From strategy to execution;
Closing the Nordic digital divide
From strategy to execution; Closing the Nordic digital divide

By now, few Nordic companies believe that they are immune to the impacts of the digital revolution. We’re seeing a growing sense that digital provides the opportunity to create new business value and launch new products and services. Digital’s potential is now seen not simply in terms of doing things differently, for example by improving the efficiency of internal business processes, but doing different things.

To that end, the majority of large Nordic businesses now have a digital strategy in place. That’s the good news: companies in the Nordics recognize the potential of digital to transform their performance. However, many are struggling to realize that potential and put their strategy into action. Many have yet to move forward to achieve the outcomes they believe digital can deliver. And for them to achieve their goals they need to develop the right digital operating models.

This point of view examines the capabilities and approaches that distinguish the Nordic’s digital leaders from the rest. By examining the digital operating models that leaders favor, and understanding the capabilities they are cultivating, we’ve been able to identify some key lessons for digital business development in the Nordic region. Every business with ambitions to make digital advances – which means nearly all – should take note.
The 2016 survey: good and bad news

With more than 70% of companies agreeing that digital will disrupt their businesses over the next 12-24 months to a large or very large extent, it’s clear that the impact of digital is being taken seriously. What is revealing in this year’s data compared with 2015 is that companies are now more likely to identify the source of disruption as coming from outside their industry than from within it. And Nordic companies identify those digital leaders as excelling at exploiting new platforms, using new technology to reach customers and rapidly creating new products and services. Digital success or failure for Nordic business will be set against those standards.

Strategies to address it are now more in evidence than we found last year. What’s more, those strategies are now more likely to be directed at developing new products and services rather than improving internal processes through digital. But what’s still missing for many is the ability to operationalize digital strategy and exploit opportunities by building the right operating model to support those goals.

In response, we see most Nordic businesses working towards a digital operating model that will enable them to make progress at speed and scale and ensure digital capabilities permeate all relevant parts of the business. On the other hand, many businesses are finding it hard to turn digital strategic theory into digital business practice.

2016 Survey at a glance

By revenue distribution

By industry

By respondent

By geography

Fig 1: Survey population of 300 of the largest companies
Focus of investments

It is interesting to note that Nordic companies with a digital strategy are increasingly focusing their investment on the development of new products and services while their less advanced counterparts who are still focused on digitizing existing internal processes.

Companies see digital adding value by enabling them to become more customer-centric, to leverage data better in order to create value as well as cutting costs. However, one important caveat to this trend is that for industry sectors which have tended to lead the field in terms of creating digital customer channels, for example financial services and retail, the emphasis is now on 'connecting the digital dots' with their internal processes. Conversely, businesses in sectors such as industrial products or resources have focused attention on digitalizing the supply chain and others have prioritized internal processes by digitalizing back office functions such as finance, HR. They are now looking closer at more customer-focused investments, for example by adding sensors to products in order to create new service propositions.

Does your organization have a clear strategy for where it wants to be in a digital world?

Which aspects of digital do you think can add most value to your organization in the next 2 years?
Moving up a level – leaders’ characteristics

While businesses in the Nordics with a clear strategy agree that for them digital is a source of competitive differentiation most still find that they are not yet able to harness digital to achieve the outcomes they need.

Nordic businesses generally believe that they are quick to adapt new technologies and spot and act on trends quickly. However, they are much more cautious about their ability to scale ideas, prototypes and pilots into commercially viable products and services. So what this tells us is that while leaders are doing a little better than the others, many of them are still struggling. So what’s the problem?

"We can typically go from ideas to prototypes within 1–2 weeks, but the ability to see them through, [...] is where we struggle."

Nordic Insurance Company
Digital operating models: key choices

Our research identifies five broad types of digital operating model that Nordic businesses have in place today. These vary in the extent to which responsibility for digital strategy and execution are centralized in a specific function or devolved to individual business units.

Our analysis found that leading digital businesses in the Nordics identify the Center of Excellence (CoE) model as most relevant to achieving their business’s digital goals. This model supports the execution of individual business units’ digital strategy with a central function providing expertise and guidelines, skills and capacity. The CoE model appears to offer a pragmatic way to enable a digital business to scale as opposed to the more complex processes required to establish a digital-only business unit that sits beside others within the organization. Many other businesses surveyed also target the CoE as a future operating model. In fact, almost half the companies surveyed indicate that they want to change their digital operating model, and the CoE model is the most widely targeted model overall. Responses vary little by industry sector. However, most also indicate that they face some common challenges in moving forward. Typically, these arise from factors such as a lack of available talent, resistance from legacy non-digital business which are still profitable and therefore wary of change, and the difficulty of finding the right balance between local influence and group synergies.

Five generic operating models for digital can be distinguished with varying degree of centralization:

- **Centralized**: Single central unit with central responsibility for end-to-end strategy to execution.
- **Center of Excellence (CoE)**: CoE provides expertise, guidelines & supports digital initiatives, BUs manage digital business & priorities, Shared services (execution) can be integrated into CoE.
- **Shared Services**: BUs manage digital business and priorities, Shared services for synergies in execution (skill & capacity).
- **Decentralized**: Each BU manages digital business and delivery independently, with little exchange.
- **Spin-off/Digital-Only**: Separate entity focused on digital only, Incubated from legacy business or a spin-off.

![Fig 5: Digital operating model choices](image)

![Fig 6: Intention to change digital model](image)
And while from this research there is little evidence of correlation between industry sector and progress towards implementing the required digital operating model, relative digital maturity is a clear driver. Companies that are better placed to take advantage of digital opportunities have tended to adopt the CoE operating model. They believe it offers them the ability to maximize speed and scale. It does this by establishing common governance of digital investments and development while at the same time maximizing the synergies between business units. They remain in charge of their digital destiny but have access to the group-wide talent and skills. That means digital projects can achieve scale faster and more efficiently than if they are left to the responsibility of individual business units in a decentralized model.

While the CoE model is finding favor among today’s digital leaders in the Nordics, it is by no means the only solution or the most relevant for all. Every business needs to examine their current position and context before targeting a specific digital operating model. There really is no one-size-fits-all approach. Certain models may be more relevant depending on the overall style of corporate governance at an organization (e.g. entrepreneurial and decentralized versus centrally controlled) and its stage of development towards digital maturity.

“A major challenge is how to find the optimal balance between business area specialization and realizing group synergies and to get scale effects.”

Industrial Goods Company

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Digital operating models options

<table>
<thead>
<tr>
<th>Consider this model...</th>
<th>...when this is true for your company</th>
</tr>
</thead>
<tbody>
<tr>
<td>CENTRALIZED</td>
<td>Partly / fully integrated core businesses, typically streamlined BUs</td>
</tr>
<tr>
<td></td>
<td>Corporate intervenes in operational decisions</td>
</tr>
<tr>
<td>CENTER OF EXCELLENCE</td>
<td>Pursue strategic frameworks &amp; concepts, seeks coordination &quot;where it makes sense&quot;</td>
</tr>
<tr>
<td></td>
<td>Less able to obtain digital critical mass in BUs</td>
</tr>
<tr>
<td>SHARED SERVICES</td>
<td>Spread in BUs' focus - but with ability to maintain sufficient local digital strategy skills</td>
</tr>
<tr>
<td></td>
<td>Synergies high on agenda - also true for digital</td>
</tr>
<tr>
<td>DECENTRALIZED</td>
<td>Highly enterpreneurial culture</td>
</tr>
<tr>
<td></td>
<td>Standalone structural setup, focus on flexibility</td>
</tr>
<tr>
<td></td>
<td>Digital investments relatively low</td>
</tr>
<tr>
<td>SPIN-OFF / DIGITAL ONLY</td>
<td>Primarily digital business model e.g. tech start-ups, newly spawn digital business</td>
</tr>
<tr>
<td></td>
<td>Need to grow business free from legacy constraints</td>
</tr>
</tbody>
</table>

Fig 7: Digital operating model choices, industry context and governance
Today’s Nordic leaders

Our analysis identifies that less than one in five Nordic companies place in the category of digital leaders (see fig 8). Leaders achieve their position through a relatively advanced formal digital strategy in combination with comparatively strong development of the capabilities they need to exploit digital opportunities. For these businesses, digital strategy sits high on the executive agenda; they have created the optimal structure that enables them to execute at scale and speed and they make use of advanced innovation and deployment capabilities.
Developing digital people

The choice of operating model is clearly important. But there are a number of other critical factors that need to be present for a business to exploit digital opportunities successfully. Perhaps the most important of these is people. Our findings show that digital leaders are more than twice as likely than digital laggards to provide formal digital training to all their staff. Leaders take very deliberate steps to develop their peoples’ ‘digital IQ’ or establishing a digital mindset. Their approach to digital development and innovation is equally differentiated from businesses that are yet to make significant progress.

These digital leaders display a strong correlation between clear and articulated digital strategy and their ability to exploit digital opportunities. They’re embracing a range of approaches and capabilities that apply not only to how they use technology, but also more broadly to activities across the business. New forms of collaboration, failing fast and customer engagement are all characteristic of digital leaders.

"Can we attract talent to our industry, talent which has traditionally been recruited by the consumer industry?"

Financial Services Company
How to get ahead in digital: habits vs capabilities

What do those businesses following in the leaders’ wake need to do in order to accelerate their progress? Having a strategy in place is a necessary but far from sufficient condition for success. What’s needed is a clear approach to executing that strategy. And that means making some decisive structural changes. Identifying the optimal operating model is essential. It needs to balance speed and scale so that digital ideas have the greatest chance of reaching the market as sustainable commercial products and services. The right operating model must also be supported with the right capabilities, appropriate resources and a clear set of priorities for activity within the portfolio of digital projects. People need to be ready to execute, armed with a clear understanding of the digital strategy, the right tools and incentives. And with execution underway, strategies require constant monitoring and adaption to achieve success in a dynamic digital environment in which constant change is more or less a given.

Digital strategy execution

**Fig 10: Four elements of strategic execution**
'No regret' capabilities

Making the right structure work in practice depends on having the right capabilities in place. These go beyond technical skills. Instead, they could be more readily thought of as a prevailing digital mindset and attitudes for the whole organization.

Below we highlight the six most important capabilities that we believe can accelerate businesses’ digital performance. While each is critical, the first three should be treated as urgent priorities.

<table>
<thead>
<tr>
<th>Urgent capabilities</th>
<th>Less urgent capabilities still important</th>
</tr>
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<tbody>
<tr>
<td>1. Seek, sense and understand disruption: To succeed in a digital environment, Nordic businesses need to develop a wider sense of disruption, looking beyond their own industry to identify new digital trends, wherever they come from, and assess how (and when) they may have a material impact.</td>
<td>4. Make the most of all data, old and new: Data’s at the heart of the digital business. It requires dedicated analysis to fully exploit its potential. What’s more, the sources of data that can generate value may be beyond today’s boundaries. Businesses therefore need to make sure that they expand their data horizons.</td>
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<td>2. Build digital IQ: The whole organization – from the board to the frontline – needs to operate with a high digital IQ: a ‘digital first’ mentality to sense, predict and act to build digital services and capture new opportunities. Training and coaching are fundamental to this, but other routes to building a digitally-savvy team, extending even to acquiring relevant talent, should all be up for consideration.</td>
<td>5. Create pervasive digital trust: Without trust, businesses cannot operate effectively. And that’s especially the case for digital businesses. Trust needs to extend across all interactions with customers, employees and other stakeholders. To reflect its importance, a Chief Trust Officer might be a relevant addition to senior management.</td>
</tr>
<tr>
<td>3. Unleash ideas, fail fast, scale what works: Operating at digital speed means developing and launching new idea faster. Some will fail (and must be allowed to do so quickly); others will be suitable for scaling up. But it’s only by having a constant pipeline of ideas and experimentation that businesses will find winning new products and services. That may even mean a business becoming its own source of disruption in the search for new value.</td>
<td>6. Think (and act) ecosystem: The digital world is connected and collaborative. Digital businesses therefore need to participate in partner ecosystems, leveraging APIs, working with others to execute non-core activities and sharing and exchanging new sources and inspiration for innovation.</td>
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</table>

Fig 11: Six key capabilities to accelerate digital progress
Taking the next steps: from strategy to action

As Nordic businesses are discovering, digital transformation cuts across the whole organization. To achieve it companies need to adopt a holistic approach. And there are clear signs that they are making progress. Many in the Nordics have taken their first important steps by developing a clear strategy that reflects the centrality of digital to their future business. Now they need to move forward by developing the optimal digital operating model underpinned by the key capabilities that will enable them to execute successfully.
About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With more than 373,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives.

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