



# THE RACE TO DIGITAL OPERATIONS TRANSFORMATION

## VIDEO TRANSCRIPT

**Panelists (Clockwise from top left): Tracey Countryman, Russ Rasmus, Max Blanchet, Jeff McKinney)**

Tracey Countryman: Around the world, companies are racing to digitalize their operations, be it a driver with higher efficiency, resiliency in their existing business, or entirely new business models, our Strategy and Industry X groups, published a research report on how that race is going, who's leading, who's lagging, and which strategies might decide the competition once and for all. So today, I'll speak to the report's authors to hear more about the findings and their interpretations of them.

So, Max Russ and Jeff, you all work in our Accenture Strategy Industry X practice, which means you consult on a daily basis with industrial companies when it comes to digital transformation. And you just published this amazing piece of research on the very subject. Could you summarize the idea behind this and say a few words about what the survey is all about?

0.51 Russ Rasmus: We were kind of looking for three things and testing some hypotheses one around just digital operations maturity of a broad set of companies out in the marketplace across the industry, and across geographies. We were also then looking at what were they investing in those digital capabilities and what was the ROI that they returned, out of them, and then maybe most importantly, then for those that had success, what were the key enablers to let them drive a different ROI than those that performed.

less well in the survey. So, it's really the combination of those three things we were looking for

1.22 Tracey: So, I guess it's fair to say maybe then the report, there's some declaration around winners and losers. And I do think there's a really big difference across the industries which is exactly what I'd like to explore a little bit more during this session. So maybe just to set up for the rest of the conversation, could you explain how you operationalize where and how the companies are investing?

1.43 Jeff McKinney: The guide for us, as always, very much focused on where the business opportunities are, and/or the gaps, and then how we apply those technologies in a way to drive more sustainable value. I think what you'd see in the research is that the companies that are doing the best at this - those value makers versus the traditionalist, are very focused on how do they solve business problems while enabling technology capability to create more advanced both decision making and automation around a more common platform and so those value makers become really critical, by applying, how they take a business problem and applying more advanced technology to solve it as they go forward in a sustainable manner.

2:27 Tracey: And I believe in the research we looked at seven different capabilities, or seven different groups 40 different capabilities and then across approximately 10 industries. And I



think that's what's interesting is because we actually built a picture of the industries in the G.O.s, can you go through that really quickly Max and talk a little bit about the winners and positioning of the various industries. And of course, as you guys know I grew up in Oil and Gas for the last 15 years and I was pleased to see that one at the top of the house.

3:00 Max Blanchet: So first of all we are extremely quantify during that study, and even the top winning industries, oil and gas, it was not to please you, Tracy, it was really the outcome of the digital index that we have developed, it's an interesting matrix, measuring the maturity of the different industries and what came out, the top five industries, we are quite surprised about it at the beginning is Oil and Gas, Aerospace and Defense, Chemical, High Tech, and those are the industries that which were somewhat the most advanced. We can understand that because some underlying drivers can explain that the fact that they have started a bit earlier, they are more acquainted with data and as production cost is extremely critical for those industries.

3.45 Tracey: And it's interesting Max because having presented this a few times to kind of set the landscape of cross industries, you mentioned those are the top but I think one of the other factors is that in Oil and Gas in particular and even A&D which really matters to B2B right, so those companies that have been focusing around customer, customer experience, sales and marketing right kind of went after that and maybe even the early stages are part of the supply chain, whereas it needs other kind of really heavy industrial ones, you know, there wasn't really much emphasis on the consumer, right, so we kind of went after the hardcore cogs for cost to goods. Now Russ, would those be the top five. Can you talk a little bit about the ones that made the bottom?

4:26 Russ: Yeah, you know, it kind of fits your narrative, a little bit right, you see Consumer Goods and Life Sciences, towards the bottom of

our list of maturity right where I think their digital dollars early in the journey probably went to the commercial side, as opposed to the operational side so they've they're behind in investment and behind in maturity, Industrial Equipment is also down there actually very low in the scores of maturity, but it's interesting where their investment has actually been pretty high on the same level as the Oil and Gases of the world, but they've just not returned the ROI so they're very interesting segment around these critical enablers of what's not happening there that they're not getting that ROI that those other industries are at that same investment level.

5:07 Tracey: And then I think one of the key conclusions was that it was a quadrant right of where people fell and there was a discussion in the paper about the risk of falling behind, right, if you don't have that associated investments. And I have to say that feels like a very obvious thing for consultants to say, yes if you don't do this you risk falling behind. But Max maybe you can elaborate a little bit on that about what we found

5.29 Max: Yes, an interesting find is that the companies that are the most mature in terms of digital, there are also the ones who are looking forward to investing the most, and to also get the most important value, whereas in the other hand, the companies that are somewhat lagging in terms of maturity, you could have imagined that those companies want to catch up and invest more in order to catch up. Not at all. They are the companies who invest somewhat less, and they're expecting less value. So, this creates in this panel a kind of double dynamic of these two circles of companies who are late, adopting and not adopting and therefore they will have problem in the next five years, and a virtual cycle where companies are going for it, investing, and now they are working on more advanced capabilities compared to the traditional. This was very obvious in this study and it tells you the strategic landscape of the competition will be very different from now and in the next 10 years.



6:30 Tracey: I hear you. Can we go into a little bit of detail, maybe Jeff with you on what are the winners doing to start that virtuous cycle right of invest, get better ROI, invest get better ROI and how are they investing, and what are they doing differently in their projects?

6.45 Jeff: Those companies that are generating the highest operating margin or gains are those that are investing at scale. So, there is a real difference in this adoption curve of just starting out with proof of concepts that, that generate sort of spot or localized benefits versus these things being generated at scale and what we clearly see from the research is companies that can invest and move to scale are seeing those commensurate adjustments in their operating income as they go forward.

7:17 Tracey: And I think that that lower investment I do think there was a point in time when we said the word digital somehow that therefore meant easy and fast. But I know that there's a lot of really incredible foundation capabilities that are needed Russ, maybe you can elaborate on what more foundations are needed to go into that type of investment profile.

7.40 Russ: Yeah, there are a lot of key enablers so those investments aren't just in the digital itself right it's in the talent and the policies and the processes that go around that digital, but also the operating model right we found with a lot of our clients and in the survey that if the operating model isn't aligned for a digital journey, it's really hard to scale and accelerate and then maybe another key enabler, which seems kind of obvious but that data foundation was really important too for a lot of these companies making sure that a, they have the data which is a lot of them have, but they're not leveraging in the manner in which they need to, or sharing it cross site, cross network etc., that data foundation was also a key enabler for these companies.

8.18 Tracey: Yeah, and I think it's interesting because some of the clients that we're working with, and I know you guys personally are

involved as around the upfront strategy piece, the roadmap, the use case, the value at stake, but also the operating model implications of having a big and bold transformation vision. And then there's obviously the capabilities that underpin that to allow for scale, so you know I think the question for you, Max. Our viewers might be interested in on the details here. I know you've identified specific capabilities in which the leaders, I think what we call value makers are there what are they leading in exactly

8.54 Max: They're working on, more advanced and more sophisticated capabilities and it because they already must arise, the basic capabilities and which are somewhat behind it. And so that's, that's, that's the kind of trend that we see. But in terms of scale up, I think what is very remarkable is that the leading companies are changing their approach to deploy, and instead of deploying solution by solution for across plants, across sites, they are taking a holistic approach to take complete assets and implementing all a solution in that asset and therefore changing the ways of working, the process, the skills and therefore generating the value, and that is the next level, how to really ensure this scale up is starting properly well and, and has to escape, I would say this war of industrialization of digital.

9:48 Tracey: Well yeah and I think that point, about whether we think about it like a lighthouse and stitching together multiple use cases that drive end to end transformation to prove, really prove the value, but also, I think the advancements around, you know, robotics, and greater automation and how we're going to leverage 5G, right, thinking about that in the future right is somewhat some of the leaders are playing in. Now against the other side of the leaders, I suppose we had the more traditionalists, Jeff, do you want to talk a little bit about kind of what the traditionalists are focused on in the study?

10.18 Jeff: The fundamentalists or the traditionalists are struggling with just the basics.



And that might surprise a lot of people. And it's not just the basics around things like you know a lot of them don't have

IoT platforms set up yet, is a part of their business or in a lot of cases what they don't have is a single decision on what that foundation for something like an IoT platform should be, because it's fragmented, it's used everywhere and as a part of it, they really struggle with past is sort of unit operations improvement, because none of it can share and communicate to try to drive more closed loop decision making on the, on the factory floor, those that can pull together those digital threads that allow them to generate these use cases that are leveraging each other in terms of their value and their return are clearly for the value makers have focused in the traditionalist just have not made that step yet in their business.

11.13 Max: And maybe it was mentioned Tracy, that quantification of our index globally. Today, the maturity is only 39% and on a scale of 100% so it means that it's still remaining for most of the industries 60% I would say have the maturity to grow. And this explain exactly your comment, as of today, there are a lot of foundational things which have to be implemented and so on and that's the reason why we are 10 years after the invention of the industry 4.0, which has been invented in 2010, and still, we are globally, I would say on the range of 40% of maturity in that journey.

11.51 Tracey: Interesting, so okay so you found some capabilities that needed to be prioritized in the research report. So how do companies go about shifting to the ones that you identified as the most critical and can we spend the remainder of our time talking and discussing about what our clients could do to ensure that their organizations can also become value makers. Russ, can I maybe ask you to take the lead on this one.

12.14 Russ: Yeah, I think it's important for companies to understand that, what's critical for one company may not be critical for them right so it's what are those critical capabilities for your

business plan for your operational strategy so we always stress for our clients, let's start with an operational strategy first to understand what you need to get better at, and then let's align what digital enablers can actually help you drive that operational strategy, right and then then that totally aligns to the digital enablers to the value that you need to unleash with that ops strategy. So again, tying those things together is really important. And then out of that it starts to give us those opportunities where we can start small and then scale very quickly around those success points where we're seeing that value.

12.55 Tracey: Max, anything you want to add to that around to the how do you scale?

12.59 Max: Yes, well I think we'd call it this topic, I think what is, what is interesting, the studies that the 40 capabilities, okay we mentioned, are becoming a kind of commodities, you know, they are known, and they are not new anymore. Okay, we know that we still have the maturity is 40%. So, my question is a strategy question, what's going to be next, after that, once you have implemented those 40 capabilities and you have fully scaled up or what we are talking about, which is a question of number of years actually, so if we project ourselves into 2030 who will have all the foundation, we discuss all the objects in place? What type of companies will be at that moment and what type of capabilities those companies will have, and this is what I call the company of the 21st century.

And probably, maybe this will be the topic of our next study.

13.53 Tracey: And I think I remember one time you and I were chatting on a train to see a client and I, we were talking about, you know, where's the breakdown because I think the digital technology works right where we were three or four years contemplating whether it worked, I think is gone, right, everyone knows that there's probably inherent value in the tech and the techs feasible, but the leadership buy in from the top, right into being a strategic element of



the business strategy or operational strategy as you said, Russ. I think you know, continues to be one of those things that absolutely is in the hearts and minds of the company and the culture where they want to go, and that's one of the things that you and I remember talking about a link that this is almost the people side of the equation, more so than the tech side of the equation for scaling.

Very well-made points to everyone, thank you again for sharing, and for walking us through it all in great detail. You can, I know you can find it somewhere, so maybe Russ, can you let us know where everybody can hear this, see this, pick up the latest report and I think even do some benchmarking themselves of their own company?

14.56 Russ: Yeah, so essentially if you go to Accenture.com you can connect to all the research, we've got a paper that we've written out there as well as some access to some of the data, etc. No registration required. Obviously, you can reach out to the four of us and all of our contact information is out there and you can find us out on LinkedIn as well. Happy to further this conversation specific to your organization if it interests you.

15:23 Tracey: And remind me. You can also do a private online survey. If I'm not mistaken, is that right Jeff or Max?

15.33 Max: Yeah, the capability has been set up it's very simple. You send a questionnaire online to a client, and you just have to fill it up with his own team, and therefore he will get the kind of private reports showing how, where he stands compared to his peers. And this type of approach has been quite successful, and the client really appreciates to see where they stand and it helped them internally ever to build up their strategic plan, on the industry. Or somewhat challenge a certain number of assumptions, for example, investments needed or value that you know they have computed internally, and for which there is not yet a consensus.

16.12 Tracey: Excellent. Thank you everyone. Well, this was our short debrief on Accenture's Race for Digital Operations Transformation for our new research report which you'll find on Accenture.com. I'm Tracey Countryman, and I thank all our panelists for your time and your interest.

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