

European  
and Asian  
Digital  
Survey  
of  
Eric  
Salmon &  
Partners

# Executive summary

**Digital evolution - or rather the digital 'revolution' - is making rapid headway and, consequently, corporate digitalization strategies are becoming a crucial aspect of almost every industry around the globe.** This study investigates the extent to which companies have embraced a digitalized mindset in their corporate cultures. In an international survey centering on Europe and Asia, Eric Salmon & Partners asked over 400 executives how their companies are preparing for the digital journey.

Key findings included:

- > Almost 95% of all the surveyed companies have incorporated digitalization into their corporate strategies. However, only 40% of these companies have established a central role which is responsible for the digital journey.
- > Senior executives at over 50% of the polled companies are highly aware of, and strong proponents of, digital innovation.
- > However, at 60% of these companies, the need for digitalization is recognized only partly, or not at all, by middle management and the workforce.
- > The impact of digitalization varies significantly depending on the functional area and industry/vertical market concerned; against this background, 'go-to-market' and 'innovation & new offers' were identified the key areas with maximum potential when it comes to digitalization.
- > A major hurdle on the digital journey is, however, a lack of access to qualified talent and management. Consequently, the role HR plays in successfully implementing corporate digital transformation will be greater than initially anticipated.

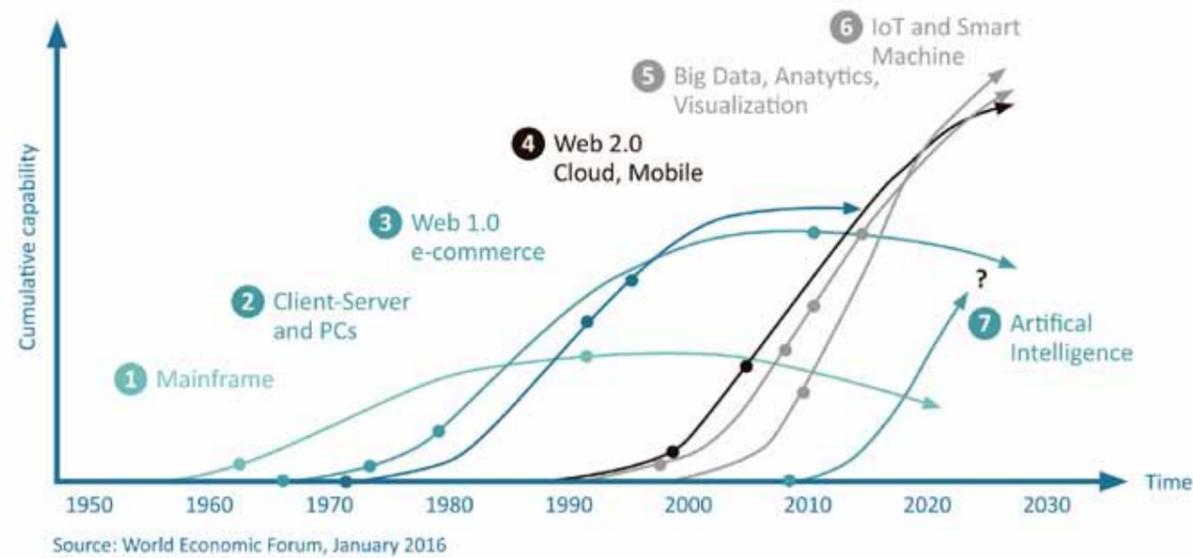
The digital journey will continue to proceed rapidly, causing massive shockwaves and transformations in every industry. The 'battle for digital talent' has already begun, and those companies which succeed in attracting and retaining that rare resource, digital talent, at all management levels will prevail on this journey.

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# Preamble

Digitalization has become a key issue for almost every industry worldwide, with many companies ramping up their initiatives in this area. As outlined below, the intensity and pace of digitalization, as well as its imponderables, would appear to be far greater than other IT trends of recent years.



Consequently, while senior management must now engage itself with digital transformation more intensively than with former changes and trends, successful digital transformation also requires the staunch support and effort of every employee, regardless of seniority or position.

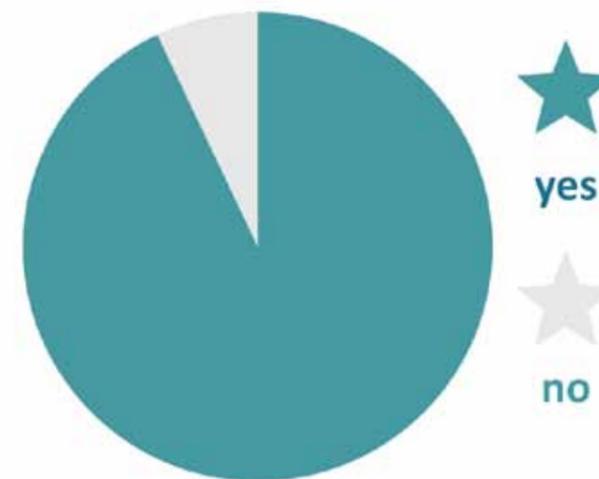
In an international survey, Eric Salmon & Partners polled over 400 contributors in Europe and Asia on: how their companies are preparing for the digital journey; which areas are impacted most by digital transformation; and their workforce's and management's overall attitude towards digitalization.

To ensure a representative sample, the survey covered all major industries, including manufacturing, retail/wholesale, life sciences, fashion, technology, automotive and, to a lesser extent, also financial services.

# Basics of digital transformation

Nearly 95% of all respondents said that digitalization has meanwhile become a key part of their corporate strategies, although only 40% of companies have appointed a Chief Digital Officer or someone specifically mandated with overseeing digitalization. This naturally raises the question: if functions such as sales, production or SCM each plan and implement their own stand-alone, digital, platforms for key processes – such as 'forecast-to-schedule' or 'order-to-cash' – that impact almost every corporate functional area, how do the 45% of polled companies which do not have a dedicated function to coordinate the implementation of these processes intend to digitize their operations effectively?

## Digitalization incorporated into the corporate strategy



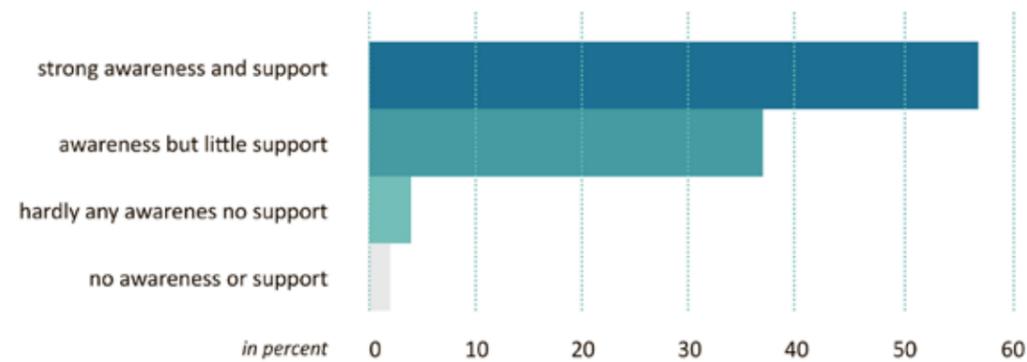
## Chief Digital Officer or equivalent position appointed



# Support for the digital transformation

**Support for digital transformation generally correlates with the support by the executive board pushing the digital agenda.** 56% of the survey participants responded that there is strong awareness and support for digital transformation. 39% of participants credited their senior management with high awareness of the issue – but only little active support, and only 5% answered that there is hardly any awareness and/or support by senior management for digitalization.

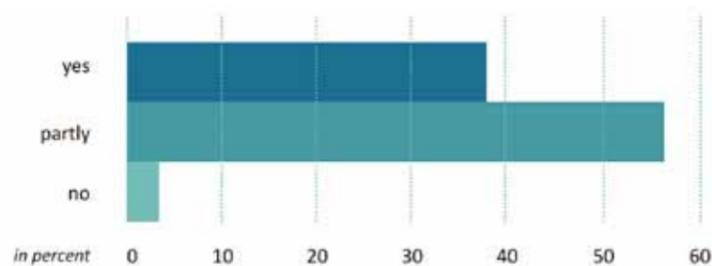
## Senior management support for digital innovation?



The issue enjoys a high level of senior management awareness, regardless of region or industry. Among staff and middle management, however, a very different picture emerges: at only 40% of the polled companies has digital transformation been embraced by middle management and below; at 56% at least partly; but for 4% of the respondents, it had not been embraced at all.

Interestingly, there is a perceptible difference between Asia and Europe, with middle-management and workforce awareness being 10% higher in Asia. Another interesting fact is that companies with an appointed CDO or equivalent achieve a much higher penetration of middle management and workforce awareness compared to the 60% of companies which do not have a CDO function in place.

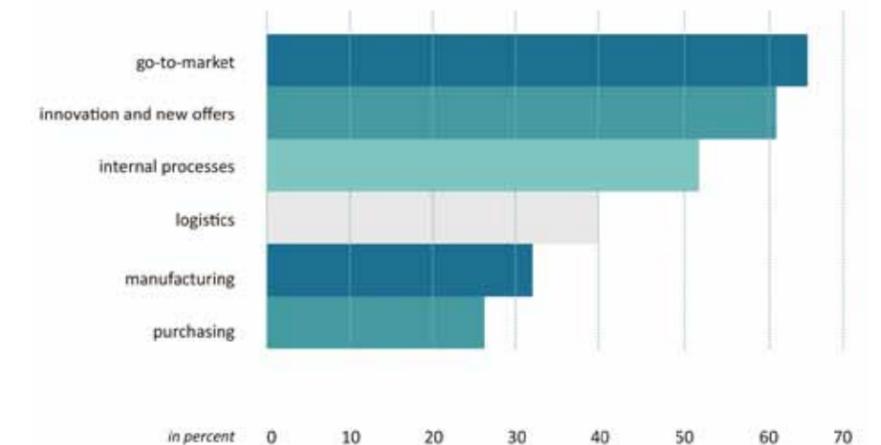
## Has digital transformation reached middle management and workforce?



# Most highly impacted areas of the business

**Central functions that will be impacted by digitalization are the 'go-to-market' model and 'innovation & new offers' (each > 60%).** More than 50% are expecting a major impact on Internal Processes, and nearly 40% on Supply Chain Management/Logistics. Interestingly, only 32% are predicting a major impact on Manufacturing, marginally higher than the function least impacted by digitalization, Procurement, with just 25%.

## Areas most highly impacted by digitization (multiple answer)



Many companies are already developing responses to the digital challenge by moving from transactional to 'interactional' business processes, and some companies have even started inviting their customers to participate in the R&D and design processes, and go-to-market.

However, forward-looking companies need to do more than just that. To succeed in the digital world requires innovation in the form of identifying new engagement and business models. Companies need to develop a comprehensive 'digital strategy' that extends well beyond the IT department. Creating and adopting a strategy of this kind requires strong top-level leadership and innovation in the market-facing units and operating model.

# The human capital obstacle on the digital journey

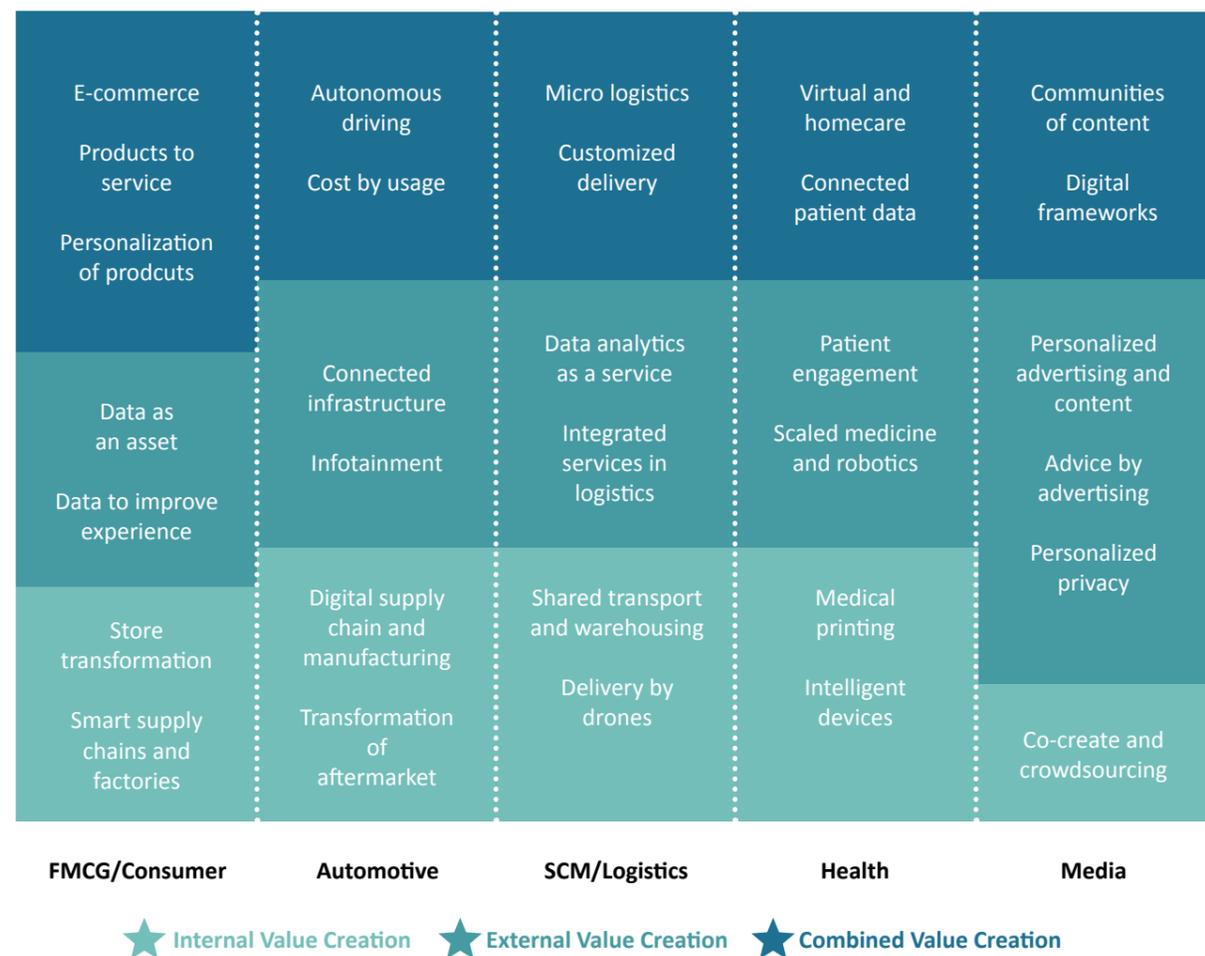
When asked on an industry-by-industry basis about the functional areas most impacted by digitalization, feedback was very comprehensive. Participants distinguished between innovation with an internal impact (i.e. on company processes) versus an external impact (i.e. on customer experience), as well as areas which impacted both. The following table shows the most common responses. While the table does not claim to be complete, it provides valuable insight into the status quo and possibly also serves as a prediction of things to come.

Whereas Asian companies focus more closely on go-to-market and innovation/new offers, European companies on average rank SCM and manufacturing 10% higher than their Asian counterparts.

**The two main hindrances lamented by many participants were the level of digitalization in the workforce, and the problem of recruiting specialists and junior management with digital profiles,** particularly in information technology. For over 60% of the participants, the largest obstacle to more-intensive investment in digitalization was not financial resources, but, rather, a shortage of internal know-how and lack of highly qualified experts and junior management.

This means that HR, or specifically talent acquisition and management, are set to play an important role in digital transformation. Nearly 60% of the respondents said that cooperation and interaction within the workforce will become more complex, e.g. with regional projects as a key instrument of internal organization. Another issue will be adapting current management culture to accept more-flexible working models.

## Digital impact per industry (multiple answers)



# New role of human resources on the digital journey

However, almost 80% of participants felt the greatest HR challenges to be those of convincing the workforce to embrace digital change and of integrating the workforce into increasingly digitized business process models. Staff development in the digital workplace will mean continuous learning and training, from career novices through to retirement. Developing and implementing ongoing people development and training methodologies to meet these requirements will be a major challenge for HR; in doing so, innovative digital skill-training tools will include gamification/serious gaming, and applying game-design elements and game principles in non-game contexts.

HR will also have to increasingly work with data analytics from a people management perspective. Consequently, HR's future role could possibly be similar to that of an internal marketing department, doing target group analyses of the workforce and developing target-group-focused offers that are part of an individualized talent- and HR-process management. Another consequence of this future, marketing-like approach could manifest itself in the external talent-management process; here, the digital world of social media could play a significant role in employer branding, enabling companies to attract, win and retain digital natives – the most valuable capital of the future in many industries and vertical markets.

At present, many stakeholders appreciate the upheaval being caused by this change, and that digitalization will affect business across all industries. That said, the level of awareness and appreciation of the need to adapt fall short. Moreover, digitalization, far from being just a technical exercise, aspires to transform entire process chains but – as highlighted by the survey – diverges from traditional staff and middle management work culture. Consequently, HR will be tasked with fostering management and employee appreciation of digitalization as a positive and beneficial development in the digital revolution.

## About us

Eric Salmon & Partners (ES&P) was formed 1990. The company has a prominent international presence, employing around 100 professionals at offices in Brussels, Geneva, Frankfurt, London, Milan, Paris, Rome, Shanghai and Singapore. Eric Salmon & Partners also has joint ventures in India and the USA.

The company is an equal partnership, specializing in identifying, evaluating and selecting senior C- and VP-level managers, as well as non-executive board members. ES&P assists corporations and privately held portfolio companies as well as family enterprises in succession planning. With sophisticated management assessment tools, ES&P assists its clients in Europe and Asia with reorganizations and HR development. ES&P completes around 400 executive search mandates and 1,000 management assessments annually.

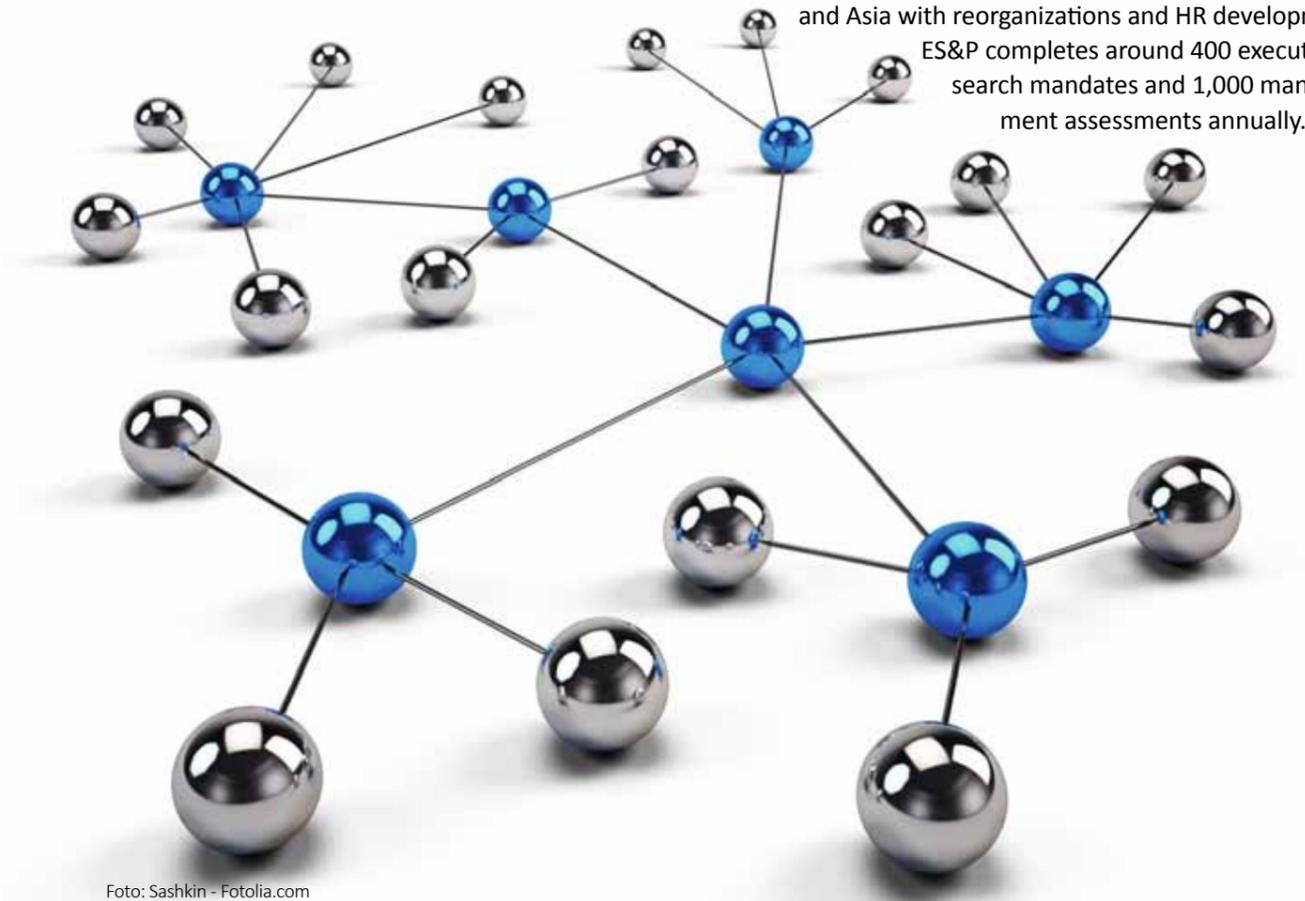


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