INFOSYS DIGITAL ACCELERATION STUDY: AUSTRALIA AND NEW ZEALAND REPORT

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ORGANISATIONS IN ALL SECTORS ACROSS AUSTRALIA AND NEW ZEALAND ARE RE-INVENTING THEIR BUSINESS MODELS TO EMBRACE AN INCREASINGLY RAPID DIGITAL EVOLUTION. THE SPEED OF DISRUPTION REQUIRES ORGANISATIONS TO RETHINK HOW THEY GO ABOUT DIGITAL TRANSFORMATION TO REMAIN RELEVANT TO CUSTOMERS.

This organisational transformation is a constant state - not one with a start and end date. We're seeing hierarchical structures shift to more agile and fluent business models, enabling companies to engage an increasingly transient customer audience growing more comfortable with products and services from agile incumbents and new market entrants.

So, what is required of large enterprises or public sector departments to enable these disruptive business models?

This study of large enterprises and public sector leaders in Australia and New Zealand found that many are encumbered with inflexible IT systems, insufficient digital skills and a culture that limits the ability to evolve the current ways of working at the micro level, while leaders drive changes to adapt to large-scale disruptions.

The survey of C-suite decision-makers, influencers and program managers from the region's biggest ($1billion+ annual revenue) companies, uncovered that enterprise leaders across sectors were at varying stages in the digital transformation journey, while facing consistent barriers and opportunities to building disruptive business models.
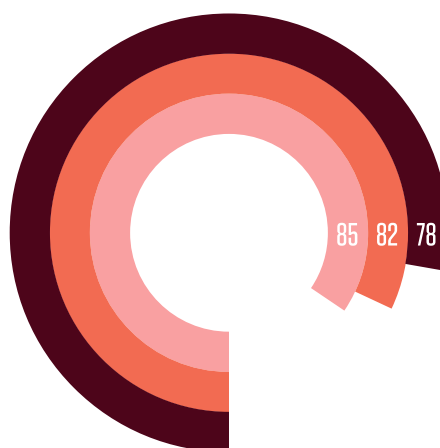
Business agility (85%), enhancing digital culture (82%) and delivering a seamless customer experience (78%), were seen as the key organisational drivers.

We found a portion of visionary organisations, leading the way by re-energising their core IT systems with AI and automation. They're re-skilling their people to support new ways of working, including new processes, digital technology, team structure, reporting hierarchy and new KPIs that reward the right agile behaviours.

This is complimented with skills from partners and the broader ecosystem. Additionally, visionaries display a new style of leadership that rewards continuous learning, creativity and enables experimentation and failing fast.

In any transformation journey, frequent stock-takes are vital for continued sustainable evolution. And for a strategic and implementation partner like Infosys, it is imperative that we understand where our biggest enterprises are at on their unique paths as well as their leaders' perceptions of the current digital landscape.

WHAT ARE THE KEY ORGANISATION DRIVERS?

85 82 78

BUSINESS AGILITY (85%)

ENHANCING DIGITIAL CULTURE (82%)

SEAMLESS CUSTOMER EXPERIENCE (78%)

RESEARCH SUMMARY

- **Visionaries** target higher order business objectives, such as new business models and culture, from digital transformation. **Explorers** are focused on customer-facing outcomes, and **Watchers** on efficiency.

- All clusters see a high level of digital disruption.

- Visionaries see disruption drivers more clearly than the other two groups, and even see drivers that the others don't see (The potential to create and leverage ecosystems and circumvent risks from obsolete business models).

- Visionaries also see the threats and opportunities of disruption with greater clarity and are able to chart an appropriate execution path.

- Senior leadership commitment (52%) and change management (45%) were the top two most important success factors in transformation journeys. Hiring digital natives and building digital skillsets (38%) was also important.

- Respondents say that the absence of digital skills and change management abilities is a big obstacle, but they also face challenges in executing and navigating transformation.

What are the business drivers and competitive pressures in each sector? How digitally mature are our biggest organisations? Who are the visionaries? Who is beginning to explore the landscape and how many are just watching from the sidelines? Which emerging technologies and solution components are being prioritised? And what barriers do we still face on the road to a digital future?

This report answers these questions in the local context, uncovers the perceived progress being made and also explores the role of a digital transformation partner in navigating challenges, providing insights into the demands and requisites of businesses in their ever-evolving digital trajectory. Armed with these insights, strategic leaders, digital change agents and transformation partners can approach the next few years of transformation with a clearer end-state in mind and strategic pathway to get there.

Case Study: Digital transformation in Telco is breaking boundaries (and borders)

Digital transformation efforts aimed at improved operational efficiencies are impacting the customer experience. For example, Infosys helped a large Telco in the region design a Chatbot solution aimed at overcoming communication inefficiencies experienced by internal business users – followed by making such high-tech offering available to end customers. Millions of subscribers are now provided with access to another channel in the organisation through 24/7 personalised and intelligent machine-led contact.

After partnering with Infosys, the Telco saw their cost of operations drop by 9-13%, while their Net Promoter Score increased by 10% with reduced turnaround time and enhanced performance by 10% during call handling. These benefits will stand them in good stead as the industry becomes increasingly competitive.

- Prenaven Naidoo, Associate Partner at Infosys Consulting

GROWING UP DIGITAL

Exploring global digital maturity

Before we can explore the transformation landscape in more detail, taking a snapshot of current digital disruption and maturity perceptions is imperative. This report revealed some interesting disparities between industries, as well as a general push for Australia and New Zealand to catch up with the rest of the world.

Watch, explore, transform: Landmarks on the road to enabling disruptive business models
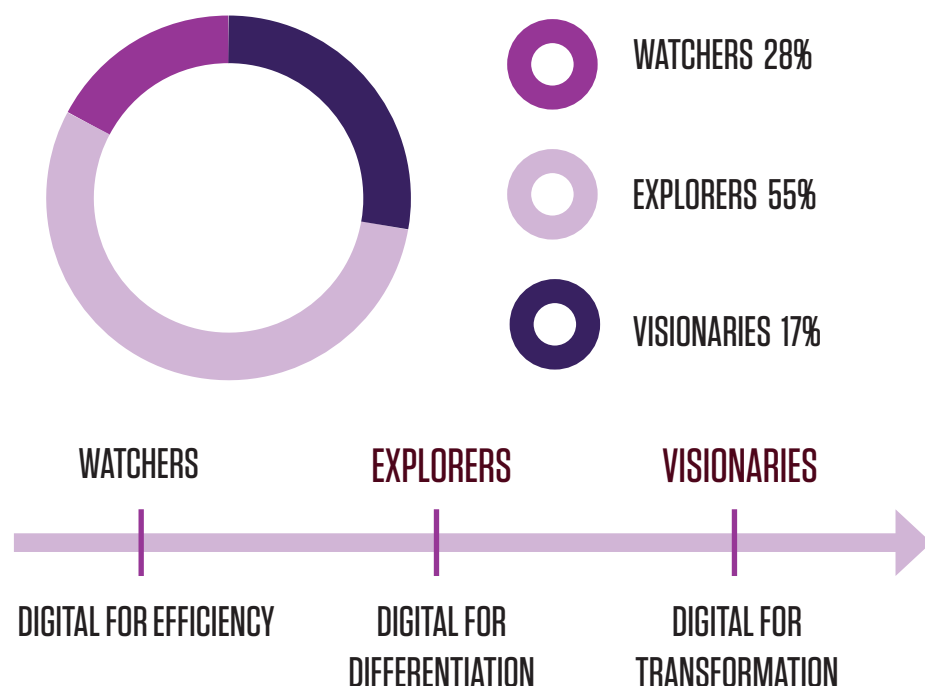
1. **Watchers** *make up more than a quarter of all respondents (28%):*
Here, partial deployment of digital initiatives has begun, but they are largely focused on efficiency-driven outcomes of digital adoption, rather than digital for differentiation.

2. *More than half of respondents are considered* **explorers** *(55%):* Their commitment to digital programs is driven by differentiation through either enhancing the customer experience, enabling seamless customer engagement across multiple business channels or increasing their brand value. These respondents identify the most with initiatives that directly impact their clients' experience. For these organisations, a greater commitment to digital initiatives is on the horizon in the coming 12-24 months.

3. **Visionaries** *are going digital for transformation purposes:* 17% of all respondents understand the potential of the digital revolution to completely transform their business. These **visionaries** are able to identify the opportunities that can be gained by changing to new business models as well as transforming the business culture. They understand that digital is central to the success of their future endeavours.

BREAKDOWN OF RESPONDENTS

WATCHERS 28%

EXPLORERS 55%

VISIONARIES 17%

WATCHERS — DIGITAL FOR EFFICIENCY

EXPLORERS — DIGITAL FOR DIFFERENTIATION

VISIONARIES — DIGITAL FOR TRANSFORMATION

Digital disruption levels across sectors

59% of decision makers from the region's biggest businesses – regardless of transformation phase – consider current digital disruption levels in Australia and New Zealand to be high. But within each sector, this perception varies quite significantly:

Industry breakdowns:

- The **manufacturing** sector experienced the highest disruption, with 54% of businesses citing high levels

- Conversely, the **telco and utilities** sector is a little more stable, with only 29% citing high disruption

- 34-40% of respondents from other sectors (**logistics, financial, healthcare, public services** and **retail**) noted high digital disruption

LEADER'S PERCEPTION OF DIGITAL DISRUPTION BY SECTOR

DISRUPTION LEVELS (%)	LOW	MED	HIGH
BANKING AND FINANCIAL SERVICES	22	39	39
HEALTHCARE	19	43	38
LOGISTICS	12	48	40
MANUFACTURING	0	46	54
PUBLIC SERVICES	14	48	38
RETAIL	19	47	34
TELCO/UTILITIES	19	52	29

What's influencing this disruption?

The majority (60%) of respondents cited **emerging technologies** as a key influencer of digital disruption.

And, amongst others:

- Retail mentions **evolving end-customer needs** (63%) as a particularly vital driver

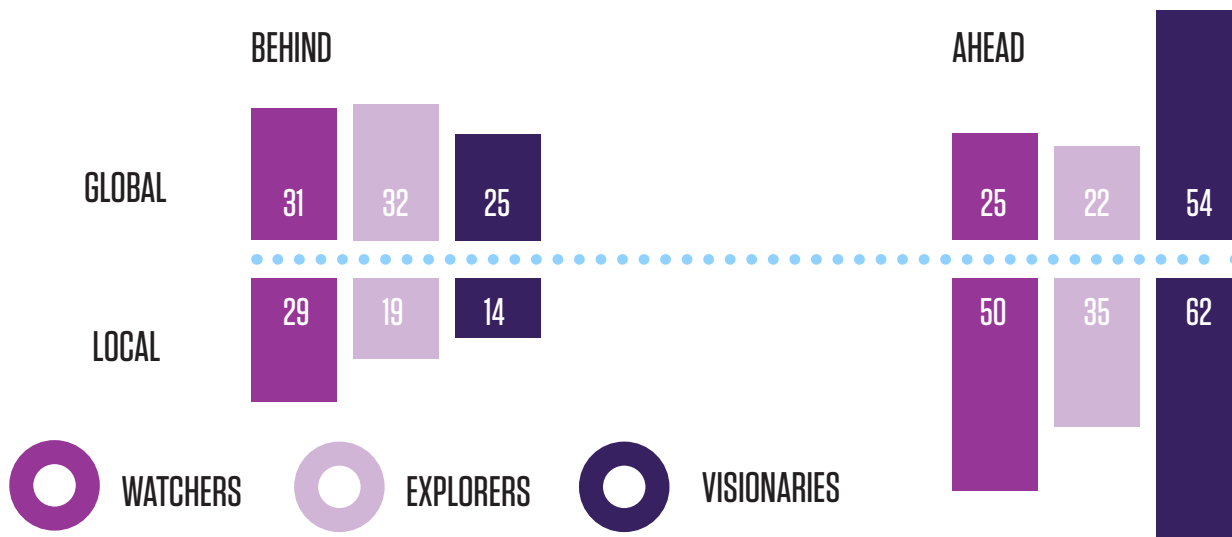- Logistics mentions **competitive activity** (64%) as a key motivator

Where is disruption most felt?

Organisational departments most affected by digital disruption are:

- R&D (58%)
- MIS (53%)
- Production/operations (51%)
- CRM (50%)
- Product/service management (49%)

PERCEPTIONS AROUND DIGITAL MATURITY

In terms of their perceived standing on the global digital transformation roadmap, more than half of the group of respondents termed **visionaries, consider themselves to be ahead of their global peers.** Sentiment for their local standing is even more positive. A greater proportion of explorers and watchers feel they are behind globally but ahead locally.

BEHIND   **AHEAD**

	BEHIND			AHEAD		
GLOBAL	31	32	25	25	22	54
LOCAL	29	19	14	50	35	62

WATCHERS   EXPLORERS   VISIONARIES

Despite leaps and bounds in overall digital transformation journeys, some local industries feel they have a way to go:

"We are not seen in a good light regarding the digital transformation of banking, however we have started moving forward."

– Leading Financial Institution

Others seem to view their standing as already successful:

"We are the leaders (in the retail space) in terms of being digital."
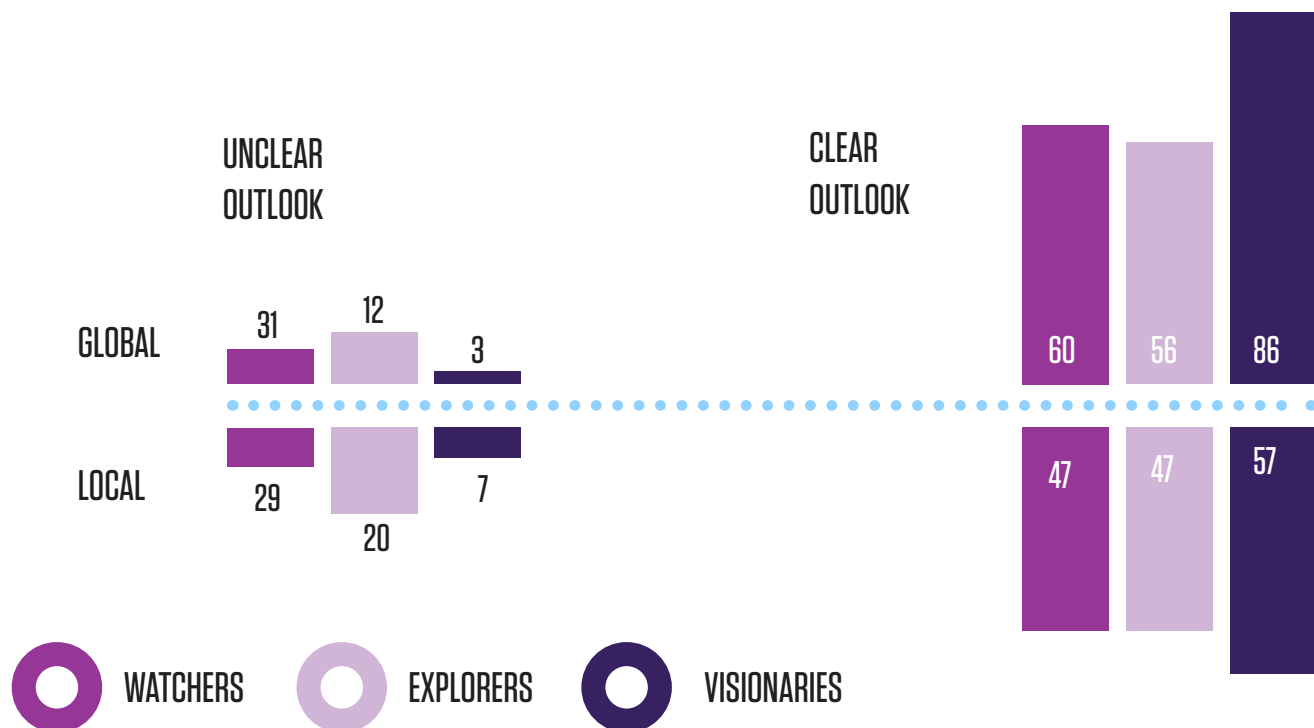
– Leading Retailer

The methods being employed to attain this success and leadership are varied and unique to each context, ranging from human-centred design to advanced data analytics, AI and IoT implementation:
"We are working on getting the organisation to look into a more human-centred design in terms of technology and services while enabling greater agility."

"We are mainly looking at using advanced data analytics to enable predictive modelling and AI to solve corporate problems."

"We are executing IoT implementation for the pallet tracking system with BXB"

While optimism is important, businesses could also use a better understanding of potential risks. This report found that **clarity on opportunities (60%) far outweighed clarity on potential threats (50%)** – a rather skewed view of the realities of transformation. As maturity increases, lack of foresights seems to dissipate. The visionaries (most mature) boasted up to 86% clarity on opportunities as opposed to explorers (56%). However, clarity on threats is still lower across all phases (visionaries only boast 57% clear outlook on threats).

GLOBAL 31 12 3 60 56 86

LOCAL 29 20 7 47 47 57

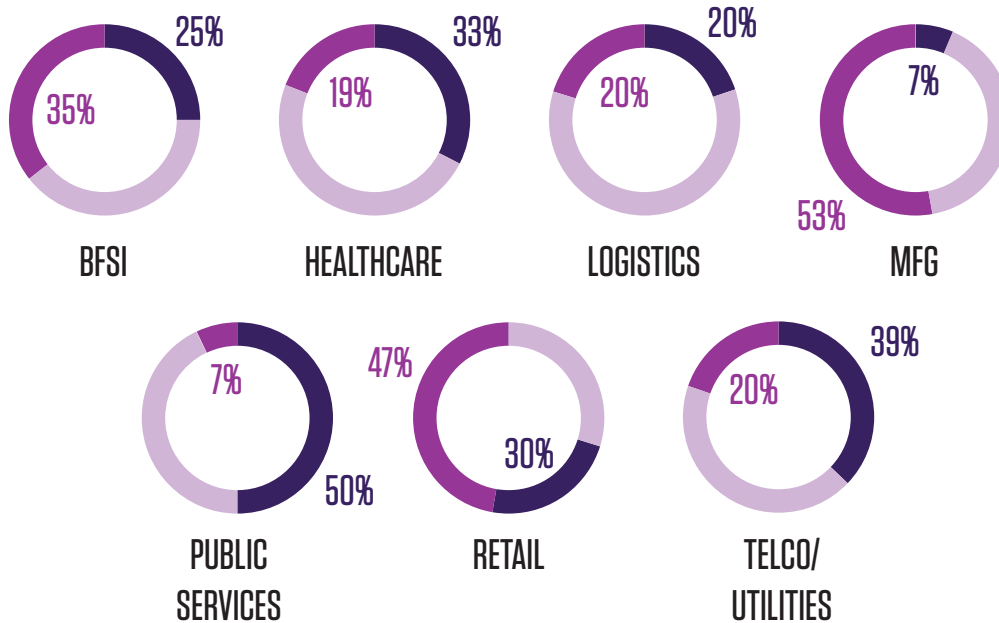◯ WATCHERS ◯ EXPLORERS ◯ VISIONARIES

A third of all businesses (30%) felt that they were trailing behind their international counterparts. The logistics sector is leading the way, while public services are significantly behind:

Industry stats:

- Half of all **public services** organisations (50%) felt their digital maturity was behind global standards, with only 7% feeling that they were ahead

- They were followed by **healthcare** and **telco/utilities**, who only boasted 19%-20% maturity ahead of global peers

- **Retail** cited quite high levels on both extremes, with 30% feeling behind and 47% feeling ahead of the rest of the world

- Only a quarter of **financial services** felt behind (25%)

- **Logistics** was particularly comfortable with their standing, with 80% of respondents claiming digital maturity on par or ahead

- **Manufacturing** cited significant high maturity, with 93% on par or ahead of global peers
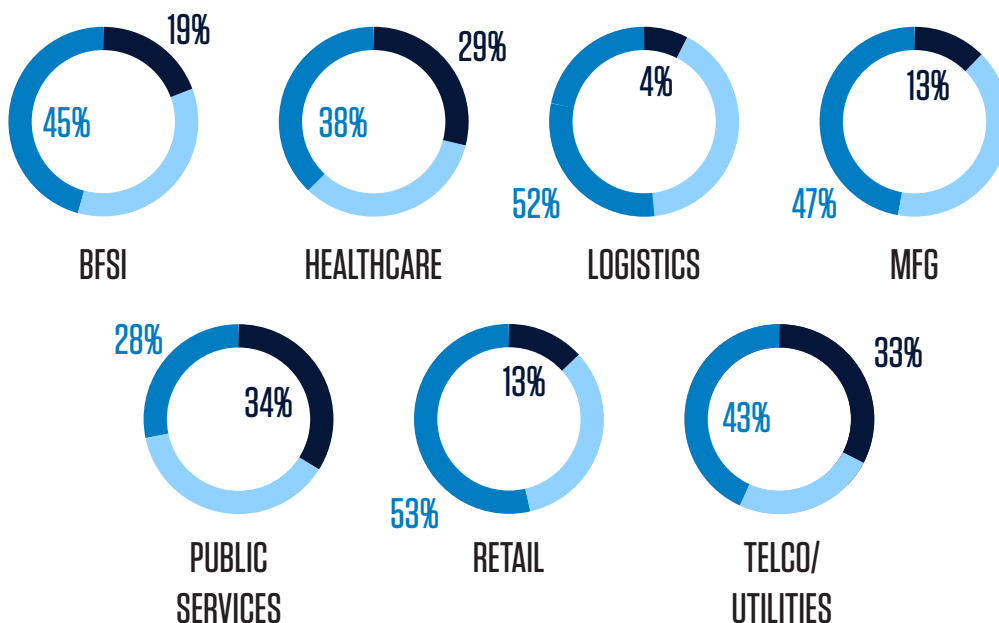
GLOBAL DIGITAL MATURITY:

How do you compare to global peers?

ON PAR   BEHIND   AHEAD

BFSI
25%
35%

HEALTHCARE
33%
19%

LOGISTICS
20%
20%

MFG
7%
53%

PUBLIC SERVICES
7%
50%

RETAIL
47%
30%

TELCO/ UTILITIES
39%
20%

Maturity comparisons against other businesses Australia and New Zealand were a little more optimistic. Only 21% of respondents felt behind their local peers, with some industries like logistics revealing stats as low as 4% for businesses falling behind.

LOCAL DIGITAL MATURITY:

How do you compare to local peers?

ON PAR   BEHIND   AHEAD

BFSI
19%
45%

HEALTHCARE
29%
38%

LOGISTICS
4%
52%

MFG
13%
47%

PUBLIC SERVICES
28%
34%

RETAIL
13%
53%

TELCO/ UTILITIES
33%
43%

SETTING THE JOURNEY INTO MOTION

Success factors, barriers, challenges and objectives

So, what are the key ingredients for successful disruptive business models at scale? In order to realise intended outcomes in organisations across various industries, a commitment from leadership is critical, along with scalable and sustainable policies and expectations along the way.

All interview respondents had **executive sponsorship** as a core requirement, however, a new style of leadership that rewards creativity, enables prototyping and accepts failure as part of this process is also crucial.

When asked to rank **other success factors** in the order of criticality, respondents in this survey cited three top factors for success:

- senior leadership commitment (52%)
- change management (45%)
- and organisational agility (45%)

When ranking **barriers** on the path to digitisation:

- **Hiring Digital Natives and building digital skillsets** were most prevalent (38%) followed by breaking down **organisational siloes** (38%)
- Transforming from a **low risk organisation to an organisation that rewards experimentation** (37%)

BARRIERS TO DIGITISATION:

38 HIRING

38 ORGANISATIONAL SILOS

37 RISK-AVERSE ORGANISATIONS

CONSIDERATIONS ON THE PATH FORWARD

1. Why enable disruptive business models?

Eat or be eaten; adapt, evolve or become extinct: these evolutionary concepts are well-regarded as truths within the capricious business context. For large organisations to discover new ways to provide services and products that their evolving customer base wants and needs, they need to transform and disrupt the status quo through strategies that align with the modern landscape.

But our research indicates that industries have different threats, drivers and sense of urgency, and the question therefore is: *what are businesses hoping to get out of their disruptive business models?*

Improved business (driven by improvement in customer experience) is a key intended outcome across all respondents. And amongst mature adopters, **transforming processes to bring in 'agility'** is as high as 70% from visionaries.

Industry breakdowns:

Other key objectives behind digital transformation initiatives include:

Increased sales (53%) – as noted by:

- financial services (65%)
- healthcare (57%)
- manufacturing (73%)
- retail (56%)

Operational efficiencies (50%) – as noted by:

- logistics (52%)
- public services (63%)
- telco (57%)

Higher market share (42%) – as noted by:

The manufacturing industry (73%)

A Case Study: Combatting culture fears with collaboration

"Traditional enterprise culture – notoriously stationary and often entrenched in a sort of comfort zone – is slowing big business transformation. For example, the introduction of digital innovations at one of Australia's big banks created a cultural disruption of sorts for its procurement team, who were used to a certain type of working.

But reduced lead time, proactive customer engagement, increased speed to market and improved user experiences were key objectives for the business – all easily addressed through digital solutions. So, despite hesitance, they took an end-user-centric view (rather than a procurement-centric view) and designed a digital portal that would empower customers and staff to get answers to questions with ease, and control operations without tedious, time-intensive processes.

What made this new business model effective, however, was not only the technology: but the approach to collaboration. The portal in question was actually co-designed by people from all across the business, empowering them to have a say in what they needed the technology to do, and control the outcomes to suit their needs and desires.

Giving workforces a say in their transformation, as opposed to handing them a pre-planned roadmap and awaiting their adoption, is a sure way to shift the cultural mindset and ignite a sense of excitement, empowerment and commitment to the changes."

- Ashok Mysore, VP and Regional Head – Delivery and Operations at Infosys

2. Are we holding ourselves back?

The digital landscape is fraught with barriers and potential stumbling blocks – especially as it continues to evolve with every technological advancement. But although the external environment is always changing, our greatest hindrances often come from within.

In fact, **internal challenges** are more prominent than **external challenges** in most surveyed businesses – the latter only cited in terms of struggling to ensure tangible benefits for end customers.

All along the maturity scale, **lack of change management** was a highly mentioned internal hindrance among visionaries, whilst **legacy organisational silos** saw core mentions by the explorer contingent and watchers predominantly felt that a **lack of senior leadership commitment** is a key barrier.
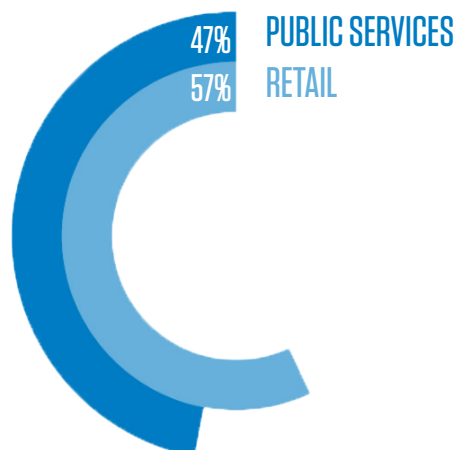
Financial services (55%) in particular had challenges with enabling **cross-functional collaboration**, and the **failure to ensure a collaborative plan** was the sector's most mentioned aspect in digital initiative failure.

Other cultural challenges faced during digital transformation initiatives, often causing transformational bottlenecks, were **lack of innovation (55%)** and **inflexible organisation processes (51%).**

Building a culture of innovation proved most taxing for leaders in:
- healthcare (76%)
- MFG (67%)
- public service (57%)
- retail (47%)
- telco (62%)

Improving agility and flexibility of processes was additionally the greatest challenge for:

47% PUBLIC SERVICES
57% RETAIL

3. What can be done?

With a focus on the customers and the right partner ecosystem, there can be value along the ever-evolving path to disruptive digital agility. When organisations were asked how they plan to overcome prevalent digital transformation challenges, some **top initiatives** surfaced across industries:

Building in-house capabilities (55%) – as noted by:

- BFSI (65%)
- healthcare (62%)
- telco (62%)
- utilities (62%)

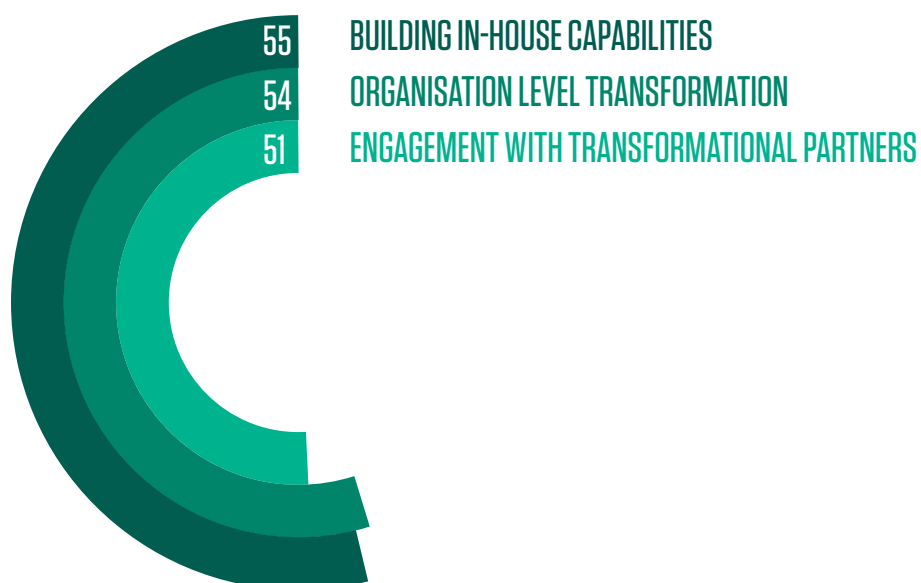**Organisational level transformation** (54%) – as noted by:

- logistics (60%)
- MFG (73%)
- public services (63%)
- retail (50%)

Engagement with transformation partners (51%) – as noted by:
- retail (50%)

And in terms of the characteristics that impact cultural change and agility, **design thinking capabilities (63%)** was a top response across the board of industries surveyed, with the exception of **public service organisations**, who cited **large/complex program management capabilities** as a major influencer of digital transformation outcomes (60%).

TO OVERCOME PREVALENT DIGITAL TRANSFORMATION CHALLENGES, COMPANIES ARE:

55 BUILDING IN-HOUSE CAPABILITIES

54 ORGANISATION LEVEL TRANSFORMATION

51 ENGAGEMENT WITH TRANSFORMATIONAL PARTNERS

TRANSFORMATIONAL BUILDING BLOCKS

Evolving with emerging technologies (and technology partners)

Every day, new technologies and digital solutions appear. Organisations must be agile within their transformation strategies, adaptable to new technologies and innovative processes. Across all three stages of maturity, cybersecurity formed a major part of the region's short term focus, with insight platforms and intelligent agents leading medium term strategies. A long-term focus on 3D printing was key for visionaries, while drones were particularly popular amongst explorers and watchers.

According to this report, the current **short-term focus** for emerging technology is on:

- cybersecurity
- real-time interaction management
- enterprise cloud

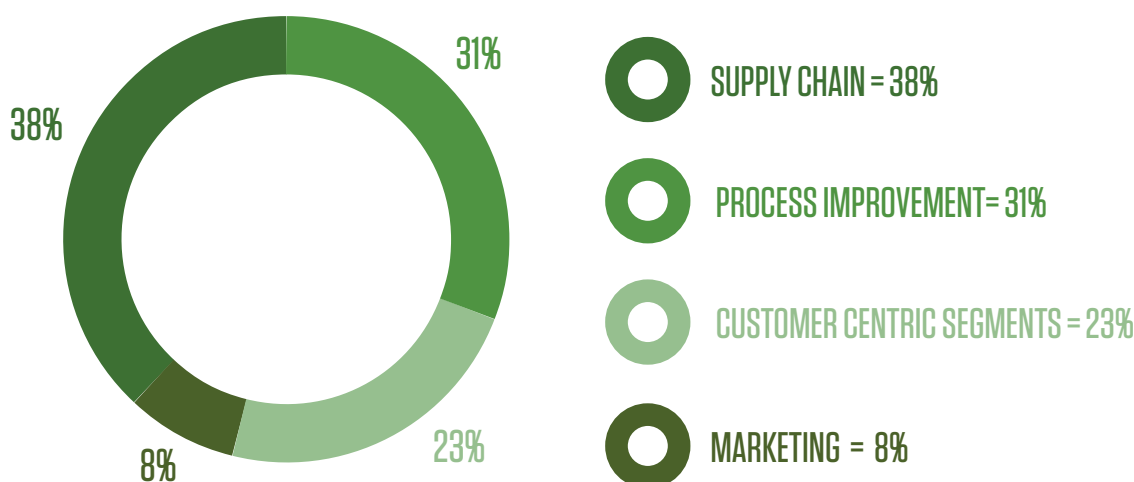**Medium term implementation plans** are mostly centred on:

- intelligent agents and insight platforms
- DevOps and agile systems
- ERP and enterprise application

Long-term adoption is focused on:

- 3D printing
- drones
- AR/VR

Interestingly, across the board, supply chain is the most prioritised function of digital transformation initiatives:

MOST PRIORITISED FUNCTION OF DIGITAL TRANSFORMATION INITIATIVES:

31%

38%

8%

23%

SUPPLY CHAIN = 38%

PROCESS IMPROVEMENT= 31%

CUSTOMER CENTRIC SEGMENTS = 23%

MARKETING = 8%

RECOMMENDATIONS FOR ENABLING DISRUPTIVE BUSINESS MODELS AT SCALE

A digitally ready company is one that is continuously investing in reinventing its digital core: the trifecta of process, system and customer experience. Drivers of this digital journey extend from core modernisation to customer delight.

When it comes to employing strategic partners, implementation and execution partners or a combination of both, here are our core recommendations for the way forward:

1. Localising and reskilling talent with new operating rhythms is essential

Enabling digital agility is a journey – one very dependent on industry, current states of play and existing employee bases. And on any journey, there is a period before we reach our desired point of disruptive improvement and innovation – a period in which effective communication, culture and learning are paramount.

Engaging employees, localising talent and reskilling workforces in this interim period is even *more* vital, as some jobs will be threatened, and multiple roles will require revisiting. Maintaining operational outputs while still working towards our end goals requires a fine balance, and deserves dedicated attention – otherwise changes are unlikely to be sustainable.

Once we've implemented efficient AI and other revolutionary technologies in our organisation, what do we expect the operating rhythm to be? A core focus on how employees will work together, what the skills and capabilities that they can take forward are and what areas need more training is key. Along the digital journey, there will be new roles, products and structures – we need to prepare for how best we can work within that structure and not just bring employees on the journey, but make them part of the process.

This requires new metrics of success and measurements of team performance. As disruptive and agile business models evolve team roles, structures and goals, so to must employee KPIs, to support and reward the right cultural and behavioural shift. This must apply across all levels of an organisation.

With a digital mindset and a nurtured culture of learning, we can accelerate an enterprise's ability to innovate and bring new ideas and experiences to life.

2. Re-energise the IT core with leading technological innovations

Many enterprises have legacy systems that are hard to move away from – not necessarily because of huge physical investment but rather in terms of a huge cultural and operational shift that needs to take place for new digital solutions to work. But despite spending millions on data scientists and better data stores to aid this change, the transformation process often lags behind the actual requirements of the business.

Data-driven insights pose an opportunity for businesses to improve, and even reimagine, both their processes and experiences - immediately. And the deep learning algorithms of AI have a big role to play here. The benefits of AI as a part of this process lie in its accelerated ability to collect free-flowing insights from within the data stores and wider ecosystem of people, processes and technology – immediately.
If we re-energise the core IT systems with AI and automation, we can be sure to realise agile and customer-focused business outcomes.

Investments in extreme automation of processes help accelerate organisational modernisation and enterprise agility. AI platforms like Infosys' NIA, for example, boast pre-created intellectual property (data sets and reports) that are able to generate insights much faster than previously possible with human capabilities.

Plus, these solutions can provide unmatched benefits *without* having to overhaul entire systems. Working with, tweaking and improving on existing setups - instead of throwing them out - is something we believe strongly in, and something our clients have noted as a key benefit, having often already invested in myriad new technologies.

3. Enabling disruptive business models at scale with strong partner ecosystems

While there are many success stories of disruptive products and solutions implemented by the leaders surveyed in Australia and New Zealand, very few have realised the same levels of digital-driven success at scale and on-demand.

This is where adopting a utility model can deliver great value: where organisations can focus on building digital, disruptive and robust products and solutions, while the partner ecosystem can deliver and manage the building blocks to help navigate the model to scale.

It's no surprise this report found commonalities across Australia and New Zealand's enterprise leaders' perceptions of this partner ecosystem. The most popular capabilities of implementation partners were a mix of technical and organisational leadership, including: design thinking, prototypes, integrating IT silos, optimising change management and scaling transformation.

Visionaries, in particular, expected to see partners who can bring in organisational design expertise, while explorers see partners driving organisational level change.

Throughout the region's transformation experience, ensuring management team's participation in the decision-making process has resulted in an invested interest from the top down driving change. However, this is not a new concept. What is new is that enabling organisational agility, innovation and creativity requires a new style of leadership, a new way of working and a commitment to always-on learning. Engaging strong partners to enable change and manage the transition can offer an imperative advantage.

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