



2020 GLOBAL DIGITAL IQ

# Buckle up. Uncertainty is back.

To operate with resilience and thrive — not just survive — navigate the maze of unknowns by going all-in on digital. See how digital leaders found success before the crisis — and how they're better positioned to emerge stronger.



[pwc.com/DIQ2020](https://pwc.com/DIQ2020)

# Learn from the Transcenders. They're resilient — and they're the 5% of businesses that win in digital.

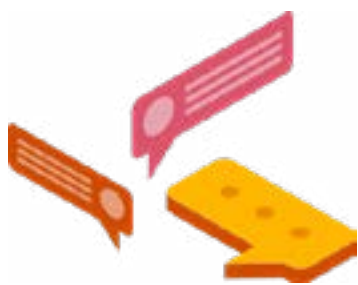
PwC's recent CFO Pulse survey revealed that while 52% of companies plan to cut or defer investments because of COVID-19, just 9% of those surveyed will make those cuts in digital transformation. We've studied thousands of digitally transforming companies for decades through our Digital IQ research. This year, from our survey of 2,380 executives around the globe, we discovered a group of companies that consistently invest in new ways of working and get significant value on their digital investments in every area we assess — from growth and profits to innovation, customer experience, people and more. They're the winning 5%.

We call them Transcenders. They don't dabble. They dive in. They succeed, despite disruption.

## Here are the four ways Transcenders get to payback



Build resilience



Mandate change



Invest like you mean it



Put people first

# How to build a resilient company

To become a **Transcender**, you have to get good at resilience. The new normal is constant change. More than two-thirds of Transcenders experienced disruption in the last two years, yet most came out stronger. Learn to **regroup, readjust, and tackle change** head-on.

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# Build a resilient culture that doesn't fear extinction.

It starts with a holistic view of digital, one that sits at the intersection of business, experience and technology. Transcenders are nearly 30% more likely to embrace this ethos. Operationalize it by investing and leading in a way to make your organization one that works with a mindset of continuous learning. That way, you can focus on the best ideas to drive business and can home in on what's essential for your people and customers. (We call it BXT.)


Nearly four months into the COVID-19 pandemic, 56% of CFOs in the US said the technology investments they've made during this time will leave their company better off in the long run; 73% said the same about flexible, new ways of working. Transcendent companies made many of those changes years before March 2020.

# 67%

of Transcenders experienced a major disruption in the last two years

Resilience requires persistence and the vision to navigate through head-spinning change as it comes. Transcenders benefitted from building ways of working that spur the ability to pivot. That is driven by decisions they've made about where and how to invest in their people, processes, technology and ways of working. 67% of Transcenders have been through a major disruption in the last two years.

Accept the fact that digital transformation doesn't have start and end points or go project by project — 62% of Transcenders embrace that spirit and it shows. If you do the same, you'll be more likely to arm your people with the tools and ways of working they need to adapt and to develop ways to create opportunities from ongoing uncertainty and change.



“Since implementing our digital initiatives, our company culture is more innovative.”

Strategy EVP, Private Equity, Denmark





### **Adapting to how the world watches**

In 1997, Netflix launched as a mail-order DVD service. Monthly subscriptions meant film buffs paid less and avoided late fees. Just 10 years later, when Netflix distributed its billionth DVD, streaming threatened the model.

- In 2010, the company introduced streaming media alongside its hard-copy rentals.
- International expansion brought in subscribers from Canada, Latin America and the Caribbean.
- Soon after, Netflix pushed into content production and became a streaming-and-production powerhouse with almost \$16 billion in revenue, winning 27 Emmys in 2019.

In the first quarter of 2020, Netflix attracted nearly 16 million new subscribers. In the second, it added 10 million, and has been able to release new content it banked before the pandemic



### **Radio was just the start**

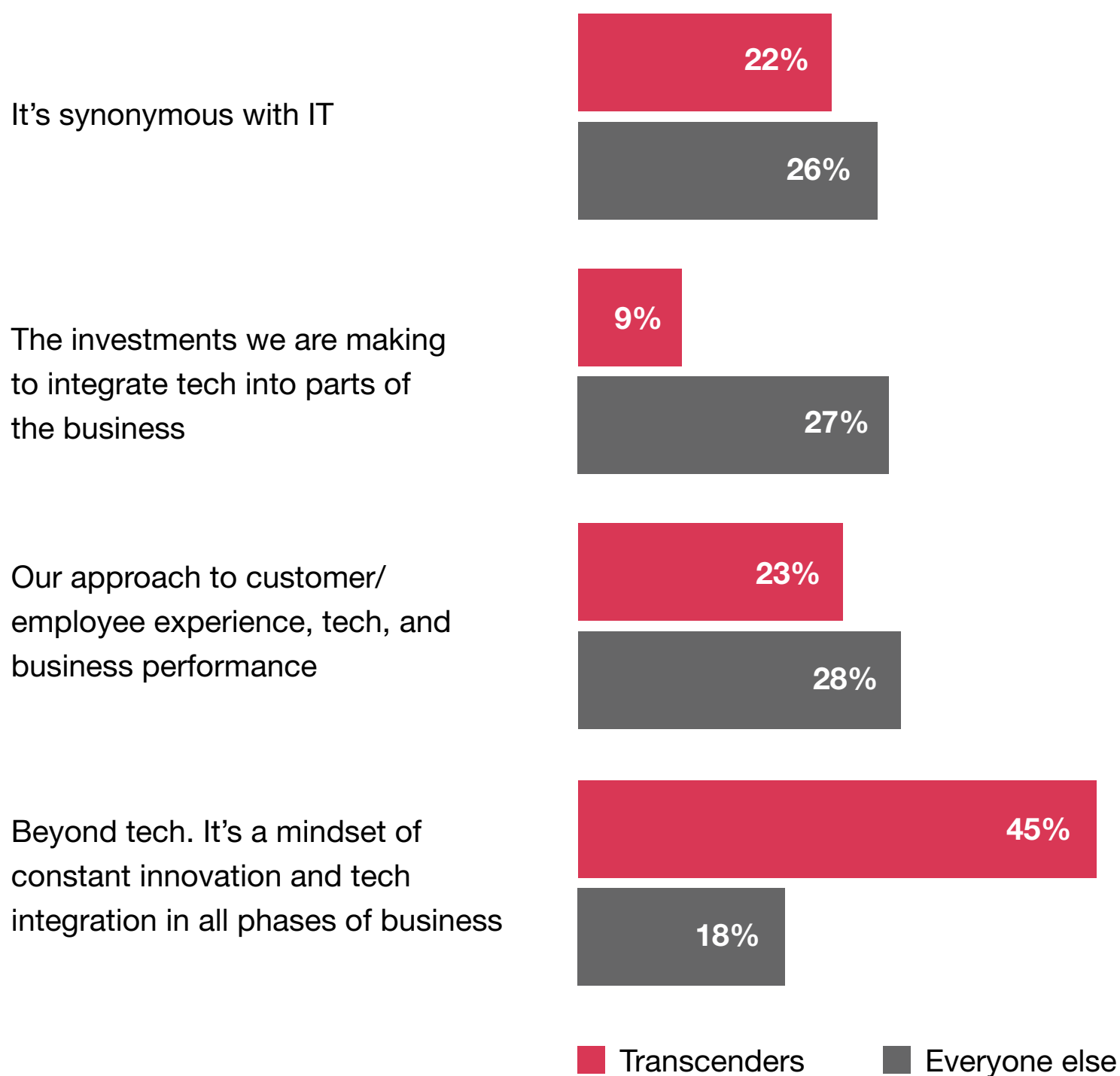
In 1946, Sony got its start in Tokyo with a handful of employees. In the 1950s, the company broke into the U.S. market with portable radios, and demand skyrocketed from 100,000 units to 5 million in just a few years. Sony's rapid growth — and product quality — solidified its status as a market leader and first-mover. The company's founder believed Sony should "do what has never been done before."

### **A drive to do more**

And it has, aggressively pursuing new ventures — from compact discs and recording devices to the popular Playstation gaming console and entertainment media. It hasn't been all rosy, with several less-than-stellar performance years. But resilience and the drive to do more remained. Today, Sony focuses on what's next, revolutionizing the gaming industry, and developing future cloud solutions.

# You are what you believe

Transcenders are more likely to take a holistic view of digital.



Source: PwC 2020 Global Digital IQ Survey

# How to make change happen.

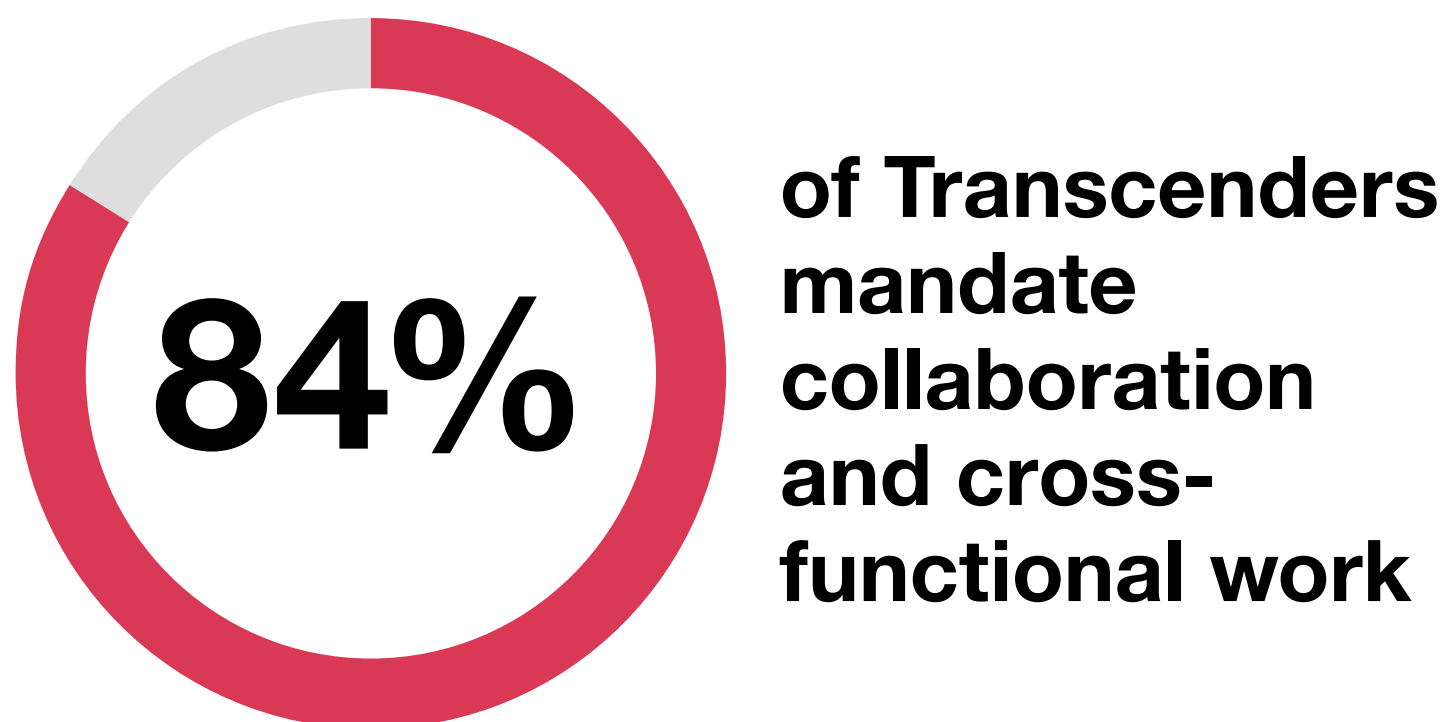
This is a vital step to  
becoming a **Transcender**.  
From top to bottom,  
**changing how you work**  
is a must to win in digital.



## 2 Mandate change. Don't just talk about it.

You've probably heard the adage, "If it ain't broke, don't fix it." That's bad advice. Most executives know that if they refuse to adapt, they'll end up in the ranks of pay phone providers, VCR manufacturers and 8-track aficionados. And, at this moment, more than any in recent history, knowing what to keep and what to let go could be the difference between surviving — or not. Yet, many leaders end up playing it safe when it comes to how their organizations and people work.

Go beyond encouraging collaboration and idea-generation, and lead the charge. Get everyone — in all areas of the business — involved, strategizing and driving. That's a big reason Transcenders can — and do — act on ideas from everyone to drive business and are able to pivot quickly.





“Our leaders must have a clear long-term strategy and vision for digital transformation.”

**CFO, Technology, Media, & Telecommunications, Belgium**

Don't just assess your work culture, improve it (it's probably not as agile as you think). The Katzenbach Center's most recent Global Culture Survey revealed that 80% of professionals believe their organization's culture must evolve in the next five years for their company to succeed, grow and retain the best people.

You need to know: What's working? What processes, products and technology need to change to make your company more essential now and in the future? This will be uncomfortable. But it's crucial to survival now and to becoming a Transcender in the future.





## **Shutting the door on know-it-all culture**

In the 1990s, Microsoft began to diversify beyond the Windows operating system to stay relevant and competitive.

- Microsoft made bold acquisitions: In 2011, the company acquired Skype for \$8.5 billion, followed by LinkedIn for more than \$26 billion.
- It launched into a new product, the Surface line of tablets.
- When CEO Satya Nadella took over in 2014, he led — and mandated — a transformation of the company's culture, scaling back on hardware and doubling down on cloud computing.

## **How has all this helped?**

Says Microsoft's Chief Marketing Officer: "We went from a culture of know-it-alls to a culture of learn-it-alls."



## **Transforming the driving experience**

For car makers, digital transformation means anticipating changes to the driving experience and what it means to own a car. In 2018, the Porsche brand announced that half of its IT budget would go to digitization. The company notably decided against a single department dedicated to digital transformation — leaders expect all employees, across areas of expertise, to be involved.

## **Moving forward, faster**

Porsche SE, with substantial stakes in Porsche and Volkswagen, is preparing for the day when cars aren't sitting idle 95% of the time, but are on the road almost constantly as drivers use them to earn income with on-demand services. It's acquired PTV Group, which uses models to simulate traffic, and has made investments in augmented-reality companies that could provide improved information to drivers.

# Leadership takes the wheel

Leaders at Transcender companies get results.

Encourage idea generation  
from all staff levels



Capturing and acting upon  
ideas from all staff levels



Facilitating collaboration  
among departments



Mandating collaboration  
among departments



■ Transcenders ■ Everyone else



# How to prioritize your investments


The second step to becoming a **Transcender**? Prepare for tomorrow, now. Transcendent companies wring out efficiencies early and prioritize growth.

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## Invest like you mean it.

Most companies have invested in technology, training and new ways of working here and there, or in a core area or two. But getting a return on investment requires a holistic, purposeful approach to build the infrastructure that will support your aspirations and ability to pivot. Many companies in 2020 have had to quickly get comfortable with the risk of jumping ahead from where you are today to invest in what you need to succeed now and in the future.

Look broadly at processes, technology and ways of working and build a roadmap for tech, infrastructure and people that is fluid and flexible beyond the next few years. Transcendent companies are more likely to take a long view of transformation; 96% (versus 74% of others) have a clear direction for digital and they invest accordingly.



# 33%

**Transcenders invest about 33% more than others in digital initiatives**



Match your long-term investment to your plan and focus on business performance: 66% of all companies say their revenue and profit will suffer if their digital transformation doesn't move fast enough. Transcenders invest purposefully, focusing long term on the tech and processes that help their people innovate and move quickly. A combination of consistent investment with a focus on remaining essential does pay off.

To innovate more in products and services, do as Transcenders have and make smart investment risks. Prioritize programs that don't just save time, introduce new ways to serve customers or streamline processes, but ones that best suit your people and drive business. The payoff for Transcenders: 17% higher profit margin growth.



“Digital transformation doesn’t just involve adopting fresh technology, then calling it a day. It’s a holistic task requiring a clear vision ... and a comprehensive implementation plan.”

IT executive, Consumer markets, Canada

## John Deere

### **Investing for tomorrow — in tractors**

Nothing runs — or modernizes — like a Deere. Agriculture and heavy equipment manufacturer John Deere may not be the first company that comes to mind when you think of making investments in digital, but it has made significant strides.

- Deere spent the last several years investing in workforce development programs to attract and retain skilled employees.
- The company moved beyond standard manual equipment, integrating AI and deep data in their machinery.
- An autonomous farm concept aims to give farmers remote control over machinery.
- New tech helps pinpoint unhealthy crops and treat them precisely, reducing pesticide use.
- Digital investments allowed the company to pivot in 2020 to making face shields and other personal protective equipment.

At 182 years old, Deere invests in what's next, and develops its workforce to match.

## Amazon

### **Finding payoff — even when it takes time**

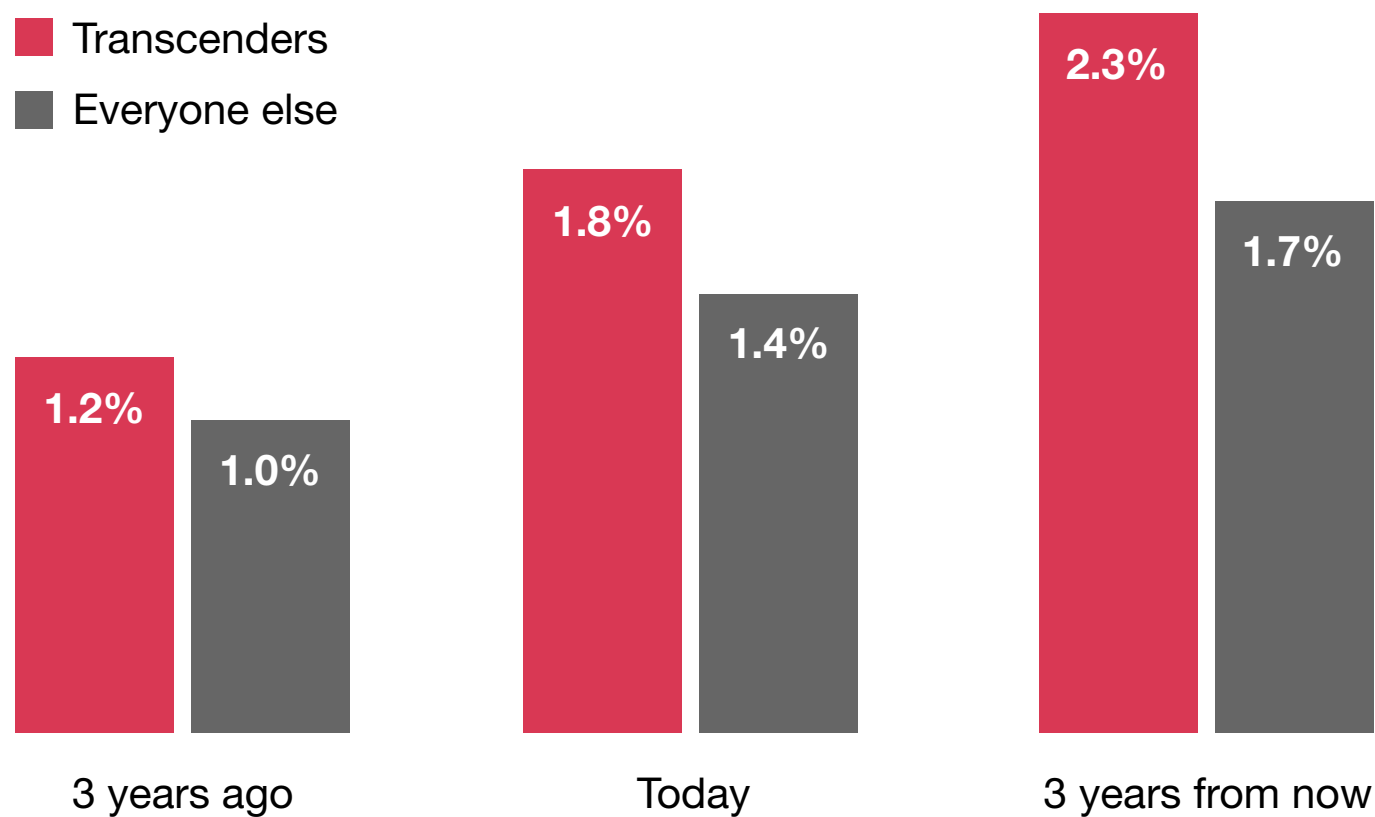
Today, Amazon is one of the world's leading technology companies and has disrupted countless industries. But it took patience and investment to get there: Amazon lost money consistently for 10 years, then off and on for another 12. It first posted a profit in 2001. In the final quarter of 2017, though, the tech giant reported \$1.86 billion in profit — more than its first 58 quarters combined.

### **A roadmap for what's next**

Amid all this, Amazon planned with a forward-thinking roadmap. For instance, in 2003, the company announced its foray into web hosting services, then a nascent industry. Amazon Web Services now powers about 40% of the global cloud market.

# Out-investing — and out-performing

Transcenders invest a higher percentage of their revenue in digital efforts.



Source: PwC 2020 Global Digital IQ Survey



# How to power your people

Leading change and investing strategically are a start. Next step to achieve **Transcender** status: empower your people. That means *everyone*. Don't waste your talent or lose out on ideas because of arcane practices or poor training. **Tap into the creative brain power** of all your employees to unlock greater success.



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## Make your people your superpower.


We'd all love to gaze into a crystal ball that shows not just the future, but also how to get there. In lieu of fortune telling, focus on preparation through people. That requires a mindset that revolves around employee experience.

Start with upskilling. Most traditional training focuses on amassing knowledge rather than developing skills or understanding. And it's meaningless if it doesn't stick, drive business and motivate people. Give employees ways to apply new skills immediately and learn from one another. It's a must when 79% of CEOs say a lack of key skills is threatening their organizations' growth.



63%

of Transcenders have upended their training process and seen results



“Change starts with employees: how they collaborate, how they adopt and adapt to different processes, and how they take new challenges.”

Finance executive, Private Equity, Turkey

Transcenders say their training changes have made their people focused and innovative — and more able to help drive their company’s digital strategy.

Focus on helping your employees think and work more agilely, so they can add value to the organization as roles and consumer demands shift. What’s more, they’ll be able to apply the skills they’ve got to pivot quickly and bring more ideas and innovative solutions to the table faster. They won’t all be big successes, but the key is to give people the tools they need — and empower them to use them.





### **Putting the “co” in collaboration**

Global consumer goods company Unilever is upskilling employees by the thousands — but understands that’s just a start.

- The company opened about a dozen “digital hubs” to gather people from different disciplines to work together and find new customers for their products.
- The hubs bring together analysts to study data for consumer traits and trends, creatives to design and write content, marketers to monitor performance and data privacy experts to check security.
- A so-called reverse mentoring program pairs less experienced employees with senior leaders to act as digital guides.

Combined, these initiatives make up a significant focus on learning and experimenting for the 90-year-old company and allowed Unilever to quickly adapt in 2020.



### **What’s sweeter than employee success? Ideas**

Employee input and innovation have a direct impact on customer experience. That’s one reason food and beverage giant Nestlé rolled out InGenius, an employee-driven innovation accelerator. InGenius incentivizes employees to share ideas on a crowdsourcing platform where other staff can vote and join internal teams to help transform these suggestions into reality. The most popular innovations go through an expert panel and are fast-tracked through incubation, business case and a funds pitch.

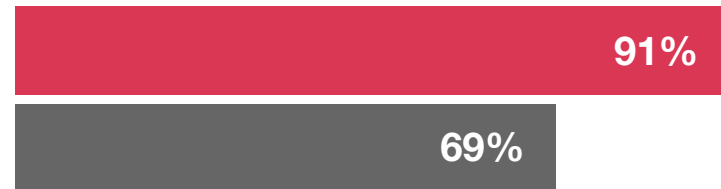
### **Culture shifting to share more**

To further boost employee engagement and increase collaboration, Nestlé went all-in on Workplace by Facebook. Nestlé says the tool has made a difference to its working culture and helped employees easily share information and become more motivated to get involved.

# Digitally savvy — and empowered

Transcenders foster workforces that are deeply engaged in digital.

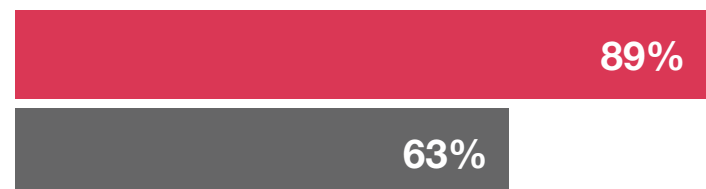
Our workforce is aware of our digital transformation process



Our digital training and education programs improved employee performance/engagement



Our people are digitally savvy



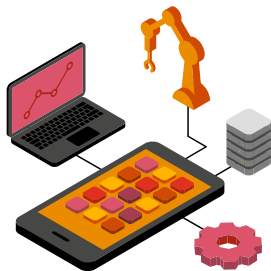
■ Transcenders ■ Everyone else

Source: PwC 2020 Global Digital IQ Survey

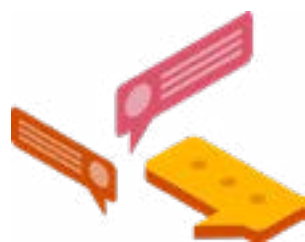


# Let us help you become a Transcender

Want to learn more and see how you stack up to the Transcenders?  
Good news — we're spilling their secrets to success. [Click here](#) for tips, tricks and additional information.



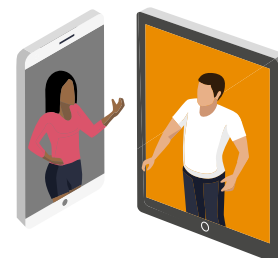
[Build resilience](#)



[Mandate change](#)



[Invest like you mean it](#)



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## About the survey

We surveyed 2,380 senior executives in 76 countries and a wide range of industry sectors. Respondents represent a range of sizes — from less than \$250 million in revenue to over \$50 billion. The survey was fielded by Oxford Economics between July 2019 and September 2019.

