation on AI in realizing business innovation. On the other hand, there is a potential threat that AI will replace current jobs. In our survey we have asked the business leaders for their perception of AI.

In our survey, 77% of business leaders responded that they see AI as an opportunity. Regarding the implications of AI, 82% of business leaders agreed that AI would enhance the capabilities of people in the future. At the same time, 65% of them thought AI would substitute people's work in the future.
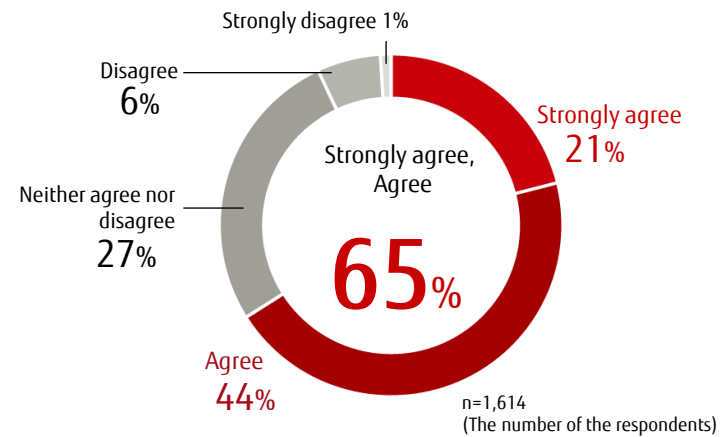
How do business leaders see AI?

Not sure
17%

A threat
6%

An Opportunity

77%

n=1,614
(The number of the respondents)

Will AI enhance the capabilities of people in the future?

Strongly disagree 1%

Disagree

2%

Neither agree nor disagree
15%

Strongly agree
34%

Strongly agree, Agree

82%

Agree
48%

n=1,614
(The number of the respondents)

Will AI substitute a work of people in the future?

Strongly disagree 1%

Disagree
6%

Neither agree nor disagree
27%

Strongly agree
21%

Strongly agree, Agree

65%

Agree
44%

n=1,614
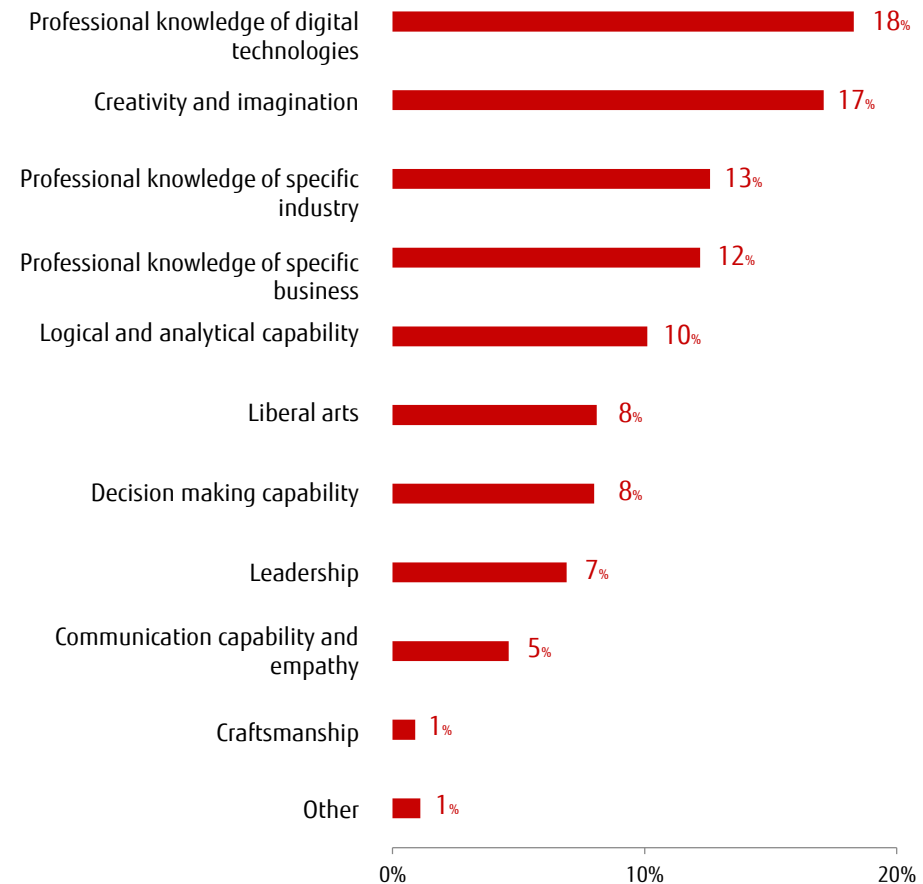(The number of the respondents)

Skills and capabilities required in the digital era

What are the most important capabilities that people need to strengthen in the digital era?

Business leaders chose professional knowledge of digital technology and creativity and imagination as the most important capabilities that people need to strengthen in the digital era. Professional knowledge of specific business and industry follow these two. It means that balanced skills of those are required to drive digital transformation.

What are the most important capabilities people need to strengthen in the digital era?

Professional knowledge of digital technologies — 18%
Creativity and imagination — 17%
Professional knowledge of specific industry — 13%
Professional knowledge of specific business — 12%
Logical and analytical capability — 10%
Liberal arts — 8%
Decision making capability — 8%
Leadership — 7%
Communication capability and empathy — 5%
Craftsmanship — 1%
Other — 1%

0%   10%   20%

n=1,614 (The number of the respondents)

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