Unlocking the Economic Impact of Digital Transformation in Asia Pacific and New Zealand

Microsoft Asia Digital Transformation Study 2018

In partnership with IDC Asia/Pacific
How is an organisation being digitally transformed?

How is an organisation business model being digitally transformed?
Every company is a software company. You have to start thinking and operating like a digital company. It’s no longer just about procuring one solution and deploying one. It’s not about one simple software solution. It’s really you yourself thinking of your own future as a digital company.

SATYA NADELLA
CEO, MICROSOFT
Unlocking the **Economic Impact** of **Digital Transformation** in Asia Pacific

- Digital Transformation economic impact on countries’ GDP
- Digital Transformation impact on organisation’s business
- Digital Transformation Impact on society
- What sets Digital Transformation Leaders Apart?
Unlocking the **Economic Impact** of Digital Transformation in Asia Pacific

- Digital Transformation economic impact on GDP
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- What sets Digital Transformation Leaders Apart?
Impact on GDP derived from digital products or services created directly through the use of technologies by 2021

Asia Pacific

- 2017: 6%
- 2019F: 25%
- 2021F: 60%

New Zealand

- 2017: 6%
- 2019F: 28%
- 2021F: 55%
Forecast additional GDP contribution by DT based on projected GDP (nominal) growth by the World Bank, forecasted based on revenue growth projections by companies undergoing DT and discounted by percent of companies undergoing DT.
Unlocking the **Economic Impact** of Digital Transformation in New Zealand

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Top 5 Benefits Obtained by Organisations Undergoing Digital Transformation

#1 Improvement in profit margin

#2 Increased revenue from existing products and services

#3 Improvement in productivity

#4 Improved customer advocacy, loyalty and retention

#5 Increased revenue from new products and services

Base: All respondents (n=95) – respondents who indicated “no strategy but plans to build one” have been removed for this analysis.
A5. What are the top 3 benefits that your organisation has observed from their current Digital Transformation initiatives? Please indicate the degree of improvement for these three.
Top **Challenges** of Digital Transformation

1. **#1**
   - Lack of skills and resources

2. **#2**
   - Siloed and resistant culture

3. **#3**
   - Lack of advanced analytics to develop actionable insights
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Digital Transformation economic impact on GDP

Digital Transformation economic impact on organisation's business

Digital Transformation Impact on society

What sets Digital Transformation Leaders Apart?
Digital Transformation Benefits to Society

Increasing opportunities for individuals through better access to education and training, creating higher value jobs for individuals, and improving quality of education through better teaching tools were seen as top three benefits.

#1
Increase opportunities for individuals through better access to education and training

#2
Create more higher value jobs in the future for individuals

#3
Improved quality of education through better teaching tools
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Digital Transformation economic impact on GDP

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Digital Transformation Impact on society

What sets Digital Transformation Leaders Apart?
2 Groups Identified within Digital Transformation Journeys across Asia Pacific

Base: All respondents (n=1560)

A1. Which of the following best describes your organisation’s digital transformation strategy?

A6. What % of your revenues / fees / incomes / fundings are derived from digital products and/or services?

A5. What are the top 3 benefits that your organisation has observed from their current Digital Transformation initiatives? Please indicate the degree of improvement for these three.
Five Organisational Traits of Digital Transformation Leaders

**CULTURE & CHANGE**
- "...are less risk-adverse and characterised by having transient organisations that adapt to changing needs, often automatically and without management intervention."
- "They embrace fail/learn-fast approaches."

**ORGANISATIONAL BEHAVIOR**
- "...display higher maturity in collaboration and agility in change cycle. Instead of focusing on individual efforts, teams self-organise across groups to achieve organisational success."

**DIGITAL TRANSFORMATION APPROACHES**
- "...display higher organisation-wide alignment in their DT efforts."
- "Their strategies and metrics are interlinked to deliver digital products, services and experiences to customers."

**LEADERSHIP & STRUCTURE**
- "has a key person leading their digital transformation efforts with an independent standalone digital business unit or with digital leads assigned to each LOB and functional groups to drive efforts."

**BUDGETS**
- "...have allocated budget for digital transformation as a permanent part of the P&L to maximize resources, ensure organisation-wide alignment and better governance."

Leaders | Followers | % indicate respondents in group who agreed with statements across Asia Pacific
---|---|---
41% | 31% | 
78% | 61% | 
80% | 65% | 
84% | 68% | 
70% | 50% |
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**Recommendations**
How to Become a Digital Transformation Leader?

CREATE A DIGITAL CULTURE
- Address organisational structure shifts required for digital transformation success
- Encourage the use of data across all work processes and operations within the enterprise
- Create a digital ecosystem–mindset with data-sharing with partners and third parties.

BUILD AN INFORMATION ECOSYSTEM
- Begin with the end in mind and include a plan with clear outcomes
- Facilitate Data Capitalisation across the Enterprise and with Ecosystem partners.

EMBRACE MICRO-REVOLUTIONS
- Focus on small, quick projects that deliver positive business outcomes and accrue to a bigger and bolder digital transformation strategy
- Enabling quick investments and trials in emerging technologies, especially AI
- Create a balance scorecard that combines standard and new metrics for DT success.

LEVERAGE AI TO ACCELERATE DIGITAL TRANSFORMATION OF THE ENTERPRISE AND ECOSYSTEM
Recipe for Digital Transformation in New Zealand Organisations

- Engage Your Customers in a personal and relevant way
- Empower Your Employees To deliver differentiated service
- Optimize Your Operations To evolve forecasting and react faster
- Transform Your Products And deliver new value to customers

Ecosystem

Security
Our mission

Empower every person and every organisation on the planet to achieve more
Customer Highlight: Making the daily commute a walk in the park

Challenge
• Nearly one-third of New Zealanders live in the Auckland metropolitan area, which houses 1.4 million people, and more move there every day.
• The city’s population is projected to grow to 2.2 in next decade
• An estimated 800 new cars on Auckland’s roads every week.
• This means a lot of demand for transportation services.

Strategy
• Help make Auckland a digital city by using technology to help manage public transportation projects.
• Implement a new system to allow AT to make real-time, informed decisions to improve travel for everyone.
• Work with NZTA to implement MaaS that can be used for buses, ferries and trains.
• Use Artificial Intelligence based on information about the commuter to predict in advance travel journeys.

Expected Results
• Considerable cost savings through operational efficiency gains. Estimated quantifiable savings of $3 million in the first 10 years, expected to continue to grow.
• Main goal is to allow customers to make informed decisions about their best choice of transport on a daily basis.
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Technology investments for Digital Transformation for 2018

Base: All respondents (n=100)

B6. Relating to the use of technology for your DT initiatives, which of the following digital technologies are your organisation going to heavily invest on in 2018?

- Cloud: 20.1%
- Big data analytics: 14.6%
- Mobility: 14.6%
- Security: 9.9%
- eCommerce: 8.4%
- Social media: 6.6%
- AI/Cognitive/Robotics: 9.5%
- Internet of Things (IoT): 6.3%
- Next Gen Interface: 2.4%
- Mixed, AR & VR: 1.9%
- Blockchain: 1.5%

CORE TECHNOLOGIES

EMERGING TECHNOLOGIES
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Jobs Transformation, not Displacement

89% of jobs in the next 3 years **will be transformed**

- Outsourced, automated or made redundant: 24%
- New roles created due to digital transformation investments: 27%
- Retrained and upskilled: 38%
- Unchanged: 11%

67% are confident that young professionals already have future ready skills that will help them to transition to new roles.

Base: All respondents (n=100)

C3. To address the lack of skillsets in your organisation, what percentage of your organisation’s jobs in 3 years will be: a) Outsourced, automated or made redundant, b) New roles created given digital transformation investments, c) Retrained and upskilled

#C3a: Do you think young professionals within your organisation (aged 25 year-old and below) have future ready digital skills to meet the demands of digital transformation?
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