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digitalswitzerland



*Digital transformation:
How mature are
Swiss SMEs?*



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Foreword: Welcome to 4.0!

Dear reader,

Digitisation is transforming everything in its path, from markets and whole societies to the environment and individuals. It's affecting organisations of all sizes in all industries, from banks and media groups to automobile makers and publishers, all are having to radically rethink their business models around the new technologies, and come to terms with the fact that these technologies aren't just a source of innovation and new growth opportunities, but a threat to traditional value chains as well.

Large companies are increasingly digitising their customer relationships and processes. And they're sparing no financial expense in the process. Small and medium-sized enterprises (SMEs), on the other hand, vary widely in terms of their digital maturity. The opportunities and risks of digital transformation are largely a function of the business model specific to a particular industry. For example, large financial services providers have digital needs on a different scale to small construction companies. All of this means that the degree of digitisation among SMEs differs depending on the size of the business, the sector in which it operates, and the financial resources and know-how at its disposal.

The extent to which digitisation has matured and taken root in the minds of managers and employees also varies from one SME to another, and in most cases hinges on individual people. It's also an ongoing process. Whatever the case, digitisation is, unfortunately, not established firmly enough in the SME mindset. To be able to respond flexibly to change, companies need a culture that involves everyone in the process of transformation. Only then can they allay fears and resistance, and create a foundation for successful digitisation.

So far Swiss SMEs have focused primarily on digitising internal processes, websites and e-commerce solutions. They find modifying their existing set-up on an ongoing basis easier than radically disrupting their business model. For this reason, their efforts still rarely revolve around the customer. There are plenty of data and ideas available within most organisations, but these resources are seldom exploited. The trouble is that digitisation requires innovation management of a whole new order of magnitude, with customers more or less expecting a company to use the available data to create specific offerings and deliver them via a simple, intuitive user interface.

This report focuses on three areas. Firstly, we find out what degree of digitisation the study participants have achieved. Secondly, we thoroughly examine the factors driving or blocking successful digital transformation. We've done this on the basis of an online survey of around 300 Swiss SMEs with diverse business models operating in a wide range of industries. Thirdly, we look at the question of staff training on digital matters, a key component of successful digital transformation. In addition to quantifying digital transformation, we've also explored the qualitative aspects by talking to decision makers at various prominent Swiss organisations. Our findings and recommendations are summarised in the following pages.

We hope you find the report inspiring and the insights valuable.

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Executive summary: In a nutshell

Swiss SMEs vary in terms of their degree of digitisation. This study reveals that digital maturity correlates positively with the size of the organisation, and negatively with the age of its management. Many of the companies that are furthest down the road to digital transformation are in the telecoms and media industry or the public sector (the latter also includes foundations). The energy, utilities and healthcare industries lag the furthest behind.

The companies covered by our study have made internal processes and training staff on digital matters a firm priority, but their digitisation efforts place less emphasis on customer involvement and the customer experience. This is because redesigning a business model constitutes a more radical departure than adapting existing processes. Here, the results of our survey show that decision makers are still largely overlooking the opportunities presented by new business models, and prefer to stick to tried-and-tested approaches to customer contact.

Organisations that have opted to transform their business model now see themselves as more competitive. Improvements in competitiveness correlate with the amounts of money invested in digital transformation. Most highly digitised SMEs believe the financial investment has been worthwhile.

Further, 76% of study participants predict that the market will change fundamentally in the next five years because of digitisation. This means investment in digital transformation will increase in the future, and the success of SMEs will hinge to a large extent on their ability to harness digital opportunities, particularly in terms of contact with customers.

Most SMEs actively promote a digital corporate culture, partly by means of training and recruiting experts from outside the organisation. Active coaching is also needed to address fears and mistrust, so training has to be given a very high priority.

On the basis of our findings we advise Swiss SMEs to take bolder action on digitisation and keep a close eye on their market. Digital transformation can affect the entire customer interaction, all processes and every business model. This means that managers have to look at digitisation in the overall context of their organisation. In other words, digitisation is a C-suite responsibility. Small, simple digital steps can be enough to achieve significant efficiency gains. Just as important is looking at the experience of industries that have already gone digital, and the active handling of innovative start-ups. It follows that digitisation is not a purely IT concern; it has to be at the very top of the management agenda. Ultimately companies have to question their business model and, if this is possible and makes sense, enhance or underpin it with digital offerings. In the end the customer experience and the utility to customers have to be central. Finding the right combination of customer focus, internal processes and digital culture is the key to future success.





Interview with the authors: Why digitise?

These days the terms digitisation and digital transformation are used in a variety of different contexts. What precisely do they mean for organisations?

Holger Greif: Digitisation has to revolve around the customer. In other words you have to harness the new digital opportunities to the benefit of the customer. For example, a customer can use their smartphone to see whether there's a table free at their favourite restaurant. They only see what's on the screen. But for the company, the process of digital transformation goes much deeper. In many cases it will lead to new business models, for example using digitisation to supply customers directly, as well as via intermediaries.

Patrick Warnking: Digital channels can also be used to find new customers in Switzerland and abroad. You can also use digitisation to get a lot more feedback from customers and build this into the innovation process.

What are the greatest challenges for SMEs in terms of digitisation?

Norbert Kühnis: Many organisations are in awe of digitisation. But it's something just about all SMEs are having to deal with. The greatest challenges are building the necessary know-how and dealing with the financial side.

Holger Greif: If you're centring your digitisation efforts on the customer you also have to ask whether there aren't completely new things you could be doing. It takes a lot of courage to cannibalise yourself.

Where do Swiss SMEs stand in terms of digital transformation compared with the competition abroad?

Patrick Warnking: Consumers in Switzerland are very active when it comes to using digital platforms, but companies still have room for improvement. While many SMEs have increasingly realised that the internet is a key to success, in many cases they still don't have a website that can be viewed on a smartphone. In this respect many companies in Sweden, Norway, Denmark, the UK and the Netherlands are much more advanced.

Norbert Kühnis: Digitisation is a particular opportunity for Swiss companies, because automation will help boost Switzerland's attractiveness as a centre of industry in the long term. Because personnel costs are so high in this country, the benefits of digital transformation are even more substantial than elsewhere. This is an opportunity businesses in this country should be seizing.

Why is such great importance attached to digitisation? Can't companies with a conservative business models get by without it?

Patrick Warnking: Consumers are increasingly using digital platforms as the first step on the way to a buying decision.

If you can't use digital platforms to give individual customers a positive experience, you face the threat of new competitors. We're seeing that in the hotel and transport industries. Then there's the risk that traditional business models will no longer deliver the same results in the future.

Holger Greif: Changing consumer behaviour is forcing companies to come up with more efficient and lower-cost offerings. This is all happening so rapidly that a competitor can take a huge step overnight, and you suddenly find yourself with your back to the wall. You have to be prepared.

What value can readers glean from this study?

Norbert Kühnis: Our report presents new findings on the degree of digitisation at Swiss SMEs. It will also help companies work out where they stand. We've found that digitisation is a must for any SME, but also that a step-by-step approach often works best.

Patrick Warnking: Our report will also be a help to managers and directors when it comes to planning the agenda for 2017 and 2018. Digital transformation has to be a C-suite responsibility, and training staff with the aim of sharpening customer focus will be an important investment in a company's success in the years to come.



Introduction: Swiss SMEs on the radar

This report is a joint publication from PwC Switzerland, Google Switzerland GmbH and digitalswitzerland. In the study we investigated the degree of digitisation at Swiss SMEs and looked into the main drivers of digital change. On the basis of our findings, we have made a number of recommendations as to how readers can successfully drive the digital transformation within their organisation.

In August 2016, we conducted an online survey of 300 Swiss SMEs with diverse business models in a wide range of industries. In the first part of the survey, they rated their degree of digitisation in terms of processes and infrastructure, digital sales, customer involvement, and people and culture on a four-point scale. We used these ratings to calculate the degree of digitisation at each organisation. In the second part of the survey, participants responded to questions specific to their organisation as a basis for further analysis.

In parallel with the online survey, we interviewed decision makers at organisations that have particularly distinguished themselves in terms of digital transformation in recent years. In these practical examples they talk about historical developments, their motivation, and challenges and milestones in the digitisation process in the various areas of their organisation. Thus, our study gives insights into the way digital transformation is being achieved in practice, in other words the opportunities and risks, and approaches to entering the digital world.

A few examples: InoTex AG is able to handle laundry jobs from large customers increasingly efficiently thanks to digital support, MCH Group AG, which organises trade fairs, is refining its business idea by making growing use of digital applications, and iNovitas AG is pursuing a 200 per cent digital culture for a 100 per cent digital product.

Please remember that the results of this study are based on self-assessment by the companies taking part, so the quantitative findings contain a subjective, unquantifiable component.

Degree of digitisation: The new performance indicator

Self assessment

Our survey involved asking participating organisations to evaluate their own degree of digitisation as the basis for calculating an average as an indicator or parameter. In each of the areas analysed, participants were asked to rate their organisation's digital maturity on a four-point scale.

The ratings of the four areas avoid value judgements, as we wanted to make sure that the degree of digitisation was represented in purely quantitative terms. This is because in some cases a lower degree of digitisation makes more sense for an organisation and has greater potential than a larger coefficient of digitisation. The four thematic areas chosen, processes and infrastructure, digital sales, customer involvement, and people and culture, constitute relevant, value-adding areas of an organisation's activities that are key in terms of digitisation. These four areas have been weighted uniformly and equally.

Digital, but not across the board

The organisations surveyed have an average degree of digitisation of 2.05 (see figure 2). This is low compared with the figure for a highly digitised market. The most highly developed in terms of digitisation is the telecommunications and media sector, with an average score of 2.50.

That's an indication of the trend and the potential for digital transformation. There are also major differences in the average scores across the four areas, with internal processes much more highly digitised than sales or contact with customers. This suggests that it's easier and quicker to digitise workflows and organisational structures than to transform a business model or involve customers.

Figure 1: Rating scale for calculating degree of digitisation

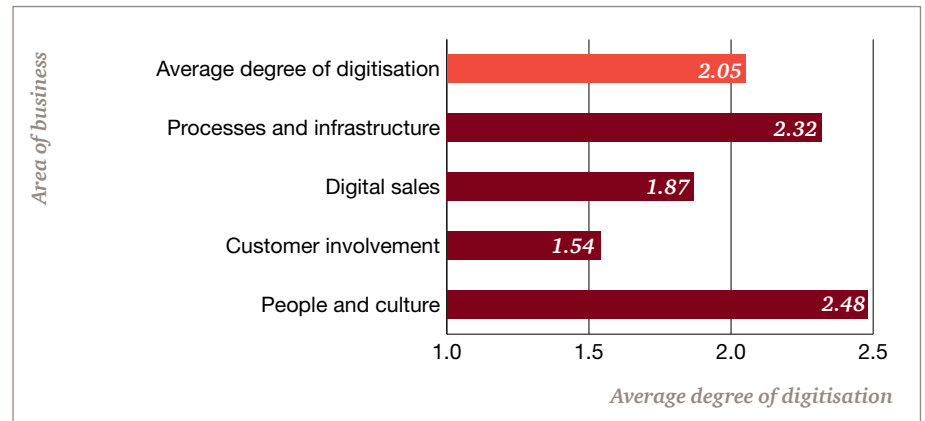
	1	2	3	4
Processes and infrastructure	Some of our internal processes are rudimentarily digital, some manual.	Internal processes are digital and in some cases interconnected.	Internal processes are digital and in most cases interconnected.	All processes are on a single digital platform.
Digital sales	We have a standardised website for sales.	We have accompanying measures and digital services augmenting online sales.	We use big data to create offerings for individual customers.	We have used digitisation to fundamentally change our business model.
Customer involvement	Customers can give feedback on a standardised basis via digital channels.	Customer feedback is automatically processed and analysed.	Customers are involved digitally in isolated business processes (e.g. sales and development).	Customers are involved digitally in all business processes (sales, development, etc.).
People and culture	Digitisation hardly concerns our staff.	We make sure staff use digital tools.	We provide training and experts to further the digital development of our staff.	We promote innovation by including digital skills in our hiring criteria.

This tendency can be explained by the fact that modifying workflows or structures entails less financial risk in the short term than altering fundamental components such as the value creation architecture. Internal processes, for example, can be managed via digital channels with relatively little effort and investment. Companies can choose from a whole range of directly deployable applications and integrated solutions in areas such as internal communications or HR process automation.

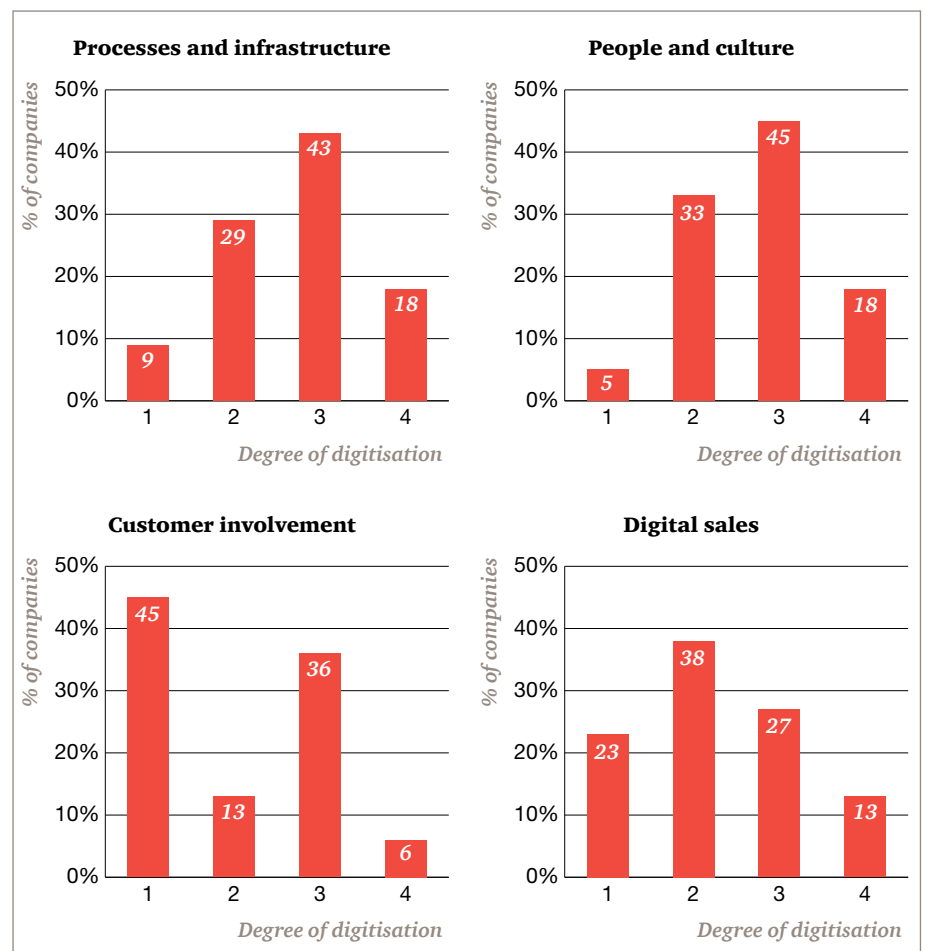
However, switching to digital sales or interactive digital customer involvement entails more major challenges, because depending on the organisation's current revenue model it will have to initiate a transformation with wide-ranging implications. For example, the decision to distribute products via digital channels without an intermediary entails a fundamental and permanent change in a company's business approach. But if it doesn't want to fall behind innovative competitors, it really has to consider alternative or complementary approaches of this sort.

Figures 2 and 3 illustrate the deficit in terms of the digital transformation of customer involvement, with a mere 42% of the organisations surveyed involving customers in their business processes. Companies that take the plunge into customer involvement don't stop at introducing an automated analytics system; they also have to integrate customers into up and downstream business processes such as research and development or sales. But 58% of survey participants report no customer involvement at all. On the other hand, the findings show that companies are keen to improve the digital fitness of their staff, with 18% of respondents already including digital know-how in their recruitment criteria, and 45% organising user training to build their employees' digital skills.

Figure 2: Average degree of digitisation at Swiss SMEs



Figures 3a–3d: Degree of digitisation by area of business



Demographics and digitisation: Of people and industries

Our study takes in the entire Swiss SME landscape. Because this is a very heterogeneous group, we'd first like to present a differentiated picture of the participants in our study to make it easier to understand the peculiarities of Swiss SMEs and the influence of these factors on digitisation.

We've broken down the findings of the survey according to industry, age of the organisation, age of the management and size of the organisation, and calculated the degree of digitisation in each case.

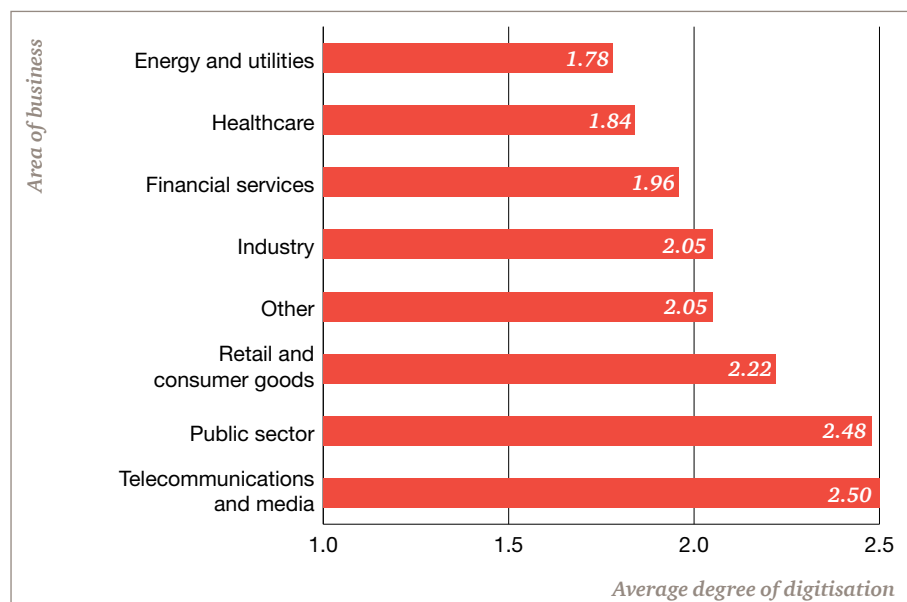
Industry plays a key role

Market mechanisms and internal process vary widely from industry to industry, so launching a digital initiative can make more or less sense depending on the nature of the business. For this reason, the degree of digitisation varies from one sector to another (see figure 4). This graph doesn't include sectors with fewer than ten representatives in our survey.

Astonishingly, the public sector comes in second with an average degree of digitisation of 2.48. This is partly due to the fact that this sector includes foundations and schools, which tend to be more highly digitised.

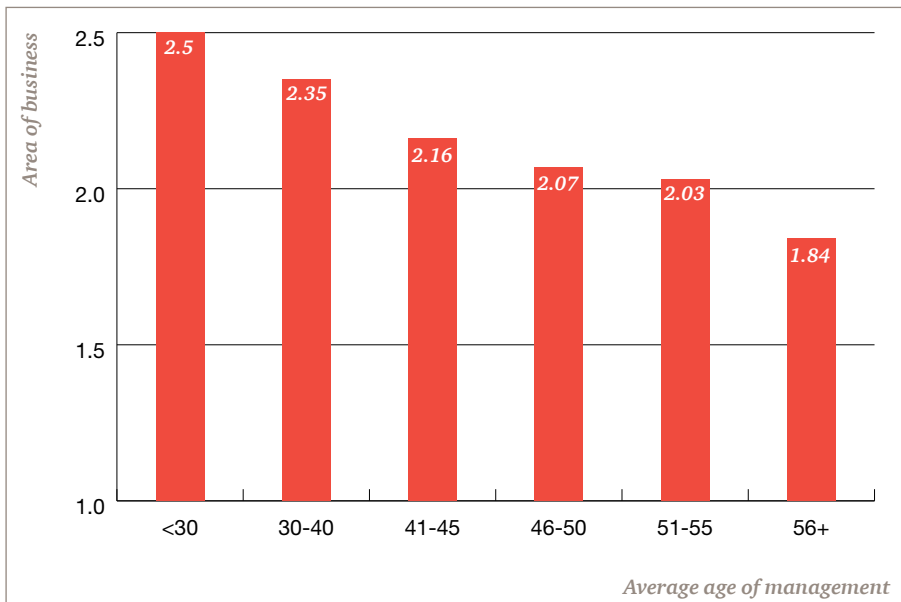
Less surprisingly, the SMEs surveyed in telecoms and media rely more heavily on digital processes and models. Retail companies also seem to be steadily stepping up their online offerings and digitisation efforts. They're particularly interested in innovative solutions for customer contact. Digitisation is not as far advanced in the financial services sector. This may be due to the fact that tight domestic and international regulation have slowed or even blocked the process of digital transformation. But the regulators are already easing the rules. It should also be mentioned that the big players in the financial services industry aren't represented in this study.

Figure 4: Degree of digitisation by industry



SMEs in the energy and utilities, and healthcare sectors are also not as far down the path to digital transformation. This may be because personal contact and trust still tend to dominate relationships in these businesses, added to the fact that they're also subject to very tight regulation. Even so, companies in these sectors should also be keeping a close eye on the market and considering the possibility of digital innovation. Here too, standing still means taking a step backwards.

Figure 5: Degree of digitisation by age of management



The healthcare industry is particularly busy creating new ground rules. These include new regulations on electronic patient records, part of efforts to further digitise the healthcare system under the Swiss government’s Health 2020 initiative. E-health topics such as telemedicine are also moving up the agenda. So in the long term this market will also shift to become an increasingly digitised and networked ecosystem. There are also signs of a clear trend towards individualised or personalised medicine. Data gathered on patients will facilitate the provision of more and more individual, personalised forms of therapy, for example drug therapies.

A question of age

Digitisation is often assumed to be a topic for younger people who are more familiar with it. In most cases the decision for or against digitisation measures falls to a company’s management. To take this into account we have mapped the degree of digitisation to the age of the management at the organisations in our survey.

The younger the management, the greater an organisation’s digital maturity. A young management would appear to positively influence the degree of digitisation. The differences are only small, but a clear correlation emerges.

This tendency stems from two factors. Firstly, younger managers often run younger companies, which generally take the digital path from the outset. Secondly, the younger generations are usually open to new technologies because they were born in an age driven by technology and grew up with online media.

Business models and investment: A look at competition and money

The fact is that initiating or driving the process of digital transformation requires a willingness to invest. We asked what value this type of investment really adds, and what impact it has on competitiveness, for example, when an organisation realigns its business model.

Makes companies more competitive

Digitisation is transforming companies in all industries, all over the world. Some organisations digitise their processes and workflows. Others go much further by adding digital elements to their business model or moving over completely to digital value creation. Companies embarking on disruption of this sort can be found in all industries. Overall, the participants in our study believe investing in digital projects makes sense and is a good way of boosting competitiveness.

In fact over the last five years, 27% of the organisations surveyed have adapted their business model with the aim of greater digitisation. The actual success of these efforts, however, is still hard to measure, but the percentage of companies that have completed large-scale digital projects significantly outweighs the percentage of those that have not. Most organisations that report a change in their competitiveness are satisfied and are convinced that altering their business model improved their competitiveness.

Investment makes you successful

Some of the toughest questions in our survey had to do with the amount of investment in digitisation compared with the competition. Figure 7 summarises the responses of our survey participants.

Of the SMEs polled, 37.58% say their spend on digitisation has been 'slightly higher' or 'much higher' than their competitors. A good 86% claim this investment has boosted their ability to compete. A third of the 17.95% of study participants that rate their investment as 'slightly lower' or 'a lot lower' believe that they have remained less competitive as a result of this failure to allocate resources to digitisation. The remaining 67% see no need to invest more in digital transformation. Most of these are very small businesses employing fewer than nine people. Digitisation obviously has little relevance in terms of these companies' business models.

A striking conclusion from our analysis of responses in this area is that a large percentage of the companies that in the past have invested more in digital transformation than their competitors is convinced that the investment has brought them success.

Figure 6: Improved competitiveness following a change in business model (analysis of the 27% of organisations among the study participants that have adapted their business model in the last five years)

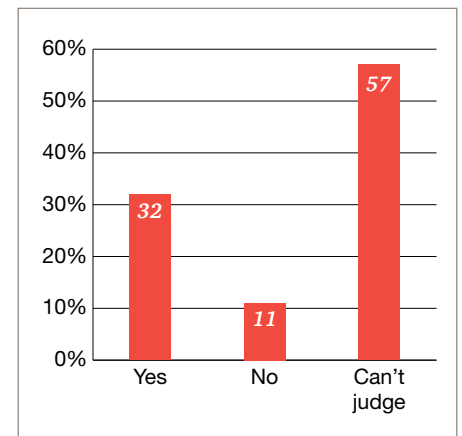
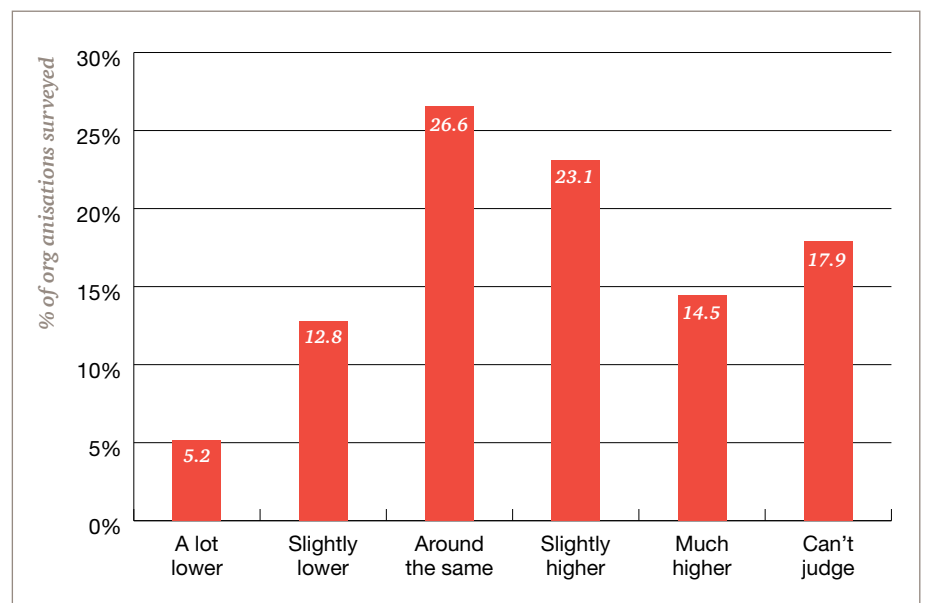


Figure 7: Estimated volume of investment in digitisation in the last five years compared with the competition



MCH Group AG upgrades its traditional business model

The origins of global live marketing specialist MCH Group AG go back a hundred years, with the first 'Swiss Sample Fair' held in Basel in 1917 marking the start of a success story that continues apace. These days the company organises giga-events, such as Baselworld and Art Basel, that take place on three continents, and operates all over the world via its Live Marketing Solutions division. So while the MCH Group AG has long led the Swiss fairs market, it has also been able to enhance its international reputation and has almost trebled sales in the last ten years.

Enormous potential for the fairs business

For a number of years Stephan Peyer, Chief Development Officer, has been working to move the business forward. Digitally aligning the company's business model is one of his key priorities. "Since the dawn of the Internet, people have been warning that fairs would become extinct with the advent of new digital platforms. But we now know this isn't the case. On the contrary: digitisation can add particular value in the fairs business."

So Peyer has taken innovative approaches to helping harness the potential of digital technology for his company, fair visitors and exhibitors. "It's always a question of the benefit for this trio. No single party alone is the driver, it's a complex network that's evolving on a constant basis."

Adding that extra something to personal contact

One of the key issues Peyer is addressing with digital measures is individualisation. For one of its fairs, MCH Group AG has developed a software solution in the form of an app that shows interested visitors and users where in the world, beyond the fair itself, an event involving an exhibitor is currently taking place. If a user finds a displayed event of interest they can register automatically and have the event entered in their own calendar. "Fairs revolve around personal contact. If we can provide a tool helping our exhibitors facilitate and foster this personal contact it makes sense and adds value for everyone concerned."

"We keep our eyes open and observe all the relevant market developments."

Life is live

Peyer stresses the importance of the live experience: "With many products the relationship between buyer and seller outlasts the act of purchasing the product, which means there has to be trust between the two parties. This is the case, for example, for products requiring subsequent service and maintenance, or where the scale of the transaction goes beyond the mere exchange of cash and goods. It's not so easy to build trust digitally, more than anything it requires physical contact. But that doesn't mean that you can't use the digital component of a transaction, for example, deploying digital technology to make money transfers as simple as possible, to help build trust between buyer and seller." It's MCH Group's job to combine live and digital marketing.

"These days it's certainly better to have several smaller irons in the fire than to put all your eggs in one basket."



Stephan Peyer, CDO (Chief Development Officer), MCH Group AG

Alert to lasting trends

"We keep our eyes open and observe all the relevant digital market developments. The probability that revolutionary, if not 'disruptive', business models will emerge overnight, is high," says Peyer. All the same, in these times of rapid change he cautions against rash decisions. "A new type of technology can be obsolete within six months. So we have to think carefully about which innovations we want to drive ahead and which we don't." For this reason MCH Group AG keeps a number of digital initiatives in its sights at once, constantly observing and evaluating them. "It's better to have several smaller irons in the fire than to put all your eggs in one basket. Only time will tell which innovations will gain acceptance in the long term."

MCH Group AG

Basel-based holding company MCH Group AG traces its roots back to the 'Swiss Sample Fair' established in Basel in 1916, which subsequently became Messe Basel. Headed by CEO René Kamm, MCH Group is a leading international, live marketing company with a comprehensive network of services spanning the entire fairs and events market. The company employs around 730 people and is listed on the SIX Swiss Exchange.

www.mch-group.com

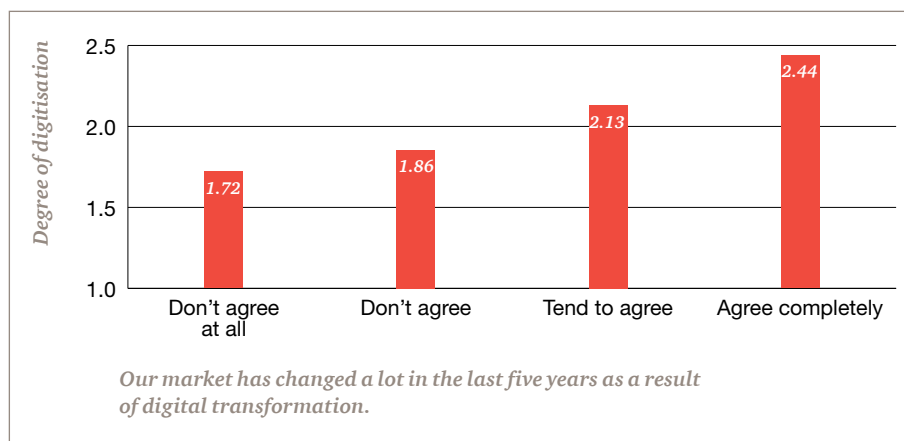
Markets: Racing towards the future

A company's digital maturity is influenced by the market. The different industries represented in the study are accordingly at different states of digitisation. This is reflected in responses to the question of how much the business environment has changed in the last five years as a result of digitisation.

Pioneering spirit required

The market is a powerful driving force in terms of digitisation, in both directions. In a highly digitised environment, companies tend to go along with developments for fear of falling behind the competition. The upshot is this: it's certainly possible for a company to get an edge on the competition by taking a pioneering role in terms of digitisation, provided it undertakes the right measures.

Figure 8: Degree of digitisation compared with digital market changes in the last five years



More digital future

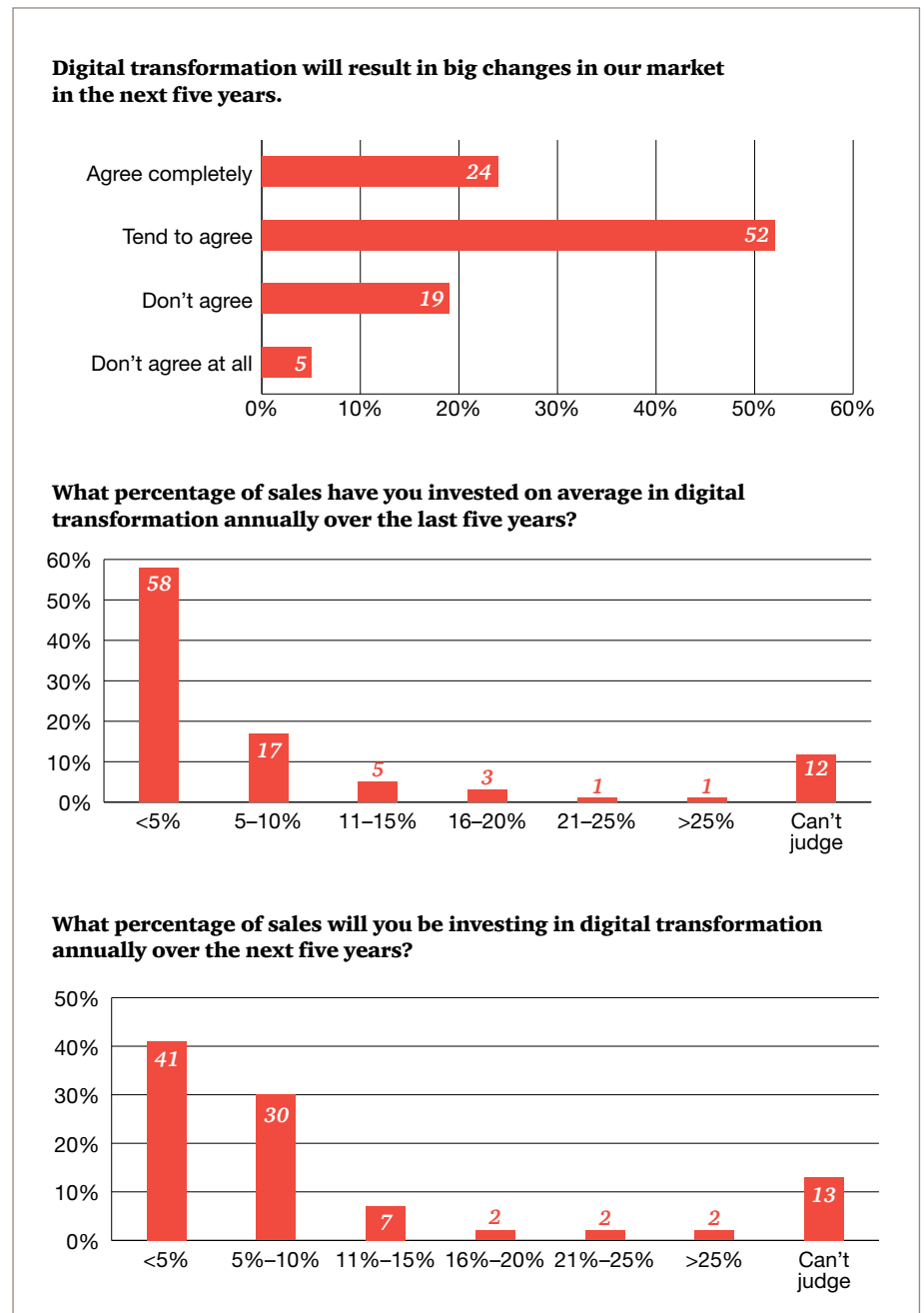
A look into the future also shows that digitisation will play a key role (see figures 9a–9c).

Most respondents expect pronounced or major changes in their market environment as a result of digital transformation, and believe the importance of digitisation will grow. They expect to be investing more in digitisation going forward.

A comparison of investment in digitisation over the last five years with forecast investment over the next five reveals a growing trend. This explains the increasing importance of digitisation taking the whole organisation into account.

Digital transformation creates new opportunities in a field of business, but entails risks as well. Companies that set the pace can gain an attractive edge in the marketplace. By the same token those that miss the digital boat could suffer serious consequences. In many markets and industries, digital innovation will be an increasingly important factor in success.

Figures 9a–9c: Assessment of the role of digitisation in the future





Elis Switzerland sharpens its vision and customer focus

The Elis Group's industrial laundries (including InoTex Bern AG, Lavotel SA, Blanchâtel SA, Wäscherei Papritz AG, Grosswäscherei Domeisen AG, Wäscherei Mariano AG and Wäscherei Textilservice AG) deliver clean laundry directly to large customers such as hospitals, hotels and industry, and pick up dirty laundry. What's special is that the laundry is rented. So the service offered by Elis is ideal for organisations requiring large volumes of linen and workwear, and covers more than just washing.

“We give our customers access to our internal ERP system, enabling them to place their orders direct.”

Part of a big family

Elis Switzerland is part of a group that operates throughout Europe. Martin Leuch, CEO of the Swiss operation, believes digitising steps in the workflow makes sense both for his company and his customers. “The exchange of information within our group is very important, as the market is driving digital transformation.” He explains that with more than 120 tonnes of linen and around 50,000 tonnes of workwear delivered day in, day out, Elis Switzerland relies on a certain degree of automation.

“The market is driving digital transformation.”

Leuch describes the individual laundries as atypical SMEs, as they are embedded in a group structure. “As a member of a group we benefit from a broad range of know-how and economies of scale.” Despite this, he believes it is key for each company to retain its own identity and thus its customer base. The 15 companies that make up the Elis Switzerland Group differ considerably in terms of customer contact.

Bespoke digital support

Some of the subsidiaries have gone for digitisation on an individualised basis in response to the requirements of large customers. “We give our customers access to our internal ERP system, enabling them to place their orders direct. That makes life much, much easier for both sides,” explains Leuch. Smaller operations, such as sending invoices, also often take place via different digital channels. While large customers have access to the internal system, smaller customers like placing orders via email or fax.

Leuch sees digitisation as a great opportunity for the Swiss market. “This is an area where we're taking a pioneering role: with human resources so much more expensive than abroad, any measures that boost efficiency have a much greater impact.” He has figures from group companies outside Switzerland to back up this comparison.



Martin Leuch, CEO of Elis Switzerland

Comprehensive plans for the future

Leuch has big ideas for the future: “It would be truly groundbreaking to implant a chip in each item of laundry. This way we could see any discrepancies in our systems between target and actual inventories for a particular customer and initiate an order automatically. I've got plenty of plans for our internal processes as well.” Elis Switzerland is systematically geared to the needs of its customers when it comes to digitisation, but they have analogue and digital channels running in parallel, because as Martin Leuch knows only too well, just because something's possible doesn't mean the customer will want it.

“Measures to boost efficiency have a greater impact in Switzerland than abroad.”

Elis Switzerland

Elis Switzerland is part of the international Elis Group, and first opened its doors for trade in this country in 1973. It's one of the largest providers of linen and workwear rental and laundry services. Elis Switzerland now has 15 facilities in Switzerland supplying more than 2,000 customers. The company is based in Bern and is headed by CEO Martin Leuch.

www.elis.com/de

Digital culture: Buttons and brains

The biggest obstacle for companies on the road to digitisation is rarely the actual instruments or the experts. Much more crucial is the mindset or the ability of staff to get the hang of a digital business model. To be able to deliver digital initiatives an organisation needs its staff to be open to new forms of collaboration, and for managers to coach them accordingly.

As is the case with most issues related to corporate culture in SMEs, the CEO or company founder plays a key role when it comes to introducing a digital culture. A boss who is enthusiastic about driving digital transformation forward can unleash momentum in the entire company and get the whole crew behind them.

Lack of customer focus

If you want to set up and maintain digitisation processes, you first need know-how within the organisation. A clear majority of survey participants believe that they have sufficient knowledge within the company to meet the demands of digital transformation. In other words, Swiss SMEs are generally well equipped for the challenges of a digital future.

Organisations should have the requisite technical know-how at their disposal in-house. However, this is only of benefit in terms of internal change and cybersecurity. It's less common for the use of new digital business models to actually drive the business forward. Companies fail to harness the potential of adequately involving their customers. There are various reasons for their reluctance. For one thing, digital culture and rapidly changing markets don't necessarily tally with the culture of Swiss SMEs. Furthermore, middle management has a lot to lose if it proposes radical changes that then fail to bring the desired results. Managements have to avoid this tunnel vision if they want their business to tap the potential of digital transformation.

Figure 10: Lack of expertise in-house slowing process of digitisation

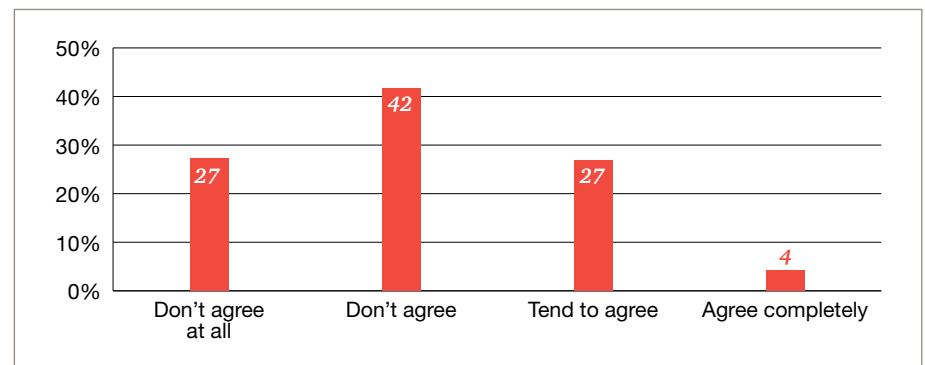
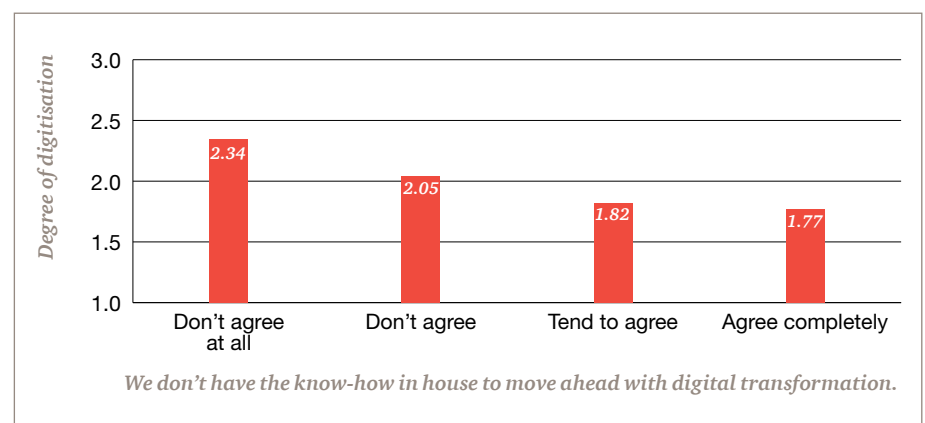


Figure 11: Degree of digitisation versus in-house expertise





Only a relatively small percentage of the organisations in the study see a lack of in-house know-how as a problem. Companies with a low degree of digitisation have tangibly less in-house know-how. The majority of companies that are further down the digitisation path say they have sufficient expertise within the organisation.

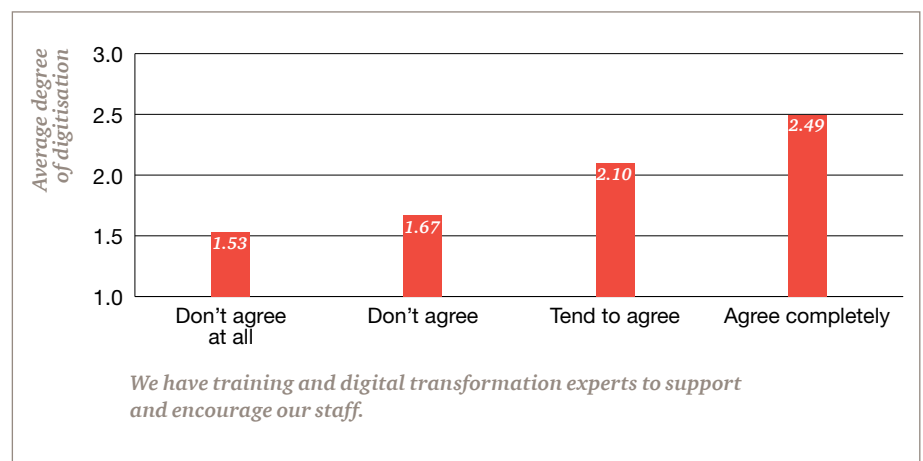
Personnel the key

Digital processes require new forms of collaboration and appropriate coaching. Internal digital platforms change the way people collaborate to the extent that they eliminate geographic, and often also cultural, barriers. Not only this, but chats and project management platforms are increasingly replacing conventional communications channels.

Figure 12 shows an unambiguously positive correlation between efforts to actively develop staff in terms of digitisation and the degree of digitisation of organisations in the study. This shows that companies that actively support their people with digitisation are able to drive and implement the process of digitisation more successfully and consistently than companies that don't have adequate development measures in place.

Personnel is one of the keys to successful digital transformation, because it won't happen on its own. For digitisation to work, an organisation must have people who plan the process far-sightedly, implement it systematically, and put it into practice in their day-to-day work.

Figure 12: Degree of digitisation versus efforts to develop staff's digital skills





iNovitas AG moves into the fourth dimension

iNovitas was launched in 2011 by a team of movers and shakers in a spin-off from the University of Applied Sciences and Arts Northwestern Switzerland (FHNW) in Muttenz. They've already earned a name for themselves internationally. Their product involves imaging vehicles that are used to generate high-resolution 3D image databases which can be called up on mobile devices and PCs. They enable owners of road and rail infrastructure to survey and analyse the environment highly accurately without the need for further surveying work. The main users are state-run bodies responsible for road and rail transport.

“We look at any idea, however offbeat.”

Ideas with traction

iNovitas has been growing steadily since its establishment. Thanks to constant digital innovation the young niche player has been able to maintain and even build on its leading position in the market. One of the main keys to its success is open-minded people who are full of ideas. “Our people are our greatest asset. For this reason, we encourage open communication and take all ideas and input seriously,” says CEO Christian Meier. “We look at and discuss any idea, however offbeat.” Most members of the team have an engineering background. Christian Meier believes recruitment is of the utmost importance. “We're able to get many talented, ambitious people on board because all our staff can leave their mark by getting involved in refining and developing our application.”

Paperless offices

iNovitas doesn't have to provide its personnel with digital training. Digital know-how and affinity are part of the company's DNA. Members of the team are open-minded, and their average age is only 20. Everything runs completely digitally, not just at the product level, but internally as well. “You'll find virtually no paper in our offices. We have enough people able to program applications for our own use. We work almost exclusively with tools we've developed ourselves.”

Balancing flexibility and stability

According to Meier, this ability to innovate is what makes the company special. But he does sound a note of caution: “We have to maintain a balance between flexibility and stability. If you're growing as fast as we are you need organised structures.” iNovitas is currently remodelling its premises, to make room for all those brains.

Think digital, sell analogue

Despite this enormous drive and a fully digitised product, the company still sells via conventional channels using traditional methods. Most of its customers are public authorities with fairly rigid structures.



Christian Meier, CEO iNovitas AG

“When we want to sell something we still reach for the phone. Personal contact is tremendously important,” explains Meier. So far iNovitas has managed to steer a good path between a digital offering and analogue, personal sales.

The world is not enough

Thanks to its innovative people, in 2015 iNovitas won the Swiss Economic Award in the services category. They're already planning new applications to penetrate new markets and drive further growth.

“We have to steer a path between flexibility and stability.”

iNovitas AG

iNovitas AG is a highly specialised provider of road and rail infrastructure services established in January 2011 as a spin-off of the Institute of Geomatics Engineering at the University of Applied Sciences and Arts Northwestern Switzerland (FHNW). The company, based in Baden-Dättwil in the Canton of Aargau since 2013, employs around 40 people headed by CEO Christian Meier. Its infra3D service provided customers with an intelligent, high-resolution 3D image database that can be viewed directly on screen.

www.inovitas.ch



Recommendations: Now it's up to you!

We've come up with a number of recommendations to help make your digital efforts a success and make it easier for you to deal with digitisation.

Make digital transformation a C-suite issue

Digitisation isn't a purely IT matter. It affects all your internal processes and your entire business model. From our involvement in various success stories we know just how profoundly digital transformation changes an organisation. For this reason it should be made a matter for executive management and the board. This is the only way to make sure a single person or body has an overview as well as the authority to make decisions on digitisation.



Start out with easy steps

Digitisation doesn't always have to mean introducing a unique, epoch-making but ultimately inscrutable technology. Small steps can also bring great benefits. For example you might want to ask whether a new project management platform could facilitate communication, or whether you still need a fax machine.

Focus on the customer

The customer remains king. So you should pay attention to what your key accounts expect. The case of InoTex AG is an impressive example of the way their needs and expectations can vary. The challenge for you is to force the pace of digitisation enough for your customers to recognise the added value. Even though a lot might be possible from the technological point of view, don't do everything. Just because it's possible doesn't mean the customer will want it.

Be brave

It often takes a brave decision for a big step to succeed. In a fast-moving digital environment, you can't afford to stand still. Digitisation can often be highly complex and hard to understand. But you should still have the courage to dauntlessly address inefficiencies or new customer needs, because, whatever industry you're in, digitisation looks set to decisively influence the future.

Invest early

Companies that have invested in digitisation are convinced it has made them more competitive. For this reason, you should make sure you don't miss out on game-changing digital market developments. You should keep digitisation permanently on the agenda and free up adequate resources when the need arises, for example by getting involved in start-ups, establishing small digitisation teams outside your core business, nominating your 'best' people for digitisation, and including your degree of digitisation as one of your key performance indicators. You might want to adopt the 'launch fast, fail fast, learn fast' approach and increasingly work with prototypes or test ideas in segments outside your traditional business.



Keep an eye on the market

The marketplace is a powerful driver of digital transformation, so you should keep a constant eye on your market. This way you'll be prepared for any new wave of digitisation. Often developments are exponential rather than linear, and you can't afford to miss the wave. So it makes sense to learn from other industries and go with tried-and-tested practical experience.

Support your people

Your employees are the key variable in the digital equation. After all, they're the people who are going to have to work with the new systems. For this reason, you should keep your team up to speed on the planning process and sound out their opinions on a selective basis. By communicating regularly and involving your entire staff, you can counter internal resistance and allay people's fears. You should also make sure your staff receive appropriate training when it comes to implementation. Successful digital transformation requires an understanding of the technology, a feel for new forms of collaboration, and appropriate coaching.



Hire digital talent

The digitisation process depends on sufficient know-how. If you want to drive the process forward you need to get the right experts on board. The last section of our study reveals that companies that go with experts are more digitally mature.

Question your business model

Swiss SMEs rarely embark on a radical transformation of their business model. But digital platforms can create attractive opportunities for new markets and successes, especially when it comes to customer contact. Rather than seeing digitisation as competing with your existing business approach, you should be treating it as a chance to broaden and deepen your relationships with customers. What you need is a business strategy for the digital age, not a digital strategy.



Establish a culture of innovation

Swiss companies are well known for their ability to manage innovation. Digitisation is becoming increasingly important in the search for more efficient solutions and constant improvement. You can't afford to fall behind in this race, so your organisation should be taking the lead.

Keep up with the pulse of the market and the times

Digitisation is a continuous process. So, you should be anchoring change more firmly as part of your corporate culture, as a model guiding the way your organisation thinks and operates. Thus you can remain open and flexible when it comes to unavoidable change and make the necessary adjustments.

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Study design

The study findings are based on a survey of people representing more than 300 organisations. It took the form of a self-assessment, with participants asked to rate their own organisation on a scale of 1 to 4 in the categories processes and infrastructure, digital sales, customer involvement and digital culture. Each organisation's degree of digitisation was calculated by averaging these scores. The categories were also broken down further and questions asked on specific topics. In most cases the evaluation is based on a comparison of the degree of digitalisation and the responses to other questions.

To illustrate the insights of the study, representatives of a number of organisations agreed to be interviewed in more detail. Some of these discussions are written up as illustrative case studies. Our special thanks go to Christian Meier at iNovitas AG, Martin Leuch at Elis Schweiz Group, Stephan Peyer at MCH Group AG and Claudio Polinelli at Creative Foto AG for their invaluable contributions.

Besides the authors, the following people at PwC Switzerland were involved in preparing the study: Shin Szedlak, Samuel Thalmann, Martina Braem and Philippe Meier.

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