

2017 Dutch Digital DNA Demystified

The Netherlands
Research report

December 2017

Preface

One of the most challenging and intriguing trends of Deloitte's 2017 global Tech Trends report was undoubtedly its Dark Analytics Chapter: Illuminating opportunities hidden within unstructured data. And when in early 2017 we contemplated organising the first ever Dutch Digital DNA Summit, we were inspired to practise what we preach and use the vast and already available global dataset of our global joint *MIT SMR*/ Deloitte research on digital maturity. We wanted to search for some specific Dutch insights. It struck us that the Netherlands seemed to be on a steadily evolving maturity trajectory. We wanted to better understand this at a more granular level.

This report is the summary of what we found: Dutch Digital DNA Demystified. It is not just about how some organisations score substantially above average on digital maturity.

As in real life, it will also give you a sense, or at least a hint, of which Digital DNA traits from another successful digital strategy you should consider recombining with, copying, bypassing, or – if needed – stealing. Survival of the most adaptable – the conscious configuration of your Digital DNA will determine your future as an organisation.

Enjoy.

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Acknowledgements

This research note was made possible by the kind sharing of the global dataset of the following *MIT SMR/Deloitte Insights* 2017 publication:

G.C. Kane, D. Palmer, A.N. Philips, D. Kiron, and N. Buckley "Achieving Digital Maturity" *MIT Sloan Management Review* and Deloitte Insights July 2017

To cite this report, please use:

Hans van Grieken, Laura Leegood, Kim Lijding, Robert Philp, Wilby Septian, Andries van Dijk, "Dutch Digital DNA Demystified" Deloitte Netherlands December 2017

Executive Summary

Rapid technological advancement is pushing businesses to respond to waves of new digital technologies that they cannot predict, let alone influence. The disruptive nature of these technologies will not go away for the coming 20 years, which means that companies must develop a robust capability to sense digital disruption and deal with the threats and opportunities that arise. Only by turning disruption to their advantage can companies stay ahead.

Over time, many organisations have developed (either consciously, through strategy, or unconsciously, by “learning by doing”) a set of capabilities that will determine their success in this digital age. We call this their Digital DNA.

This research paper aims to identify the digital capabilities of Dutch companies, the traits that make up the sum of their Digital DNA, and the archetypes that best characterise their response to digital opportunity or threat. It also looks at how the Netherlands compares to the rest of Europe, and the world.

We hope this paper can provide valuable lessons for your business. By identifying your ‘dominant’ Digital DNA traits, and recombining with one or two traits from other successful strategies, you might make your company’s Digital DNA unique and futureproof.

Key findings

- There are two distinct success strategies that are fundamentally different in the way they configure their Digital DNA: Fast Moving Experimenters and Talent & Strategy Leaders
- The archetype Fast Moving Experimenters makes up 31% of the Dutch cut of the global data, as opposed to 21% in the rest of the world
- These Fast Moving Experimenters are much more likely to start with mostly “small experiments” (68% in the Netherlands versus 53% in the rest of the world) and consider themselves to be much more successful in terms of results (56% in the rest of the world and 84% in the Netherlands)
- The other success formula for an effective configuration of Digital DNA is the Talent & Strategy Leaders that make up 29% of the Dutch market.
- Their major challenge is their low risk appetite (“acceptance of risk or failure” 61% in the Netherlands versus 74% globally: difference of -13%) as well as their low appetite to encourage experimentation (“organisation encourages experiments” - 61% in the Netherlands versus 84% in the rest of the world: difference -23%).
- Dutch Fast Moving Experimenters consider themselves substantially more successful than Talent & Strategy Leaders (84% versus 71%)
- There is sound evidence that having a clear coherent and well communicated digital business strategy is a strong predictor for success: 83% for Fast Moving Experimenters and 74% for Talent & Strategy Leaders claim that the outcome of their Digital Business Initiatives is either “successful” or “very succesful”.
- Fast Moving Experimenters are more effective in configuring their Digital DNA in such a way that it enables them to use digital technologies to do business in a different way, creating new business models and additional revenue streams.
- There is still a substantial group of Chasers in the Netherlands that, although they on average spend 10% more on digital initiatives according to their own assessment, don't get any measurable business benefits out of their investment. These organisations lack a clear digital strategy and because of that, struggle to measure results and progress
- Strong leadership was marked out as critical for success, with new skills such as the right vision, digital skills, and an experimentation and risk-taking mindset taking the place of strict hierarchies and command-and-control systems
- Organising for digital requires cross-functional collaboration and breaking down silos in the business – the most digitally mature archetype in our study was more than twice as likely to recognise and reward cross-functional collaboration as the least mature archetype
- There is a recognised digital talent gap, with only 21% of respondents feeling they had sufficient talent to support their organisation's digital business strategy and ambitions. What's more, businesses that do not adapt to digital risk losing even more talent: 60% of respondents within the least digitally mature archetype said that, given digital business trends, they expected to work for their organisation for less than a year
- While disruptive digital technologies are the driver of change, the uncertainty involved means that businesses cannot predict every new technology in advance, but need to establish a technology operating model that allows them to react to changes as they arise

Recommendations

- Closely monitor new digital trends that might affect your business, so that you can anticipate and respond to changes as they develop
- Identify the kind of business you are, and which archetype best characterises your Digital DNA
- Identify the one or two traits to integrate within your own DNA from the opposing other successful digital strategy (Talent & Strategy Leader versus Fast Moving Experimenter – dependent on where you score the highest)
- Articulate your digital aspiration and translate it into the actions you need to take, across a balanced portfolio of digital business initiatives to enact the strategy
- Prioritise your key activities that offer the optimum balance of attainability and impact. Define your future Technology Operating Model
- Ensure you have the right leadership and talent to execute on the plan, developing from inside the business as well as acquiring from outside
- Organise for digital, structuring around cross-functional teams and enabling and rewarding collaboration
- Whatever Digital DNA configuration and strategy you choose or strive for, make it data driven and measurable

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Introduction

Digital DNA

In biology, DNA is the unique code that describes who we are. It encapsulates our fundamental characteristics, and how we are able to respond to our environment. Over time, the DNA of a species can change in response to its circumstances either by recombination or by mutation. Challenging environments – including new predators - force the species to adapt. Those that do so successfully have the best chance of survival.

We believe that the same applies to businesses, which must evolve in the face of a new, challenging digital environment. The businesses that successfully change their company from the core and build their own Digital DNA, fitting their current needs and future ambitions, will survive. Those that do not will face disruption and potential extinction.

And as in nature, there is no end goal: species are constantly evolving as their environment changes, and so should your business. Digital transformation is an ongoing journey, not an end-state. The market is changing quickly; customers, business partners, employees and citizens have come to expect and demand the same kind of digital maturity that they have grown accustomed to in their private lives.

Unlike in nature, however, businesses do not have thousands of years to evolve and adapt to changing environments. They cannot afford to have their Digital DNA “happen by accident”; it needs to be intentionally created at an extremely fast pace given the exponential nature of digital technologies entering the marketplace. What's more, it's possible for a business

to adopt new traits or boost their existing traits in order to become better adapted to digital.

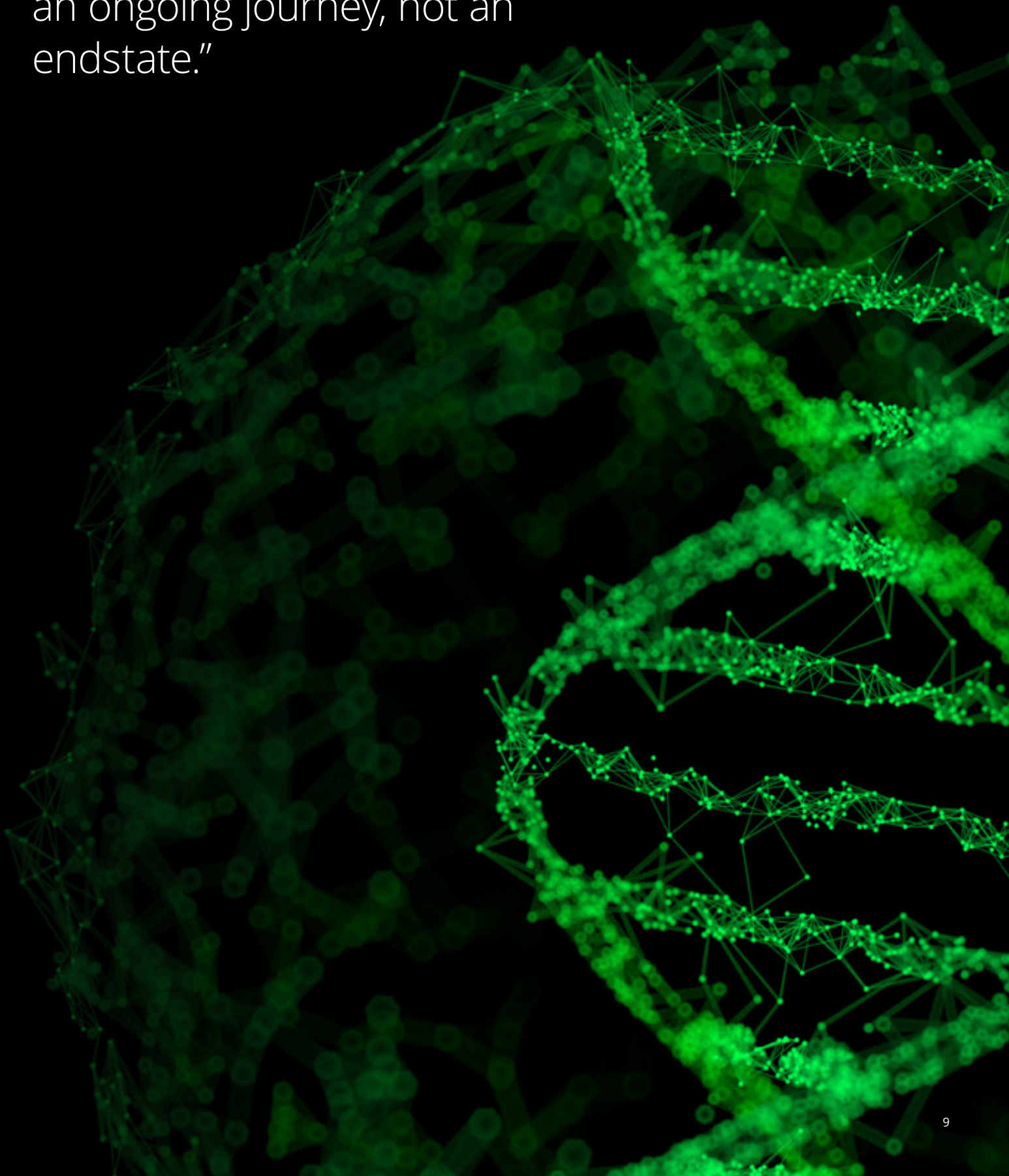
Sometimes businesses can mimic the successful traits that they observe to be successful in other businesses.

We believe that by studying the traits of successful digital businesses, we can provide businesses with insights on where they are on their digital journey and guide them to build a more sustainable Digital DNA that performs better in today's challenging environment.

The metaphor of Digital DNA was not chosen by accident. A typical characteristic of DNA strands is that they cannot be changed other than by brute force (mutation).

Most adaptations of new functionality are therefore the result of recombination between different DNA strands from different agents. This also implies that you cannot copy all the Digital DNA of successful other companies. You need to choose the one or two traits that best complement your existing Digital DNA configuration.

“Digital Transformation is
an ongoing journey, not an
endstate.”



Methodology

Our research draws on several sources, both qualitative and quantitative. We organised two qualitative initiatives:

1. We conducted in-depth interviews with 11 of our top Dutch multinational clients, to get a better understanding of what they were really doing in the digital space and what strategies they were pursuing
2. We gathered and analysed our own consulting portfolio in the market in so far as it relates to digital transformation: what type of projects are we as Deloitte Digital invited to bid on, what kind of strategy seems to be driving these requests and what new innovative digital services do our customers expect us to deliver in the future?

Based on both of these qualitative inputs, we formulated the hypothesis that there must be four distinctly different archetypes; four different approaches in dealing with digital disruption and/or opportunity. Two of these appear unsuccessful but slightly different: Laggards and Chasers. More importantly: our research shows two distinctive successful approaches that we coined Fast Moving Experimenters and Talent & Strategy Leaders.

So we set out to quantitatively examine if our hypotheses were correct. We have worked with survey data produced by our colleagues at Deloitte Insights, in collaboration with the *MIT Sloan Management Review*. They conducted a survey in the fall of 2016 of more than 3,500 business executives, managers and analysts from around the world. The survey captured insights from individuals in 117 countries and 29 industries from organisations of various sizes.

In order to come up with specific insights on the Dutch market, we analysed the 68 Dutch responses to the survey.

Our experience has shown that although all businesses are at different points on their digital journey, there are many different paths to take – there is no ‘one-size-fits-all’ approach. As such, we used our data to segment responses into archetypes, with each one characterising a certain configuration of the same identical 13 Digital DNA strands, but fundamentally different configured for each of the four archetypes: Strategy-led, Talent-driven, Long-term thinker, Collaborative, Innovative, Investor, Digital leader, Digitally Mature, Empowered, People development, Leadership-driven, Agile, Experimentation & Risk taking. Analysing the traits of these different archetypes reveals lessons that will allow business leaders to make positive steps on the journey to becoming digital.

General Observations

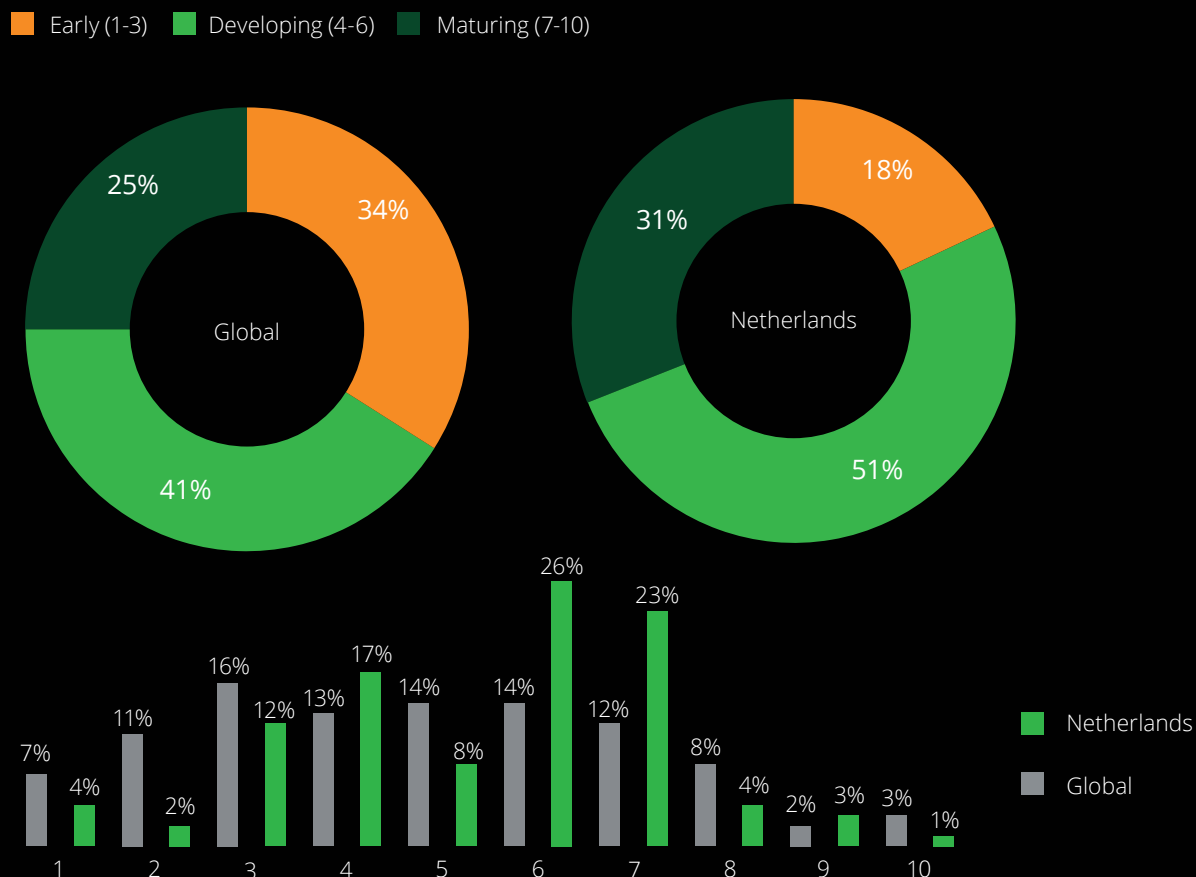
A clear message that can be drawn from the global *MIT SMR* 2017 research report is that – on average – Dutch organisations perform better in terms of digital maturity in comparison with their global peers. This is based on responses to the following self-assessment question that opens the *MIT SMR* survey:

We asked respondents to “imagine an ideal organisation transformed by digital technologies and capabilities that improve processes, engage talent across the organisation, and drive new value-generating business models”.

We then asked respondents to rate their company against that ideal on a scale of 1 to 10. Three majority groups were observed: “early” (1-3), “developing” (4-6) and “maturing” (7-10).

This is how the Netherlands compare

Figure 1. Digital Maturity groupings



Archetypes

We identified four distinct archetypes, based on clustering businesses according to their traits – such as being talent-driven or risk-taking.

These traits were represented by higher or lower than average responses to survey questions. The configuration of these traits characterises each archetype (although not every business within each archetype will encapsulate these traits perfectly).

These four archetypes show differing degrees of progression towards digital maturity, as well as different traits across a range of other capabilities areas. Although every business is unique, we believe that most businesses can identify most closely with one of these archetypes.



Grade companies have given to their maturity

Figure 2. Maturity breakdown by archetype globally

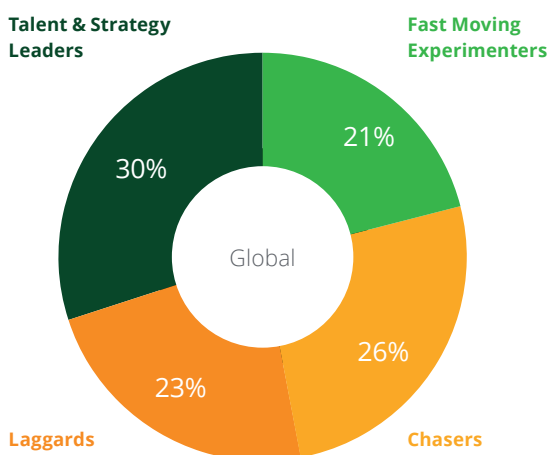
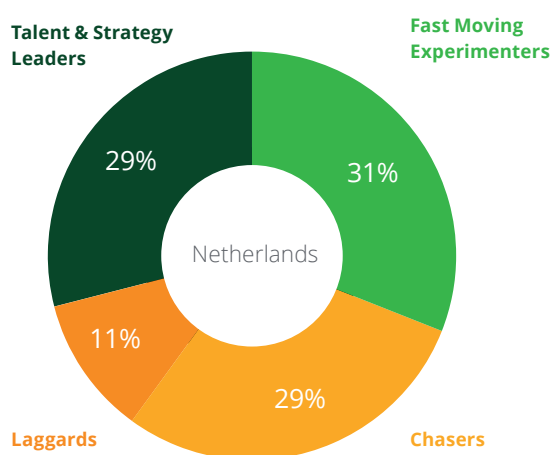
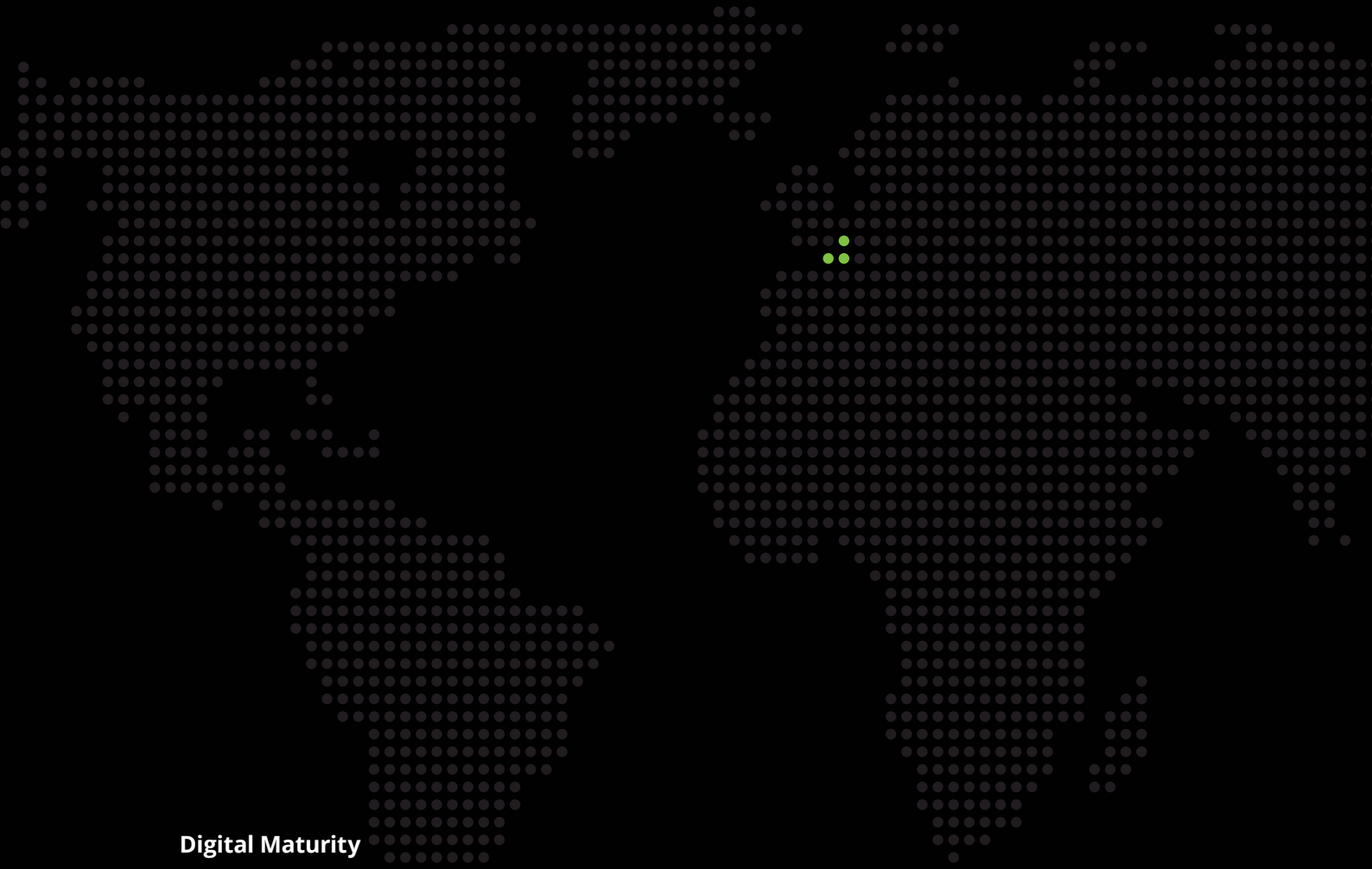


Figure 3. Maturity breakdown by archetype in the Netherlands



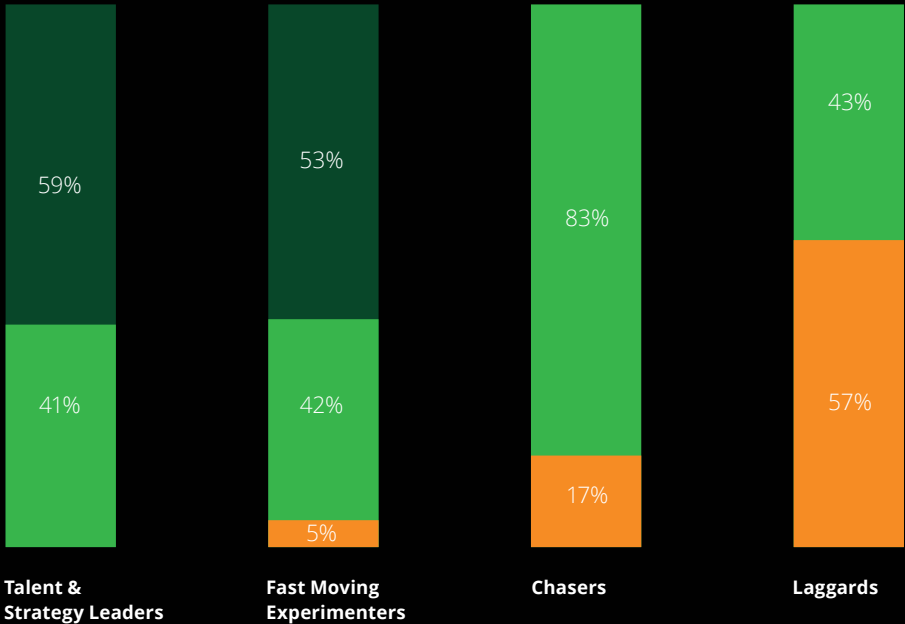
Q: Imagine an ideal organisation utilising digital technologies and capabilities to improve processes, engage talent across the organisation, and drive new and value-generating business models. On a scale of 1 to 10, how close is your organisation to that ideal?



Digital Maturity

Figure 4. Digital Maturity by archetype in the Netherlands

Early Developing Maturing



Archetype characteristics

Talent & Strategy Leaders

The Talent & Strategy Leaders are digitally mature businesses that can be characterised first and foremost by their organisation's core focus on the strength of their talent and strategy. Compared to the average, these businesses are more likely to have a long-term vision, strong leadership, and a clear digital strategy.

Above all, they have a focus on people development, and the digital awareness and capabilities of their current workforce, in combination with a strong focus on recruitment. They recognise that success is dependent on having the best people, equipping those people for success, and making them want to stick around.

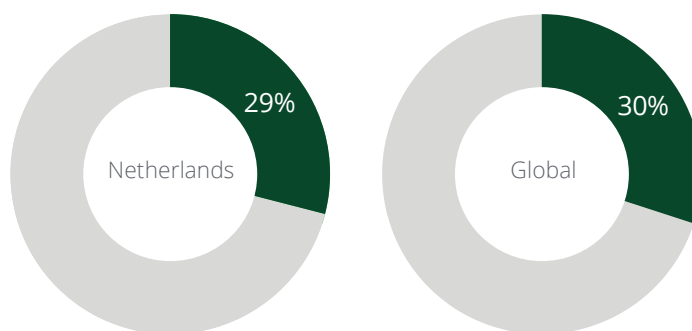
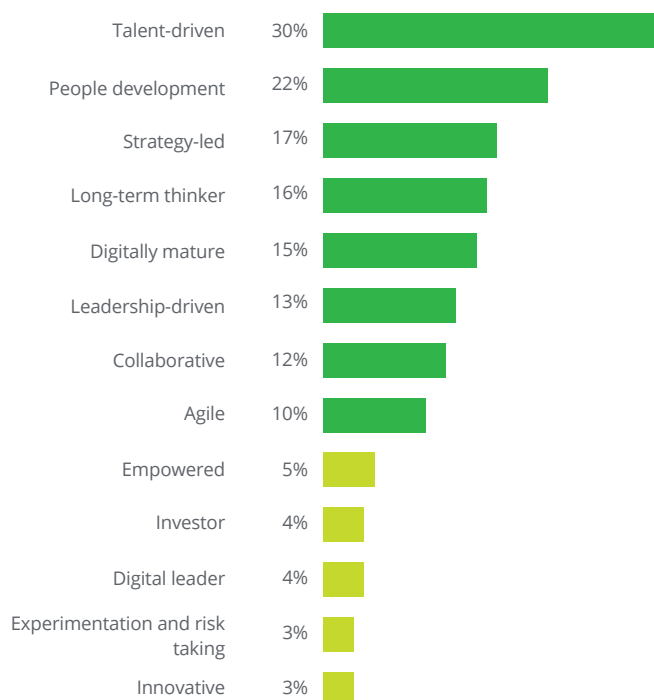


Figure 5. Talent & Strategy Leader characteristics



Fast Moving Experimenters

The other successful digital strategy we found, is an archetype we called Fast Moving Experimenters. They can be characterised by their appetite for experimentation and risk, and their ability to ‘fail or scale’ digital initiatives at a fast pace.

These organisations are also well organised for digital (for example, with appropriate management structures and processes) and work in an agile way. They are also characterised by having strong leadership to direct the experimentation approach.

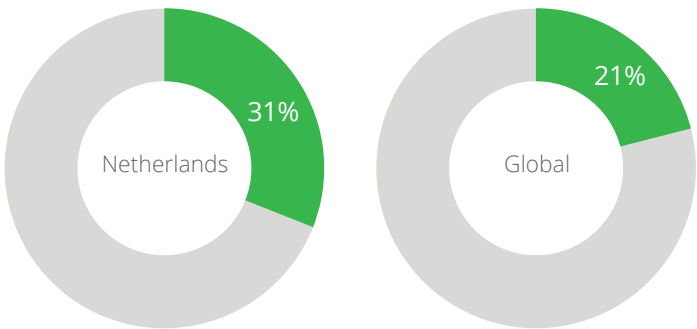


Figure 6. Fast Moving Experimenters characteristics



Archetype characteristics

Chasers

The Chasers are organisations that have realised the importance of becoming digital and are investing in digital initiatives. They invest 10% above average, but have no idea what business value they are getting out of it, let alone a well-defined strategy on how to achieve success.

These businesses have not adopted an experimental, risk-taking approach, and are not sufficiently investing in their people, and so their investment in digital is not seeing the desired conversion into success. They are 'throwing money against the wall' in the hope that something will stick. Since they do not appear to have a well-defined digital strategy, they find it difficult to measure whatever progress they're making.

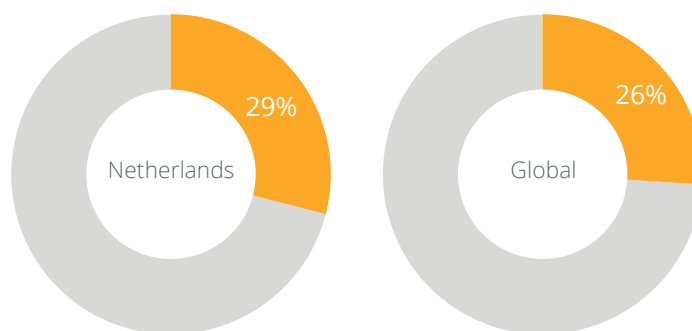
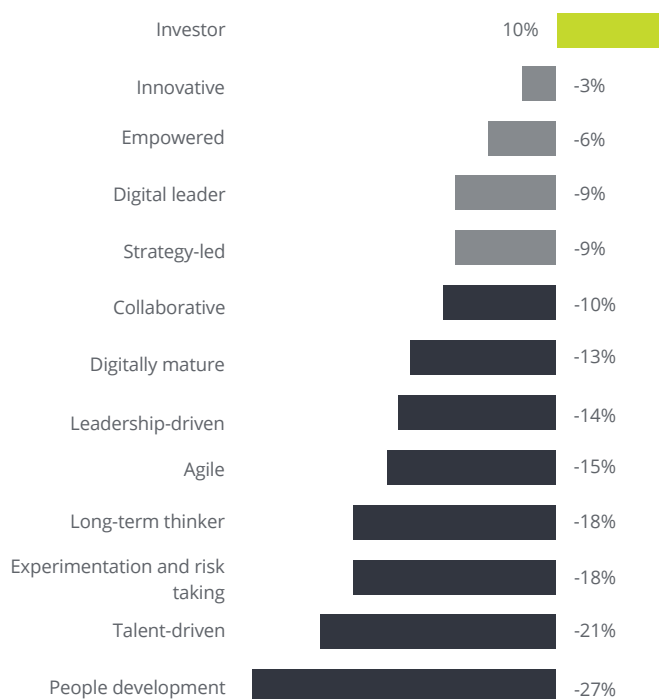


Figure 7. Chasers characteristics



Laggards

The final archetype, the Laggards, are organisations that score low on all Digital DNA strands since they are lacking strong leadership to support digital initiatives and a clear strategy to start digital transformation.

The main difference with the other archetypes is that the Laggards are not even making an attempt to invest sufficiently in digital. They score above average as “long-term thinkers”, but by their own assessment, their thinking does not lead to any measurable investment in digital transformation.

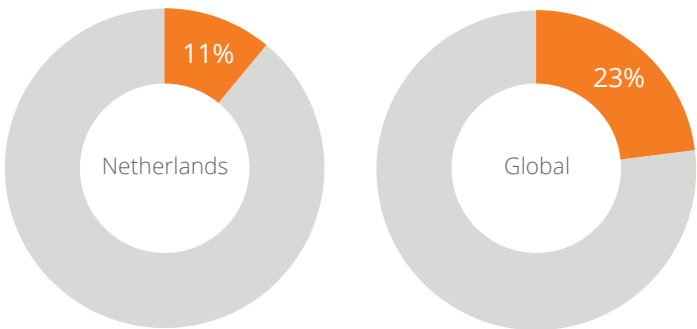
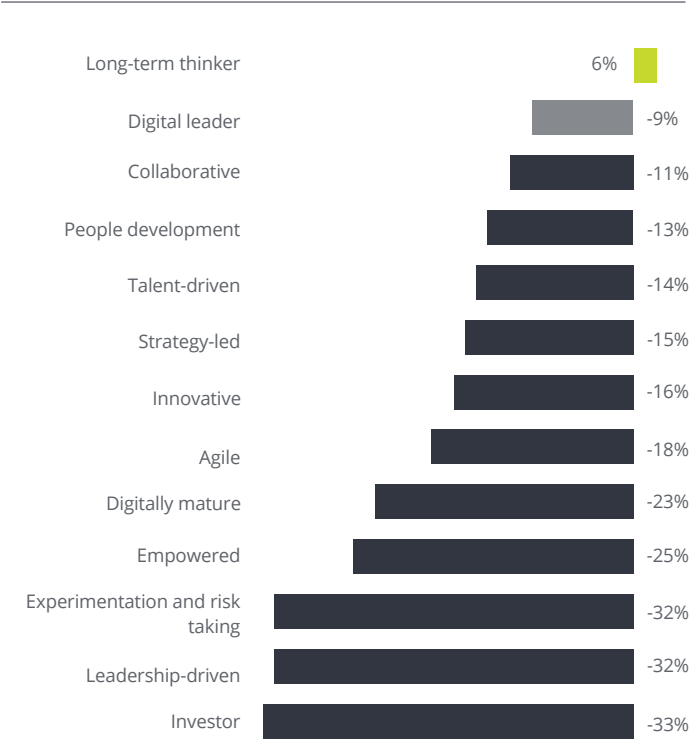


Figure 8. Laggard characteristics



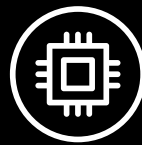
In this report, we will look at how each archetype approaches key business challenges, and what these kinds of businesses can learn in order to become more successful digitally. The key business challenges we defined:



Strategy
and Execution



Leadership,
Organisation &
Talent



Technology

Cross-Fertilisation

In nature, DNA has a 'mind of its own': it's autonomous. You can't just command your heart to stop beating, nor can you demand that it develop specific new traits.

The same – to a degree – is true for Digital DNA. You can nurture it, "breed it" by exposing it to Digital DNA strands of another successful digital transformation strategy, but you cannot force it.

So when you find yourself most close to one or the other (Fast Moving Experimenter or Talent & Strategy Leader),

it makes sense to carefully study which Digital DNA strand of the other archetype would best complement your current strategy. You can't be good at everything, so take your time to choose the most promising one.

Talent & Strategy Leaders versus Fast Moving Experimenters

If you consider yourself to be close to the Talent & Strategy Leaders archetype, which of the 13 Digital DNA strands of the Fast Experimenters should you adapt and integrate into your own strategy?

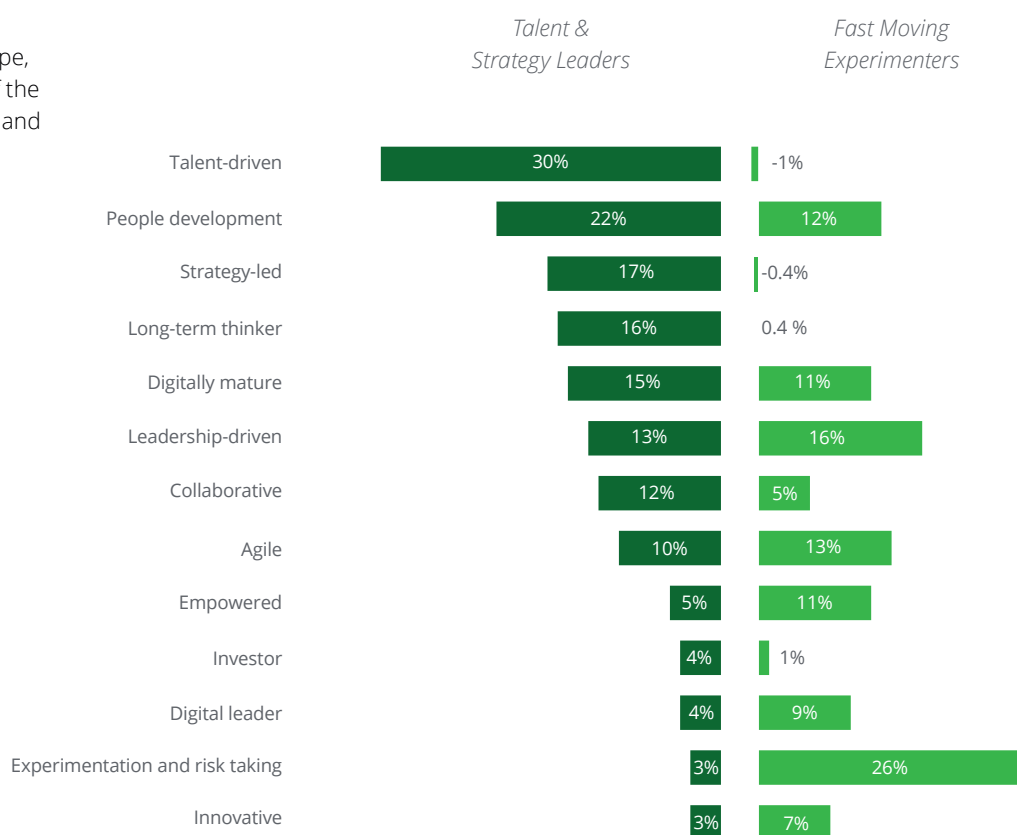


Figure 9. Talent & Strategy Leader versus Fast Moving Experimenters

Fast Moving Experimenters versus Talent & Strategy Leaders

Conversely, if you consider yourself to be close to the Fast Moving Experimenters archetype, which of the 13 Digital DNA strands of the Talent & Strategy Leaders should you adapt and integrate into your own strategy?

Finally, if you consider yourself to be a Chaser, force your organisation to make a conscious decision on which Digital DNA strategy it should aspire to: Talent & Strategy Leader or Fast Moving Experimenter. There is every reason to suspect that the Chaser position is to a large degree the result of a total inability to make up your mind on a strategy and put the metrics in place to trace your progression.

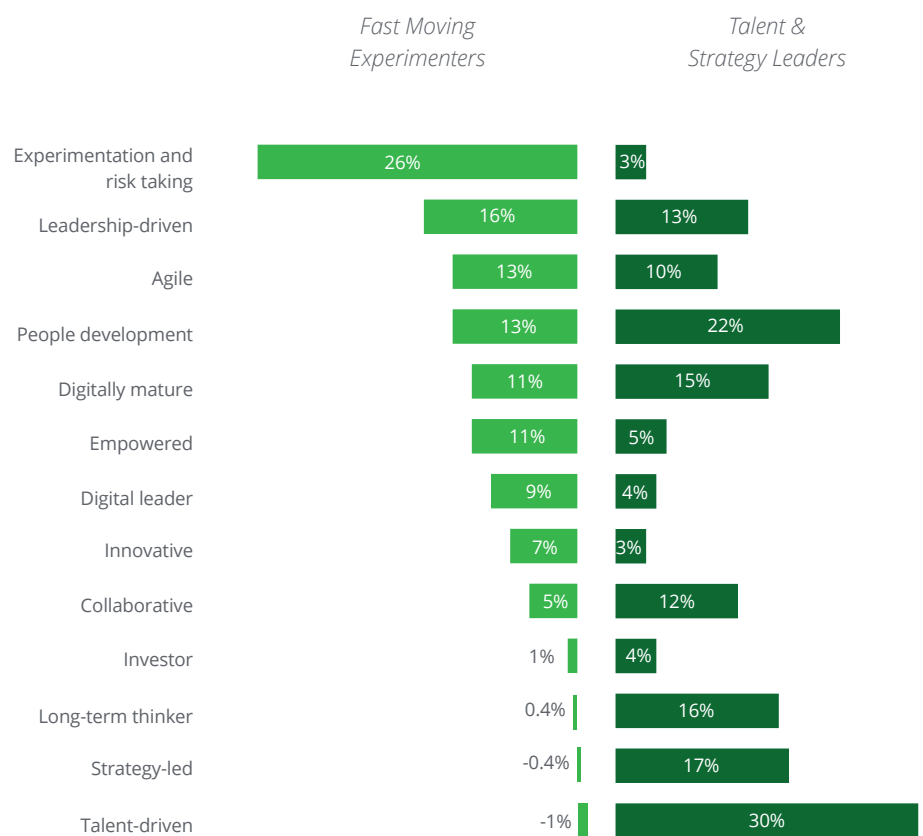


Figure 10. Fast Moving Experimenters versus Talent & Strategy Leaders



Strategy and execution

Strategy

Although the global digital technology push is an exponential driver of change, strategy must drive the response. Only an effective digital strategy, integrated into the overall business strategy, can allow a business to move beyond ad hoc initiatives with only a superficial impact on the business.

Our research results have shown that having a good digital strategy is key to success. Overall, 40% of respondents said that what their organisation needed to do differently to progress towards a digital 'ideal' was to improve their strategy and innovation (the most common answer). Results also showed that the most successful digital businesses were those with a clear and coherent digital strategy.

With a clear majority, 83% of the Talent & Strategy Leaders and 74% of the Fast Moving Experimenters say that they have a clear and coherent digital strategy, versus only 39% of the Chasers and 29% of the Laggards.

"I would say operating digitally is certainly one of the most crucial enabling factors for our broader company strategy; for the CEO it is the number one topic. There isn't something in our company that is more important than digital transformation."

Digital experience designer at global sports retailer

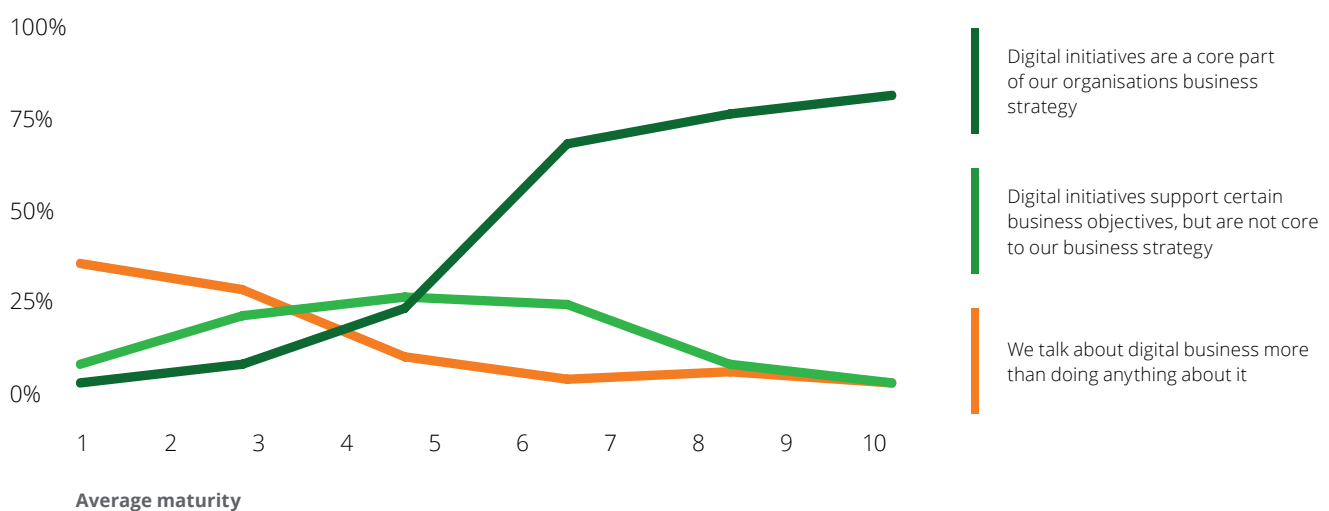
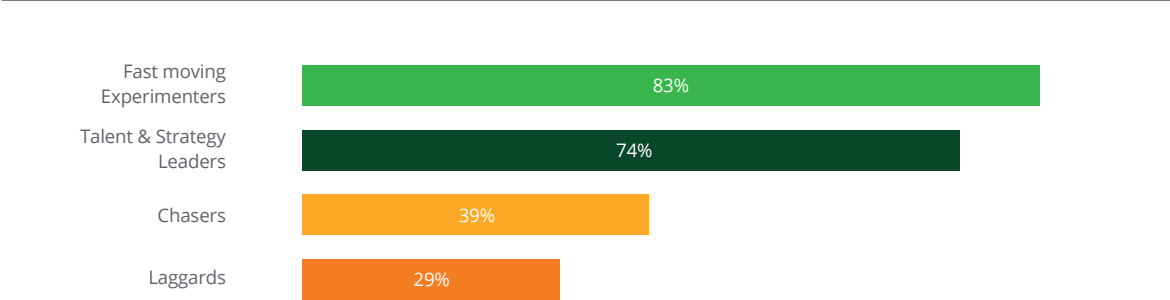


Figure 11. Digital initiatives at the core of business strategy

Figure 12. Clear and coherent digital business strategy, by archetype

Q: To what extent do you agree with the following statement: Our organisation has a clear and coherent digital business strategy - % answering *Strongly agree* or *Agree*



But how do the most successful digital businesses develop their digital strategy?

Transforming the core business

In order to execute digital performance more effectively, it is important to use digital technology to do business in fundamentally new and different ways, rather than simply seek efficiencies (i.e. to do business faster and cheaper).

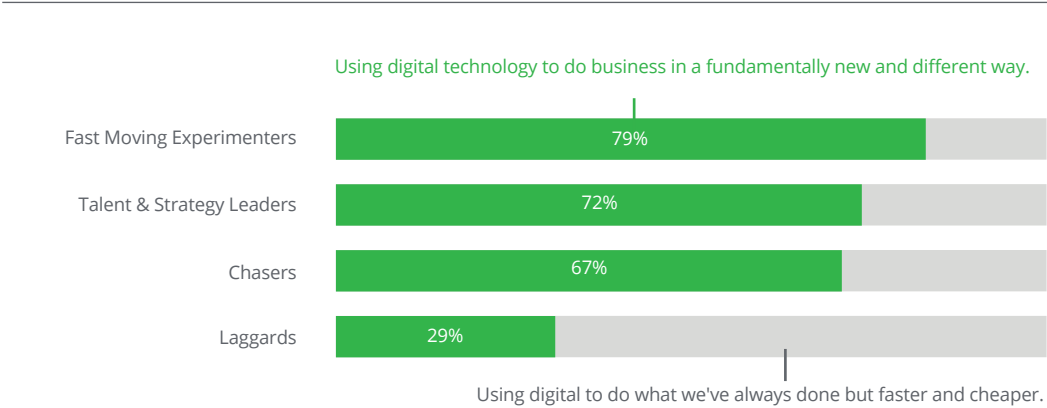
The Fast Moving Experimenters archetype is the most likely to be using digital technology to do business in fundamentally new and different ways, with 79% reporting that they do this. The Talent & Strategy Leaders archetype is typically less experimental, but still 72% of these respondents say they are using digital technology to do business in fundamentally new and different ways. Interestingly, Chasers are not far behind, with 67% reporting that they are using digital to do business in new ways, suggesting that their lack of digital maturity is not the result of

a weak strategy, but weaknesses in other capability areas, particularly in the Digital DNA strands 'Talent Driven' (-21%) and 'People Development' (-27%).

The Laggards archetype is the least likely to use digital technologies to do business in fundamentally new and different ways, with only 29% reporting this.

Figure 13. Doing business in fundamentally new and different ways

Q: We are using digital technology essentially: to do what we've always done, but faster an cheaper OR to do business in fundamentally new and different ways.



“We have one vision and that will be there forever: it is about creating a better everyday life for many people, and that will never change. But creating a better life for many people has changed affected by digital technologies, we are aware of that we want to consider that. The acknowledgement is there and it is embedded in our business plan, in our new way of organising”.

Digital architect at multinational furniture retailer

Strategy at the core

The respondents were asked how they would best characterise the primary role of the digital business in their organisation. The Talent & Strategy Leader archetype is the most strategy-led, and 61% of these say organisations report that they have digital initiatives as a core part of the organisation's business strategy, compared to a 27% average across the other archetypes.

Conversely, the Fast Moving Experimenter has much more of a short-term focus, with 63% of respondents saying their strategy projected for 1-2 years.

Almost no respondents in any archetype said that their business projected further than 5 years when developing their strategy.

Regardless of how far in advance businesses plan, what is critical is that businesses balance their long-term vision (providing a direction of travel) with regular reality-checks and the ability to adapt immediate actions to the current environment.

Time horizon

The time horizon over which businesses develop their digital strategy varies by archetype, suggesting there is not a single way to approach this.

55% of respondents in the Talent & Strategy Leaders archetype said the organisation projects for between 3 and 5 years when developing its enterprise digital business strategy, with only 33% projecting for 1-2 years.

Execution

Once a business has established an effective digital strategy, it must execute on that strategy by designing and launching new digital business initiatives.

The step up to execution is a common point of failure: while 87% of businesses acknowledged that being a digital business was important to the success of their organisation, only 43% felt they were investing enough time and energy in digital business initiatives. It is critical that businesses are committed to transitioning from simply talking about digital, to actually executing on it.

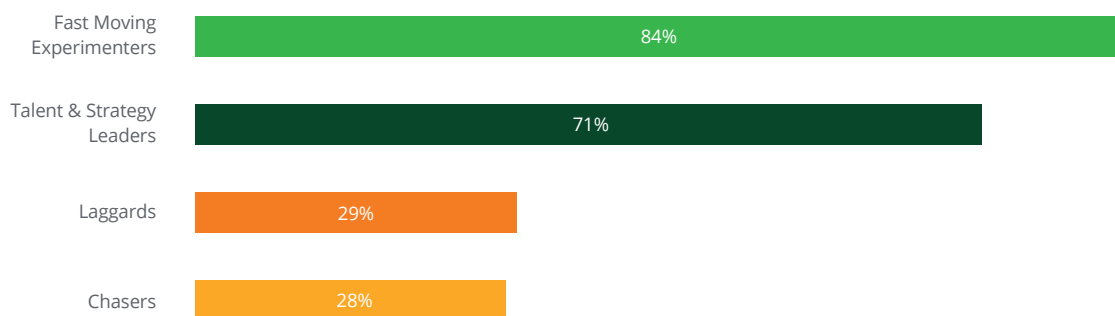
The Fast Moving Experimenter and Talent & Strategy Leader businesses are the most successful at launching digital business initiatives, with 84% and 71% (respectively) saying that their digital business initiatives had been successful or very successful, versus 28% and 29% for the Chasers and Laggards, respectively.

Which strategy appears to be most succesful?

Figure 14. Success of digital business initiatives

Q: How would you characterise the outcome of digital business initiatives in your organisation to date?

% answering "Very successful" or "Successful"



How do the respondents approach the execution of their strategy?

Balanced portfolio

The approach to execution of your strategy can be performed in different ways. Addressing the challenges facing your business will require smaller, higher-risk (but potentially highly impactful) experiments alongside large enterprise-wide efforts, and it is important to maintain a balanced portfolio across these different types of initiatives.

The archetypes reveal differing approaches to these different types of initiatives. The Talent & Strategy Leaders are most likely to have a balanced portfolio, with 56% saying their new digital business initiatives start as both small experiments and big enterprise-wide efforts.

The Fast Moving Experimenters, on the other hand, are much more focused on small experiments, with 68% saying that most of their digital initiatives start off this way. This is in line with their greater appetite for risk, but may mean they are less able to enhance the core of their business over time.

A culture that values experimentation

Alongside a balanced portfolio, launching successful digital initiatives requires a culture that is supportive of the experimentation required to launch them. This is a key trait that defines the Fast Moving Experimenter archetype, with all of the respondents in this group saying experiments are encouraged by their organisation.

This is followed by 61% of the Talent & Strategy Leaders, 39% of the Chasers, and 14% of the Laggards.

Driving this culture requires both a top-down and a bottom-up approach. It is essential that leadership is on-board with the experimental culture, and sends out clear messaging to reinforce this. At the same time, all levels of the organisation should understand and be involved in experimentation, rather than it being restricted only to certain groups.

Alongside a balanced portfolio, launching successful digital initiatives requires a culture that is supportive of the experimentation required to launch them.

Scaling edges

For less certain and transformative initiatives, it may be necessary to place them deliberately at the edge of the organisation – otherwise known as ‘scaling edges’. Digital technology is changing businesses at a fundamental level and merely innovating at product, process or service level is not enough to survive and thrive in the future. However, traditional large-scale transformation efforts that challenge the core of the business often fail because the different DNA will activate the corporate immune system that resists any significant change.

Scaling edges is designed to maximize a transformation initiative’s chance of success by doing three things: minimizing initial investment, maximizing potential return, and compressing lead times. An

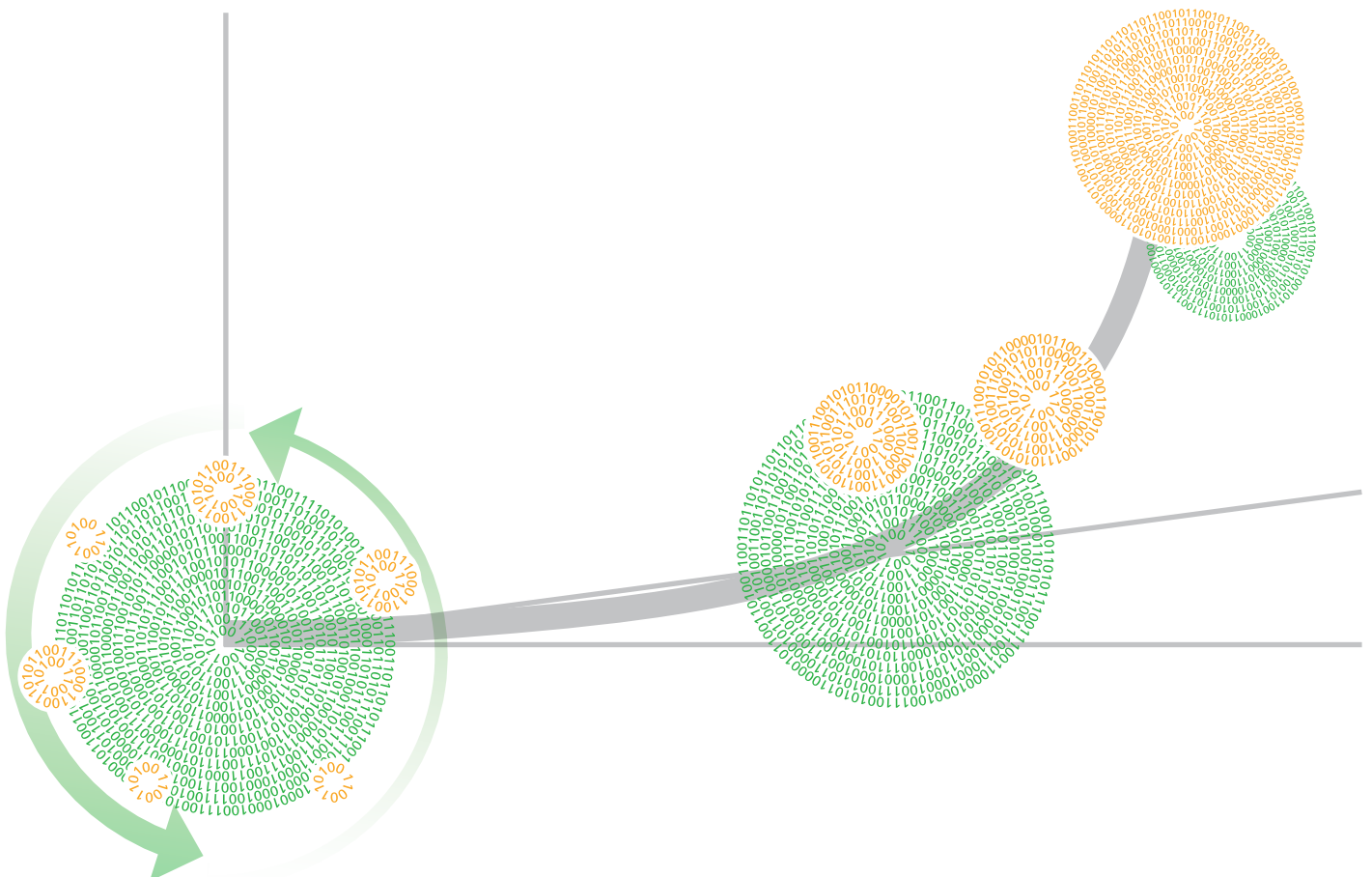
edge is a low investment, high-growth-potential opportunity that has the potential to scale; so much so that it can become the future focus of the business. As such, an edge should align with long-term disruptive trends and will involve fundamentally different business models and practices from those of the core.

In line with this vision, an edge should stay under the radar and move quickly and flexibly, without confronting the core or threatening existing revenues, budgets, and resources in the short term. As a result, the edge can become a catalyst for transformation by attracting talent, building key capabilities, harnessing external resources, all while testing assumptions and moving towards the company’s long term vision. See Figure 15

for a visual illustration of scaling edges over time, in which orange represents edges and green the core business.

The misconception is that businesses need to integrate the edge back into the core business. Time and again, the attempt to bring the edge back to the core has mobilized the corporate antibodies to defeat the transformation. This doesn’t mean organisations should neglect the core. Companies should take actions that strengthen and maintain the core business in the short term in order to buy the time and freedom needed to further shape and understand the impact of digital technology on their future. In the long term, edges will build the ability to adapt, transform the core and have the potential to create far more value.

Figure 15. Scaling Edges



Acceptance of failure

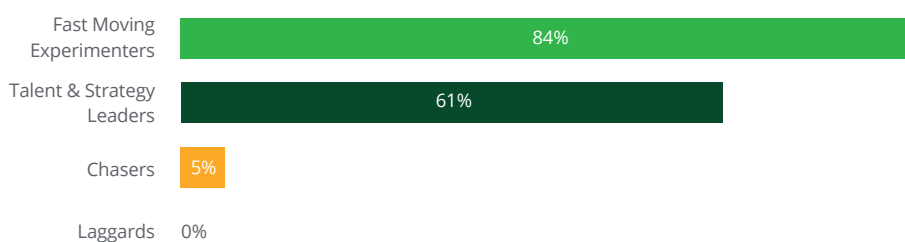
Successful digital organisations understand that not only is failure an everyday part of business, it is also essential to enable the organisation to learn and grow at a faster pace.

The archetype that has the highest tolerance for failure is the Fast Moving Experimenter Archetype. 84% of these respondents say that their organisation accepts the risk of failure. A significantly lower proportion, 61%, of respondents in the Talent & Strategy Leaders archetype said the same.

This reveals a critical distinction with the less digital mature archetypes. Only 4% of respondents in these two groups say that their organisation accepts the risk of failure. This approach may have been the norm in the traditional, pre-digital era, but it prohibits the business from successfully adapting to disruption in the modern digital economy.

Figure 16. Acceptance of risk of failure

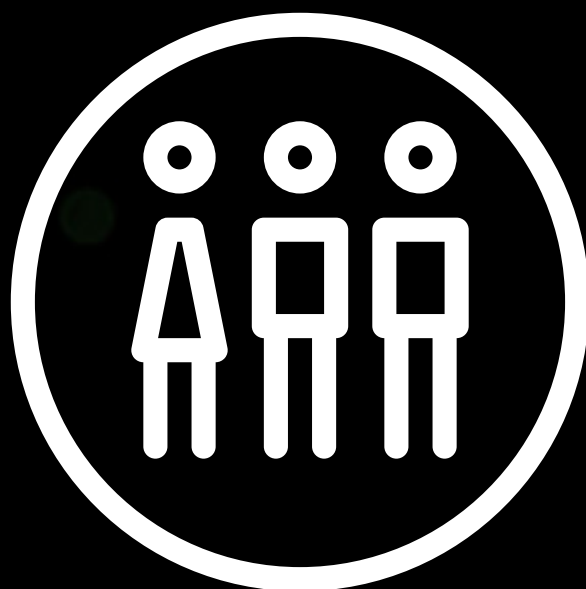
Q: To what extent do you agree with the following statement: My organisation accepts risk of failure as a natural part of experimenting with new initiatives % answering *Strongly agree* or *Agree*?



Test and learn

While adopting a 'fail-fast' mentality is an essential starting point for successfully executing digital experiments, this must be coupled with a structured, quantified, test-and-learn approach to experimentation, including well-defined KPIs, sometimes part of what is referred to as a growth hacking strategy. Our client experience has shown that those businesses that experiment successfully (aligning most closely with the

Fast Moving Experimenter archetype) are more likely to rapidly test new initiatives with real customers. They have mastered the art of turning their customer feedback data into valuable insights to tune - and if needed - recalibrate their approach. This data-driven approach is crucial if initiatives are to be successfully scaled up across the business.



Leadership, Organisation and Talent Leadership

The research also emphasised how critical strong leadership is for digital success.

And while certain leadership skills (such as confidence and emotional intelligence) are perennially important, certain traditional approaches do not support digital success. For example, strict hierarchies and command-and-control systems may impede innovative thinking and agile decision-making in key parts of the organisation.

Leading a digital business demands a dynamic combination of vision, digital skills, an experimentation mind-set and a risk-taking attitude.

Vision

Digital business leaders need to have the right vision and make sure to keep communicating this internally. 61% of the Talent & Strategy Leaders and 74% of the Fast Moving Experimenters said their leaders have the vision necessary to lead the digital business efforts, compared to only 28% of the Chasers and 14% of the Laggards. This leadership vision is a critical differentiator of successful digital businesses from the rest of the pack.

Digital skills

The most common response to the question, "What are the biggest mistakes

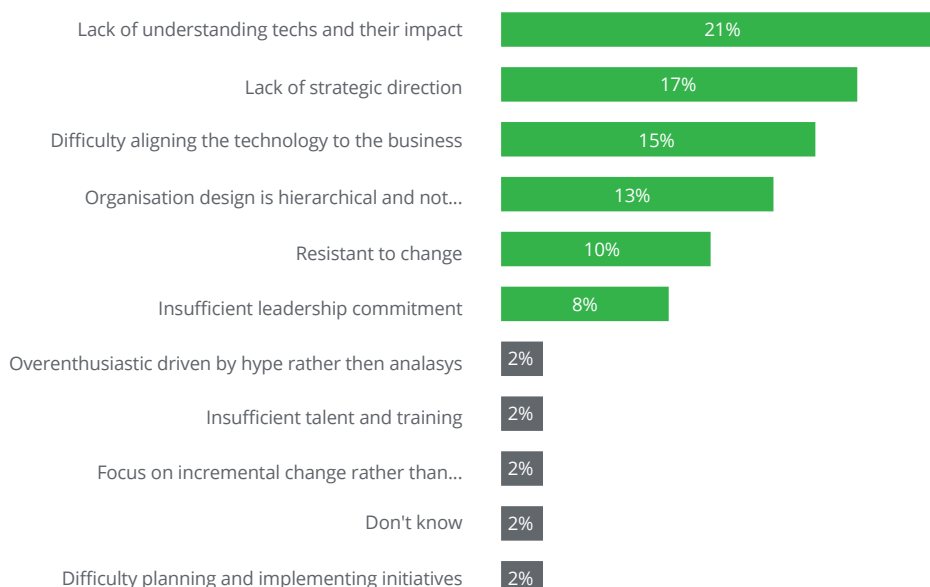
managers make with respect to digital business?" was that managers lack understanding of digital technologies and their impact.

Overall, 21% of respondents who completed this question felt that this was the biggest issue.

This indicates that to deliver in the digital era, leaders must ensure they keep informed of relevant developments, continuously looking within their own industry and more broadly to identify trends.

Figure 17. Common mistakes managers make

Q: What are the biggest mistakes managers make with respect to digital business? (Open-ended questions coded and classified)

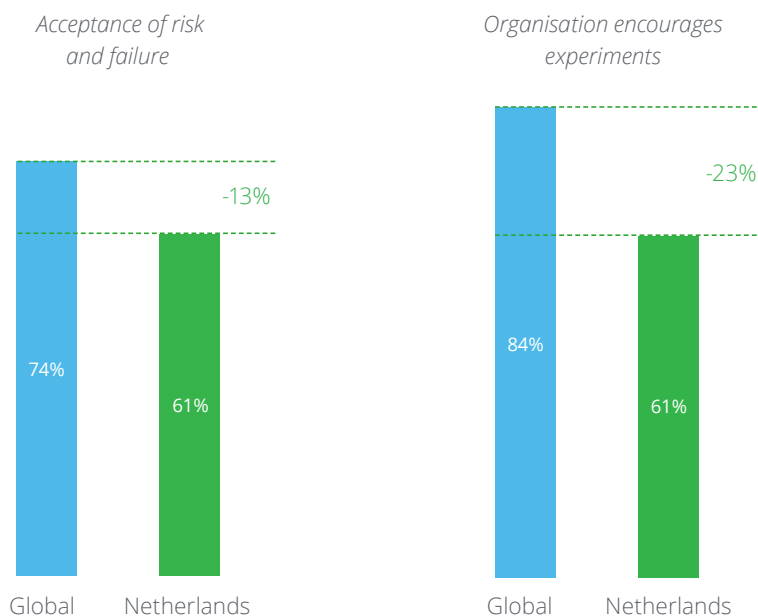


Experimentation and risk-taking

When asked “Which leadership attributes do your organisation's leaders need more of to drive digital business transformation?” the most common attributes were an experimentation mind-set and a risk-taking attitude. Overall, 62% of respondents said that an experimentation mind-set is needed, with a further 59% thinking a risk-taking attitude is necessary.

Dutch Talent and Strategy Leaders are particularly scared of accepting risk and encouraging experiments, which is particularly worrying since it contradicts their focus on talent-driven and people development. Our data show that there is no way to retain top talent in digital without allowing them to experiment and fail.

Figure 18. Dutch companies with lower risk appetite



Talent & Strategy Leaders As the result of their substantially lower Risk Appetite, Dutch Talent & Strategy Leader Companies have a 13% lesser Risk Tolerance and a 23% lesser appetite for experiments...

Figure 19. Leadership Attributes



Q: Which leadership attributes do your organisations' leaders need more of to drive digital business transformation? (Please select top three)

Organisation

To achieve digital success, businesses must also organise appropriately. However, this presents a major hurdle for many businesses.

39% of respondents said that the organisation's management structure and practices (e.g. reporting relationships and decision-making processes) interfere with its ability to engage in digital business successfully. Organising for digital includes:

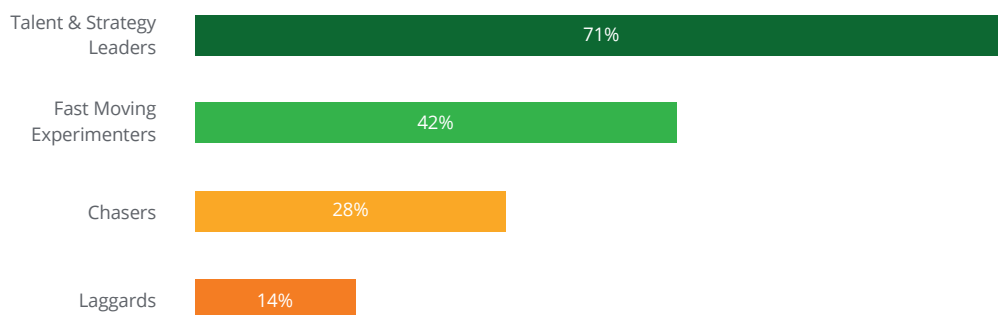
Recognising and rewarding collaboration.

Overall, 43% of respondents said that collaboration across teams and divisions is recognised and rewarded as part of their culture and operating model.

Looking at the archetypes, we see that 71% of the Talent & Strategy Leaders and 42% of the Fast Moving Experimenters say that collaboration across teams and divisions is recognised and rewarded as part of their culture and operating model. Only 28% of the Chasers and 14% of the Laggards felt the same. This is the type of Digital DNA Fast Moving Experimenters should consider copying into their own Digital DNA.

Figure 20. Rewarding and recognising collaboration

Q: To what extent do you agree with the following statement: Collaboration across teams and divisions is recognised and rewarded as part of our culture and operating model. % answering "Strongly agree" or "Agree"



Breaking down functional silos can allow businesses to organise around particular customer or business issues by bringing together specialists from across the business and inspiring new perspectives. For example, a digital business may choose to focus on “making travel better”, requiring skills from manufacturing, design, IT and customer experience. Cross-functional teams can also help to make better use of new talent that has not necessarily come up through one particular functional domain.

New digital technologies (such as online collaboration software, social media and artificial intelligence tools) can help to facilitate cross-functional collaboration across geographies, particularly when employees are not co-located, while non-digital methods such as hackathons and team get-togethers can also foster collaboration. Shared goals and incentives can also help to motivate and reward this behaviour.

Agility and resilience to change.

An agile working culture is generally better for organisations undergoing a digital transformation, since it enables them to work in a more flexible and efficient way, and to be more resilient to change.

A majority of both the Talent & Strategy Leaders (at 72%) and Fast Moving Experimenters (79%) says they are actively implementing initiatives to increase agility in response to a rapidly changing market. On the other hand, only 29% of the Laggards and 33% of the Chasers say they are developing initiatives to become more agile.

Industry experience indicates that the leading businesses have particular talent in managing their ‘fail it or scale it’ process in a rigid, data-driven manner.

This allows them to identify the winning digital proposition in an early stage of the development process and constantly adapt and improve it as customer data dictates.

Part of their leadership approach is to create a rigorous agile way of working for the whole organisation (Scaled Agile). This should be supported by a DevOps approach to software deployment, creating the type of speed to market that organisations need to boost their competitiveness.

Industry experience indicates that the leading businesses have particular talent in managing their ‘fail it or scale it’ process in a rigid, data-driven manner.

Talent

Attracting, developing, and retaining talent is a significant challenge that can hinder the success of any digital strategies.

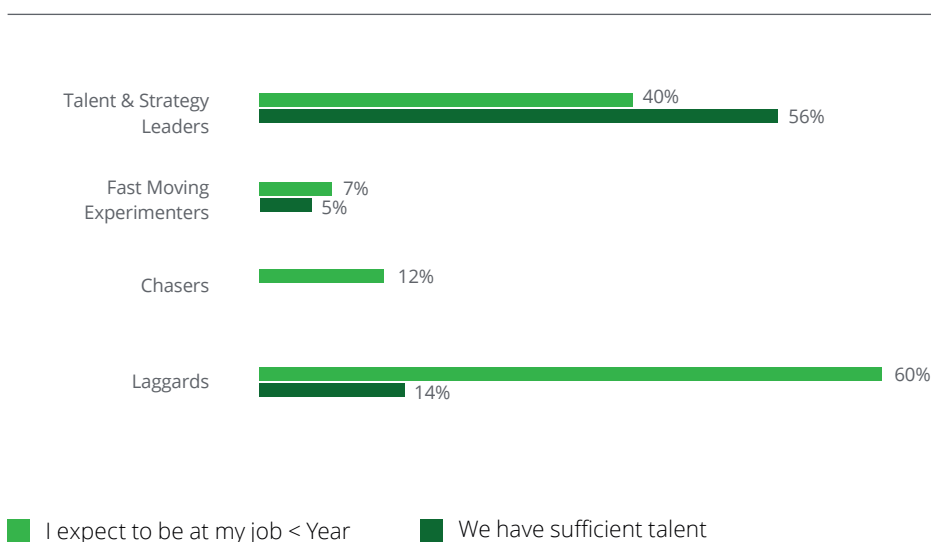
There is a known talent gap which presents a major challenge to organisations: overall, only 19% of respondents felt they had sufficient talent to support the organisation's digital business strategy. For the Talent & Strategy Leaders, this increased to 56% - suggesting that many of even the most successfully talent-driven businesses recognise a significant talent gap.

The issue is twofold, as employees also say they are more likely to consider leaving a business that they do not consider to be sufficiently digital. A significant proportion (60%) of respondents working for organisations in the Laggards archetype reported that, given digital business trends, they expected to work for their organisation for less than a year, versus an average of 14% across the other archetypes.

Figure 21. Rewarding and recognising collaboration

Q1: To what extent do you agree with the following statement: My organisation has sufficient talent today to support our organisation's digital business strategy. % answering "Strongly agree" or "Agree"

Q2: Given digital business trends, I expect to work for my organisation for... % answering "1 year or less"



Overall, 68% of respondents said “yes” or “maybe” when asked whether digital business trends would significantly impact their decision about how long they worked for their current organisation. Asking the respondents why those trends would impact their decision about how long they will work for their organisation, 24% of the respondents said overall uncertainty about the market, company, tech trends, or their job. Another 24% said company viability.

“To build, you need people who can build new technology, but also people who keep understanding the old technology. Together you build up”.

Finance manager at Dutch beverage producer

The most in-demand skills are technical skills. 83% of the Laggards say they need more technical skills, while only 13% of the Talent & Strategy Leaders say this. Also in demand are analytics skills: 50% of the Talent & Strategy Leaders, 38% of the Fast Moving Experimenters and 30%

of the Chasers agree on this (although no respondents from the Laggards group). It is therefore important to understand how these skills can be recruited for, or developed in existing employees.

From small start-ups to multinational corporations, organisations must be prepared to adapt in order to create an environment that continuously attracts and engages digital talent. It is important for them to provide learning opportunities for their employees and provide them the right resources to develop skills and opportunities to thrive in digital.

Learning through cross-organisational experience.

The most common kind of initiative to develop digital skills was learning through experience, working on opportunities across the organisation. When asked the top three kinds of initiatives their organisation was implementing to develop its talent to succeed in a digital business environment and drive continuous learning, 63% of Talent & Strategy Leaders said that these cross-organisational opportunities were offered, compared to an average of 57% across other archetypes. Cross-functional

teams bring people together with the required skills and experience to deal with all aspects of digital business.

Learning through internal and external programs.

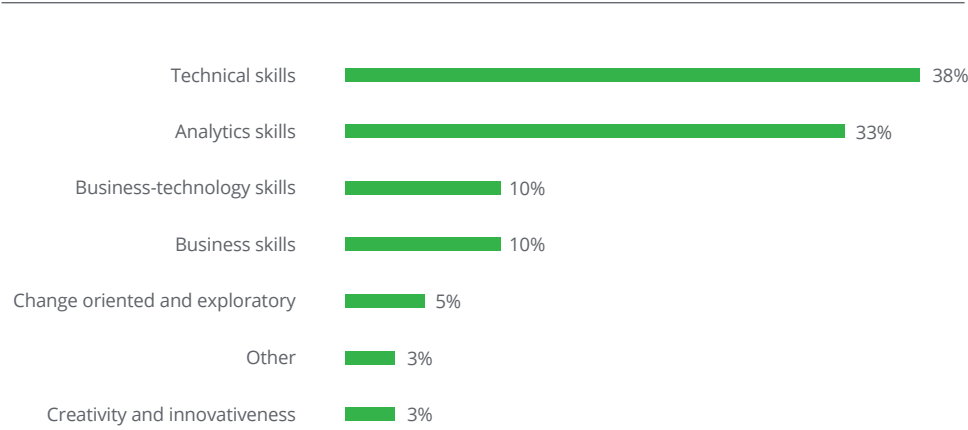
After experiential learning, the most common way to develop digital skills was through established internal or external programs. Talent & Strategy Leaders were most likely to have internal (company-driven) programs, courses and content (at 58% of respondents), while Fast Moving Experimenters were most likely to rely on external (employee-driven) programs, courses and content (at 60% of respondents).

Providing resources to thrive in digital.

84% of the Talent & Strategy Leaders and 65% of the Fast Moving Experimenters say that their organisation is providing them enough resources and opportunities to develop skills and opportunities to thrive digital. Only 5% of the Chasers agreed to this.

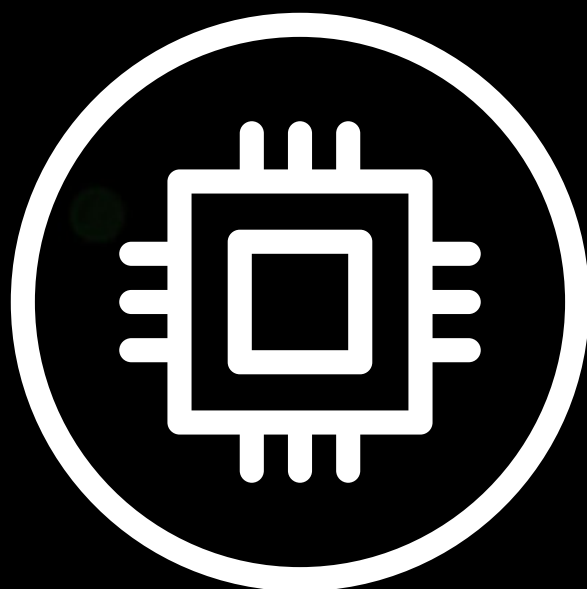
Figure 22. In-demand skills

Q1: What skills, abilities, or traits are most in demand at your organisation to compete in digital business? (Open-ended question coded and classified)



“We have a reverse mentoring program. People that are identified by leadership as digital natives or savvy are reverse mentoring board members to the executives in the company. We are taking high talent and hot potential individuals, and give them exposure to board members and senior executives but leveraging it in such a way that they can learn something from it. With this initiative, it is beneficial in both directions”.

**Digital experience designer
at global sports retailer**



Technology

The final pillar of Digital DNA is technology.

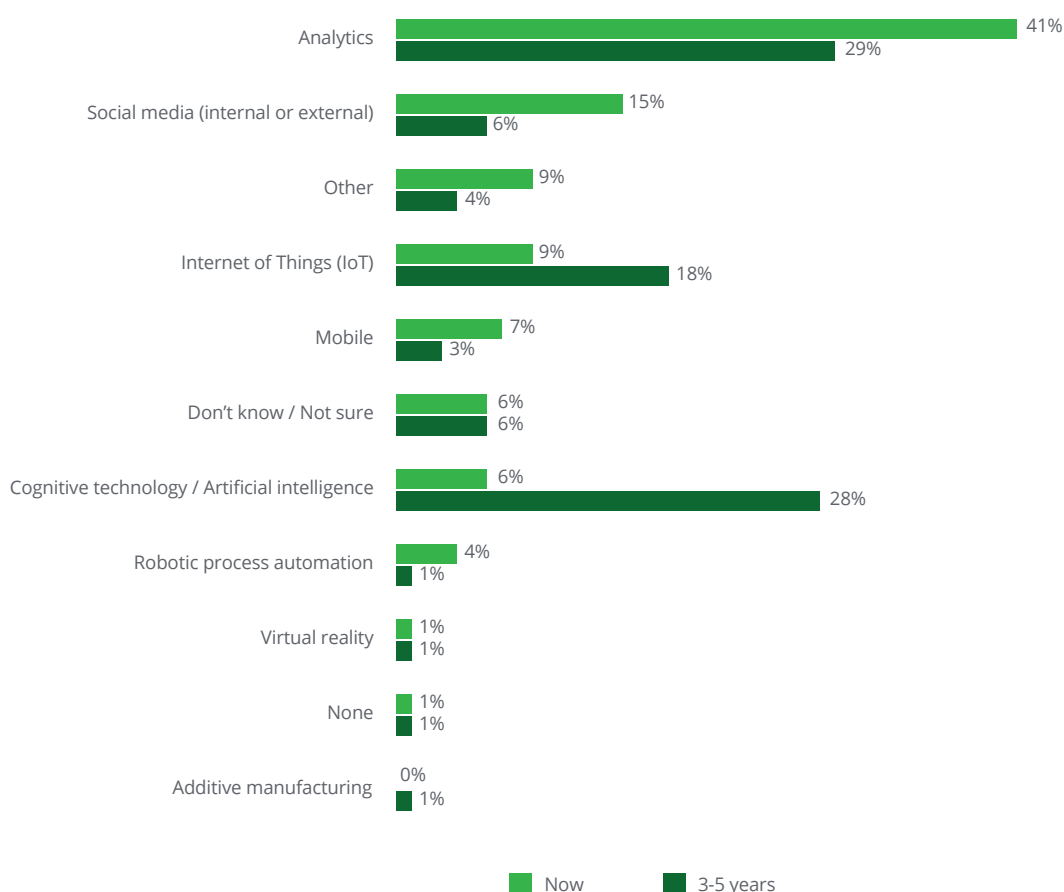
The rapid advancement of disruptive digital technologies presents opportunities as well as challenges, and adopting the right technologies in the right way can help to accelerate a business on its digital agenda. The research indicated which technologies are considered to have the biggest impact on the business, now and in the next 3-5 years.

Analytics itself has become the backbone of the digital industry since its inception, and has grown to a high level of sophistication. Though the metrics differ depending on the ecosystem, as well as the kinds of data being analysed, analytics itself should be at the core of decision-making processes and of user understanding.

Respondents considered analytics to be the most important technology for the business, both this year (41%) and in 3-5 years (29%).

Figure 23. Most important technologies

Q1: To the best of your knowledge, which specific technology is the most important to your organisation this year and in 3-5 years?



The responses also show that artificial intelligence is expected to increase the most in relevance over the next 3-5 years, with only 6% of respondents considering it important this year, but 28% considering it important in the next 3-5 years. With the increases in computational processing power and corresponding decreases in the cost of data storage, artificial intelligence in the business world is fast becoming a reality.

However, it is important to realise that it is essentially unpredictable which technologies will become important to businesses in the coming years. Instead of dealing with surfacing digital technologies

'incident by incident', companies would do well in realising that digital disruption isn't going to go away the coming 20 years. With the knowledge of today there is a tornado of new technologies on the horizon that need to be identified, probed, evaluated in terms of opportunity or threat and – above all – 'scaled or failed' in a professional manner, in order to make their business relevant in the end.

This is why it is important to set your business up for success by building a Digital DNA which does not only address the front end of the business, but the total IT landscape as a whole, including its legacy areas.

Most digital initiatives find it difficult to scale. Not in terms of the digital technologies themselves, but because of their inability to connect to the existing technology landscape, whether that is within the IT department or heavy technology business departments such as marketing, R&D, Engineering, Manufacturing Plants, etc.

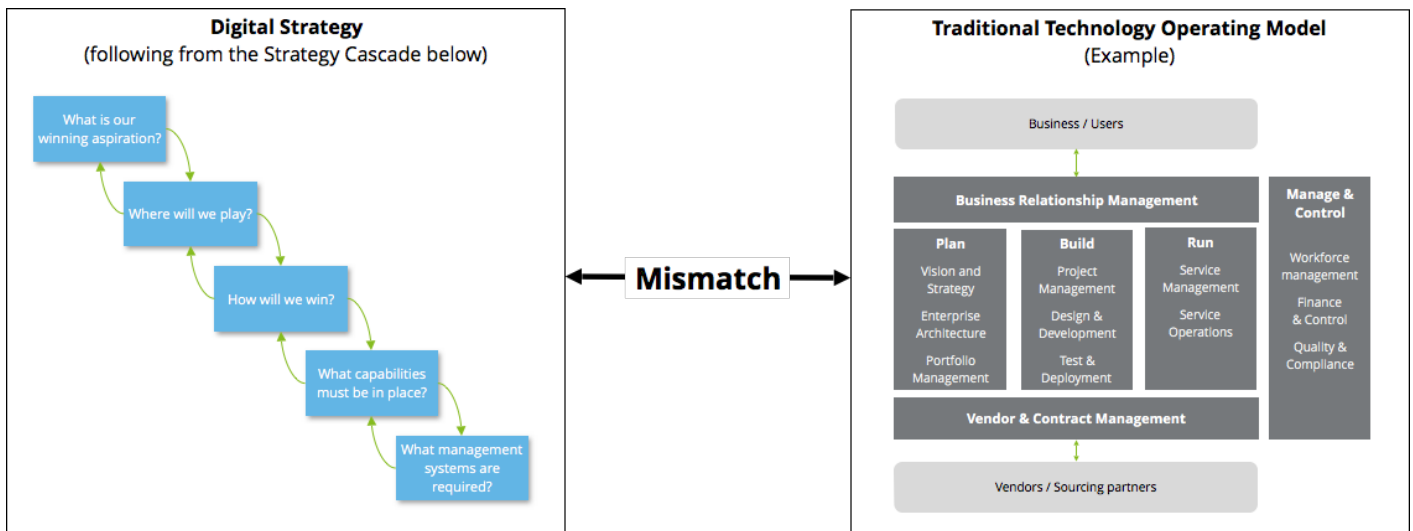
Figure 24. Emergent digital technologies

There is a 'technology push' and it will not go away for the next 20 years, as successive waves of new digital technologies keep emerging. This forces companies to rethink their strategy.



Figure 25. Digital strategy and technology operating model

Most organizations who have defined their digital strategy, find it difficult to plot these strategic business choices onto their existing (traditional) Technology Operating Model.



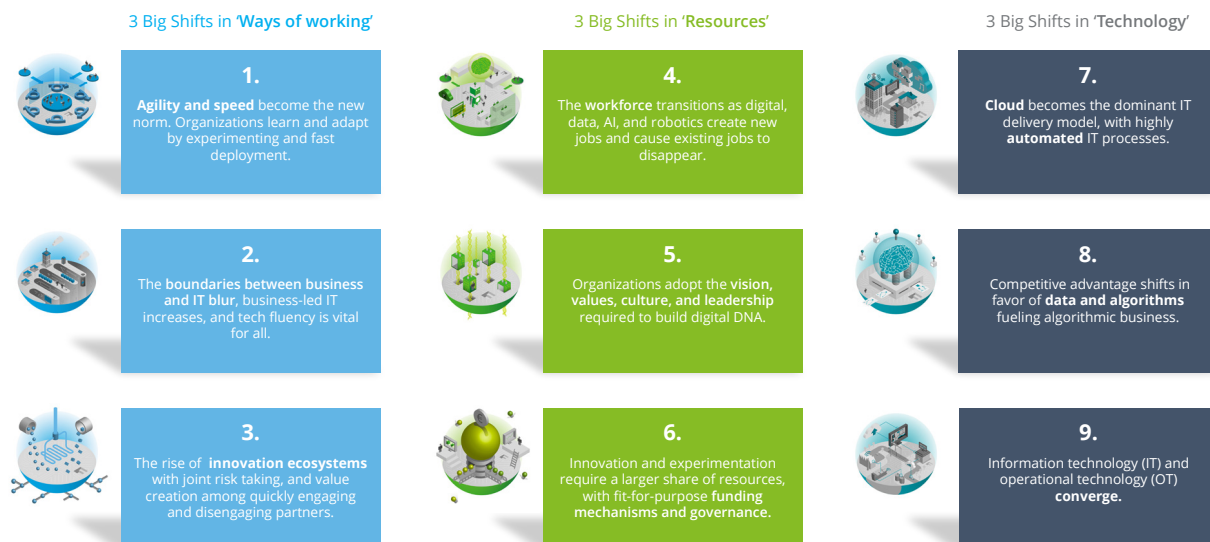
Having a clear and coherent digital strategy, the ability to test and launch new digital initiatives, strong leadership, and skilled and empowered employees is not enough by itself. According to Deloitte's latest Digital ERA Technology Operating Models

research, nine big shifts are simultaneously forcing organisations to make substantial changes to their Technology Operating Model. Each of these shifts delivers levers for organisations to better tune their digital operations to the particular DNA

configuration that they aspire for. Our next Dutch Digital DNA report will attempt to further unravel the relationships between Digital DNA and the Technology Operating Model of the future.

Figure 26. Big shifts

In the digital age, the Technology Operating Model will be further affected by nine big shifts:



Conclusion

The barrage of digital disruption shows no signs of slowing, and the future success of today's businesses will be defined by their response to it.

Just as in nature, those businesses who can best adapt to their environment will be those that survive. Well-adapted businesses can respond to new technologies and turn them to their advantage, while businesses that do not adapt will fail.

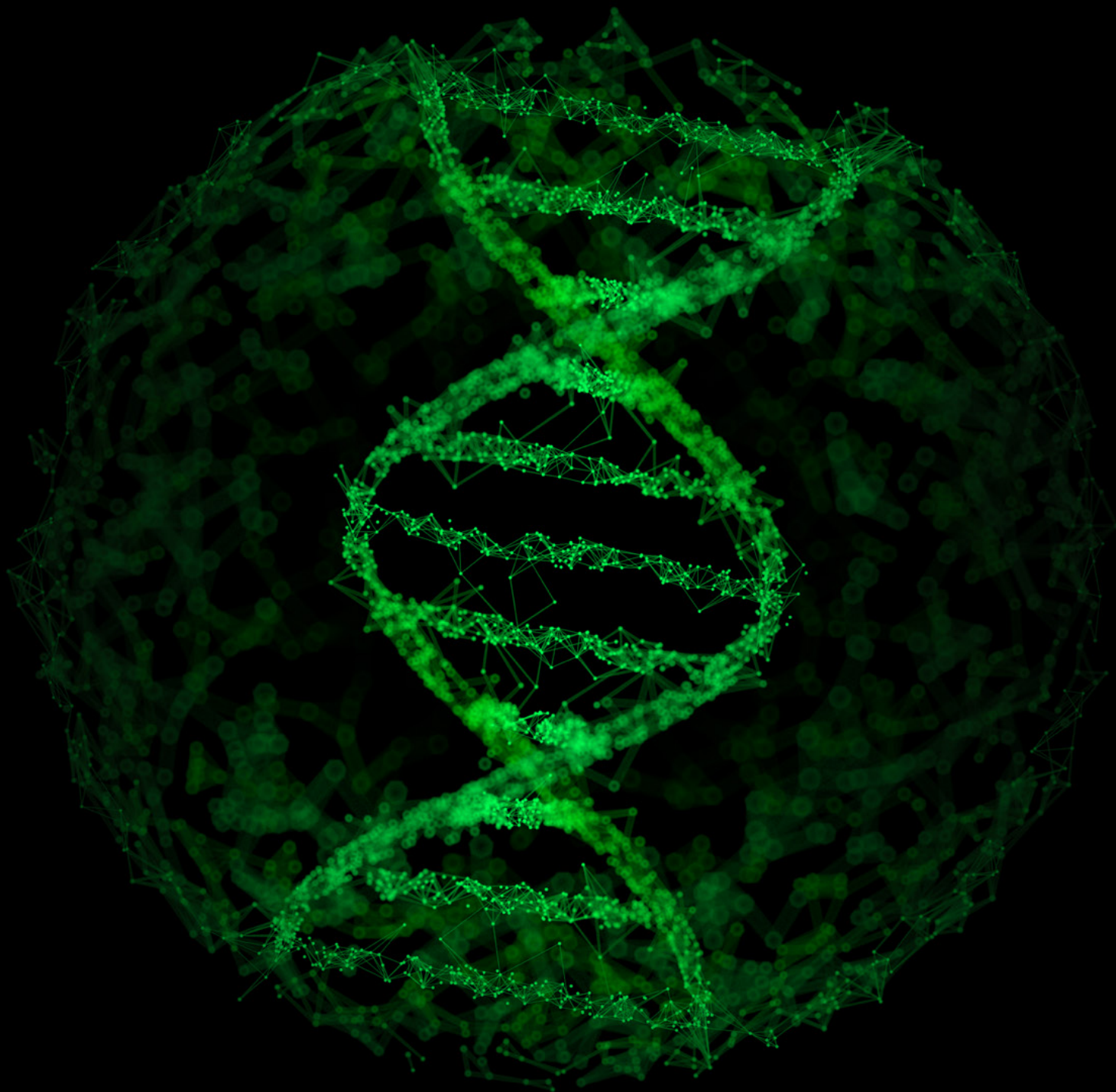
By building their own Digital DNA, businesses can have more control over the effects of digital disruption, defending themselves against threats and taking advantage of opportunities. Building an effective Digital DNA involves a number of capabilities: good strategy, effective execution, strong leadership, suitable organisation, empowered talent, and an operating model to take advantage of new technology.

As Andrew Hessel, futurist and catalyst in biological technologies, said

"If you can write DNA, you're no longer limited to what is, but to what you could make."

By harnessing their Digital DNA, businesses can turn disruption to their advantage and shape their own future.

We hope that in this paper, we have helped you identify the traits that make up your business's Digital DNA, and how to better build the capabilities that will set your business up for success.



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Appendix

Appendix 1: Comparison with European and global survey results

1. Archetype distribution comparison

In order to understand the differences between the Dutch, European and global responses, we first looked at the differences in the distribution of the archetypes across these three groups.

Dutch vs. global.

In the Netherlands, there is a higher proportion of Fast Moving Experimenters (31% in the Netherlands, versus 21% globally), and a lower proportion of Laggards (11% in the Netherlands, versus 23% globally).

Since the key differentiator of the Laggard group was their lack of investment in digital, this indicates that Dutch businesses are investing more in digital than the global average.

Dutch vs. European.

A similar breakdown is seen when comparing Dutch responses with others across Europe. There is again a higher proportion of Fast Moving Experimenters (31% in the Netherlands, versus 21% across Europe as a whole), and a lower proportion of Laggards (11% in the Netherlands, versus 24% across Europe as a whole).

Note that the European comparison here only includes those European countries with more than 50 responses in the survey: Netherlands, Italy, Germany, UK, Spain and France.

2. Comparison of traits

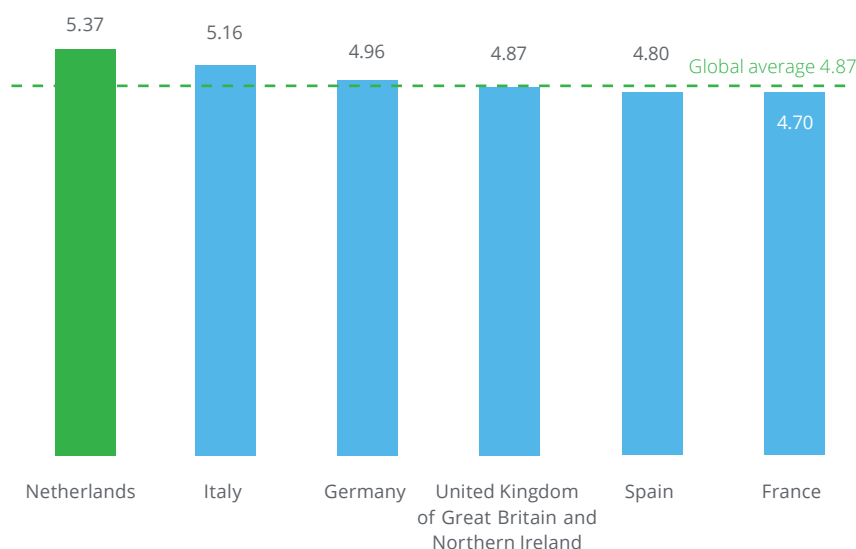
As well as differences in the distribution of the archetypes, there are also some key differences in the traits themselves that distinguish Dutch responses from those across the rest of Europe and globally.

Higher digital maturity.

In self-assessing their digital maturity, Dutch respondents gave a higher maturity rating than other European countries, and than the global average. On average, respondents in the Netherlands rated their digital maturity at 5.4/10, compared to 5.2 in Italy, 5.0 in Germany, 4.9 in the UK, 4.8 in Spain and 4.7 in France. The global average maturity score was 4.9.

Figure 27. Average maturity by country

Q: Imagine an ideal organisation utilising digital technologies and capabilities to improve processes, engage talent across the organisation, and drive new and value-generating business models. On a scale of 1 to 10, how close is your organisation to that deal?



Digital to do things in new ways.

Compared to the global average, the Dutch market has a higher proportion of businesses using digital to do things in new and different ways. In total, 66% of Dutch respondents say that they are using digital to do business in fundamentally new and different ways, compared to 52% of global respondents.

Conversely, only 15% of Dutch respondents say that they are using digital to do what they've always done, but faster and cheaper, compared to 21% of global respondents.

In using digital to do business in fundamentally new and different ways, Dutch businesses are better able to reap the benefits of digital in transforming their business (rather than only making small changes).

Running small experiments.

Dutch businesses also scored differently to the global average in response to the question, "When my organisation implements digital business initiatives, they tend to start as (a) mostly small experiments, (b) mostly big enterprise-wide efforts, or (c) both small experiments and big enterprise-wide efforts."

Fast Moving Experimenters in the Netherlands (which, as above, make up a larger proportion of total respondents in the Netherlands than globally) tend to do more projects that are mostly small experiments. 68% of Fast Moving Experimenters in the Netherlands say that their experiments start this way, compared to 53% of the same archetype globally.

Although this approach allows the businesses to take more risks, and experiment with potentially transformative new initiatives, they may face challenges in later scaling up the initiatives to the enterprise level.

Risk-taking and experimentation mindset.

Despite evidence that Dutch businesses are running more small experiments, results show that risk-taking and experimentation characteristics are lacking in the Dutch market.

Within the Talent & Strategy Leader archetype, Dutch respondents were 13% less likely to say that their organisation accepts failure (61% in the Netherlands, versus 74% globally), and 23% less likely to say that their organisation encourages experiments (61% in the Netherlands, versus 84% globally).

Again, this may mean that although Dutch businesses can set up small, low-risk experiments at the edges of the organisation, they may find resistance in taking on potentially more experiments with a higher risk of failure, or in scaling up experiments into the organisation as a whole.

Overall, the comparison between Dutch, European and global responses to the *MIT SMR* survey indicate that Dutch businesses are on par or ahead of global peers when it comes to digital business, but that there are key areas where they can learn from these peers in order to improve their performance in digital.

Appendix 2: Deep dive on methodology

To understand the Digital DNA of a company, we aimed to identify the different traits that characterise its approach to business, and in particular to digital business. These traits include having strong digital leadership, creating a collaborative culture, being able to move with agility, and so forth. In this approach, we drew parallels with the way in which in biology DNA clusters into strings that – ultimately – create new species.

To identify and understand these characteristics, Deloitte conducted a qualitative market research program, interviewing eleven of our most important corporate clients in the Netherlands. We also drew on our experience from consulting projects, trying to find patterns that might suggest certain archetypes that have a certain combination of different traits in common.

Starting from these hypotheses, we then began quantitative analysis on the Dutch responses to the Deloitte Insights / MIT Sloan Management Review (totalling 68 responses in the Netherlands, out of a total of 3,500 for the global survey). Within this dataset, we matched particular questions with the traits they represented. For example, the question “To what extent do you agree with the following statement: Our organisation has a clear and coherent digital business strategy” was associated with the trait “Strategy-led”. In total, 20 questions were selectively assigned to 13 different traits.

The next step was to convert the answers of each question to numeric form (e.g. “Strongly agree” received a score of 5, and “Strongly disagree” received a score of 1). This enabled us to conduct a quantitative analysis of the relationships between traits, assigning a numerical score to each response for each trait, grouping some questions together in the process.

Finally, we clustered respondents that had higher than average scores for similar traits. For example, respondents that scored highly on questions associated with the “Strategy-led” trait were clustered together. This clustering produced a set of archetypes, each described by a distinct configuration from the same 13 Digital DNA Strands we identified.

The result of this qualitative and quantitative investigation was four different mutually exclusive archetypes, each sharing exactly the same 13 DNA strings, but in a completely different configuration in terms of the above or below average score on each of the individual DNA strings. Only their configuration creates a unique and distinct signature. The ‘stand out’ characteristics for each archetype were described by comparing each characteristic against the group average, showing which DNA strands made each archetype unique.

As a final confirmation assessment, we tested whether the variance against the group average was substantial enough to say that each specific characteristic was different from the group average.



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