



2020 GLOBAL DIGITAL IQ

Payback ahead. Take charge of your future.

Only 5% of companies are doing all it takes to get to payback from digital. To thrive, not just survive, you'll need to navigate the maze of economic uncertainty and the breakneck pace of digital.



[pwc.com/DIQ2020](https://www.pwc.com/DIQ2020)

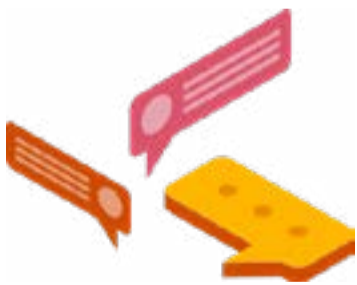


Learn from the Transcenders, the 5% of businesses that win in digital.

We've studied thousands of digitally-transforming companies for decades through our Digital IQ research. This year, from our survey of 2,380 executives around the globe, we discovered a group of companies that consistently generate payback and get significant value on their digital investments in every area we assess—from growth and profits to innovation, customer experience, people and more. They're the winning 5%.

We call them Transcenders. They don't dabble. They dive in. They eat disruption for lunch.

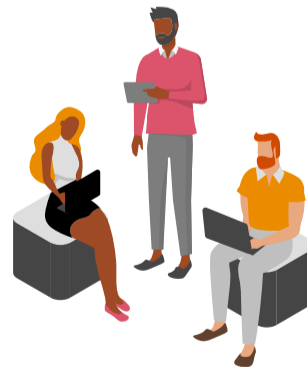
Here are the four ways Transcenders get to payback



Mandate change



Invest like you mean it



Put people first



Build resilience

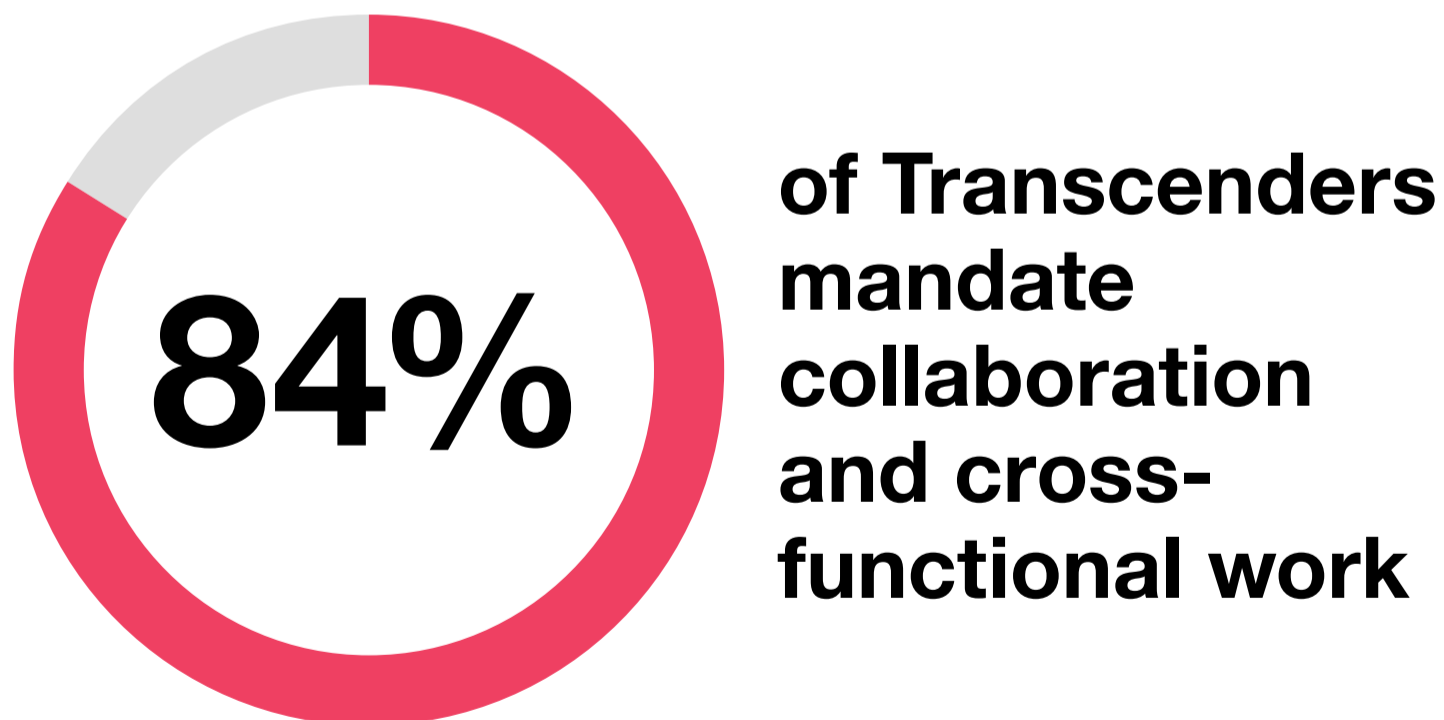
How to make change happen

This is the first, and perhaps most important, step to becoming a **Transcender**. From top to bottom, **changing how you work** is a must to win in digital.

1 Mandate change. Don't just talk about it.

You've probably heard the adage "if it ain't broke, don't fix it." That's bad advice. Most executives know if they refuse to adapt, they'll end up among the ranks of pay phone providers, VCR manufacturers, and 8-track aficionados. Yet, many leaders end up playing it safe when it comes to how their organizations and people work.

It's more than breaking down barriers and silos. Go beyond encouraging collaboration and idea generation, and lead the charge. Get everyone—in all areas of the business—involved, strategizing, and driving. That's a big reason Transcenders can—and do—act on ideas from everyone to drive business.





“Our leaders must have a clear long-term strategy and vision for digital transformation.”

CFO, Technology, Media, & Telecommunications, Belgium

Don't just assess your work culture, improve it. (It's probably not as dynamic as you think it is.) The Katzenbach Center's most recent Global Culture Survey revealed that 80% of professionals believe their organization's culture must evolve in the next five years for their company to succeed, grow, and retain the best people.

You need to know: What's working? What processes, products, and technologies need to change? This will make some people uncomfortable, so get them involved early on and allow space (and time) for experimentation and adjustments.



Shutting the door on know-it-all culture

In the 1990s, Microsoft began to diversify beyond the Windows operating system to stay relevant and competitive.

- Microsoft made bold acquisitions: In 2011, the company acquired Skype for \$8.5 billion, followed by LinkedIn for more than \$26 billion.
- It launched into a new product, the Surface line of tablets.
- When CEO Satya Nadella took over in 2014, he led—and mandated—a transformation of the company's culture, scaling back on hardware and doubling down on cloud computing.

How has all this helped?

Says Microsoft's Chief Marketing Officer: "We went from a culture of know-it-alls to a culture of learn-it-alls."



Transforming the driving experience

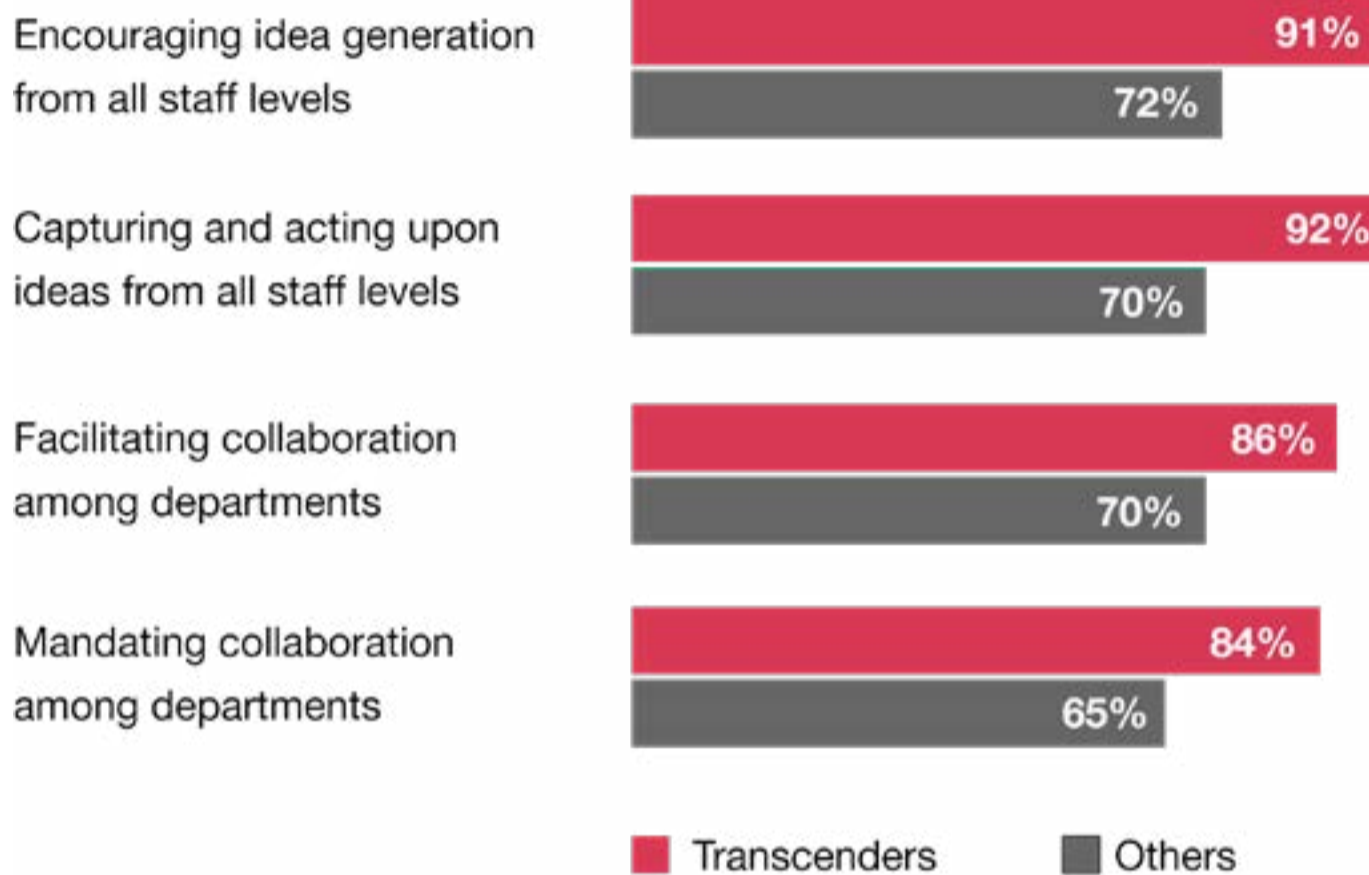
For car makers, digital transformation means anticipating changes to the driving experience and what it means to own a car. In 2018, the Porsche brand announced that half of its IT budget would go to digitization. The company notably decided against a single department dedicated to digital transformation—leaders expect all employees, across areas of expertise, to be involved.

Moving forward, faster

Porsche SE, with substantial stakes in Porsche and Volkswagen, is preparing for the day when cars aren't sitting idle 95% of the time, but are on the road almost constantly as drivers use them to earn income with on-demand services. It's acquired PTV Group, which uses models to simulate traffic, and has made investments in augmented-reality companies that could provide improved information to drivers.

Leadership takes the wheel

Leaders at Transcender companies get results



Source: 2020 Global Digital IQ survey




How to prioritize your investments

The second step to becoming a **Transcender**? Prepare for tomorrow, now. Transcendent companies wring out efficiencies early and prioritize growth. To get there, they **invest in what's next**, not just what's now.

2 Invest like you mean it

Most companies most companies invest in technology, training, and new ways of working here and there, or in a core area or two. But getting return on investment requires a holistic, purposeful approach to first build the infrastructure that will support your aspirations. Get comfortable with the risk of jumping ahead of where you are today to invest in what you need to succeed in the future.

Look broadly at processes, technology, and ways of working and build a roadmap for tech, infrastructure, and people that is fluid and flexible beyond the next few years. Transcendent companies are more likely to have a long view of transformation—96% (versus 74% of others) have clear direction for digital. They invest accordingly.



33%

Transcenders invest about 33% more than others in digital initiatives

Match your long-term investment to your plan. Transcenders invest purposefully, focusing long term on the tech and processes that help their people innovate. Not every company can instantly boost their investment. But a combination of consistent investment and long-haul expectations pays off.

To innovate more in products and services, do as Transcenders have and make smart investment risks. Don't just prioritize programs that save time or streamline a few processes. Focus on changes that best suit your people and drive business. The payoff for Transcenders in our survey: 17% higher profit margin growth.



“Digital transformation doesn’t just involve adopting fresh technology, then calling it a day. It’s a holistic task requiring a clear vision ... and a comprehensive implementation plan.”

IT executive, Consumer markets, Canada



Investing for tomorrow—in tractors

Nothing runs—or modernizes—like a Deere. Agriculture and heavy equipment manufacturer John Deere may not be the first company that comes to mind when you think of making investments in digital, but they've made significant strides.

- Deere spent the last several years investing in workforce development programs to attract and retain skilled employees.
- The company moved beyond standard manual equipment, integrating AI and deep data in their machinery.
- An autonomous farm concept aims to give farmers remote control over machinery.
- New tech helps pinpoint unhealthy crops and treat them precisely, resulting in a reduction of pesticide use.

At 182 years old, Deere invests in what's next, and develops its workforce to match.



Finding payoff—even when it takes time

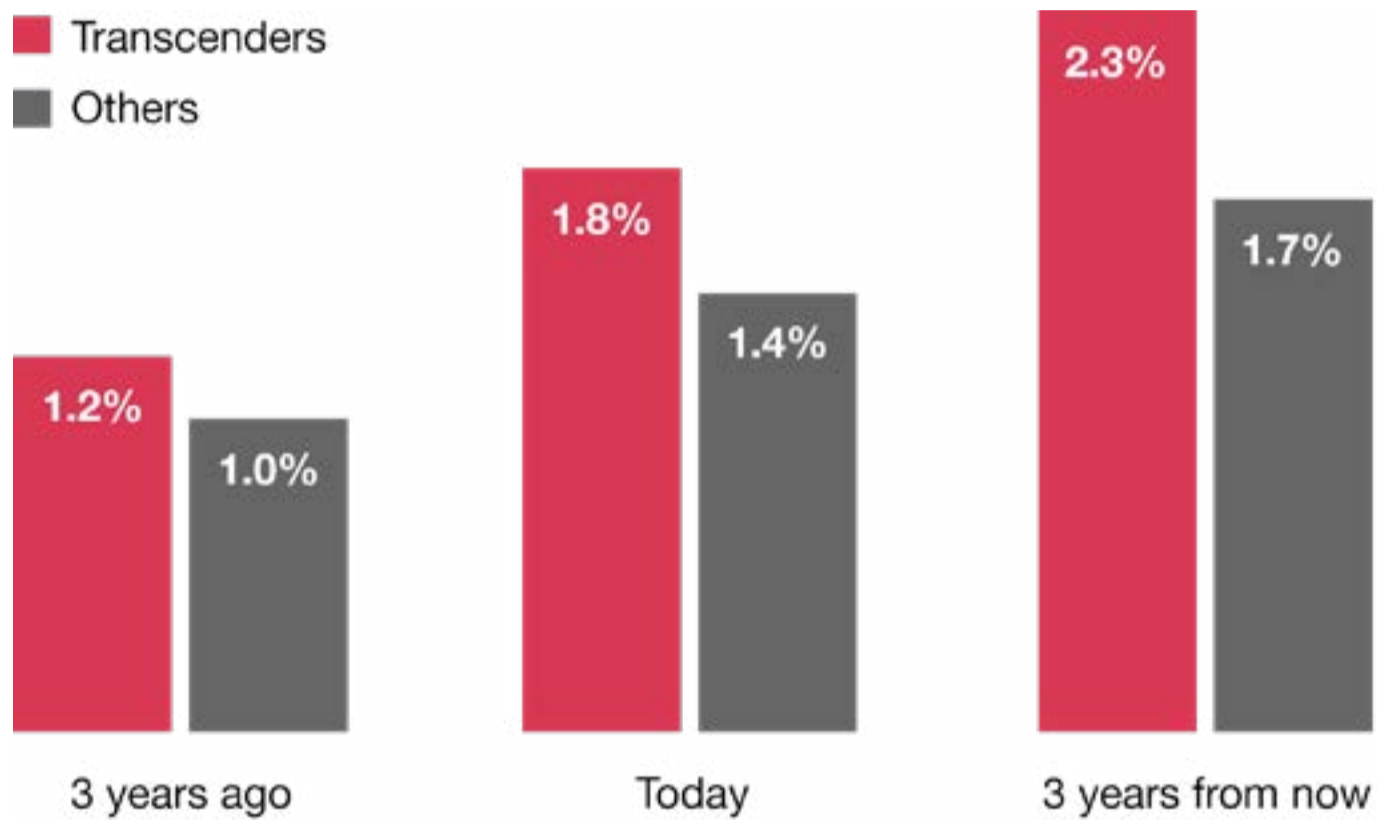
Today, Amazon is one of the world's leading technology companies and has disrupted countless industries. But it took patience and investment to get there: Amazon lost money consistently for 10 years, then off and on for another 12. It first posted a profit in 2001. In the final quarter of 2017, though, the tech giant reported \$1.86 billion in profit—more than its first 58 quarters combined.

A roadmap for what's next

Amid all this, Amazon planned with a forward-thinking roadmap. For instance, in 2003 the company announced its foray into web hosting services, then a nascent industry. Amazon Web Services now powers about 40% of the global cloud market.

Out-investing—and out-performing

Transcenders invest a higher percentage of their revenue in digital efforts



Source: 2020 Global Digital IQ survey



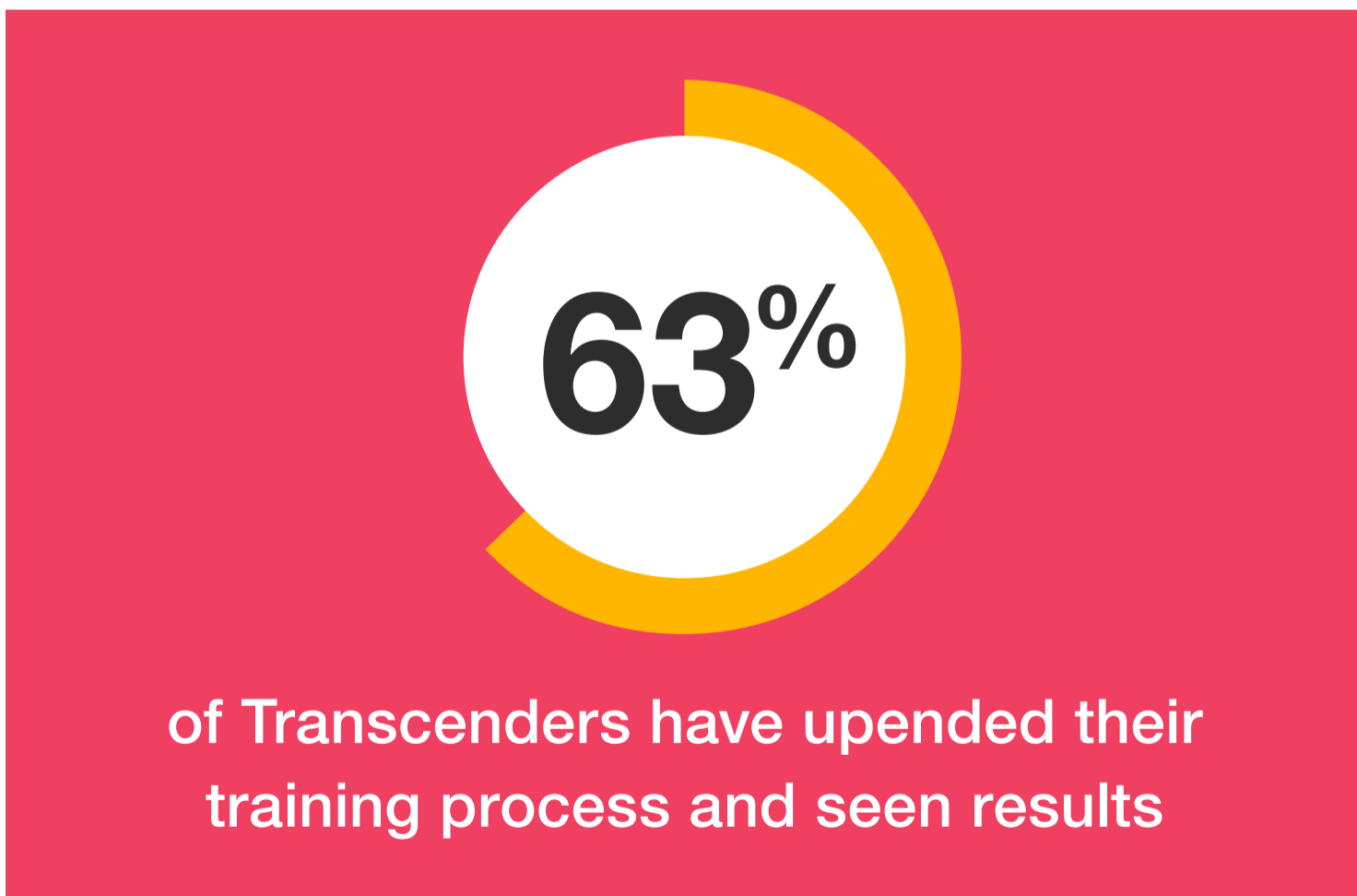
How to power your people

Leading change and investing strategically are a start. Next step to achieve **Transcender** status: empower your people. That means *everyone*. Don't waste your talent or lose out on ideas because of arcane practices or poor training. **Tap into the creative brain power** of your employees to unlock greater success.

3 Make your people your superpower

We'd all love to gaze into a crystal ball that shows not just the future, but also how to get there. In lieu of fortunetelling, focus on preparation through people. That requires a mindset that revolves around employee experience.

Start with upskilling. Most traditional training focuses on amassing knowledge rather than developing skills or understanding. And it's meaningless if it doesn't stick, drive business, and motivate people. Give employees ways to apply new skills immediately and learn from one another. It's a must when 79% of CEOs say a lack of key skills is threatening their organizations' growth.



“Change starts with employees: how they collaborate, how they adopt and adapt to different processes, and how they take new challenges.”

Finance executive, Private Equity, Turkey



Transcenders say their training changes made employees more innovative. An added (significant) bonus: They now rely less on outside contracts or new hires to drive digital strategy.

Current technologies and job roles may become obsolete, but if you focus on helping your employees think and work more agilely, they can add value to the organization as things shift. What's more, they'll be able to drive business and apply their skills to bring more ideas and innovative solutions to the table. Not every idea will be a big success, but the key is to give people the tools they need—and empower them to put those resources to use.



Putting the “co” in collaboration

Global consumer goods company Unilever is upskilling employees by the thousands—but understands that’s just a start.

- The company opened about a dozen “digital hubs” to gather people from different disciplines to work together and find new customers for their products.
- The hubs bring together analysts to study data for consumer traits and trends, creatives to design and write content, marketers to monitor performance, and data privacy experts to check security.
- A so-called reverse mentoring program pairs less experienced employees with senior leaders to act as digital guides.

Combined, these initiatives represent a significant focus on learning and experimenting for the 90-year-old company.



What’s sweeter than employee success? Ideas

Employee input and innovation have a direct impact on customer experience. That’s one reason food and beverage giant Nestlé rolled out InGenius, an employee-driven innovation accelerator. InGenius incentivizes employees to share ideas on a crowdsourcing platform where other staff can vote and join internal teams to help transform these suggestions into reality. The most popular innovations go through an expert panel and are fast-tracked through incubation, business case, and a funds pitch.

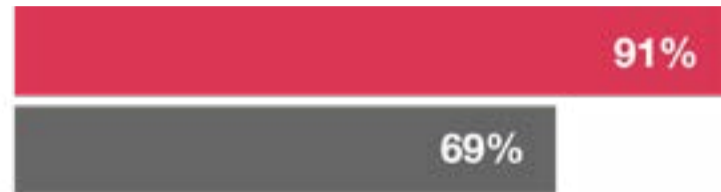
Culture shifting to share more

To further boost employee engagement and increase collaboration, Nestlé went all-in on Workplace by Facebook. Nestlé says the tool has made a difference to its working culture and helped employees easily share information and become more motivated to get involved.

Digitally savvy—and empowered

Transcenders foster workforces that are deeply engaged in digital

Our workforce is aware of our organization's digital transformation process



Our digital training and education programs have improved employee performance and engagement



Our people are digitally savvy



■ Transcenders ■ Others

Source: 2020 Global Digital IQ survey



How to build a resilient company

Finally, to become a **Transcender**, you have to get good at resilience. The new normal is constant change. More than two-thirds of Transcenders experienced disruption in the last two years, yet most came out stronger. Learn to **regroup, readjust, and tackle change** head-on.

4

Build a resilient culture that doesn't fear extinction

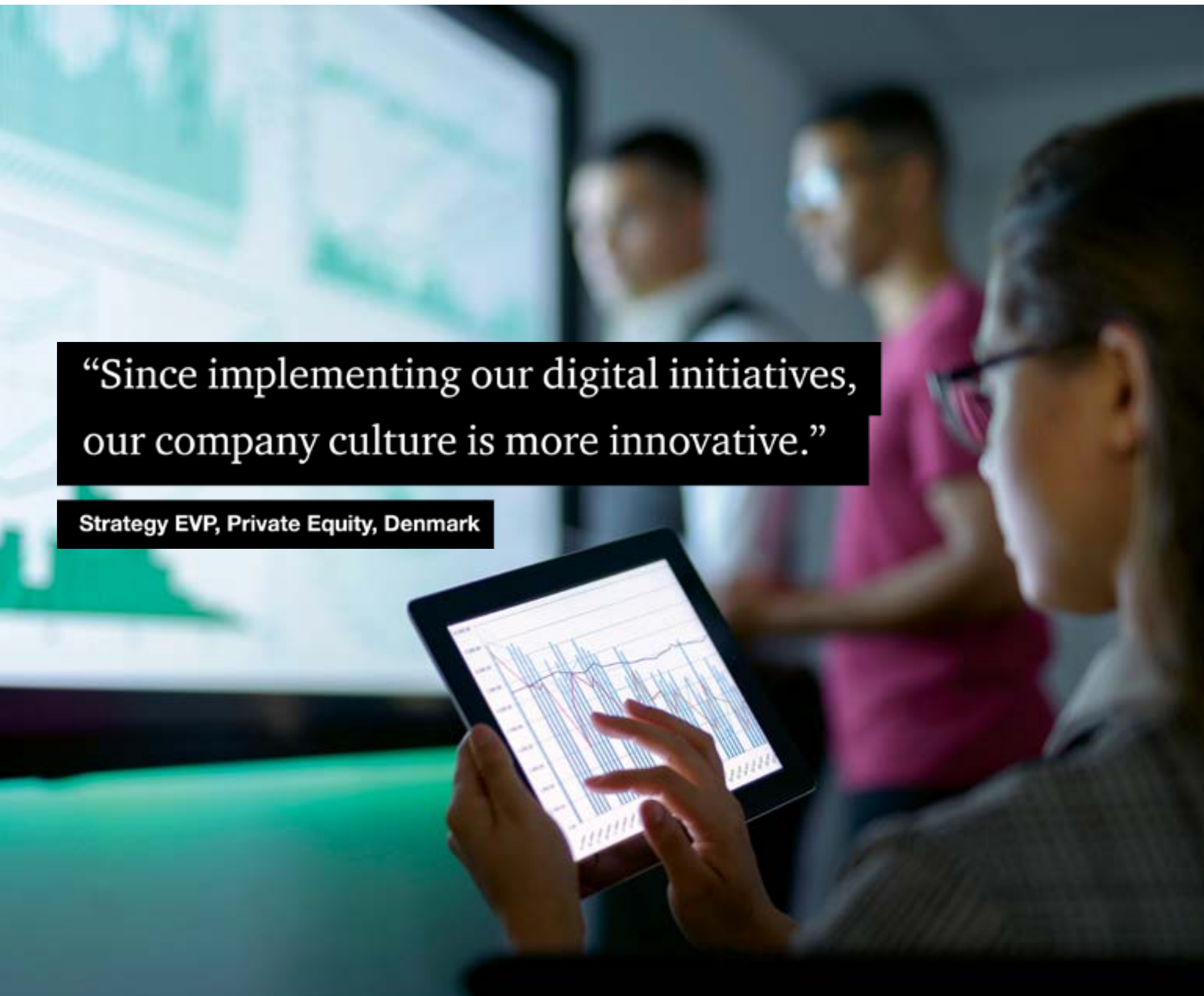
It starts with a holistic view of digital, one that sits at the intersection of innovation, business, experience, and technology. Transcenders are nearly 30% more likely to embrace this ethos. Operationalize it by investing and leading in a way to make your organization one that works with a mindset of continuous change and learning so you can adapt. (We call it BXT.)

Resilience requires persistence and the vision to navigate through headspinning change as it comes. Most companies have experienced some sort of disruptive force and had to shift as a result. Transcenders understand the need to keep up with the pace of change and be ready to pivot as needed. That ability is driven by decisions they've made about where and how to invest in their people, processes, technology, and ways of working.

67%

of Transcenders experienced a major disruption in the last two years

Accept the fact that digital transformation doesn't have a start and end date or go project by project—62% of Transcenders embrace that spirit, and it shows. If you do the same, you'll be more likely to reframe your challenges, arm your people with the tools they need to adapt and innovate, and develop ways to navigate through and create opportunities from ongoing digital shifts.



“Since implementing our digital initiatives, our company culture is more innovative.”

Strategy EVP, Private Equity, Denmark



Adapting to how the world watches

In 1997, Netflix launched as a mail-order DVD service. Monthly subscriptions meant film buffs paid less and avoided late fees. Just 10 years later, when Netflix distributed its billionth DVD, streaming threatened the model.

- In 2010, the company introduced streaming media alongside its hard-copy rentals.
- International expansion brought in subscribers from Canada, Latin America, and the Caribbean.
- Soon after, Netflix set the stage for even bigger change, breaking into the content production.

Netflix is now a streaming and production powerhouse with almost \$16 billion in revenue. It won 27 Emmys in 2019.



Radio was just the start

In 1946, Sony got its start in Tokyo with a handful of employees. In the 1950s, the company broke into the U.S. market with portable radios, and demand skyrocketed from 100,000 units to 5 million in just a few years. Sony's rapid growth—and product quality—solidified its status as a market leader and first-mover. The company's founder believed Sony should “do what has never been done before.”

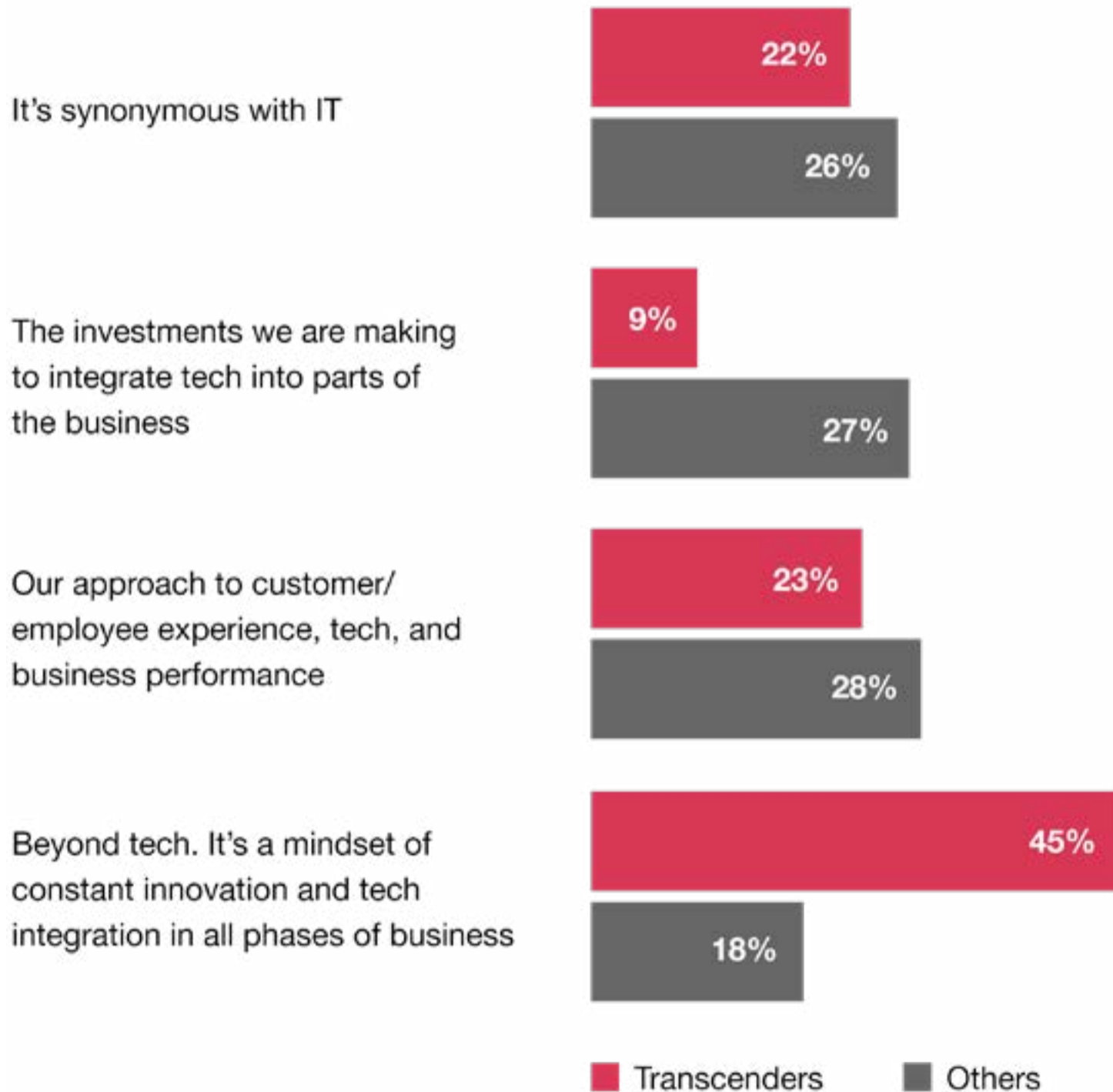
A drive to do more

And it has, aggressively pursuing new ventures—from compact discs and recording devices, to the popular Playstation gaming console, and entertainment media. It hasn't been all rosy, with several less-than-stellar performance years. But resilience and the drive to do more remained. Today, Sony focuses on what's next, revolutionizing the gaming industry, and developing future cloud solutions.

You are what you believe

Transcenders are more likely to take a more holistic view of digital.

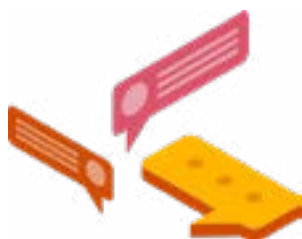
How do leaders at your company define digital?



Source: 2020 Global Digital IQ survey

Let us help you become a Transcender

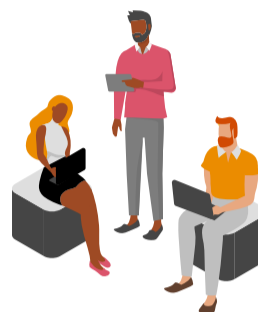
Want to learn more and see how you stack up to the Transcenders? Good news—we're spilling their secrets to success. [Click here](#) for tips, tricks, and additional information.



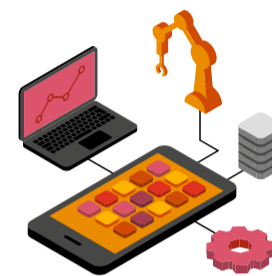
[Mandate change](#)



[Invest like you mean it](#)



[Put people first](#)



[Build resilience](#)

For more information contact:

David Clarke

PwC Global Chief Experience Officer
clarke@pwc.com

Tom Puthiyamadam

PwC Global Digital and BXT Leader
tomp@pwc.com

Paul Gaynor

PwC Global/US Alliances
& US Technology Consulting Leader
paul.m.gaynor@pwc.com

Scott Likens

PwC Emerging Technology Leader,
US, China, and Japan
scott.likens@pwc.com

About the survey

We surveyed 2,380 senior executives in 76 countries and a wide range of industry sectors. Respondents represent a range of sizes, from less than \$250 million in revenue to over \$50 billion. The survey was fielded by Oxford Economics between July 2019 and September 2019.

