

A stylized globe with the Nordic region highlighted in orange. The globe is set against a dark purple background. The text is overlaid on the globe.

Digital Transformation in the Nordics

How to become a digital-first business

Content

Why digitise?	4
Where to prioritise	12
How to succeed	18
What digital leaders are doing right	30
Conclusion	34

Why digitise?

Digitalisation is a top priority for Nordic companies – but motivations, goals and capabilities vary between countries and industries

Digitalisation is a top priority for the largest enterprises and organisations in the Nordics. In order to shed light on why digitisation is important and what it means for companies today, and to dig into how to go about achieving the desired change, we have spoken to more than 90 of the largest companies and public organisations in the Nordics. Close to 90% of the surveyed companies see digitisation as an important issue – and one third rate it as their number one top priority.

The companies who have participated in the digitalisation study are all among the most resourceful in their region with the majority of most major listed and private companies participating. Thus, the surveyed companies and organisations all have the resources to drive major digital transformations with lasting impact. Further, they are large and complex organisations that need a robust strategy and strong C-level buy-in to succeed.

The move from IT to strategy

Having a strong focus on digitalisation as a key strategic lever is supported by recent research. A 2016 study from the US, in which data from 340+ enterprises is compared, indicates that the most digitally mature organisations generate a yearly average of USD 100 million more in operation income compared to less digitally mature organisations.

An MIT study of 400 companies moreover shows that companies with a stronger digital intensity derive 9% more revenue from their physical assets, are 26% more profitable and achieve a 12% higher market valuation than their average peers.

This trend is no less evident in the Nordics, where digital transformation is quickly moving from being confined to the IT and technology departments to being a central priority for today's top management teams. This is similarly reflected among the 91 companies surveyed, as ~65% of the respondents are in fact part of their company's strategy-, commercial- or business development units. Digitisation's move from being an IT-issue to claiming a central spot on the strategic agenda is particularly strong in Denmark and Sweden, where only 5% of the respondents work in IT. The strong strategic priority is similarly evident in Finland, where 75% of respondents are in a VP-function or C-suite.

An in-depth understanding of Nordic digitisation

It is abundantly clear to today's executives that digitalisation is key to future success – but the big question is how to successfully go digital. That is precisely what we have sought to answer through conversations with a diverse range of organisations, ranging in industries from construction and manufacturing to media and the public sector.

Participating Companies

Denmark

Danske Bank	Widex	Maersk	TV 2
Coloplast	William Demant	TDC	Chr. Hansen
Grundfos	Vestas	Novo Nordisk	Pandora
ISS	The LEGO Group	Novozymes	Stofa/SE
Egmont	Arla Foods	LEO Pharma	PFA

Sweden

Länsförsäkringar	SEB	Folksam	Swedbank
SKF	Electrolux	Ovako	Brothers
MTG	SAS	PostNord	NCC
Telia	ÅF	Coor	Sandvik Coromant
Vattenfall	Telenor	Schibsted	Circle K

Norway

Agder Energi	Amedia	BKK	Bama	SAPA	Storebrand
Bane NOR	COOP	Circle K	DNB	SR Bank	Telenor
DNV GL	Eidsiva	Elkem	Gjensidige	Schibsted	Tine
Helse Sør-Øst	MøllerGruppen	NSB	NorgesGruppen	Sporveien	Widerøe
Egmont	Orkla	Posten	Ruter	Statnett	

Finland

Finnair	OP	UPM	Fortum	Turun kaupunki
Outotec	Veho	Kemira	Posti	Verohallinto
Veikkaus	Kone	Sanoma	VR	
Lassila & Tikanoja	SOK	Wärtsilä	LähiTapiola	
Stora Enso	Aalto-yliopisto	D9	Tampere3	

Choosing between strengthening your core business and exploring new opportunities

While an overwhelming majority of the respondents agree on digitisation being a key issue, their goals vary. Most focus on impacting their core business by improving current products and service offerings and improving operational efficiencies, while others seek to open up new revenue streams and generate growth in adjacent business. A minority of organisations see digitisation as a way to open up completely new business areas and re-shape their business models entirely.

Respondents in Finland prove particularly ambitious in terms of utilising digitisation as a means to enter new business areas – and among these, pub-

lic organisations have particularly high aspirations. Three out of four respondents from public organisations see the potential impact of digitisation on new business areas as high or very high – thus reflecting an anticipation of a broadened or redefined societal role.

Meanwhile, the great majority of Norwegian, Swedish and Danish companies see digitisation as a means to strengthening their existing core business, rather than to exploring completely new business areas. This finding goes against parts of the narratives surrounding digitisation, which commonly revolve around disruptive opportunities and the development of new business areas.

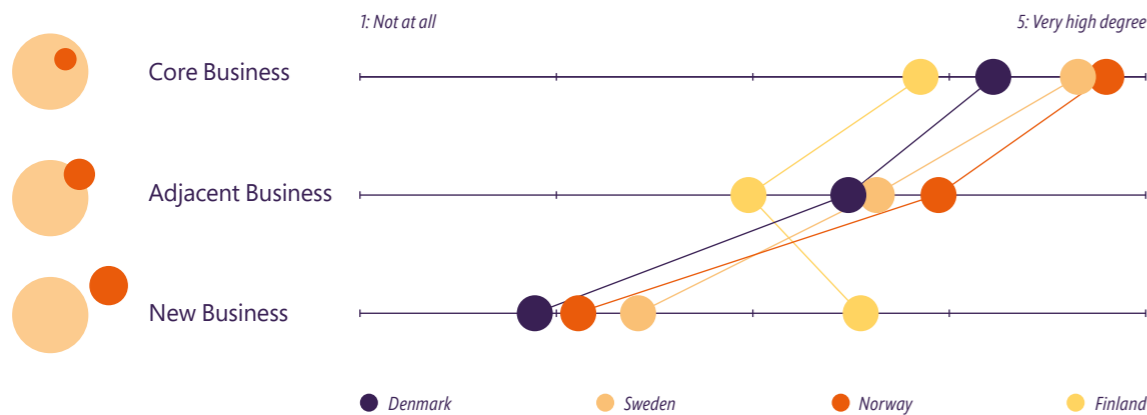
“Digitalisation must amplify what we already do. If we were a digital Silicon Valley corporation, we would be doing pretty terribly. So let’s not compete with them [...] The question is, ‘How can your core capabilities be amplified by digital?’ Rather than tossing out everything you know, understand which elements in your core business that can be digitally amplified, and then take your mental starting point from there”

— THE LEGO GROUP, DENMARK

FIGURE 1: Expected impact of digital transformation

Choosing between core business and exploring new opportunities

Where do you expect digital transformation will create most impact?
N = 91 respondents



Grundfos

Case Study

Digital transformation holds different meanings for different companies. Grundfos has chosen to focus most of their attention towards augmenting their traditional pump solutions with digital value-added services. Realising that their strong engineering capabilities are no longer enough to win in the market, the aim is now to transform the pumps from simple hardware to intelligent connected devices, and thereby avoid the risk of commoditisation and the threat of low-cost suppliers. By using sensors to collect vast amounts of data and by connecting their solutions, Grundfos will be able to gain benefits in three main areas.

solution, making preventive and predictive maintenance as well as other services a possibility. In the future, pumps might even be able to order their own spare parts, thereby lightening the workload for the user, while ensuring that the entire system keeps running.

‘We are world champions in hydraulics, but the truly challenging aspect of product development is thinking beyond the pump’

Second, the digital transformation of the products enables entirely new business model opportunities that customers can choose from. One example is performance-based contracts, where customers would pay for the benefits and business impact of the products and service that Grundfos provides.

First, the vast amount of data collected enables constant monitoring of the use and performance of each

Finally, the vast amount of feedback from products can be used in the design and manufacturing processes going forward – to the benefit of the customer.

‘If we do not build an intelligent setup around our pumps, others will. We have to integrate this in our solutions to remain a premium brand’

About Grundfos

Grundfos is a full-range supplier of pumps and pump solutions for the global market. With more than 18,000 employees and an annual production of approximately 16 million pump units, Grundfos is in many respects the global leader in pump solutions.

GRUNDFOS

Digital transformation has different meanings for different companies. Grundfos has chosen to focus most of their attention towards augmenting their traditional pump solutions with digital value-added services. By improving the offering with services like predictive maintenance, and simultaneously offering entirely new business models, Grundfos aims to remain a leading brand globally and avoid commoditization and the threat of low-cost competitors.

Digital transformation maturity

Becoming a fully integrated digital company requires the ability to reinvent core business models while leveraging opportunities in adjacent and new business areas. In Norway and Sweden, only four interviewed companies (10% of Norwegian companies and 5% of Swedish companies interviewed) have reached this level of digital maturity, meaning that they think and act “digital first” in everything from customer interaction and product development to the optimisation of operational processes. In Denmark, no companies surveyed believe that they have reached this level.

Indeed, most of the companies across the Nordics are still in the early stages of their digital transformation journey. 12 of the Danish, Norwegian and Swedish companies (corresponding to 17% of all companies in the survey) can be characterised as “accelerated”, meaning that they drive digital initiatives with the purpose of developing their core

offering, and have achieved tangible results from these initiatives. These companies have a clear understanding of the overall objectives of their digital agenda, resulting in clear prioritisations.

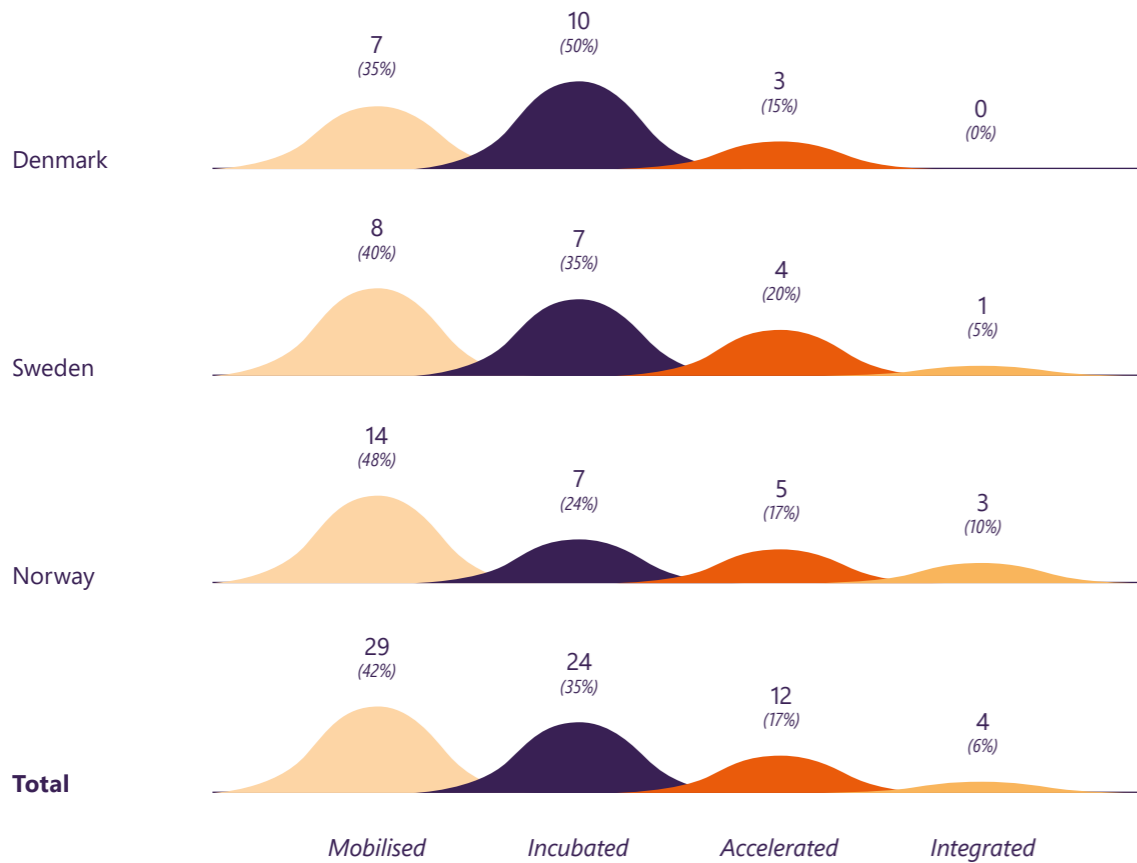
A third of the companies in Denmark, Norway and Sweden are “incubated” and work actively with their digital agenda to drive selected activities within some business areas, such as new ways of working and two-speed technology development. However, these initiatives have not yet been fully adopted, and their effects are still somewhat limited.

The majority of companies are “mobilised” and have articulated a digital ambition with organisational mandates. However, they tend to revert to ‘business as usual’ when launching bigger initiatives, resulting in sporadic initiatives with limited results.

FIGURE 2: Digital transformation maturity curve

Digital transformation maturity

Number of companies (per cent)



Where to prioritise

When deciding where to digitise, companies primarily seek to improve in four areas: engaging customers, transforming products and services, optimising operations and empowering employees

Digitisation opens up new opportunities for positive feedback loops between engaging customers, transforming products and services, optimising operations and empowering employees. Most companies start their digital transformation journey with only some of these objectives in mind – but a fully integrated digital company can eventually leverage all four components.

A company's ability to achieve change internally can be studied by deep-diving into its strategy, people, processes and technology. These four domains provide a means to understand how companies prioritise when it comes to extracting value from digitisation.

Focus on engaging customers and end-users

Across the Nordics, 75% of the surveyed companies rate increased customer and/or end-user engage-

ment as important or highly important. A majority of the Norwegian companies however rate optimising operations slightly higher than customer and end-user engagement. This is no surprise, as knowing the needs of customers is a prerequisite for offering the best products and services as well as the best customer experience – for B2B and B2C alike. Digitisation offers a host of new means to getting closer to customers and improving their experience.

Transforming products and services comes second

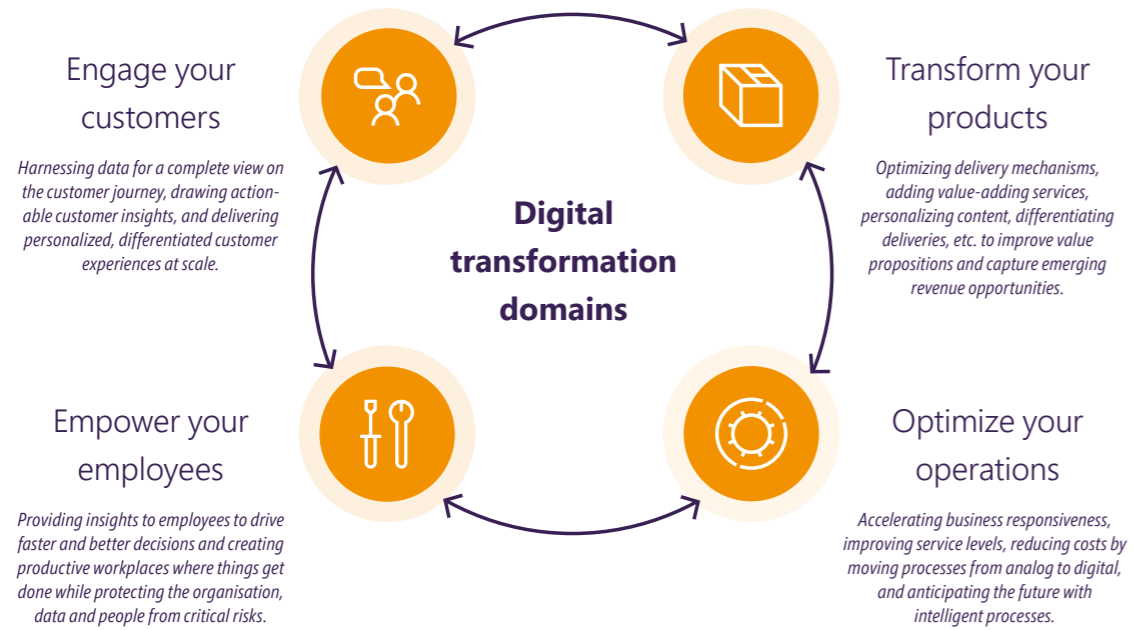
~50 of the organisations rate transforming products and services as important or highly important. Largely, companies focus on transforming existing products and services in a digital environment rather than making a more transformative change. This is partially a consequence of many respondents still being in the early stages of digital transformation as well as the tendency for incumbents to focus more on protecting their core than disrupting themselves.

"We have spent the majority of our efforts on driving digital initiatives to further engage the customer, which among other things has resulted in a successful app that has been awarded multiple times"

— LÄNSFÖRSÄKRINGAR, SWEDEN

"We are world champions in hydraulics, but the truly challenging aspect of product development is thinking beyond the pump"

— GRUNDFOS, DENMARK



Optimising operations is a high priority for public organisations

50+ of the responding organisations consider optimising operations an important goal of going digital, and most of these are based in Norway or Finland. The focus on automating and digitising operations is widespread in most organisations, which are getting better at generating data across the value chain and using it in their production. Companies with traditional lines of business are often frontrunners in looking to digital transformation as a means to optimise operations and increase efficiency.

Further, public organisations prioritise optimising their operations particularly high. This makes intuitive sense, as public organisations are not facing the same competition in terms of attracting customers and improving their products as enterprises do.

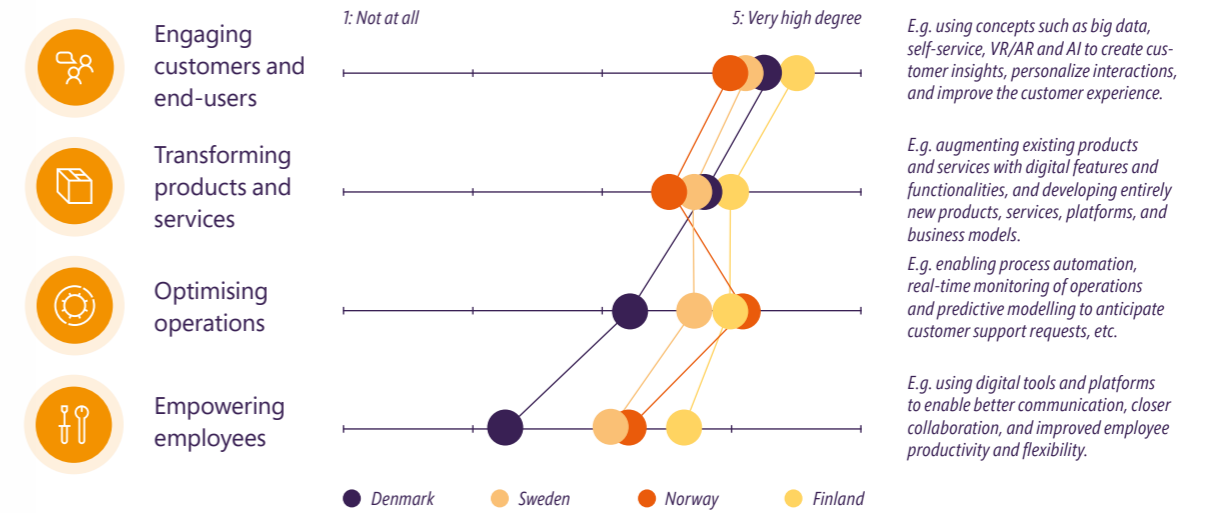
Empowering employees is only a priority for some

The lowest priority among the respondents is empowering employees. Only 10% mention this as an area that is in high focus. Many respondents seem unsure of how digital initiatives can play a role in empowering employees, and the issue generally gets less attention than the seemingly more urgent matters of attracting customers and improving offerings. However, using digital initiatives to empower employees is a highly important means to improving employee satisfaction, increase efficiency and reduce employee turnover. Public organisations appear to have a slightly higher appreciation of this than private enterprises.

"We have automated and digitalised our operations over the last decades, so this is not new; however, the shift we see now is more fundamental and creates a bigger clash between the old and the new"

— SANDVIK COROMANT, SWEDEN

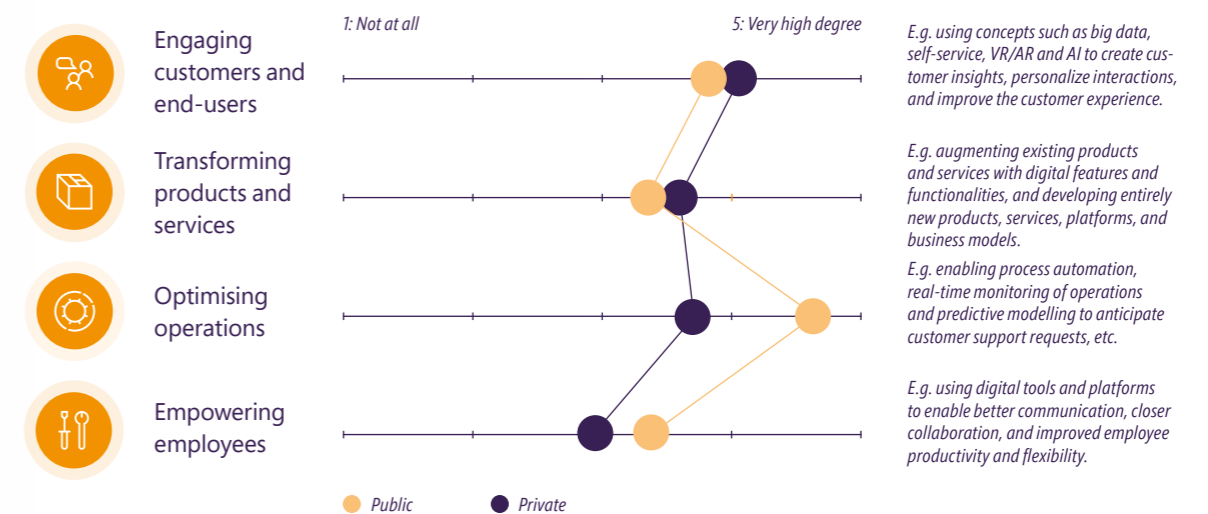
FIGURE 4: Priorities by country



"It all moves so fast, and we just have to get going and 'learn by doing'. If we fail, it will still be a learning experience and an investment in knowledge"

— NORGESGRUPPEN

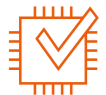
FIGURE 5: Public vs. private priorities



What digital leaders do to rethink **customer engagement**



Extract value from both big and rich data to draw unique customer insights, gain a complete view on the customer journey, and ultimately create segments of one.



Master new technologies such as machine learning, artificial intelligence, and virtual reality to deliver personalized service experiences and stand out from competition.



Transition from focusing on touchpoints to entangling customers in meaningful, recurring relationships that create mutual value and put customers in control of their own experience.

What digital leaders do to rethink **product and service transformation**



Collect and apply data as a strategic asset for exploring new business opportunities and entering new markets.



Shift focus from hindsight to foresight to innovate and develop new intriguing features and functionalities to products and services that are meaningful to customers.



Create new business models by embracing emerging trends, building digital service wrappers around traditional products, and augmenting physical with digital offerings.

What digital leaders do to rethink **operations optimization**



Harness technology for next level of efficiencies by using IoT and sensors to gain new levels of efficiencies that impact sales and customer satisfaction.



Anticipate and solve customer issues before they become critical through real-time monitoring of operations across a wide, dispersed set of end-points and use of predictive modelling to anticipate operational risks.



Automate processes to significantly increase quality and delivery speed, improve service levels, and efficiently manage people and assets to reduce operational costs.

What digital leaders do to rethink **employee empowerment**



Continuously develop the organisation's digital skill level and productivity by focusing on optimizing the proficiency with new technologies and platforms.



Use data available from multiple digital sources to gain insights about your workforce and make informed strategic decisions related to optimizing the efficiency.



Establish digital platforms for open collaboration and communication to drive employee motivation, creativity, flexibility and ultimately productivity.

How to succeed

In our conversations with leading Nordic companies, we have identified seven key capabilities needed to get digitisation right on an operational level

On their digital transformation journey, companies must venture through uncharted territory filled with uncertainties. Along the way, they are confronted with the question of how to optimise their current business while preparing for new disruptive forces, and of mobilising their current workforce while investing in new technologies that can potentially replace them. Below, the 90+ companies we have spoken to share their thoughts on making digitisation work on an operational level.

To carry through a successful digitisation process, companies must develop seven key capabilities: digital leadership, functional clarity, new governance models, agile technology development, adopting a startup mindset, attracting and retaining new competencies and working with collaborative ecosystems to enhance transformative capacities. The level of maturity in each of these capability areas varies from company to company and from country to country, but most respondents still have quite some way to go before becoming 'digital first'.

FIGURE 6: Importance of key capabilities

Seven key capabilities



● Importance

“Over the past 18 months, digitalisation has been placed more centrally on the agenda. The challenge is not to develop the digital strategy – it is to understand how to execute and implement it”

— TELENOR, NORWAY



Digital Leadership

Business leaders see digital leadership as the most important driver for digital transformation. Ideally, this entails the CEO assuming a lead role in the transition together with a dedicated team of next-level digital leaders who together set an ambitious agenda, take ownership of key priorities and take part in driving and securing the progress of digital transformation initiatives.

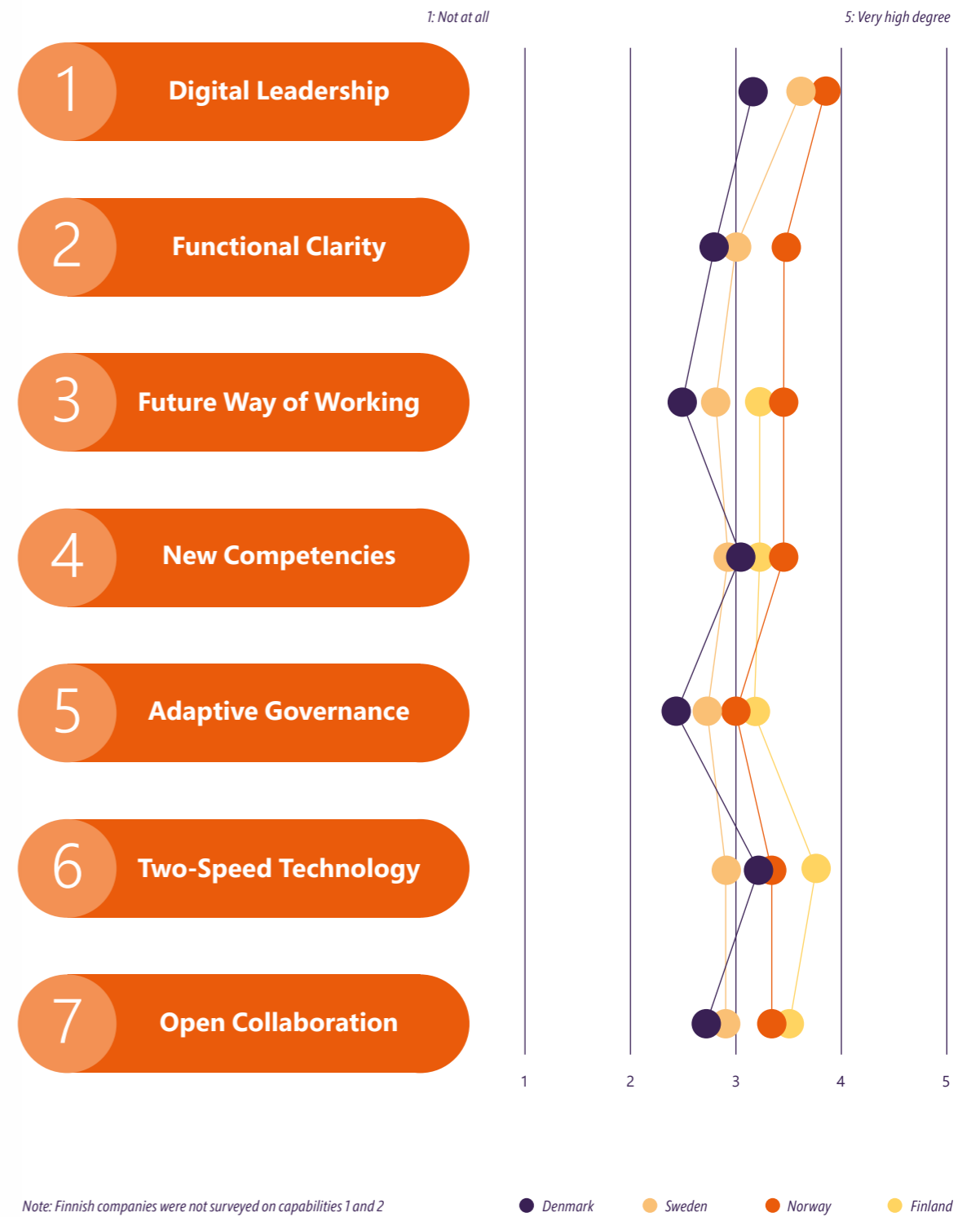
Across the surveyed companies, respondents assess that they currently have executive sponsorship and capable digital leadership 'to some degree'. While executives responsible for current digital transitions have the intention and ambition to create real change, short-term profit goals often get in the way of longer-term development goals.

To achieve successful digital leadership, companies should:

- Ensure full and strong executive sponsorship
- Seek out digital leaders to run transformation
- Ensure a combination of industry insights and hands-on digital experience at management level

FIGURE 7: Companies' scoring of own capabilities

Companies' self-assessment of capabilities





Functional clarity

A clear division of functional responsibilities and company-wide direction across all relevant roles is key in securing agility and speed during a digital transformation. Respondents express an awareness of the importance of functional responsibilities, while acknowledging that in most cases, they still have some way to go before achieving this. The responsibility for digital transformation often resides at the Group strategy level, which is the case for 15 of the Danish companies. Some of these companies have established separate digital innovation units such as Danske Bank's Mobile Life and LEO's Innovation Lab, while e.g. TV2 has created a Chief

Digital Officer role. For 13 Swedish companies, the responsibility for digital transformation does not reside with any specific formal role.

The recipe for success goes as follows:

- Assess your digital transformation maturity
- Assign clear responsibilities
- Define your execution setup

"So far, we have placed a lot of responsibility for digital close to both our product development and our channels, including our e-commerce. We believe this helps us stay agile"

— PANDORA, DENMARK

Amedia

Case Study

For a Norwegian newspaper publishing company like Amedia, the past decades of digital developments have turned conventional industry logic upside down. Dramatic reductions of subscribers of physical newspapers and new digital advertising platforms have challenged the conventional business model of Amedia significantly from the beginning of the 2010s.

Initially, Amedia responded to the increased challenges by moving into adjacent business, exemplified by the acquisition of 1881.no. However, they quickly realised that in order to survive in a new digital environment, they had to transform the core business.

The resulting digital transformation of the core business addressed three main areas. First, Amedia needed to focus strongly on ensuring that previous

subscribers of physical newspapers, as well as readers relying on free content, moved into paying digital subscriptions. Second, Amedia needed to become

increasingly aggressive and proactive in the highly challenging market for digital advertising where the industry in general has lost significant income in recent years. Third, to succeed in actively driving the digital transformation, the development of deeper digital competencies and understanding among local editors was critical.

The early realisation of the need to act has moved Amedia far up the digital maturity curve. Amedia has been able to increase digital paying sub-

scriptions significantly and has raised the share of digital customers from 10% to more than 25% over the last year.

'Digitalisation is part of everything we do. Digitalisation is not something that can be "managed" by a separate organisational unit – all employees have to be digitally competent. This has been a major cultural shift for Amedia'.

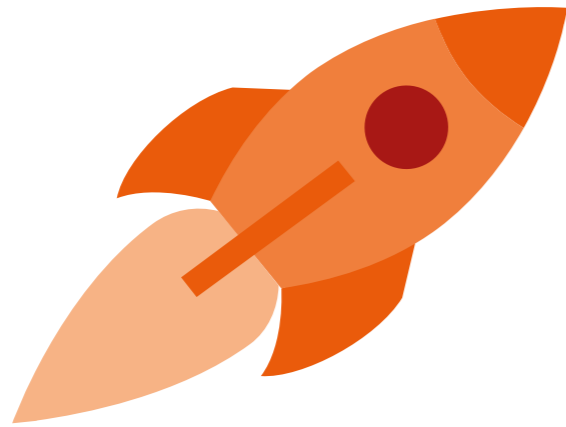
'We see that new technologies will allow us to free up resources to produce better content. For example, front pages can be increasingly managed by algorithms, freeing up journalistic resources to produce more and better journalism'.

About Amedia

Amedia is Norway's largest publishing house for local media titles, with 62 different newspapers. Founded in 1948, most of Amedia's titles have leading positions in their local areas and close to 2 million daily readers in print and digital.

amedia

In the wake of significant disruption in the newspaper industry, Amedia realized the need to transform its core business model. As a result of a successful digital transformation, Amedia has been able to increase the number of paying subscribers and transform its advertising model to leverage the increasing amounts of specialized consumer data.



New ways of working

Employing a startup mindset and innovative methods can be a key ingredient in facilitating speed and agility during the digitisation journey. Such methods have been seen among companies such as GE, Coca-Cola and Cisco, who have replaced traditional project management approaches with leader processes. This leaves more room for exploring new territory with less risk.

Many respondents are still at an early stage in terms of applying this approach, usually via dedicated units or separated programmes that are yet to be implemented in the broader organisation. Danish respondents in particular find that they have only implemented new ways of working to a low or limited degree. However, some Danish organisations such as Danske Bank and Leo Pharma have implemented pioneering approaches with

dedicated innovation and incubation units. These setups work in sprints of maybe 1-2 months at a time rather than long development processes, and move ahead with the most promising initiatives.

Companies start implementing new ways of working by:

- Identifying business areas that can benefit from sprints
- Establishing a cross-functional and multi-capable team with an exploratory mindset
- Being pragmatic in their search for short-term results

*"A top-down approach will lead to failure.
Digital needs to be inborn in the heart of the organisation"*

— WÄRTSILÄ, FINLAND



New competencies

Having the right competencies is pivotal for a company to implement its digitisation strategy. This requires not only attracting the right people, but just as importantly, to make them stay. To achieve the right mix of skills, companies are looking towards such diverse backgrounds as design, anthropology, tech development, data science and commercial entrepreneurs.

Despite their strong brands and resources, retaining talent is another challenge for the companies in this study. To overcome this, many are seeking to create more entrepreneurial environments, e.g. Telia and NCC who have established separate divisions for building new digital enterprises.

"We are able to attract talented people with a high level of digital competence; the challenge is always to retain them given the numerous options they have across industries"

— BROTHERS, SWEDEN



Adaptive governance

Today's continuously changing digital reality demands more adaptive governance models that enable explorative processes, allow for iterative processes and tolerate failures. This entails more customer-centric metrics and a focus on initiative progress, rather than traditional top- and bottom-line metrics. In implementing such new governance models, companies often struggle to find the right balance between autonomy of initiatives and control that ensures concrete value and business potential.

To prevent that companies fall back on traditional governance structures, it is key to:

- Ensure that digital managers have strong mandates to carry through their prioritisations
- Promote alternative evaluation metrics
- Ensure organisational ownership, so that the governance models remain intact – even when under pressure

"The purpose of the new organisation is to facilitate decision-making at the lowest possible operational level. Hence, rather than approving even minor decisions, the management team will focus on setting the overall direction and thereby move decision-making power to the digital operational teams"

— RUTER, NORWAY



Two-speed technology

The idea of securing an agile technology setup that enables fast-tracking of building and scaling technology, while maintaining normal operations, is a vital element of a successful digital transformation. Respondents are conscious of the importance of this technology setup, and most are currently working with some version of it and consider themselves at least somewhat successful in implementing it. However, many also struggle with getting to the right development speed and making their setup sufficiently agile and capable.

The recipe described by front-running companies contains the following elements:

- Run your IT at two speeds by separating the exploratory mode from the predictable mode
- Clearly define your prioritised development initiatives
- Utilise external resources to secure agility and speed while maintaining focus on the core business

"Running two-speed IT gives us agility and works great for initiatives of a certain size. However, once they grow and the need for integration into other corporate plat-forms and reaping synergies increases, two-speed IT becomes challenging and often expensive"

— EGMONT, DENMARK



Open collaboration

Being part of open and collaborative ecosystems enhances an organisation's digital transformative capacity many times over. Collaboration with external partners across various development activities allows for both external expertise and a freeing up of internal resources to maintain focus on core business activities. Respondents generally appreciate these benefits of external collaboration, but most of their external collaboration activities currently remain on a traditional advisory level.

This is particularly the case in Denmark, where respondents describe collaboration as taking place through advisory boards or management consulting services, and often with people from within their own industry. Finnish respondents are more confident about their efforts to secure external collaboration, and public organisations in particular place a high value on partnerships and

collaboration to ensure expertise input. Yet with most responding organisations hovering around the middle of the spectrum in terms of their use of collaborative eco-systems, there is still a lot of potential to be unleashed within a number of areas, including anthropology, design, front- and back-end development, data science, growth hacking, etc. The key thinking involves the following elements:

- Investigate domains outside of your existing capabilities
- Focus on getting things done, whether internally or through partnerships
- Maintain an open mindset and challenge yourself

"The energy system is in the middle of a fundamental transformation with significant effects on both society at large and the players in the industry. Energy production is getting more small-scaled and distributed, which leads to a need for increased intelligence in the distribution network as well as new ways of communicating between the growing number of production units. Vattenfall is a key player in this ecosystem and we need to be in the forefront of understanding and driving this development, especially from a digital perspective"

— VATTENFALL, SWEDEN

SEB

Case Study

The banking industry is caught in the middle of a global disruption. One of the potential threats to the traditional banks are the small FinTech

startups. Their strength lies in their focus. The banks are still stuck in their groove trying to cover the whole market, whereas the small enterprises can perfect and launch their niche products immediately.

Digital transformation is high on SEB's list of priorities. They are working throughout their value chain by connecting customers in the front end, automating their operations, creating data and insights and focusing on innovation. They have set up an internal innovation lab, but they have also chosen an old, but proven strategy for countering the competition from

startups: if you can't beat 'em, join 'em. That is why they invested SEK 85 million in the Tink savings app.

'This is what our customers want today. Our customers expect us to provide the very best in the market, and we want to be able to deliver'

For SEB, partnering with the best and most promising FinTech startups like Tink is part of a grander strategy. Instead of going through the internal design, approval, development and testing, they invest in a turnkey solution for a product their customers want and need – which can be further developed and integrated into their own traditional banking services.

Our position makes us a popular FinTech collaboration partner, but even so, we still lose a lot of great opportunities because there are simply so many to compete for'

About SEB

SEB is a leading Nordic financial services group. In Sweden and the Baltic states, SEB offers financial advice and a wide range of financial services. In Denmark, Finland, Norway, and Germany, the bank's operations have a strong focus on corporate and investment banking based on a full-service offering to corporate and institutional clients.



For SEB, the SEK 85 million investment in the Tink savings app was only a small step in their new strategy. SEB is involved in several FinTech partnerships, drawing on the expertise of external partners to deliver on what their customers want. The startups create strong niche products, which can be strengthened further through SEB's capital and integration of traditional services.

What digital leaders are doing right

Some companies are further on their digital journey than others and through our discussions a clear picture of what makes a digital leader emerges

Digital leaders

Among the 90+ surveyed companies from Sweden, Norway, Finland and Denmark, 16 can be considered far enough on their digital maturity to be called digital leaders. The digital leaders are equally represented across the surveyed markets and they are coming from all types of industries including public organisations.

Despite seeing a spread of digital leaders across different industries, there is a clear tendency that companies focused on non-physical products and services such as financial institutions, media and service companies has an overrepresentation among the digital leaders. As such, around 70% of the companies are from service industries while the remainder are manufacturing companies from heavy industry, medical technology, pharma etc. There are two main drivers for this:

1. The represented service industry companies are in many cases operating in a B2C environment, where digitalisation for many years has been a mean to deliver services better, faster and in scale e.g. physical banking to online banking, letters to digital letters etc.
2. The digitalisation of non-physical services is typically easier than the digital transformation of physical products, where the latter in many cases require a IoT product transformation.

Does this mean, that B2B manufacturing companies are behind on their digital journey? Not at all, but in general terms some industries do seem to have moved further on the digital maturity scale due to the intrinsic of the industry and due to the products and services being sold.

Digital transformation is however not an industry-wide game, but a challenge for each individual company. We do see digital leaders across all industries and typically they have made an active choice and consistently focused on becoming it.

Focusing on the external

Active choice and focus is important to succeed, and for the 16 digital leaders we see a clear trend that they on average see digital transformation as considerably more important than the average of all other companies surveyed.

In terms of where they focus their efforts across the four domains of digital transformation, the digital leaders also stand out from the rest of the surveyed companies. As such they have an above average focus on the externally oriented domains e.g. engaging customers and end-users and transforming products and services, whereas the internally oriented domains e.g. empowering employees and optimising operations have the same focus as all surveyed companies.

Empowering employees remains the lowest priority among digitally accelerated and integrated companies, as only 7% mention this as an area with top priority. Engaging customer and end-users has the highest average priority, and 50% of the digital leaders lists this as an area with top priority. However, despite the focus on customer and end-users seems as the direct way to produce tangible results, empowering employees is an important means to

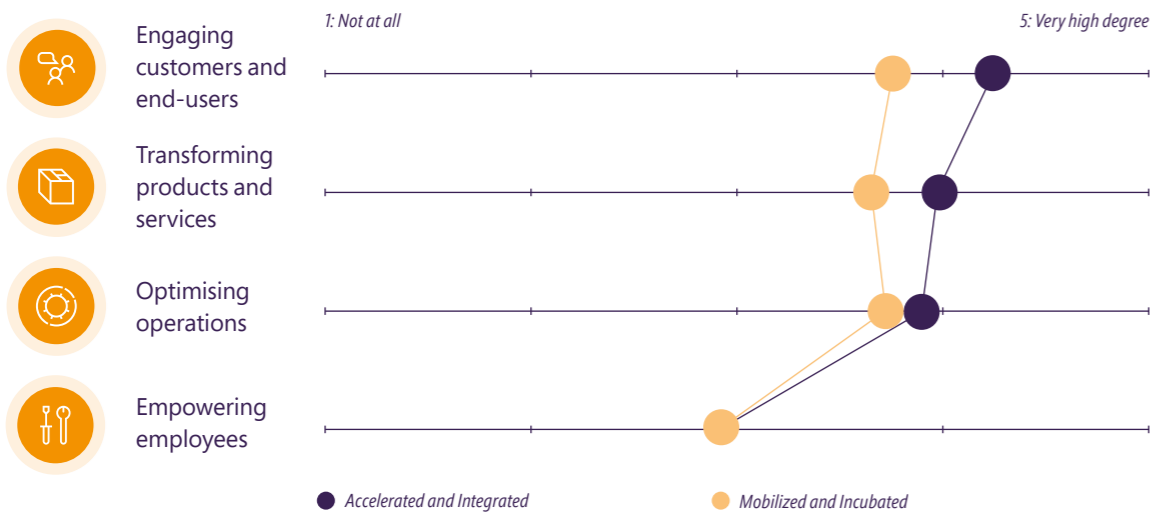
improve employee satisfaction, increase efficiency and reduce employee turnover.

Retaining digitally skilled employees is a challenge even to the digitally mature companies, who compete for talent on a global level. Focus on empowering employees can both help develop internal talent as well as retain hired specialists, who value a dynamic work environment.

"Attracting the best data scientists takes time. They value inspiring colleagues and a start-up vibe without the hassle of coordinating holidays or HR conversations, and we go to great lengths to accommodate that"

— LEO INNOVATION LAB

FIGURE 5: Public vs. private priorities



Top management takes charge

Digital leaders on average rate themselves higher across all 7 key digital transformation capabilities compared to the other surveyed companies. The difference being largest on digital leadership and adaptive governance. Interestingly these ratings reflect organisations characterized by thinking digitally throughout the company.

In general, the digital leaders see digital as 'normal' operations as it is an integrated part of their way of working. This is not only seen in how the companies rate themselves, but also in how they specifically operate.

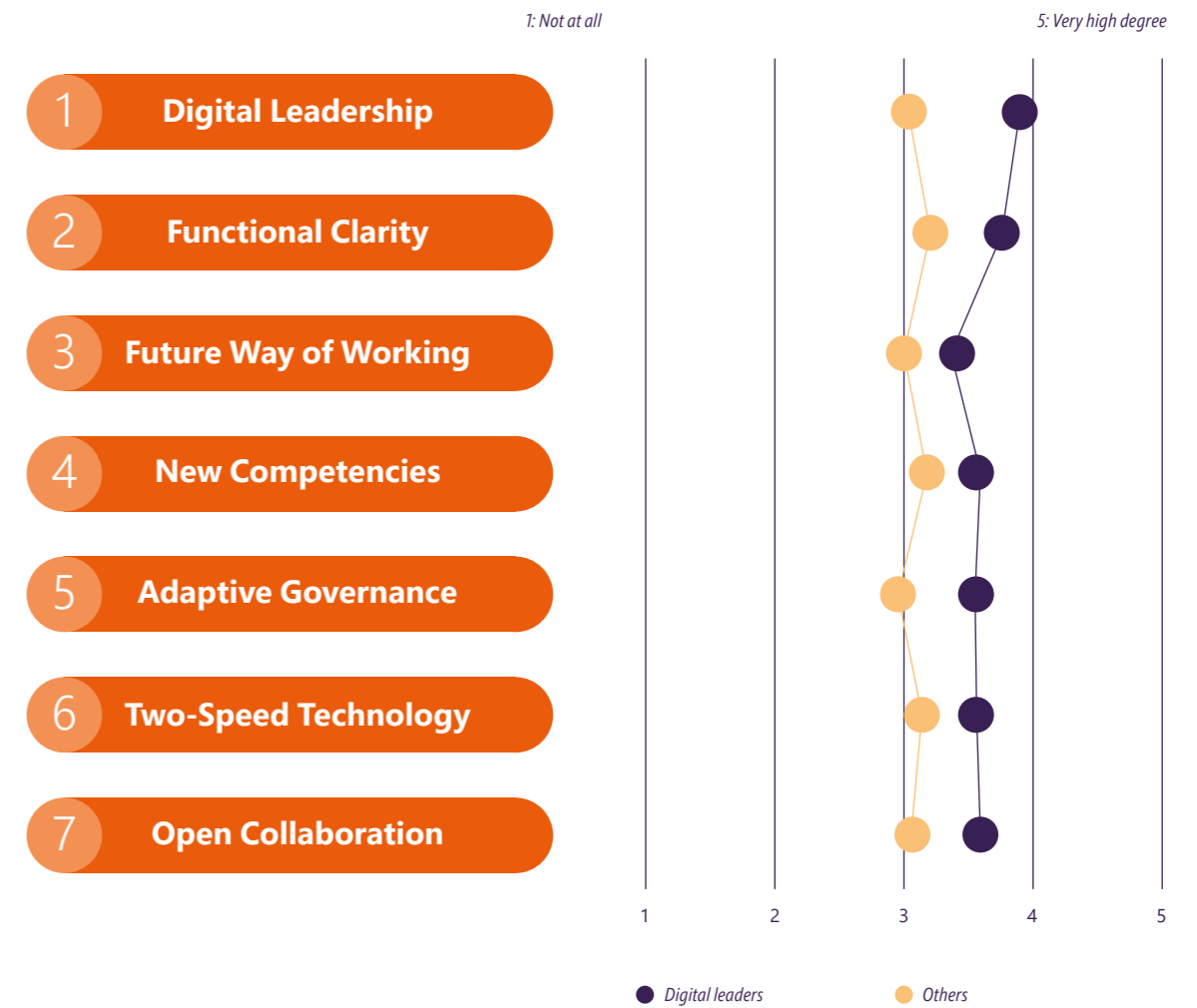
As earlier described, the capability of 'Digital Leadership' was rated as the most important capability to succeed with digital transformations. Among the digital leaders, we saw the top management team being clear promoters of the digital transformation and in many cases, being fluent in what digital means and what value it can bring to their company. We saw that the digital leaders think digital first in everything they do e.g. when making solutions they start with the user-experience they want to create and do not get limited by the underlying system limitations and not the other way around. We saw digital leaders not being afraid of disrupting themselves through new ways of working and applying new disruptive technologies to the development of products and service. We saw digital leaders being comfortable with operating in open

collaborations and ecosystem. They know what to do themselves and where to bring in partners e.g. corporates, start-ups, universities etc. Finally, we saw digital leaders that have gotten far in the process of replacing or upgrading the competence set of key personal to fit the requirements of a new digital reality.

A never-ending process

The companies we have categorized as digital leaders in this study, does often not see themselves as such. They see digital as an opportunity to transform, develop and grow their business – as a possible competitive advantage. In that setting, the term digital leader might be too stationary a title as all the companies see their digital transformation as an ongoing and never ending journey.

Companies' self-assessment of capabilities



Conclusion

In-depth discussions with executives who lead the way in digitally transforming the largest Nordic companies have given us a thorough understanding of what they do to transform their businesses

Why digitise?

Digital transformation is at the top of the executive agenda. However, despite the hype about new business opportunities derived from digital technology, only a small number of companies focus their digital resources significantly on adjacent or new business areas. Their primary focus is still on the core and few dares to strive for disrupting their own business and industry.

When looking at the maturity of the enterprises across four phases, most companies are still in the early stages of their digital transformation when measured against global digital-first benchmarks. However, 16 companies stand out as digital leaders in the sense that they have reached a high digital maturity and are in many ways working in a 'digital first' paradigm.

Where to prioritise

'Engaging your Customers' clearly emerges in both quantitative scoring and qualitative statements as the most important of the four digital transformation domains. 'Transform your Products and Services', and 'Optimise your Operations' are perceived

by the companies as being less important when assessed for digital impact. Perhaps surprisingly, 'Empowering your Employees' receives the lowest priority in all four countries.

How to succeed

The digital world may be fast-paced, but some things seemingly never change. 'Digital Leadership', defined as an executive sponsorship with a highly capable digital leadership team giving full priority to digital initiatives, often at the expense of near-term traditional business priorities, came out as the most important transformation capability.

The second most important capability is 'Functional Clarity', referencing the structure of responsibilities and mandates related to the digital transformation process, followed by 'Future Ways of Working'.

Many companies struggle with 'Adaptive Governance', the degree to which the company's governance model supports the digital transformation agenda. 'New Competencies' and 'Two-Speed Technology' are key digital transformation capabilities where the companies feel slightly more mature.

Least important at this stage among the transformation capabilities is 'Open Collaboration', referring to the collaboration with external partners in open ecosystems. While many companies do make use of initiatives such as hackathons and accelerator programmes, we found that there is still a large group that operates in closed environments and tends to apply a sourcing approach to external vendors.

Digital leaders

Digital transformation is seen considerably more important to the 16 enterprises that can be categorized as digital leaders in terms of digital maturity compared to the surveyed companies in general. Likewise, they are consistently rating themselves higher across all the key capabilities needed to succeed with digital transformation. From the offset, this might not seem as a surprise, but it still worth considering, that the companies truly executing on their digital transformation not only rate the importance of digital higher than their peers but they

also rate capabilities such as leadership, governance and open collaboration higher.

We see digital leaders across all industries and we see those digital leaders having made a conscious choice of prioritizing and executing on their digital transformation with the expectation that it will give them a competitive advantage in the future.

Thank you

This study is based on the experiences and viewpoints of executives from leading Nordic companies. We thank all the participating companies for their reflections and sharing of best practices, which have provided valuable perspectives on the efforts toward getting digital transformation right.

Contributors

This Nordic Digital Transformation Report was developed by Microsoft and Quartz*. If you want to read the full reports from the markets, you can use the links below:

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* Finnish data was collected by PwC

** The Finnish report is developed by PwC

