

# Digital Deutschland?

*CEOs and supervisory board chairs  
describe the status quo and the levers  
that will drive progress.*

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**EgonZehnder**

## Introduction

“Ongoing, momentous change” is how the CEOs and supervisory board chairpersons who participated in our study view the unstoppable progress of digitization in their organizations. This sounds so much more vivid and positive than “disruptive upheaval” — the phrase more commonly associated with digital transformation. However, “ongoing and momentous” also shows an honest respect for what we all face; for what can accurately be described as a new industrial revolution. We spend more time than ever with business leaders discussing questions such as “What decisions must we take to keep up with – or even better, stay a step ahead of – our competitors?” “What aspects of our business have to be improved, revamped, or completely reinvented?” and “Where do we even start?” The — present study serves to determine the current state of the market. The answers we received cover a wide range of takes on the situation.

Business leaders have long since taken personal responsibility for the success of digital transformation. Many are working on carefully targeted strategies, the majority of which are works in progress — which comes as no surprise. In the study, executives clearly articulate that the right leadership and the right corporate culture are the keys to achieving the desired results. Because orchestrating the loss of control is no easy task. It calls for a change of mindset — in favor of cutting losses early – to bend your course in the right direction. It also requires openness and flexibility to place more reliance on cooperation with competitors.

To put it simply, we are on a transformative journey beset with uncertainty. We are facing a Herculean challenge for which no clear-cut, silver bullet solutions exist — even though people constantly claim to have an easy fix. And it is tempting to believe them. We think we know a lot about this uncharted territory, but we still haven’t figured out how to turn insights into certainties, intentions into corporate realities. Now more than ever, leaders must show agility in reshaping organizations, structures and processes. Theorizing in the boardroom will not take us where we want to go. Each and every individual in the company will have to be brought on board.

John Adams, political philosopher and second president of the USA, once warned of placing unrealistic expectations on leadership. Change only becomes effective, he argued, when people learn to see themselves as sources of power. More than 200 years later, Adams' insight is more relevant than ever. In this spirit, we need corporate leaders who empower employees to act decisively across the boundaries of hierarchy and function.

Every single company must first define for itself the specific goal it is targeting. Many companies would profit from a more systematic approach. And others have yet to embark on the journey. To them all we say: Go for it!

Michael Ensser

*Managing Partner of Egon Zehnder in Germany*

## Management Summary

The digital revolution doesn't merely impact markets and products; companies are also undergoing far-reaching change at many levels. This is giving rise to new challenges, especially for top executives.

This study focused exclusively on the CEOs and chairs of supervisory boards of 78 of Germany's highest-revenue companies, asking their opinion of the current state of digital transformation: where do you stand today (current status), where do you aim to stand (target status) and how big is the gap between ideal and reality?

These are the study's four key findings:

- 1) **Mid-stream — transformation is well underway:**  
business leaders have already set their organizations on the path to digital transformation.
- 2) **Self-critical — transformation gaps have been identified:**  
CEOs and chairpersons name specific "transformation gaps."
- 3) **What is important — leadership is key:**  
survey participants now see leadership and culture as the key success factors.
- 4) **Blind spots — tapping development potential:**  
the study identifies three areas in which CEOs and chairpersons are not paying enough attention to key aspects of digital transformation.

## 1) Mid-stream — transformation is well underway:

- *Taking responsibility*: Transformation can only take place if top executives assume responsibility rather than delegate it (to a Chief Digital Officer, for example): 68 percent of survey participants reported that responsibility lies directly in the hands of the CEO and/or the chairperson. Transformation cannot merely be ordered top down, but should grow from within the organization: 67 percent are implementing their digital strategy both from the top down and from the bottom up.
- *Evolution with tough breaks*: Many changes over the past 20 years have happened more slowly than predicted. But when the time is ripe, changes tend to be rapid and radical. Corporate leaders see this process as “ongoing, momentous change” or as a continuous development process that proceeds disruptively.
- *Survival concerns drive change*: There is a widespread fear that those who resist change run the potential danger of losing everything: 79 percent of survey participants cite the “long-term survival of their company” as the primary motive driving digital transformation.
- *Half haven’t formulated a strategy*: Ninety-four percent are strategically active. However, only 37 percent already have a strategy, while 57 percent are developing one and 7 percent have no strategy (Note: total of 101 percent due to rounding).

## 2) Self-critical – transformation gaps identified

- *Leaders acknowledge their own deficits:* Corporate leaders in Germany know that they have not achieved the targets they set themselves and are critical of their own shortcomings. When polled on strategy, culture, competencies, cooperation, monitoring of competition, organization and their own management style, managers see a clear difference between their current status (53 out of 100 points) and target status (80 out of 100 points).
- *Board shortcomings:* Leaders take a critical view of the competencies possessed by their boards (65 out of 100). Supervisory boards score even worse (46 out of 100). CEOs and chairpersons assess their own competencies related to digital transformation as only slightly below those of their boards (63 out of 100).
- *Closer alignment needed:* Cooperation between boards and supervisory boards in matters regarding digital transformation did not receive high marks (57 out of 100).
- *Reluctance to change:* Only slightly more than half of survey participants are already working with start-ups (59 out of 100) or have founded their own incubators (40 out of 100). These are sobering figures in light of the need to construct digital ecosystems to replace traditional value creation chains.
- *Staff deficits:* The CEOs and chairpersons surveyed see the biggest deficits in staff competencies (transformation gap of 31; current status: 44 points and target: 75 points), followed by corporate culture (gap: 28; current status: 46, target: 77) and “organizational orientation / change” (gap: 26; current status: 51, target: 77).

### 3) What is important – leadership is key:

- *The right leadership is crucial:* Leadership is the lever that ensures the success of digital transformation (62 von 100), with corporate culture in second place (55 out of 100) followed by technological aspects.
- *Top-down and bottom-up:* In light of the massive upheavals, all levels of the company have to be on board. Accordingly, (see above) 67 percent of the companies surveyed are implementing their digital strategy both from the top down and from the bottom up, with direct responsibility in the hands of the CEO and the board.
- *Actively changing culture:* Top executives (see above) also consider culture to be very important. After staff competencies, they see this as the second-largest area for improvement.

#### 4) Blind spots – tapping development potential:

- *Expanding horizons*: CEOs and chairpersons consistently assess their competitors as underperforming their own company. In this context, however, none of them cite potential disruptors from the digital world such as start-ups. Their focus has remained on their traditional competitors.
- *More critical self-awareness*: Survey participants also identify room for improvement in their own leadership style, but they all see the smallest transformation gap here (gap: 15; current status: 59, target: 74).
- *Acknowledging digitization's importance*: Although the topic is relevant to the company's very survival, the different aspects of digital transformation do not play a key role in executive board recruitment (52 out of 100). The gap is even greater (35 out of 100) when it comes to appointing supervisory board members.

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