



# A Guide to the Future

How companies across industries in Central and Eastern Europe approach the digital revolution





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# Foreword



Digital Transformation is no fad. It's a **paradigm shift**, fundamentally upending how companies do business, stay competitive and relate to their customers. In all industries, the question is not whether disruption will happen, but when and how.



The retail, manufacturing and financial services industries are primed for change. More than 70% are actually expecting disruption within the next few years. Much more than the adoption of new technology, effective digital solutions will boost growth, innovation and customer satisfaction.



*"You have to **embrace it** by fostering a culture of innovation where everyone from the CEO down to the newest intern champion the potential of technology."*

Across Central and Eastern Europe (CEE), organizations are already enhancing employee collaboration, improving efficiency and productivity in the process. Indeed, 83% of companies expect the digital transformation to stimulate growth in the coming years. And 70% consider IT solutions to be essential for their industries.

One such solution, AI development, is growing at an accelerated pace. It has become such an essential innovation, that 94% of executives from around the world believe it's important to solving their organizations' strategic challenges. In the CEE region alone, revenues in this field will increase 290% over the next few years, from \$56 million to 221. And other related areas are likewise on the rise. The Internet of Things market, for instance, will reach \$4 billion by 2021.

But digital transformation can only start when businesses change their culture and start to envision their organizations as digital companies. It's not enough to simply know that change is coming. You have to embrace it by fostering a culture of innovation where everyone from the CEO down to the newest intern champion the potential of technology. With this mindset shift, companies won't just survive in the digital era – they will thrive in it. 23% of CEE organizations already see themselves as future industry disruptors. And more will follow as the digital path ahead becomes clearer.

For organizations in the CEE region, achieving this goal will require a degree of self-reflection. Are they forming dedicated digital transformation teams? Do they have clear strategy in place for the years ahead? Who's in charge of IT purchase decisions? Are business and IT units communicating with each other?

We asked these and many other questions, and companies across CEE responded. In the pages that follow, we'll analyze the results. By and large, businesses in the region are ready to go digital, even if they're all advancing at different paces. Technology is constantly evolving and the future may remain uncertain, but one thing's for sure: the opportunities are endless.

**Philippe Rogge**  
Corporate Vice President,  
Central and Eastern Europe

# Digital Transformation is no fad. How are CEE organizations approaching it?

## Strategies for digital disruption

70 %

consider IT solutions to be essential for their industries.

83 %

expect digital technologies to stimulate growth.



23 %

believe they will be at the forefront of change and disruption in their industries.



290 %

is how much AI market revenue is expected to rise in the next few years.





## How important is Digital Transformation for companies in the CEE region?



58 %

have stated that a key Digital Transformation focus is engaging customers with innovative technology.



60 %

of organizations have a clear Digital Transformation strategy in place.



83 %

see Digital Transformation as an opportunity for growth.



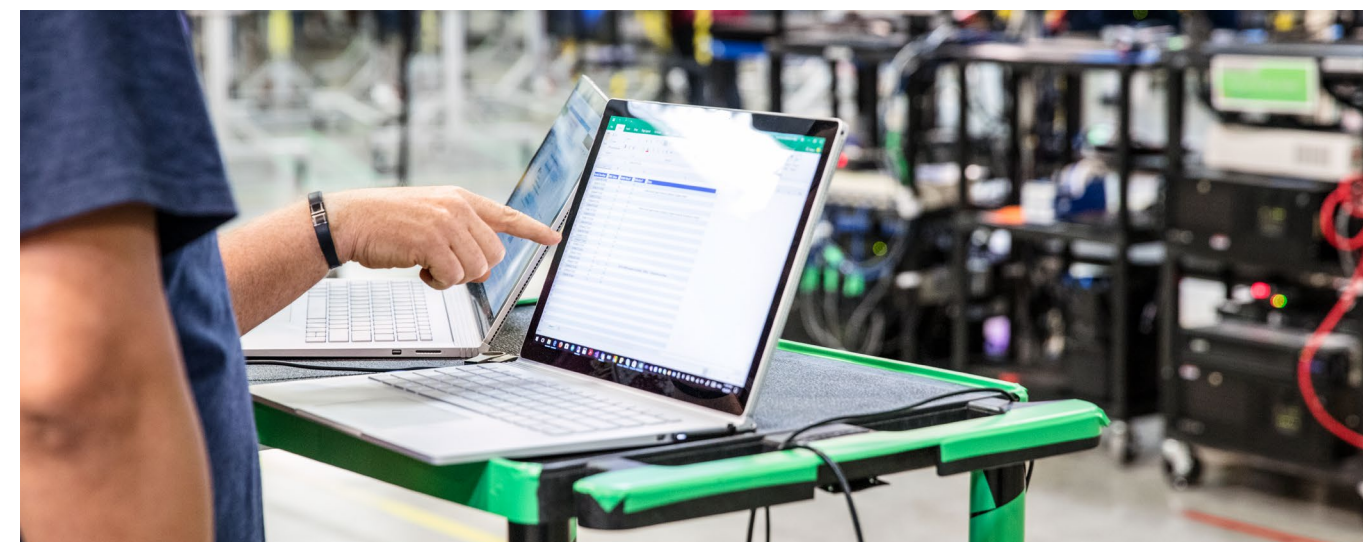
75 %

say they expect at least moderate disruption in their industry due to Digital Transformation.



## Industry disruption up ahead

As digital technologies advance into all industries, businesses are bracing for imminent change - especially in the financial sector.

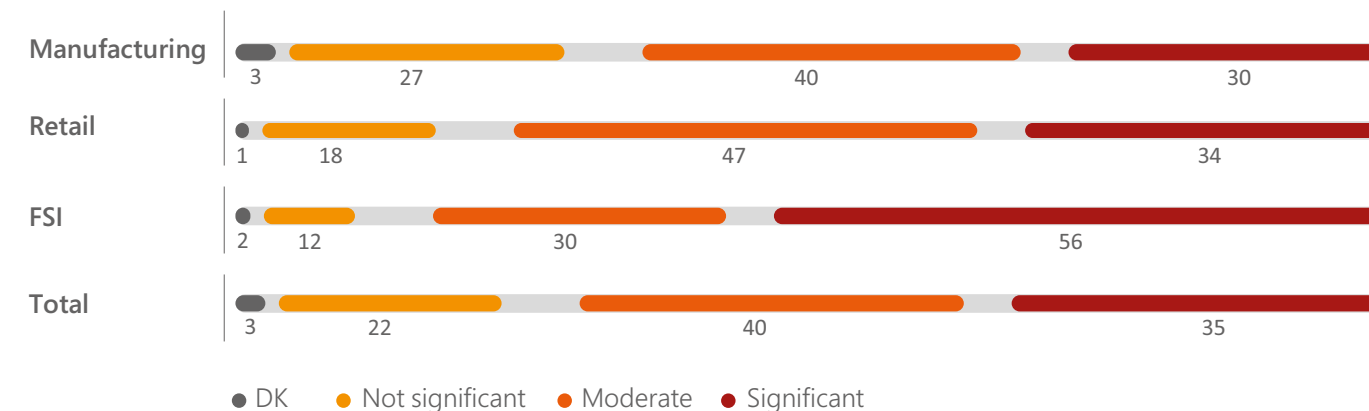


It can be difficult to anticipate what the future holds; however, when it comes to Digital Transformation, most companies agree that business as usual is no longer possible. In total, 75% of respondents in the financial, retail, and manufacturing sectors expect at least moderate disruption in their respective industries. This is particularly the case in financial services, where 86% of respondents are awaiting an industry shift, with 56% actually

expecting significant disruption. This almost doubles the percentage of respondents preparing for a similar outcome in other industries.

Put simply, we're in the middle of a technological revolution, and most CEE organizations know they have to start adapting now, if they aren't already.

### In all industries, at least moderate market disruption is expected



Question: How disrupted do you think your industry will be in the next 2 years?  
% of respondents, multiple answers allowed

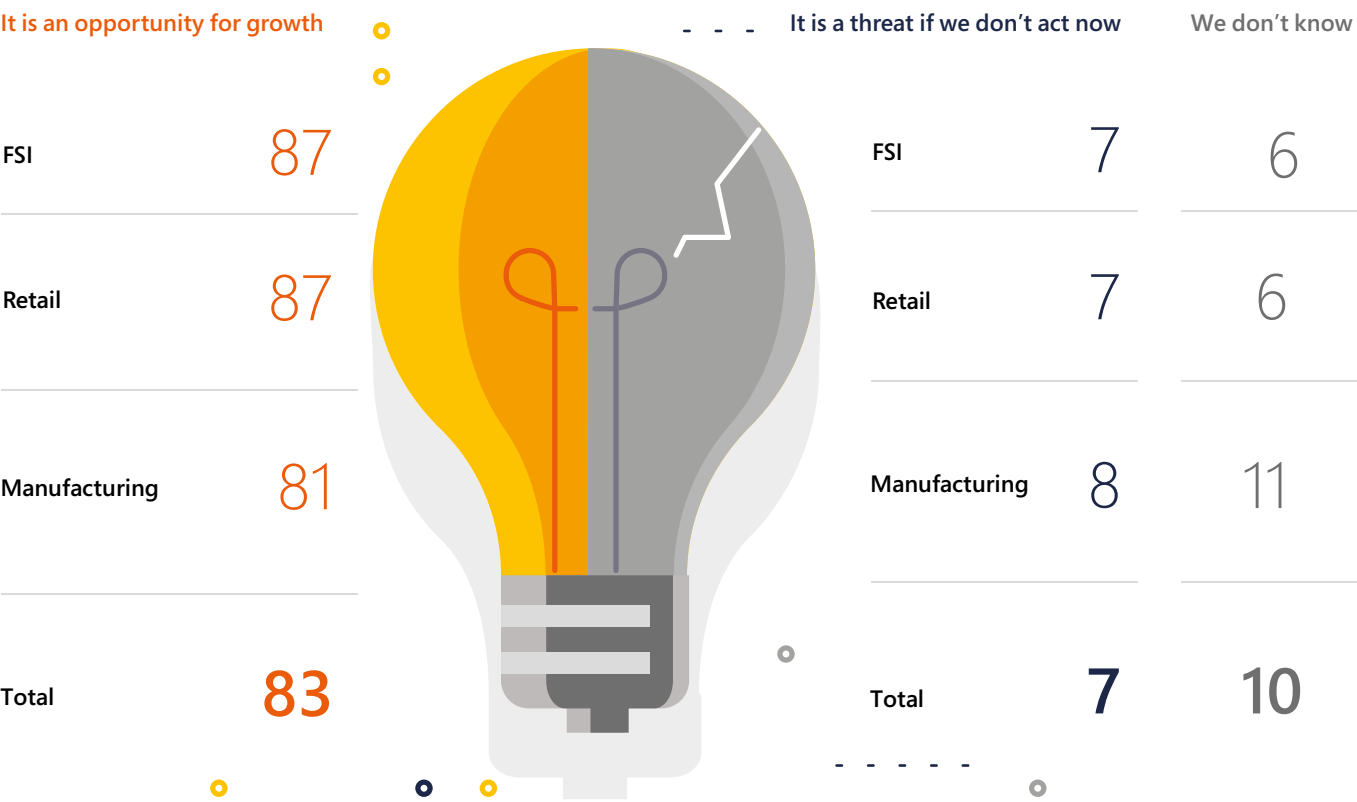




# For most companies, Digital Transformation spells growth

Digital optimism is riding high, with the majority of respondents feeling that new technologies will enhance rather than hurt their businesses.

By and large, respondents have a positive outlook on Digital Transformation.



Question. Which of the following statements reflects most your view about Digital Transformation?  
Digital Transformation Perception in %

Disruption can be scary, especially when it's so close at hand, but it can also be a good thing. After all, no improvement is possible without change. The overwhelming majority of respondents, up to 83%, believe the digital transformation is a growth opportunity for their business. Only 7% view it as a threat, with the remainder not quite knowing how to approach it. These sentiments are more or less stable across sectors, with

little variation. Retail and finance are the most optimistic, with 87% in both looking forward to digitally-driven growth. Manufacturing, meanwhile, is the least optimistic, but not by much: 81% are still hopeful that their business will receive a boost from the digital revolution. However, this sector also appears to be the most uncertain, with 11% of respondents unsure about how to respond, almost double the corresponding percentage in other industries.



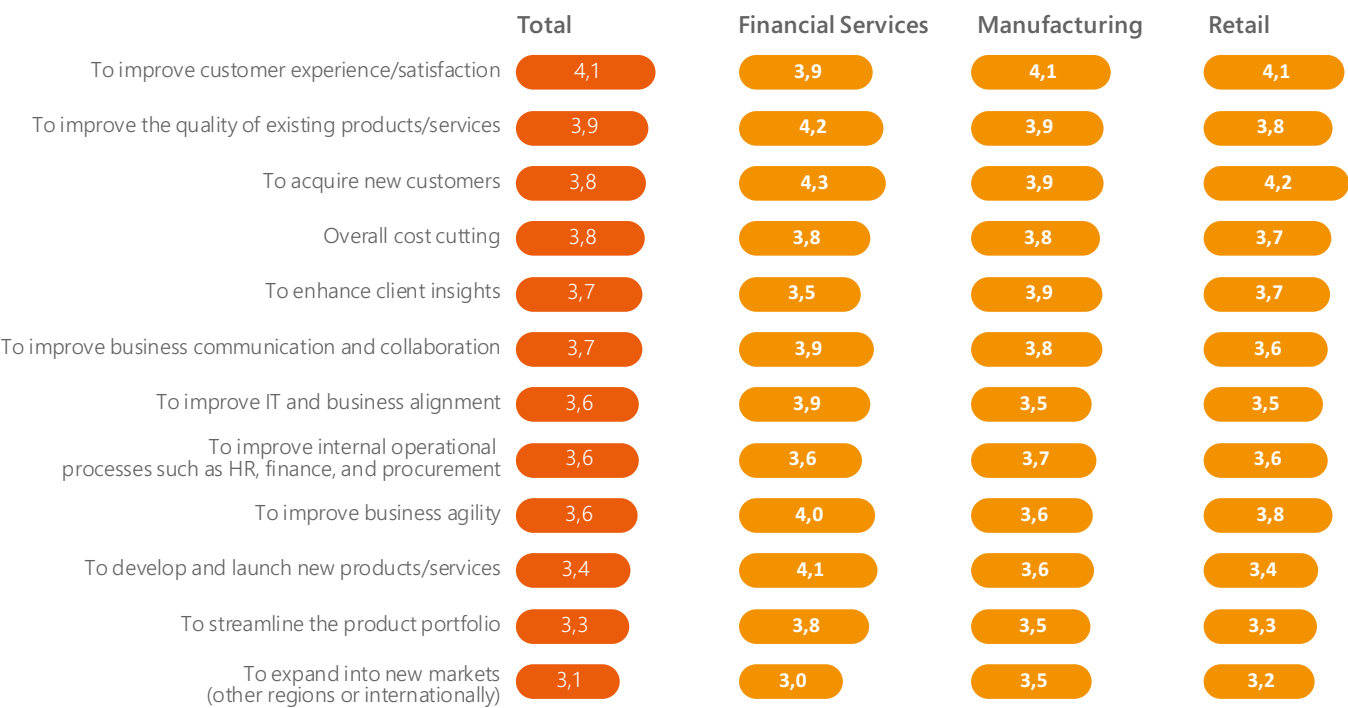
# What's driving Digital Transformation? Mainly customer satisfaction and product quality

Companies are going digital for many reasons, with customer experience and satisfaction standing out in every industry.

Among the arguments in favor of adopting digital solutions, acquiring new customers and improving their experience and satisfaction rank highest among respondents. This suggests that, for CEE organizations, customer-related factors are the leading incentives behind Digital Transformation. Operational and process-oriented goals, such as cutting costs and boosting employee collaboration, are

similarly significant, though they score slightly lower than the aforementioned targets. Meanwhile, those in the financial sector consider business agility and the development of product launches to be nearly as influential as more customer-centric drivers, which is not the case in other industries.

Across industries, the main incentive for Digital Transformation is customer experience and satisfaction.



Question: Please rate the importance of the following business priorities to your organization/department for the next 12 months.  
Mean mark from 1 (least important) to 5 (most important)

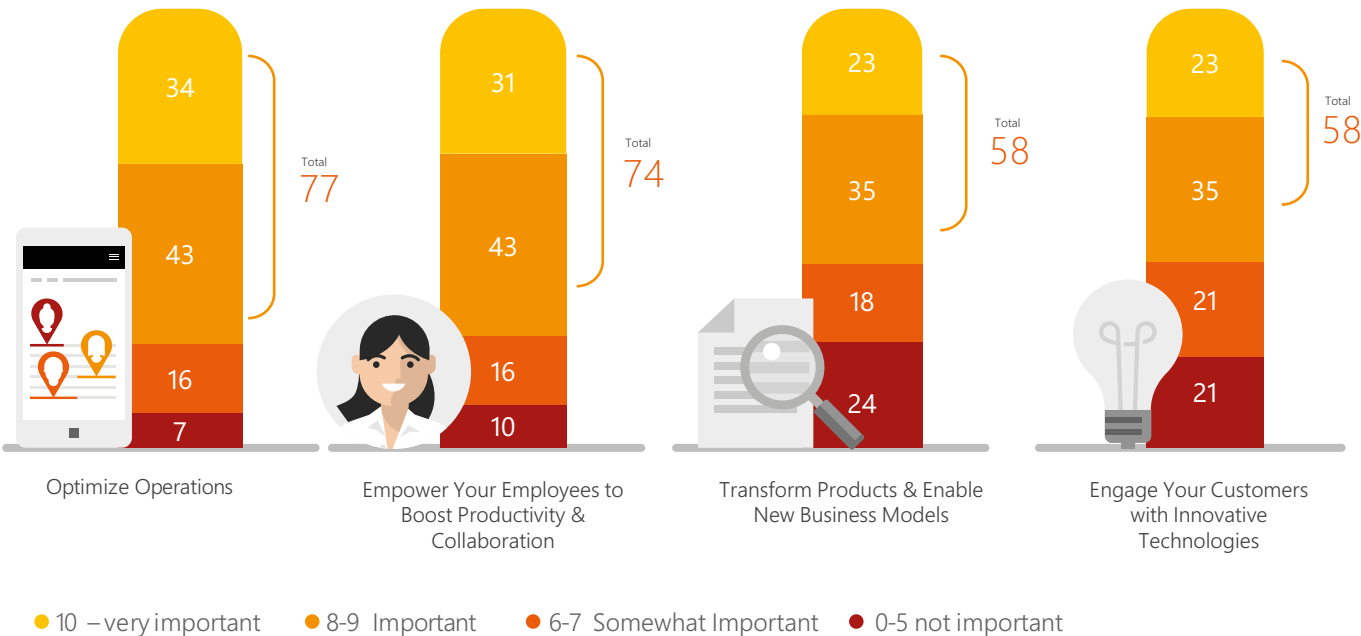




# Businesses expect Digital Transformation to improve efficiency, productivity, and collaboration

What do organizations need from digital initiatives? More than anything, to revamp how they get work done

When asked about Digital Transformation pillars, respondents pointed to optimizing operations as the most relevant.



Question: How would you grade the importance of the following Digital Transformation Pillars for your organization's needs?  
% of respondents, multiple answers allowed

As we have seen, capturing and retaining customers is, for many businesses, the end goal of Digital Transformation. But are there other more immediate needs that also call for digital solutions?  
According to 77% of respondents, optimizing operations is a crucial pillar of Digital Transformation. Almost as many, 74%, are likewise excited about empowering employees and boosting productivity and collaboration. Both benefits are closely linked to business and employee performance.

By comparison, only 58% of respondents say transforming products, enabling new business models, and engaging customers with innovative technologies are very or rather important pillars.  
This suggests that, while companies may have customer-facing objectives in the long term, what they need from the Digital Transformation right now is to upgrade how they function on an internal level.



# To exploit digital solutions, companies need more skilled personnel

The CEE region may be embracing the Digital Transformation, but many businesses feel they must take certain measures to really profit from it.

For the most part, companies are looking to address workforce deficiencies to take advantage of Digital Transformation.

	Total	Financial Services	Manufacturing	Retail
Skilled personnel are in short supply, resulting in workforce deficiencies	3,3	3,2	3,4	3,2
The competition is intensifying; companies must therefore maintain very competitive prices	3,2	3,3	3,4	3,5
Customers are becoming more demanding	3,1	3,3	3,1	3,3
Price sensitivity is increasing in the market	3,1	3,1	3,2	3,3
Overall market dynamics are changing quickly; we have to be more flexible	3,0	3,3	3,0	3,2

Question: To what extent do you agree with the following statements regarding the business environment in which your organization operates?  
Mean mark from 1 (least important) to 5 (most important)

In the context of the latest technological revolution, organizations are recognizing several emerging pain points. The most problematic of these, especially in the manufacturing sector, is the lack of skilled personnel. However, in the financial and retail industries, other customer-related challenges are more critical, especially the fact that competition is intensifying and companies must maintain competitive prices. At the same time, customers are becoming more demanding, forcing organizations to react.

Shifting market dynamics are also of particular interest to the financial sector, while retail is more alert to increasing price sensitivity. Companies, then, are focusing on preparing their workforces - and their offerings - for the transformations coming up. New technologies aren't just changing businesses, but consumers, too. And as expectations shift, so must organizations and the markets they operate in.





## Leading financial services organization embraces a digital future

With 700 branches worldwide, Eurobank is one of Greece's most important banks. With so much customer data at stake, it needed to optimize how it handled and processed information.

To this end, Eurobank realized it would need to overhaul its services. This meant a new customer-facing website and a new staff intranet. It also meant putting greater emphasis on modern data analytics and business intelligence.

With Microsoft Office 365, Eurobank has cut down its business reports from 100 to 20. Moreover, collaboration and content-sharing between employees is now considerably improved, since the intranet is available anywhere, anytime, from any device.

With the Digital Transformation at the heart of its IT strategy, Eurobank is entering the modern age while retaining its human touch.



*"Understanding our **customers** and being able to make **data-driven decisions** in order to offer them personalized experiences anytime, anywhere is at the core of our **strategy** - and this cannot be achieved **without being digital**."*

Eurobank Chief Operating Officer,  
Stavros Ioannou



Eurobank is not just one of the biggest banks in Greece but a true global player. Since 1990, it has offered a range of financial products and services to retail and corporate customers. It boasts 700 customer service locations, a workforce of more than 13 thousand, and total assets worth over €60 billion.

[Read the full story](#)



## 1 in 4 companies see themselves as industry disruptors

CEE organizations are generally looking forward to changes in their industries. There's no alignment, however, on where the shock will come from and who will be responsible for it.

Every revolution has its movers and shakers. But when it comes to the digital transformation, who'll be the main disruptor?

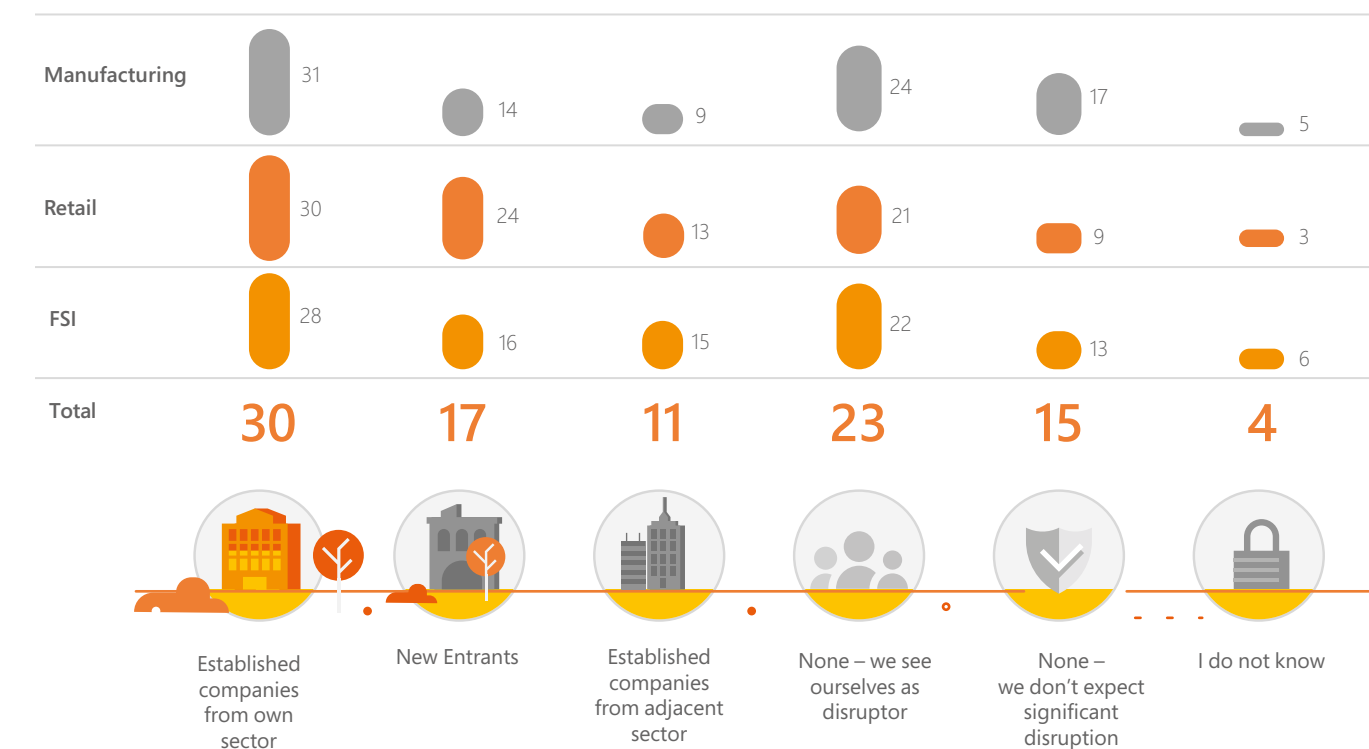
Businesses in the CEE region haven't settled on a single suspect, though 23% of respondents are certain that their own company will be at the forefront of change. 30%, however, expect established competitors from their own sector to generate disruption.

But don't rule out the new kids on the block! Up to 17% of

respondents believe recent entrants will be turning the tables. This is especially the case in retail. Indeed, this is the only sector where more respondents pointed to new entrants (24%) than to their own companies (21%) when identifying future industry disruptors.

Only a minority of respondents do not foresee much of a disruption at all, particularly in manufacturing (17%), suggesting companies are largely aware that disruption is at their doorstep.

**Most companies expect disruption, but there's little agreement on where it'll come from.**



Question: Where will the biggest disruption impacts come from?  
% of respondents, multiple answers allowed





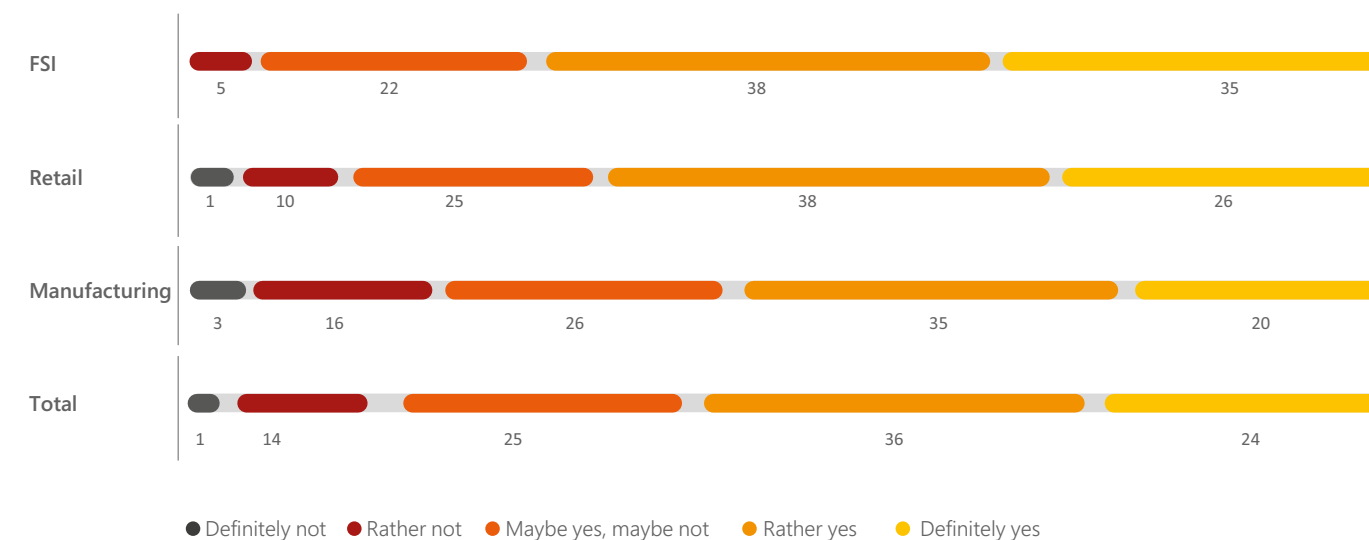
# Most businesses have a clear Digital Transformation strategy in place - but not all

With ongoing Digital Transformation, companies are preparing formal strategies to navigate incoming changes.

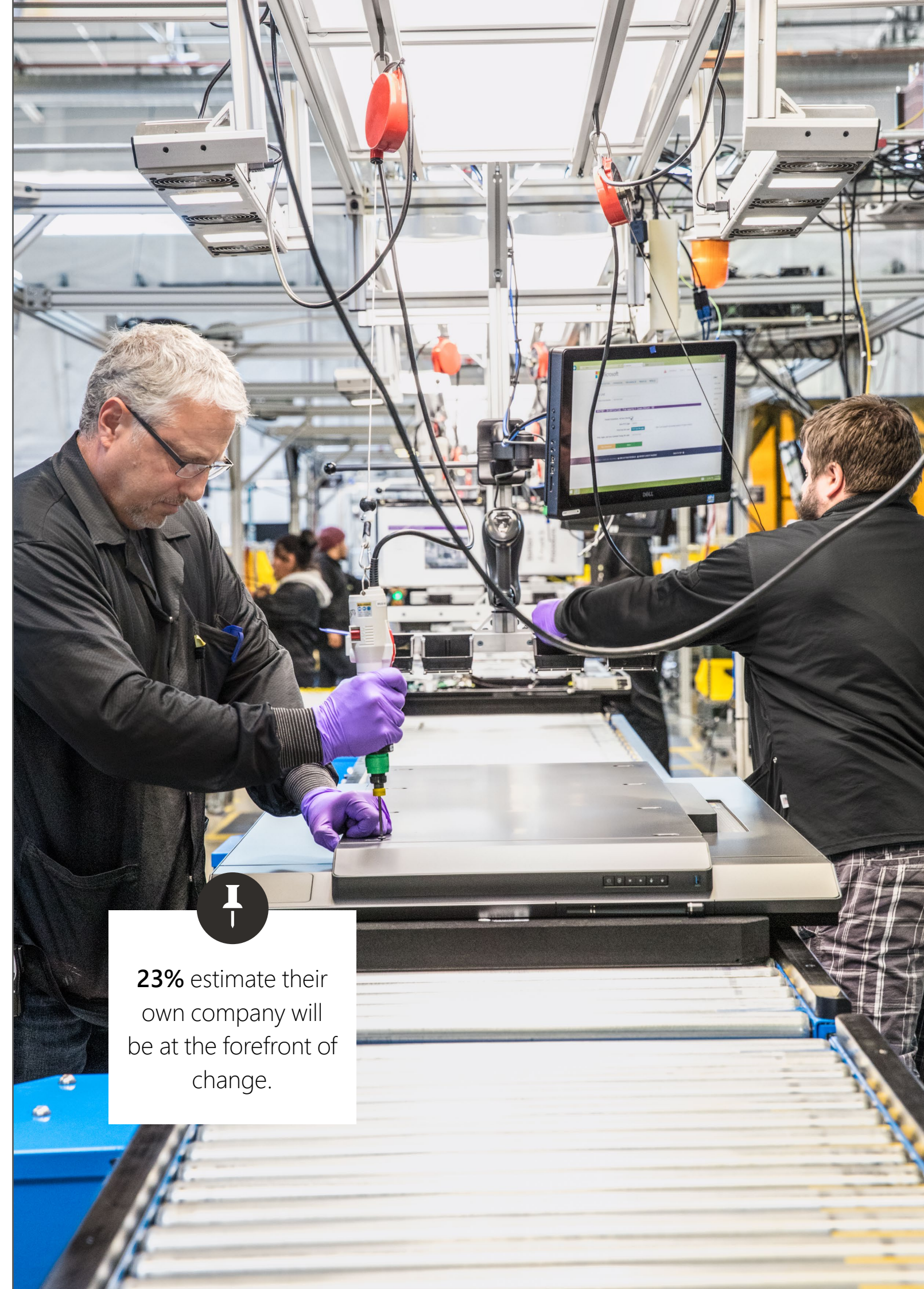
CEE organizations have entered a new technological era, one that promises disruption, growth, improved processes, and happier customers. In response, many companies are planning ahead and preparing themselves for the future, while others are not or are uncertain about whether they're doing so. Among respondents, 60% work in companies with a strong digital transformation strategy. 24%, in fact, definitely assert that these strategies are in place. The financial services

industry is where this trend is most noticeable, with 73% claiming formal strategies are in the pipeline and up to 35% saying this is definitely the case. The manufacturing sector, by comparison, is less prepared for digital disruption. 18% of respondents admitted their company has no strategy, while an additional 26% aren't entirely sure if such a strategy exists, although they do not rule it out.

**The majority of organizations have a Digital Transformation strategy, but a quarter still don't or remain unsure.**



Question: Do you agree/disagree your organization has a clear or formal Digital Transformation strategy?  
% of respondents, multiple answers allowed



**23%** estimate their own company will be at the forefront of change.



SLOVENIAN POST CASE



## Delivering in the digital age

Posta Slovenije, founded in 1995, is in charge of the entire postal system in Slovenia. Recording and keeping track of deliveries is therefore vital for the company.

Due to the ubiquitousness of mobile devices, Posta Slovenije realized it was time to create an app for its 2,500 field workers. With this in mind, it reached out to Microsoft Services (MCS) to develop such an app, initially to be rolled out to 400 employees. MCS worked closely with Posta Slovenije to propose a new approach. The solution was to provide postal workers with a handheld device connected to a small

mobile printer, which in turn would transfer data from the handheld device to back-office systems. Using Azure to host this data, they also reduced paperwork and saved costs. The results have been so effective, Posta Slovenije is now thinking of offering infrastructure as a service.

- + **Reduced paperwork** and improved cost-saving efforts
- + **Modernized** core business processes
- + **Equipped** 2,500 field workers with modern tools
- + **Established secure app** and device management



Slovenija Post is the state-owned postal service responsible for all mail delivery in Slovenia. With a workforce of 5,800, it has shouldered the responsibility of being the sole mail provider in Slovenia since 1995.

 [Read the full story](#)

## Implementing Digital Transformation





# How are CEE businesses advancing in their Digital Transformation journey?



46 %

indicated that digital transformation initiatives are usually managed as cross-departmental projects.



69 %

claim business decision makers, line-of-business managers, or entire teams are most often responsible for IT purchase proposals.



64 %

describe a healthy relationship between Business and IT units.



# Business units are strongly involved in IT investment proposals

Technical decision makers (TDMs) no longer push IT investments by themselves, as other parties take part in the proposal and acquisition process.

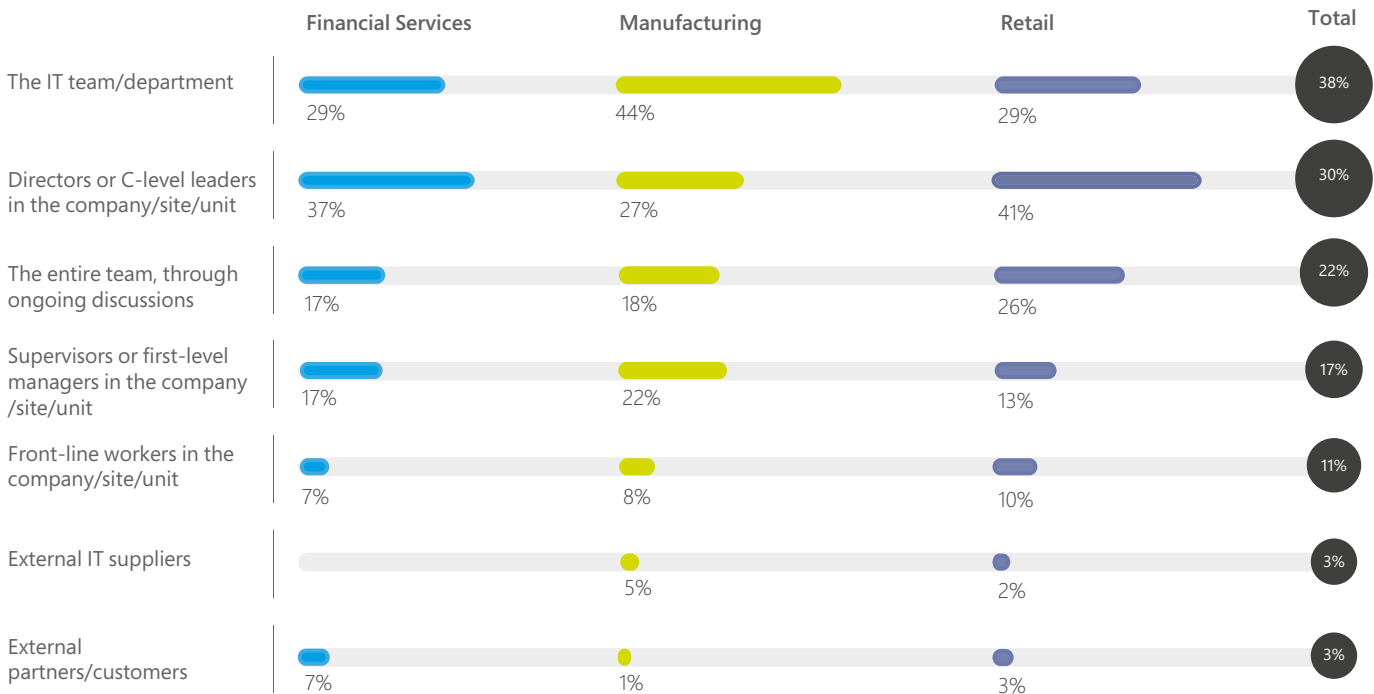
Who recommends IT acquisitions? This role used to fall squarely on the shoulders of TDMs. Yet technology is now so ubiquitous, that this responsibility has spread to other divisions.

In fact, about 70% of respondents claimed business decision makers (BDMs), line-of-business (LoB) managers, or the entire team, not just TDMs, are most often responsible for IT purchase proposals.

Although the IT team remains the main driver in 38% of

organizations, directors and C-Level leaders have become almost as important, with 30% of respondents singling them out as the initiators behind future acquisitions. In some sectors, such as retail and financial services, this second group actually surpasses TDMs, kickstarting the acquisition process in 41% and 37% of organizations, respectively. Manufacturing is where IT teams have retained the most influence, however, as they continue to lead purchase proposals in 44% of cases.

IT units are not alone in proposing IT acquisitions. Across all sectors, other units are also pitching in.



Question: When acquiring specific IT tools for your organization/department, who generally first proposes the acquisition of a given IT tool?  
% of respondents, multiple answers allowed



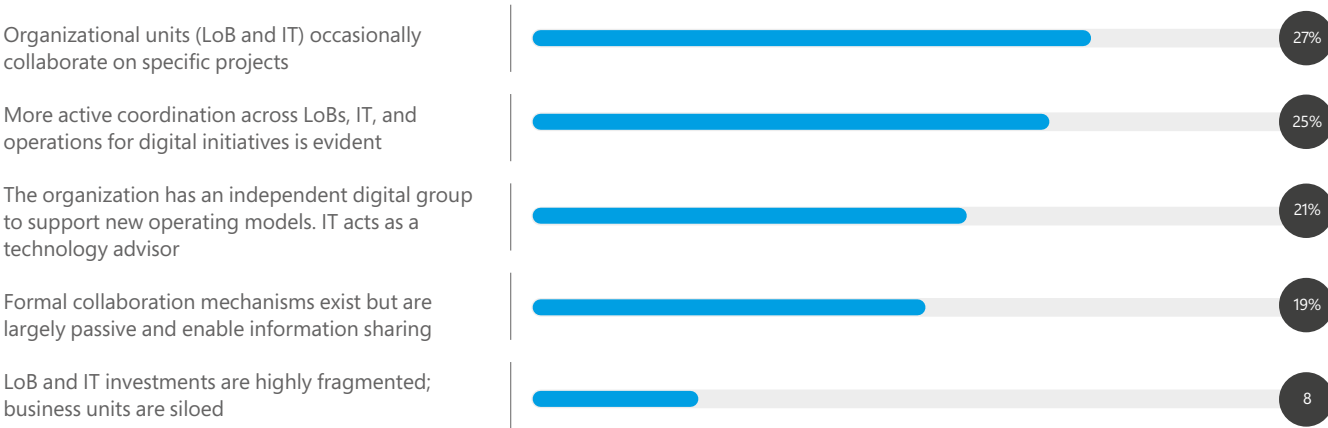
# Collaboration is propelling digital initiatives

Line-of-business (LoB) and IT teams are, with greater frequency, teaming up on Digital Transformation projects. But, in many CEE companies, Business units are still siloed or unaccustomed to active cooperation.

To implement change in an organization, it helps when several divisions are on board. Not only does this encourage teamwork and coordination, but it also helps innovation bloom. Among surveyed organizations, nearly half indicated that digital initiatives are usually cross-departmental, requiring LoB and IT units to actively collaborate. 21% even have a dedicated, independent “digital group” to

support new operating models, with IT acting as tech advisor. Nevertheless, collaboration is weaker in other CEE companies. 27% of respondents said organizational units work together only sporadically and on specific projects. 19% pointed out that, while collaboration mechanisms exist, they enable little more than information sharing. And 8% indicated that LoB and IT investments remain fragmented.

**More and more, LoB and IT teams are aligning to launch digital initiatives. But this is not the case in all CEE organizations.**



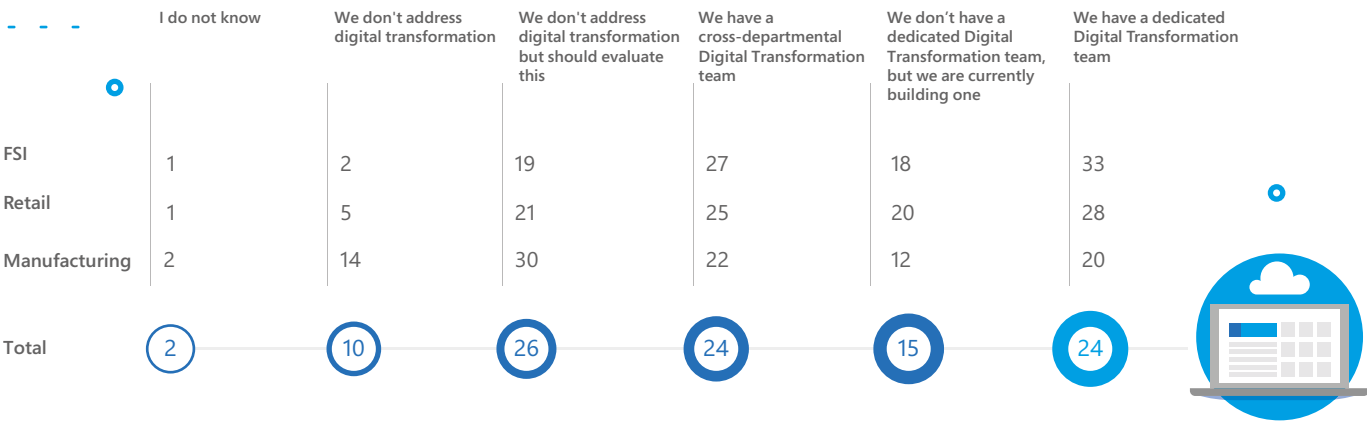
Question: Which statement best describes how your lines of business (LoBs) and IT units are aligned when it comes to coordinating digital initiatives? % of respondents, multiple answers allowed



# Digital Transformation teams are gaining ground

With new technologies shaking up every industry, the majority of CEE organizations have either formed teams to deal with digital disruption or are in the process of doing so.

**Most companies have Digital Transformation teams or are currently creating them.**



Question: How is your organization structured to address Digital Transformation % of respondents, multiple answers allowed

The digital transformation is redrawing the landscape for many businesses. How are they reacting? By making sure they have the right people for the job. 24% actually have dedicated digital transformation teams, while another 24% have cross-departmental teams. And these numbers are set to increase. An additional 15% of respondents said their companies will soon be adding a digital transformation team, though it doesn't exist at the moment. However, 36% of companies are not currently addressing

digital transformation, even if two-thirds of them are willing to reevaluate this in the future. The situation is particularly critical in manufacturing, where 44% of companies are neglecting the digital transformation, more than in any other sector. In comparison, the financial services industry is readier, with 33% of respondents claiming their company has a dedicated digital transformation team, next to only 20% in manufacturing.



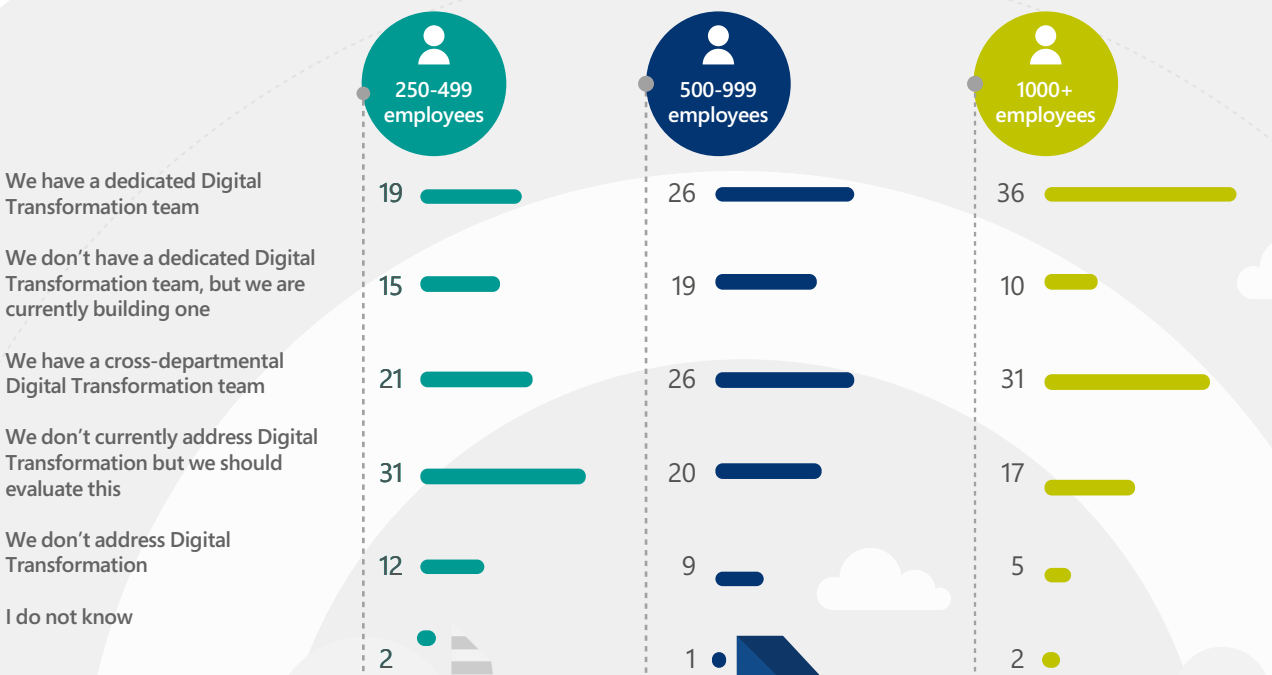


# Larger companies are leading the pack on Digital Transformation

No matter the industry, a trend holds true: the bigger the company, the better prepared it is for Digital Transformation. 36% of organizations with over 1000 employees have dedicated digital transformation teams, while 31% have cross-departmental teams. 10%, meanwhile, do not have such a team, but are building one. Meanwhile, in businesses with 250-499 employees, 40% have dedicated or cross-departmental teams, but 43% are not dealing with the Digital Transformation, more than in

businesses with larger staffs. Companies with 500-999 employees continue this trend, falling somewhere down the middle on all counts, except when it comes to their upcoming plans Digital Transformation prospects: 19% are in the process of creating a Digital Transformation team, more than organizations with either smaller or larger staffs.

Larger companies, in general, tend to have Digital Transformation teams in place.



Question: How is your organization structured to address Digital Transformation  
% of respondents, multiple answers allowed



**36%**  
of organizations with over 1000 employees have dedicated Digital Transformation teams.





## A workspace of the future for Schneider Electric Russia

By moving its internal communications and documentation to the cloud, Schneider Electric Russia made it easier for employees to collaborate and respond to customer needs.

Schneider Electric is one of the world's biggest energy innovators, and its Russian subsidiary manages five factories, four engineering centers, a logistics resources network, and office hubs across the country.

Yet in 2016, it was still using outdated software for corporate communications and documentation. So, with our Office 365 apps, Schneider Electric Russia developed a cloud-based workspace of the future, where business information is easier to find and share, and employees can talk to each other and to customers without delays.

Now the company is truly customer-centered: it works

closer to them and can immediately respond to their needs. Read on about what this transformation meant for Schneider Electric <https://aka.ms/Ytssxk>

- + Tighter interface with customers powered by Skype for Business
- + Faster business documentation flow
- + New possibilities for cost reductions
- + Employees able to be productive anytime, anywhere



Founded in France in 1836, Schneider Electric is one of the world's biggest names in energy management and automation, offering solutions for homes, buildings, industries, data centers, and infrastructure. It operates in around 100 countries and boasts approximately 160,000 employees.

[Read the full story](#)

## All units are contributing to IT decisions

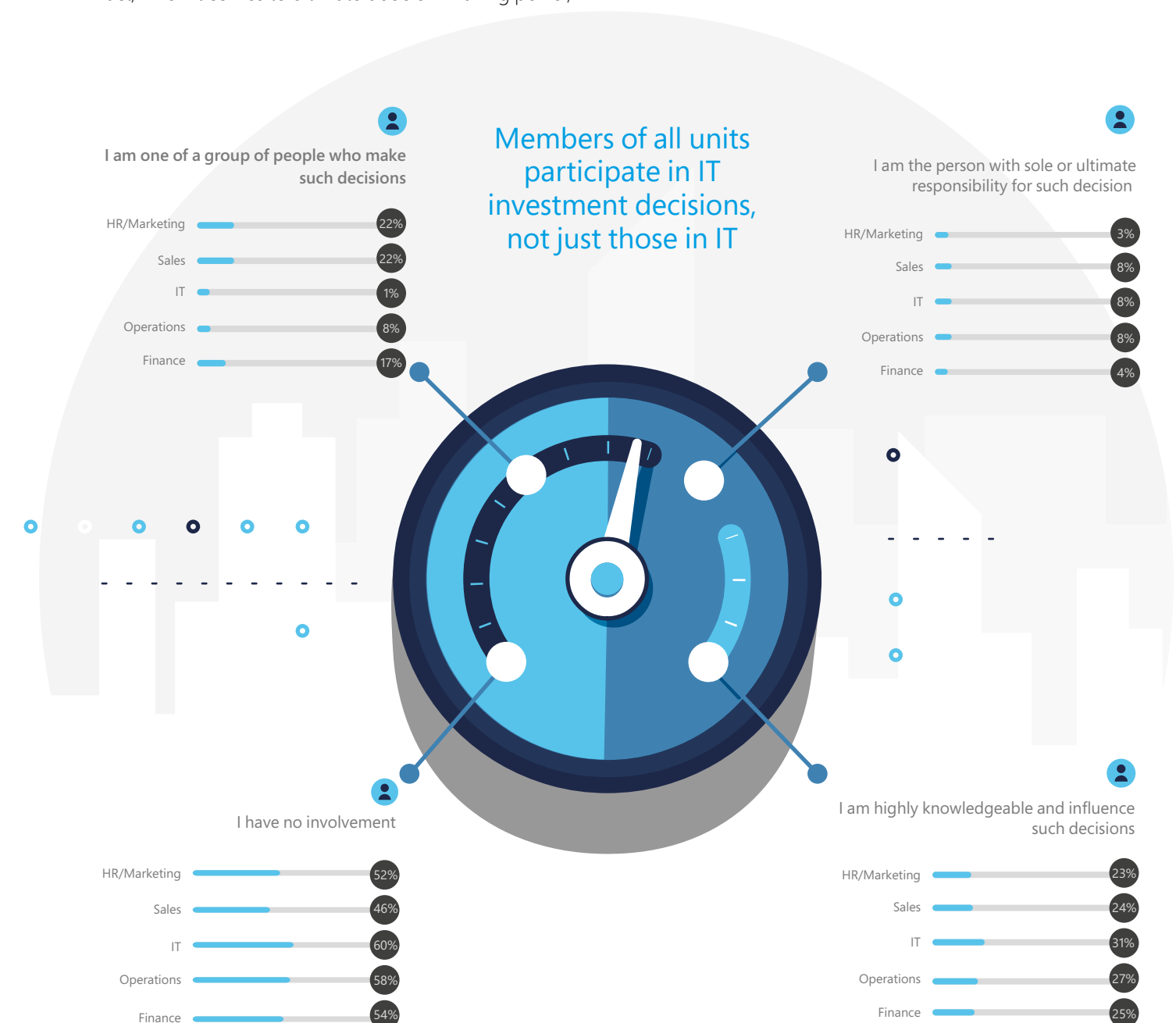
When it comes to determining IT investments, Sales, Finance, Human Resources, and Operations are often nearly as involved as IT.

IT continues to influence IT investments more than any other department, with an involvement rate of 31%. No surprises there.

What's more noteworthy, however, is that Operations, Finance, and Sales are not far behind, with 27%, 25%, and 24%, respectively, participating in such decisions. In fact, when it comes to ultimate decision-making power,

IT actually scores the same as Sales and Operations, with 8% of respondents having the authority to determine IT investments.

As we saw with investment proposals, actual investment decisions are also now a company-wide effort, with all divisions pitching in.



Question: Which of the following best describes your involvement in IT investment decisions affecting your organization?  
% of respondents, multiple answers allowed



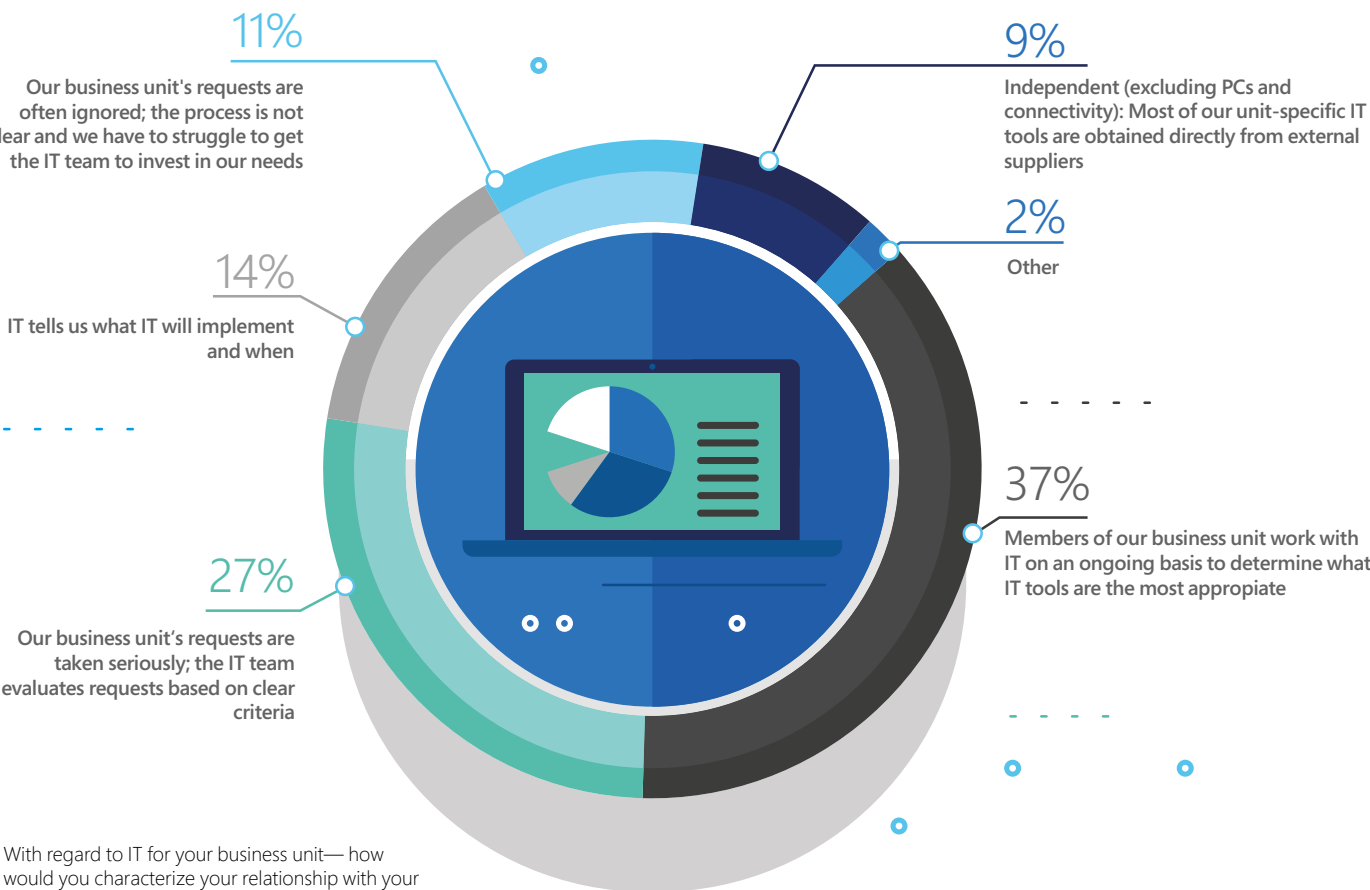
# Business and IT are tackling IT issues together

In all industries, the relationship between IT and line-of-business (LoB) units is changing, suggesting that CEE organizations are actively embarking on their Digital Transformation journeys.

It's one thing to collaborate on key Digital Transformation initiatives. Yet such teamwork also happens on an ongoing basis. More and more, Business and IT are working in conjunction to determine what IT tools should be implemented and when. Across the region, up to 37% of respondents described an ongoing working relationship between IT and Business, with both regularly collaborating to determine which tools should be implemented. 27%, meanwhile, indicated a healthy - if not ongoing - relationship, with requests from

Business usually taken seriously by IT. However, cooperation is not always assured. 20% of respondents claimed IT and Business continue to operate as separate, independent departments. An additional 14% pointed out that IT unilaterally decides what to implement and when, with little communication happening across units. This suggests that, though the Digital Transformation is already shifting internal company operations, there remains much ground to cover.

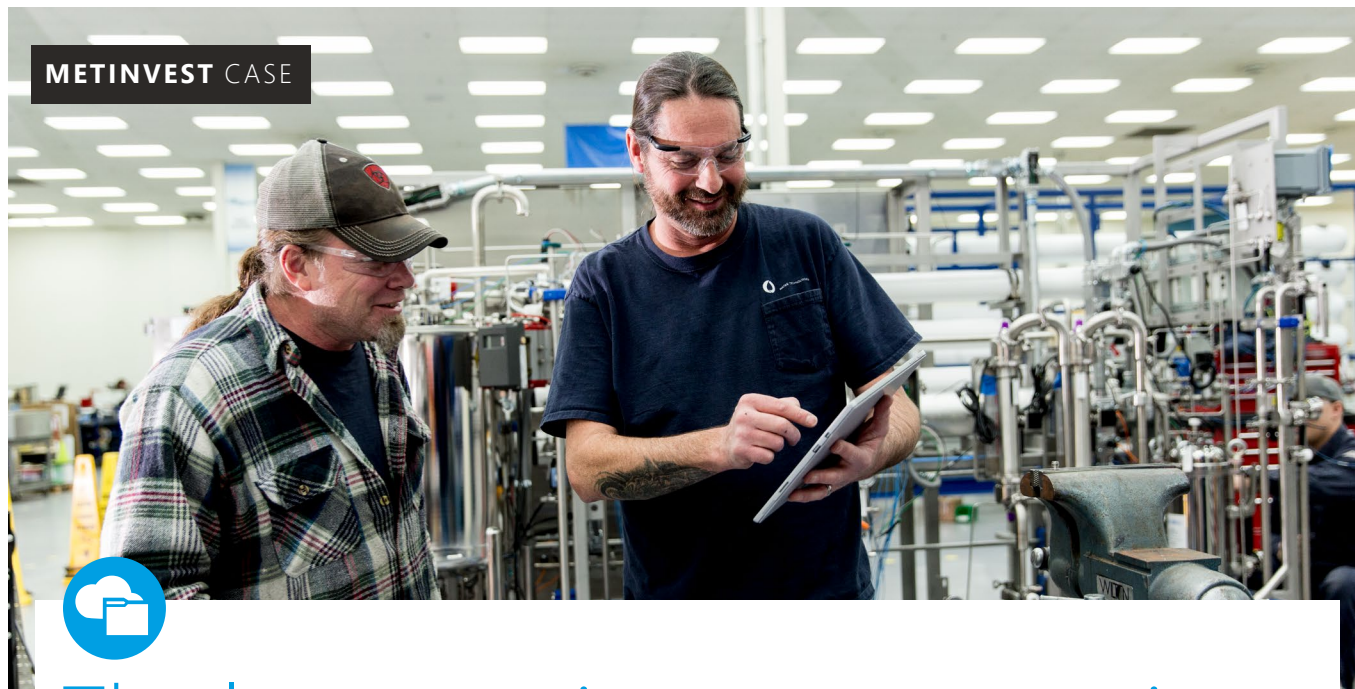
## Cooperation between Business and IT is more common, but not assured.



With regard to IT for your business unit— how would you characterize your relationship with your company's IT team?  
% of respondents, multiple answers allowed







## The largest private company in **Ukraine** gets an IT boost

Metinvest is one of the biggest industrial holding companies in Eastern Europe. And now it has an internal IT service that can stand besides its already world-class offerings in the steel industry.

You would think a company responsible for producing 11 million tonnes of crude steel a year would be satisfied with its current performance level. But not Metinvest.

The Ukrainian giant is hoping to become even more efficient by creating an internal IT service on par with what any external firm could provide. To do so, they're relying on the Microsoft Dynamics 365 platform.

By revamping its IT capabilities, Metinvest is aiming to enhance collaboration, gain greater visibility into business processes, improve project delivery, and support business across all its component teams.

This way, the company is not only hoping to consolidate its ongoing success but also ensure future growth.



*"To transform the way we delivered IT, we needed the **best tool** on the market we could find."*

**Sergey Detyuk**

Chief Information Officer Metinvest



Established in 2006, Metinvest Group brings together several steel and mining companies in the Ukraine, Bulgaria, Italy, the United Kingdom, and the United States. It currently stands as the largest private company in the Ukraine and the 13th biggest in Central and Eastern Europe.



[Read the full story](#)

# Updating technology in a digital future





## What role does IT play in the future of CEE companies?



# 70%

expressed that IT is vital to their operations and long-term strategy.



# 37%

stated that predictive analytics is at the core of their future investments.



# 94%

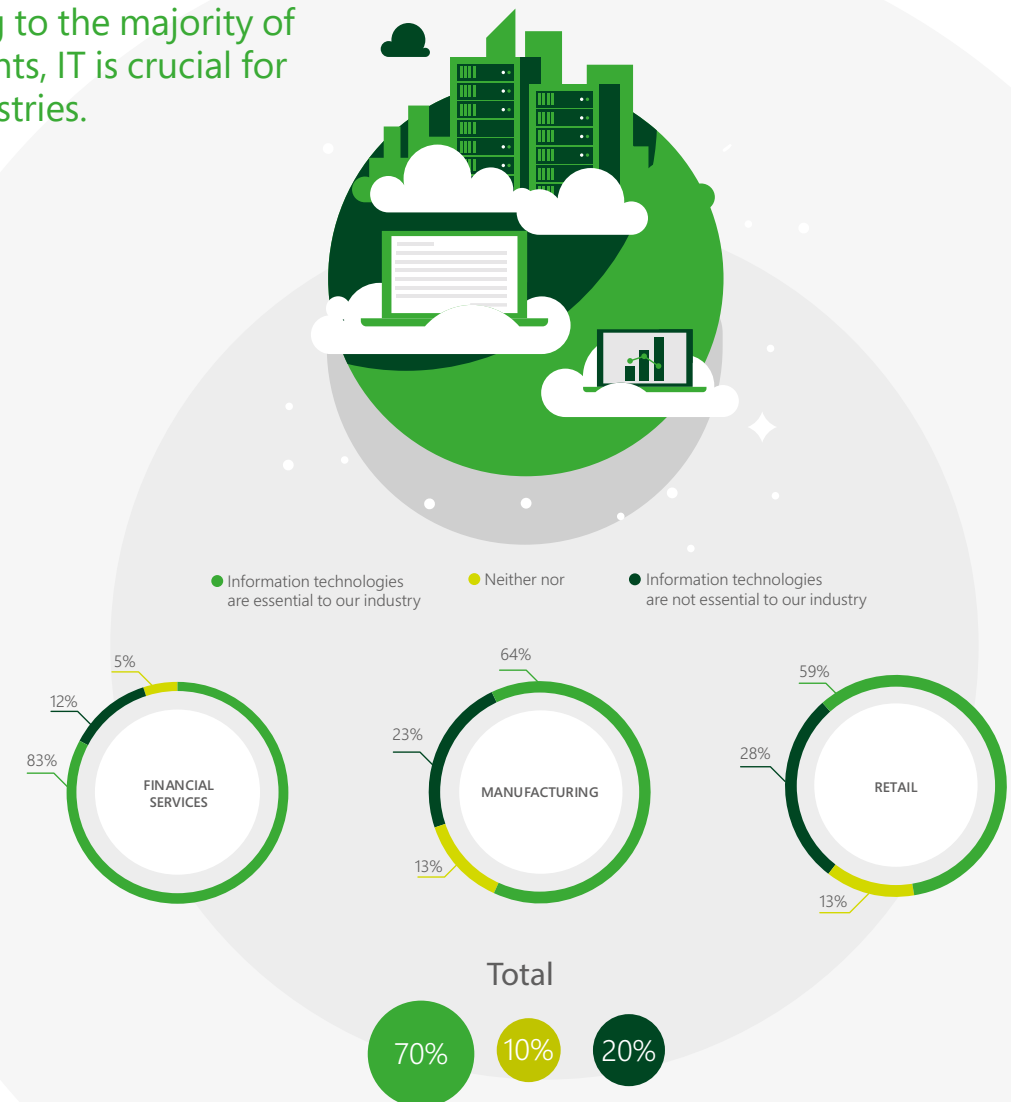
of executives believe artificial intelligence is important to solving strategic challenges.



## IT technologies are viewed as essential in most industries

Digital Transformation is not just a buzzword. Most CEE organizations understand that new technologies are necessary for their operations.

According to the majority of respondents, IT is crucial for their industries.



In today's changing business landscape, staying relevant and competitive is hard. That's where IT solutions come in, allowing companies to revamp how they function and operate. 70% of respondents said digital solutions were key to their operations and long-term strategies. In the finance industry,

this is strongly the case, with 83% affirming so. However, in retail, even though IT technologies continue to play a vital role, they're also comparatively less important, with 28% of respondents not integrating these solutions into their internal processes.





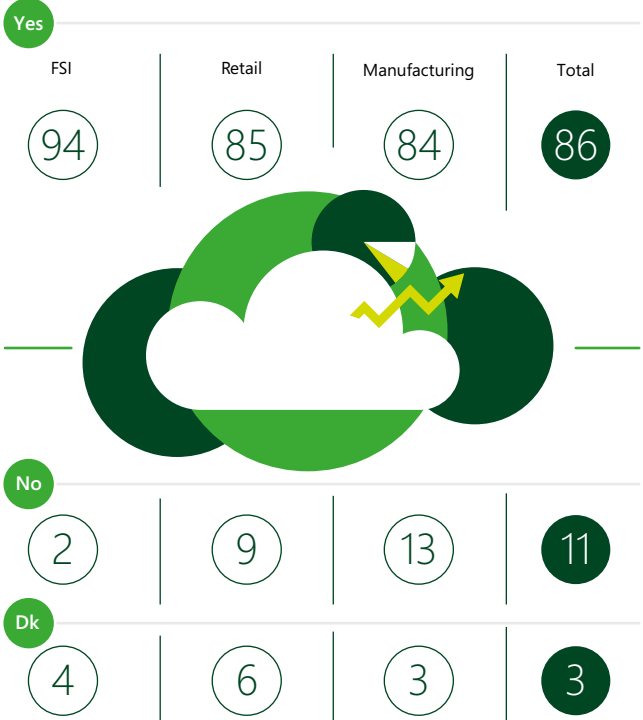
# Cloud technology is seen as a Digital Transformation enabler

Online teamwork, security, and storage are associated with cloud tools, which are widely being celebrated as drivers of Digital Transformation.



Across businesses and industries, cloud technology is enabling remote work, strengthening security, and deepening file storage capacities for either individuals or entire companies. Little wonder, then, that 86% of respondents believe cloud solutions are making the Digital Transformation possible. This is overwhelmingly true in the financial sector, where 94% shared this opinion and only 2% disagreed. In manufacturing, although the vast majority are certain of the cloud's transformative potential, 13% are still skeptical, more than in any other sector.

## Across industries, cloud solutions are facilitating Digital Transformation.



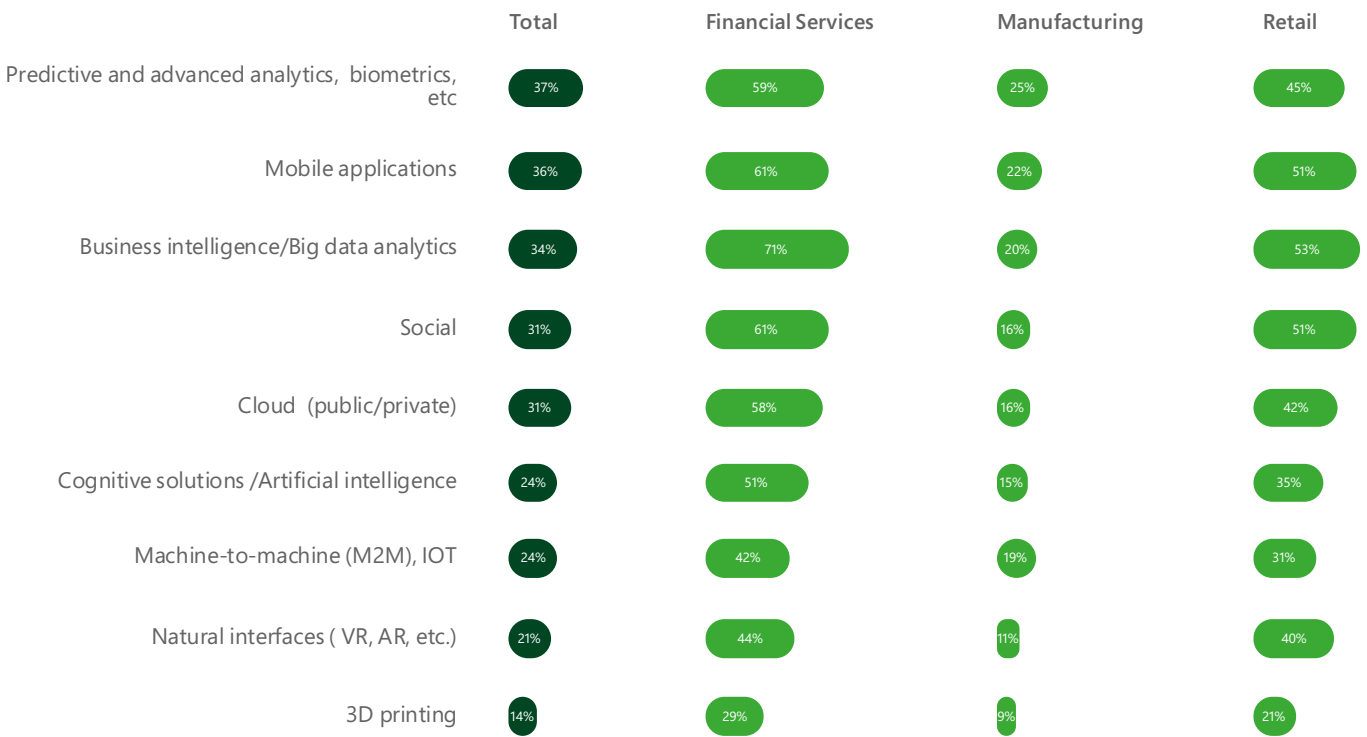
Question: Do you agree that cloud technologies (Big Data, Artificial Intelligence, IoT) are enable a digital transformation journey?  
% of respondents, multiple answers allowed



# Customer-centric solutions are heading IT investment decisions

With customer satisfaction and acquisition being the goal of most Digital Transformation initiatives, it's only natural that IT investments are usually aimed at engaging and understanding customers.

## IT investments are focused on understanding customer needs, wants, and behaviors.



Question: Please indicate your investment plans for each of the following areas over the next 12 months. Chart showing answers stating "moderate or high investments planned"  
% of respondents, multiple answers allowed

Once a company decides to accelerate their Digital Transformation, the question then becomes where this transformative effort should be directed. And for most companies, the answer involves approaching customers and identifying their needs, wants, and purchasing behaviors. 37% of respondents have predictive analytics and biometrics as their core investment priority. Mobile applications (36%), business intelligence (34%), and social tools (31%) follow closely behind.

All these innovations help companies not only improve their own processes and solutions but also align with customers. They also streamline the buyer's journey (via omnichannel tools like mobile apps) and bring customers closer to brands (via social media). Priorities were similar across industries, though the financial sector pays particular attention to business intelligence while manufacturing favors predictive analytics.





## A national healthcare service joins the digital age

The Polish Medical Association is piloting Telecare – an innovative, mobile-based, remote monitoring system that assists elderly, dependent, and vulnerable people.

When you're responsible for the health of an entire nation, it's vital to manage available resources. And with Telecare, which is supported by Microsoft Dynamics 365, users can instantly alert a remote carer whenever they're in need of assistance.

Based on data supplied by users and captured by in-home devices, contact center agents can immediately flash a red or green signal at the Polish Medical Association's offices. Afterwards, they can instantly alert emergency services or – in less urgent cases – offer help and support over the phone.

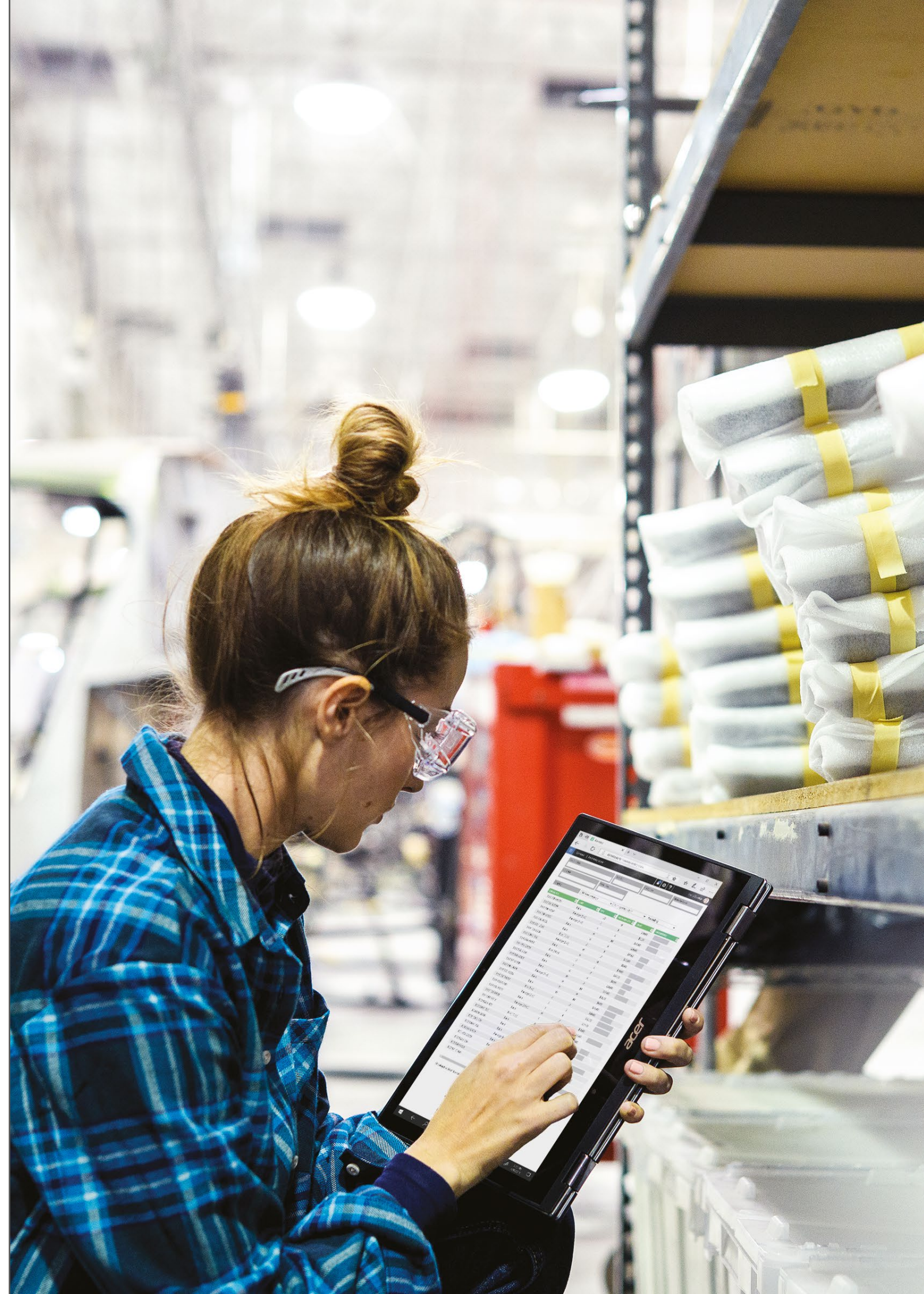
Telecare enables self-reliance and facilitates rapid assistance, no matter what the user's age, illness, or disability.

- + More effective assistance of sick, elderly, and dependent people
- + Improved access to patient, employee, and project reports
- + Enhanced equipment to manage vital resources and prioritise services



Since 2004, the Polish Medical Association has been delivering first-class medical care. It has embraced IT by providing a remote monitoring system that assists the elderly, dependent, and vulnerable people of Poland.

 [Read the full story](#)







# Artificial Intelligence is on the rise

Driven by growing investments, cognitive and AI technologies are finding a wider audience in the CEE region. Industries such as finance and retail are already applying these innovations in everyday business, with new and exciting applications being in constant development.

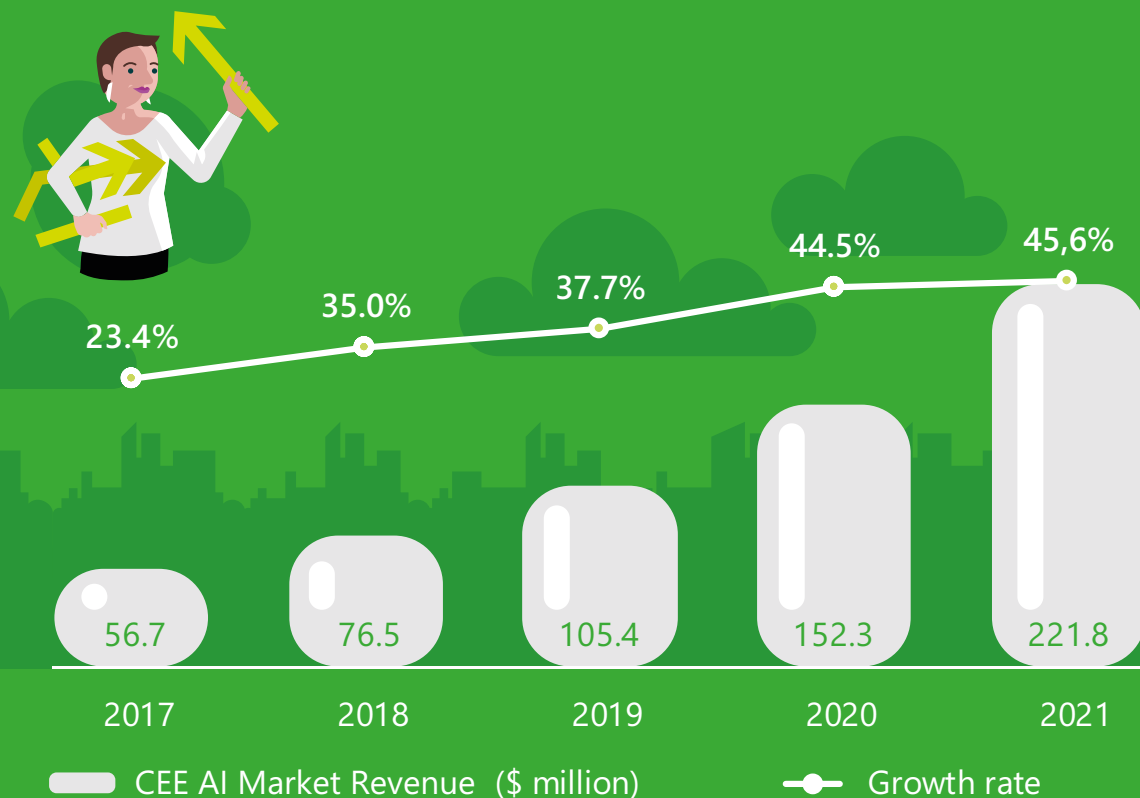
Artificial intelligence and cognitive systems still sound a bit like science fiction. Not that long ago, they were. Now, they're spearheading innovation in every industry. So, how are these areas growing, and where are they headed? Read on.

## A booming AI market

No doubt about it, artificial intelligence is surging. In CEE countries, 2017 revenues stood at \$56.7 million. By 2021, they

should reach \$221 million. That's a 290% increase. What's behind it? In part, specializations such as chatbots, data mining, and omni-channel, all crucial in the retail industry, are behind the popularity of AI solutions. Such intelligent applications are set to transform business models and impact how companies interact with customers. AI will be at the forefront of many transformations in the years ahead, both in individual companies and entire industries or countries.

### AI market in CEE by revenue (2017-2021)



## Why CEE is embracing artificial intelligence

The adoption of AI in Central and Eastern Europe is being driven by the need to achieve certain economic, business, and educational goals in the years ahead.



### Attracting the attention of investors towards AI-like technology

The CEE region has plenty of potential. It boasts over 30 thousand startups and, in the last 5 years, has seen a 20-fold increase in investments in early-stage projects.



### Motivating startups and big firms to invest in Europe.

Decision-makers are creating financial incentives to attract foreign talents and investors to set up their AI businesses in CEE.



### Preparing European workforces for a digital future

A plan for the upskilling of the European workforce is in place to fill in the talent gap that's hindering future development of AI technologies.



### Clarifying AI-related ethics and trust issues

The European Commission has recently laid down regulations that would help resolve the moral, legal liability, and data-ownership issues raised by AI, which are hindering wide adoption.



# New technologies are leading to exciting new solutions

With interest in AI continuing to rise, novel applications and implementations are flourishing.

By 2021, solutions such as fraud analysis, automated preventive maintenance, and threat prevention, among others, will be receiving nearly four times the investments they enjoyed in 2017.

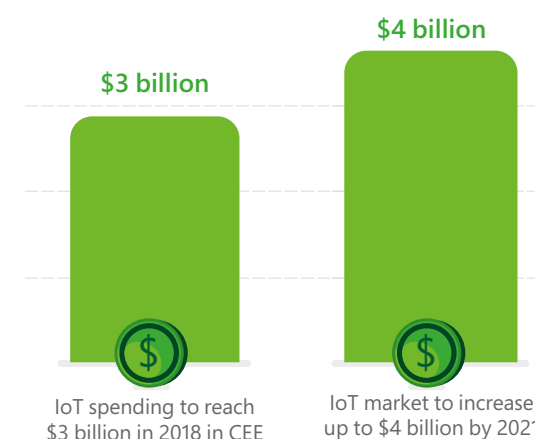
In the retail industry, in particular, AI is enabling shopping automation in e-commerce, which, in 2016, grew 22% in the EU. More accurate recommendation algorithms and accessible collaborative economy platforms are boosting sales and employment.

Meanwhile, in finance, AI-based automation technology is helping the sector cut costs as a proportion of revenue by 15%. Thanks to AI, CEE companies can provide continuous customer service and fraud detection, or help asset managers customize end-clients' investment portfolios in line with environmental, social, and governance criteria.



## A world of connectivity

Another growing field in AI development has to do with the Internet of Things (or IoT), which enables machines, household appliances, and other items to be connected and share data. In the CEE region, annual spending on IoT will reach \$3 billion in 2018. By 2021, the IoT market will increase up to \$4 billion.







# Security breaches and internal readiness are the two biggest obstacles to Digital Transformation

Adopting digital solutions is desirable, but it can be a demanding process. Companies face many challenges on the road to modernization.

CEE businesses may recognize the value of technological innovation. They may even embrace new tools. Yet, to succeed, they'll need to sidestep certain roadblocks to Digital Transformation.

The most important of these hurdles in the retail, finance, and manufacturing sectors, is the threat of security breaches, with 46% of respondents signalling it out.

42%, meanwhile, pointed to a lack of internal readiness at their companies, at both the management and employee levels. And 37% admitted that, in digital transformation

initiatives, finding personnel with the right skills remains a challenge, especially in retail, where 42% identified this as an issue.

Compliance and regulatory concerns ranked lower, although they're still potential digital transformation blockers, according to 29% and 25% of respondents, respectively.

Most of these hurdles are internal. That is, they're related to a company's digital fitness in terms of processes, employees, and data.

# IT decision makers are particularly skeptical of internal Digital Transformation readiness

IT and business decision makers agree that security breaches pose the most important challenge to Digital Transformation, with nearly half of respondents in either group identifying this as a critical issue.

The internal readiness of management and employees is likewise a hot topic for both groups, but ITDMs are more concerned about it, with 46% signalling it out next to 38% of BDMs.

Compliance legislation is another Digital Transformation blocker of note to ITDMs: 32% highlighted its relevance, while 25% of BDMs did the same.




Both groups, however, are more closely aligned when it comes to government regulations and finding skilled personnel.



46%

of ITDMs believe management and employee readiness is an important Digital Transformation blocker.

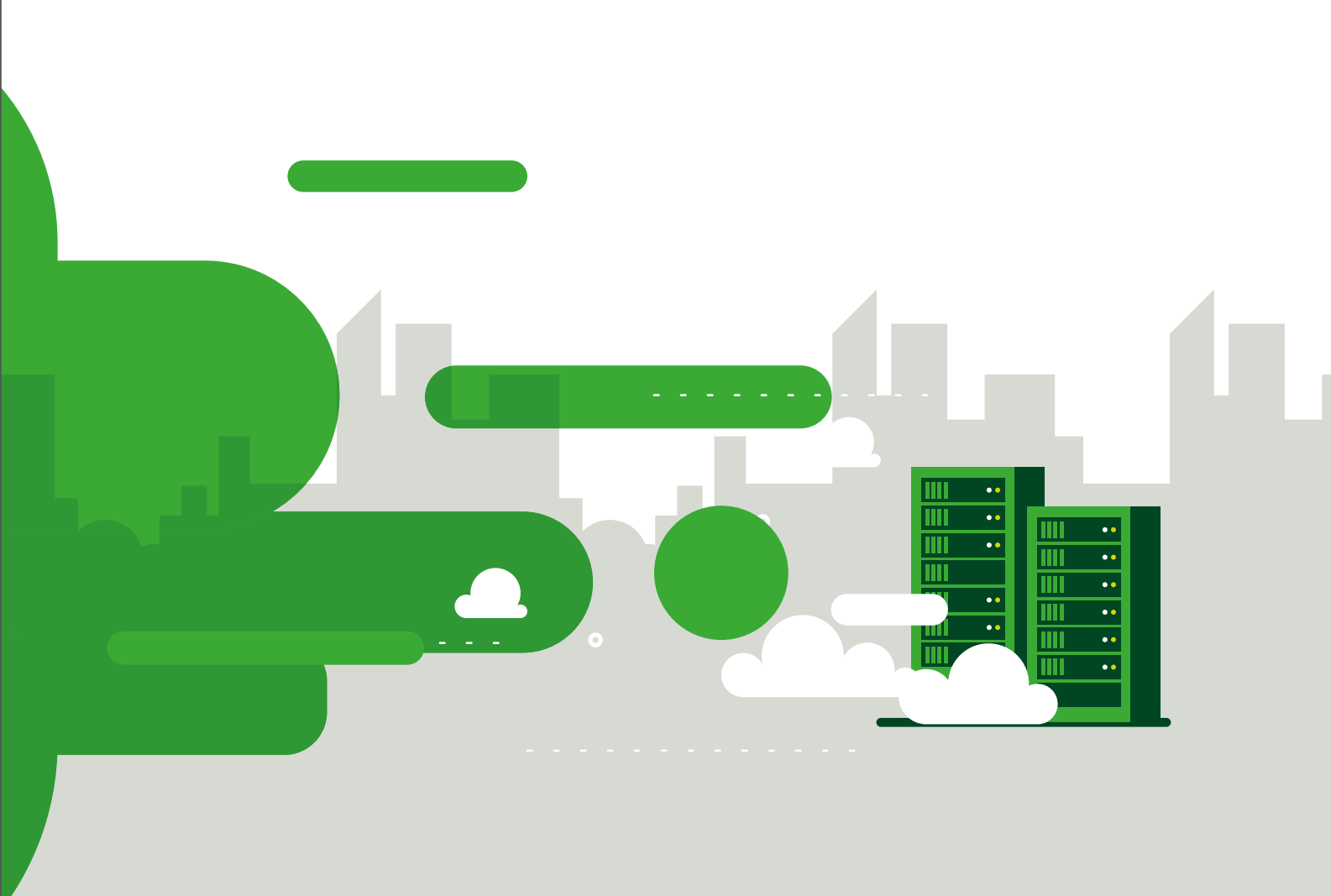
In all industries, security breaches are perceived to be the most significant Digital Transformation blockers.

-  Security breaches
- Total  
46
- FSI | Retail | Manufacturing  
45 | 45 | 47
-  Internal readiness of management & employees
- Total  
42
- FSI | Retail | Manufacturing  
39 | 40 | 43
-  Find the right and skilled personnel
- Total  
37
- FSI | Retail | Manufacturing  
36 | 42 | 35



- Compliance legislation 
- Total  
29
- Manufacturing | Retail | FSI  
29 | 29 | 28
- Government regulations 
- Total  
25
- Manufacturing | Retail | FSI  
24 | 24 | 29

Question: What of the following do you consider the most important blockers to a Digital Transformation journey?  
% of respondents, multiple answers allowed





## Customer intelligence leader looks to the cloud

Synerise specializes in customer intelligence solutions for the financial and retail services industries. Based in Poland, with just 110 employees, it was looking to turn into a truly global player.

Analyzing 40 million customer transactions and processing up to 60 thousand transactions per second is no easy task. To handle such massive amounts of data for major clients, Synerise needed a strong cloud-computing backbone.

It turned to the Azure platform in order to support its marketing and sales automation and AI services. With the help of Microsoft tools, the Synerise system allows clients to collect data, gain detailed customer insights, and customize their operations accordingly.

Moreover, Synerise can provide this service without on-premises and physical servers. This allows the company to focus on product development rather than performance optimization, which in turn leads to faster growth and scaling.



*"Thanks to **Microsoft Azure**, the platform has so far analyzed 40 million transactions for customers and is capable of easily processing **60,000 simultaneous transactions** per second at peak periods."*

**Sebastian Fyda,**  
Senior Cloud Solutions Architect,  
Synerise

SYNERISE

Polish-based Synerise offers omnichannel marketing and customer intelligence capabilities, with marketing tools that employ artificial intelligence, predictive analysis, machine learning, and marketing automation.



[Read the full story](#)

## Conclusion

The coming years will be times of change and CEE organizations aren't standing still. They must act now, not later, to be ready for what's to come. To achieve this goal, new technologies are enabling them to revamp their offerings, revitalize their approach to consumers, and modernize their internal processes.

Technological innovation is both disruptive and creative. It's disruptive because it makes what came before it look outdated. And it's creative because it encourages new attitudes and solutions. In other words, it's always both a challenge and an opportunity. Faced with digital disruption, CEE organizations are creatively adapting how they operate internally. IT purchase proposals and decisions are now being made by all divisions instead of only IT, and this kind of collaboration is also behind most digitalization initiatives. Meanwhile, dedicated

Digital Transformation teams are sprouting up in companies all over the region. Yet, these efforts are not only being fueled by a desire to survive market upheaval. To many respondents, the Digital Transformation also points to increased business growth and a stronger relationship with consumers. The future may be uncertain. But, in many respects, it's undeniably bright.





# Appendix

In crafting this report, we assembled an array of perspectives from different countries, companies, and employees, which nourished our conclusions and insights.

To look at the effects of Digital Transformation in Central and Eastern Europe, we cast a wide net. Our findings are based on two surveys conducted for Microsoft by Ipsos Mori and IDC. The first one was carried out between January and February 2017 and gathered responses from 400 ITDMs and BDMs in Russia, Poland, Romania, and Hungary. The second, more recent survey was completed between May and June 2018 and reached out to 763 BDMs and ITDMs in Russia, Poland, Czech Republic, Greece, Hungary, and Romania,

Between the two surveys, we covered companies with more than 250 employees in retail, manufacturing, financing, utilities, and the public sector. Respondents, therefore, came from diverse national contexts and businesses. With digital disruption impacting every market, each point of view offers another valuable glimpse into the changing industry landscape ahead.

## Additional Sources:

- + **Blueocean MI** - CEE Artificial Intelligence Market report, June 2018
- + **IDC Trendspotter**: Cognitive and Artificial Intelligence Systems Spending in CEE region Through 2021, October 2017
- + **IDC**: Spending on Cognitive/AI Technologies in Central and Eastern Europe Reflects Organizations Growing Interest in Business Transformation, Says IDC, April 2018







## A Guide to the Future

How companies across industries in Central and Eastern Europe approach the digital revolution

