



EgonZehnder

DIGITAL GRAVITY

**A Joint Global
Automotive Study of
KPMG and Egon Zehnder
Executive Summary**





1. ENTERING A NEW DIGITAL ERA

Digital Gravity drives what you do

- ▶ Executives have a high level of awareness of digitalization, but when it gets specific, the picture diverges.

“Over 90% of executives already state today that they have a clear picture of digitalization and know how it affects their responsibilities.”

- ▶ Digitalization is not a product nor a product development process but rather an enabler.

“Almost half of executives believe the most important function for digitalization to fulfill is the development of completely new business models.”

- ▶ The old and the new business model will go side-by-side and we have to allow a partial breaking away of traditional processes and structures.

“66% of execs say that traditional and new business models need to run “side-by-side” while only 34% say that they believe in a complete shift of business models and products.”

Capturing ecosystem logics

- ▶ Automotive companies should orientate themselves towards tech companies

“Over 3 out of 4 executives believe that the development of new business models is achieved primarily through cooperation with tech companies.”

Exploring new network families

- ▶ In order to be successful with digitalization it is necessary to cooperate with a competitor or digital company.

“Over 60% of the executives agree that auto companies should cooperate rather than compete against each other.”



2. SHAPING COMPANIES FOR DIGITAL GRAVITY

Open up to diverse orbits around a new center of gravity

- ▶ There is no single path to digitalization: Organizations have to tolerate and be open for different speeds and approaches – even to the extent of seeking trial and error and allowing failures to happen.

“Almost 80% of the executives are currently pursuing one uniform digitalization strategy in their company.”

Engage the organization to do things differently

- ▶ Digitalization is not about a top-down strategy, it is about a mindshift throughout the organization.

“The need for this mindshift does not yet seem to have reached the automotive industry, as ‘cultural changes’ and ‘leadership awareness’ are rated last by executives when asked about the necessary prerequisites for digitalization.”

- ▶ In the context of big data-based platform business, making bold moves into new territory, including the ambition to become a first mover, is indispensable.

“Only 40% of executives believe they are first movers, while half of all automotive executives still see themselves as early followers.”

- ▶ Give space to diversity and doing things differently: Allow and value diversity to happen within the organization – do not build the same network families.



3. DIGITAL ROADMAP FOR YOUR ORGANIZATION

Selecting the right route for organizational change

- ▶ A best practice approach simply doesn't exist: Each way has to be integrated and not separated.

- ▶ It is common sense that just establishing the CDO function doesn't solve the problem.

“Nevertheless, 3 out of 4 executives are convinced that a CDO would be necessary to complete digital transformation.”

- ▶ Digitalization is much more than just the transformation of the IT function – a belief that is still prevalent among executives.

“Many executives regard digitalization as a purely internal issue and see IT as the area by far the most affected by digitalization.”

Hiring cultures

- ▶ Executives see the need for a new culture: An overwhelming majority recognize the need for a new culture but only a minority have already tackled this topic.

“92% of the execs are convinced that you need to define a new and different cultural approach, but more than 50% say that nothing has been done so far.”

- ▶ An intelligent mix of old and new cultures is key: Network families offer an opportunity to create a blend of cultures by integrating new cultures from outside (culture hire).

Blending old world and new world leadership models

- ▶ Talking about digitalization is not only talking about speed and efficiency.

“Speed and efficiency remains the most important guiding principle in a digitalized world for 64% of execs.”



4. EXECUTIVE SUMMARY & LESSONS LEARNED

Ten points for action

- ▶ Don't change it all at once. Ask yourself where to focus when adjusting to the new Digital Gravity. Not everything is old-fashioned and many things will stay.
- ▶ Raise your awareness of where you are coming from: A process-oriented world with world-class products. Clearly structured. This “pure” world is gone.
- ▶ Acknowledge that the industry's mindset creates its own inertia.
- ▶ Search for and develop talent that can bring the desired culture into the organization and can bridge the gap between traditional expertise and the new digital capabilities.
- ▶ Understand that executive excellence must be measured in a different way – old metrics do not work.
- ▶ Cultural transformation can only work bottom-up – and bottom-up will only work if it is initiated at the very top. Get used to the fact that the time of the all-knowing CEO is up.
- ▶ Build bridges between classical and new approaches with a serving, open leadership style – understand individual capabilities and speeds as well as the impact single departments can have.
- ▶ Clearly articulate how success in the digital world is measured. Learn from tech companies and their approach – the meaning of vision vs. focus on product strategies.
- ▶ Think about what your business development needs are – and go for cooperation at eye level that will positively influence your organization's development.
- ▶ Build external networks that will shape your own company's development.

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