

PROPHET 铂慧

The 2020 State of Digital Transformation

Advancing Digital Transformation in China to Grow Better

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Executive Summary

At the end of 2020, global companies know that digital transformation is a critical piece in moving their businesses forward. With the challenges brought by COVID-19 and other geopolitical factors, [new opportunities and industry patterns](#) have emerged. It is now imperative for companies in China to seize these opportunities and accelerate their digital transformation agendas.

In our new report "[The 2020 State of Digital Transformation](#)", Altimeter, a Prophet company, surveyed more than 600 executives, including 100 in China, about how they are pursuing digital transformation. Across geographies and industries, the goal of digital transformation is to increase capabilities, skills and processes of the organization. Globally, the key driver of digital transformation is increasing productivity and agility of operations. Similarly in China, companies also see optimizing culture and operations as the top drivers.

But there are some distinct regional differences and challenges. Take CEO buy-in into the transformation process, for example. On the one hand, significantly more Chinese CEOs understand they are ultimately responsible for digital transformation compared to the rest of the world. That's a strength. Yet CEOs in China often fail to communicate transformation as a top priority and don't provide enough strategic guidance.

Our findings point to distinct characteristics of how Chinese companies approach digital transformation, and actionable opportunities for them to move faster towards transformation goals to achieve uncommon growth.

- **Lean into the Future by Pursuing Multiple Technologies**
While the rest of the world is committed to five main technologies, Chinese companies are more diversified. They place smaller bets in more types of tech. Continuing this strategy, and hiring to support it, ensures that companies can be first to market with emerging technology, gaining an edge over competitors.
 - **Integrate More, Collaborate Better**
Chinese companies excel at managing the transformation through small project teams. But there is still much work to be done to allow those teams to collaborate better with one another and spread the work of transformation through all departments and functions.
 - **Double Down on Data**
Chinese companies have comparable confidence in their data science leadership and are moving from descriptive to predictive analytics. But they still trail other regions in making data use a core strategic component.
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The State of Digital Transformation in China

Understanding the Driving Force

**State of
Executive
Sponsorship**

**Top Drivers of
Digital
Transformation**

**Top Challenges of
Digital
Transformation**

Digital transformation is a firm-wide agenda that requires a clear vision and commitment communicated from the top.

In China, digital transformation initiatives are mostly sponsored by the CEO, CMO and CIO/CTO. Together, these roles provide sponsorship for digital transformation in 83 percent of the Chinese companies in our study. That differs from other regions, where a broader mix of leadership is typically in charge, including the Chief Digital or Chief Innovation Officer as well as Board of Directors.

Most notably, significantly more CEOs and CMOs in China are ultimately responsible for digital transformation, at 37 percent and 13 percent respectively, compared to 24 percent and 2 percent in the rest of the world. These are typically the C-level executives closest to consumers.

Figure 1:
Executive Sponsorship of Digital Transformation
 “Which executive officially owns or sponsors the digital transformation initiative?”



CEOs in China often fail to communicate digital transformation as a top priority.

While CEOs lead the change and appreciate the strategic importance of digital transformation, they often fail to communicate that transformation initiatives are considered a top priority. And they don't provide enough visible follow-through and strategic guidance.

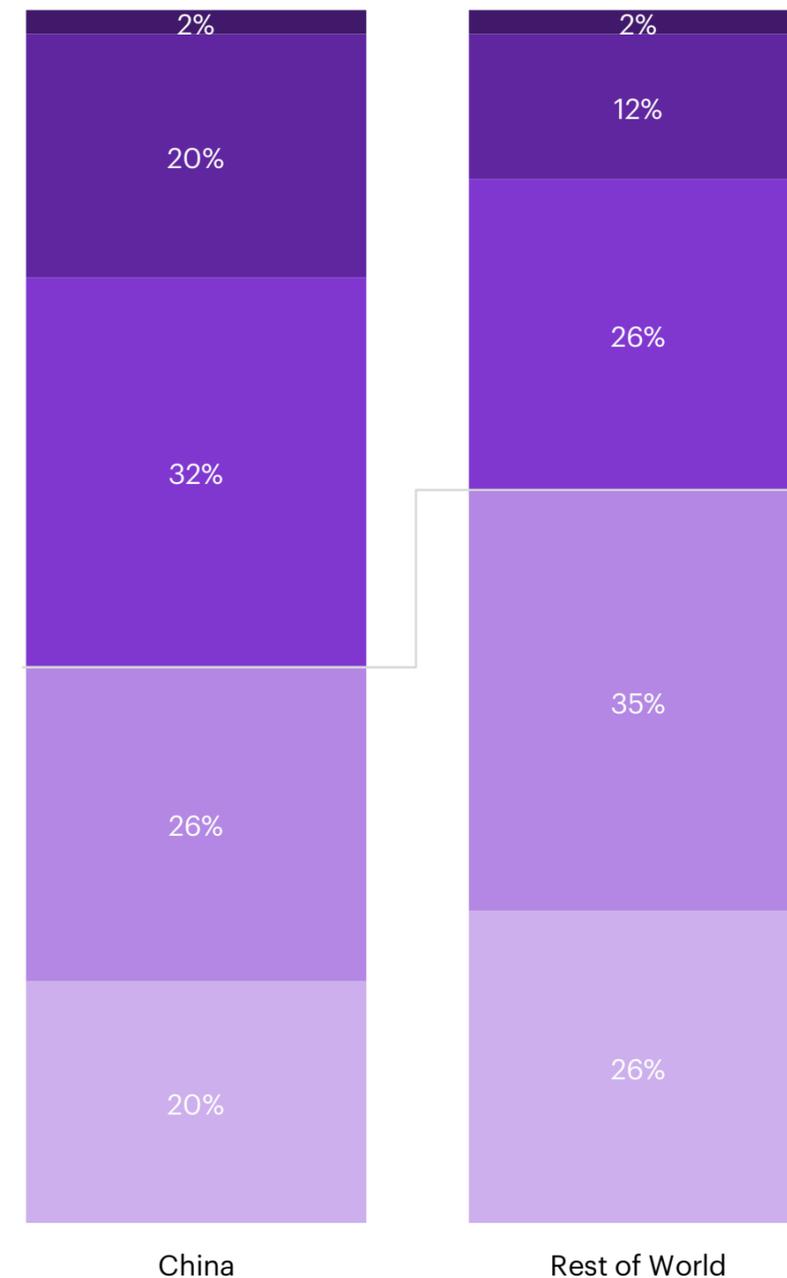
Because they fail to articulate the vision adequately and don't actively promote it, mixed messaging can lead to confusion for employees and customers. Just 46 percent of the respondents in China say their executive leadership has made digital transformation a top-three priority, compared to 61 percent in the rest of the world. And 22 percent in China say their executive leadership doesn't see digital transformation as a focus.

When asked about their top challenges in digital transformation, respondents in China are three times more likely to say their company suffers from a lack of clear vision or leadership (23%) than those in the rest of the world (8%) (see Figure 4).

Figure 2:
How Digital Transformation is Driven by Leadership
“Which of these statements best describes the nature of executive leadership in your organization?”

- Not involved in driving digital transformation.
- Occasionally mention the importance of digital transformation but it is not a focus.
- Frequently support digital transformation but it is not one of their top three priorities.
- Digital transformation is one of the top three priorities and efforts are frequently and visibly supported.
- Constantly connects digital transformation to higher business strategy objectives and makes it a top priority.

Base: 628 respondents



Just 46 percent of the respondents in China say their executive leadership has made digital transformation a top-three priority, compared to 61 percent in the rest of the world.

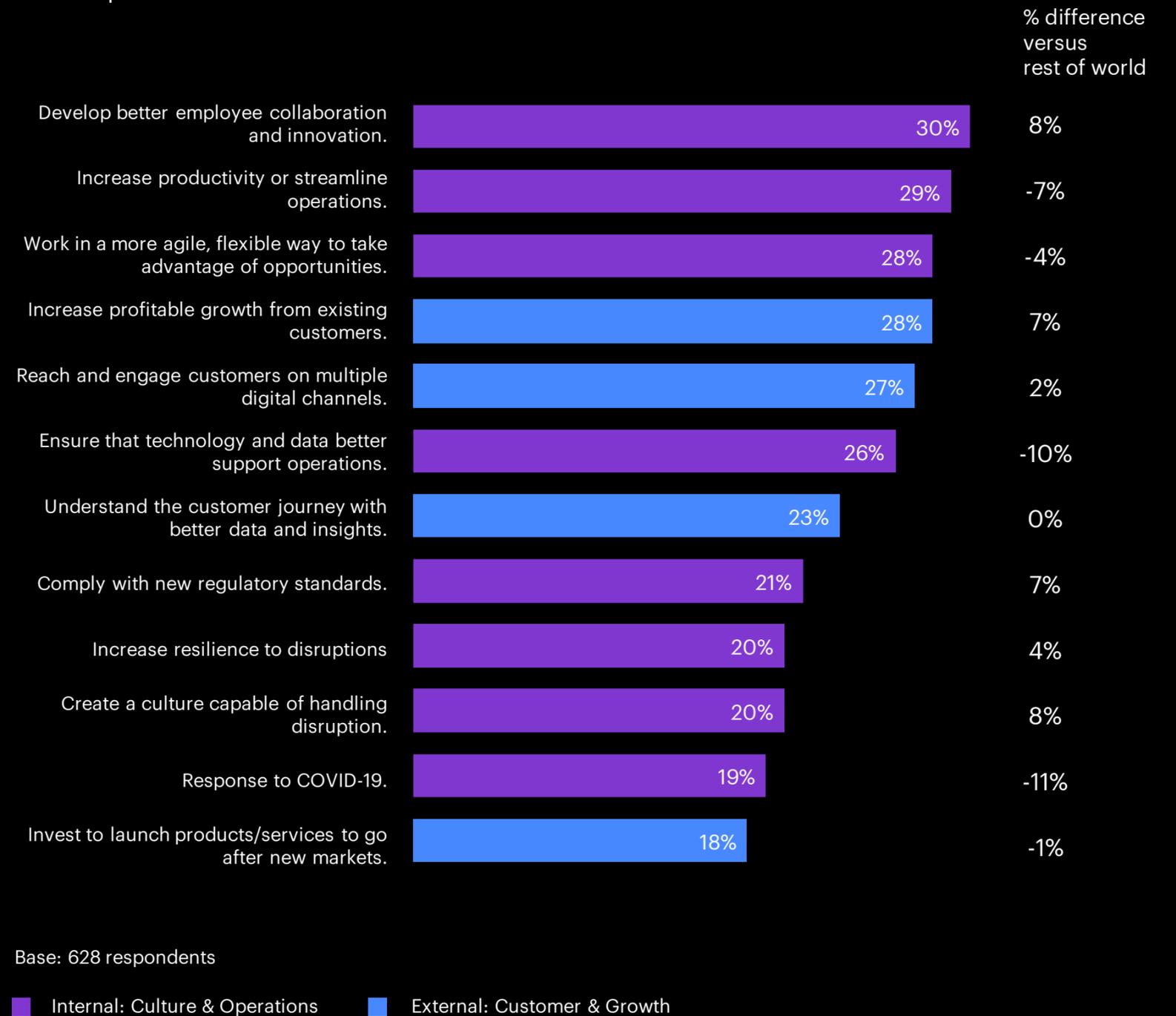
Top drivers of digital transformation in China: building a more resilient and high-performance culture and operation.

The events of 2020 have changed the way the world looks at digital transformation. Instead of focusing on external drivers, such as finding new markets and customers, they are more driven by internal needs to focus on their operations.

Chinese companies say that developing a better culture, with more collaboration and innovation, is now the leading digital transformation driver. It was named by 30 percent of Chinese executives, compared to 22 percent in the rest of the world. That is closely followed by increasing productivity (29%) and working in a more agile, flexible way (28%).

Companies here are also more sharply focused on building resilience to keep up with change and global disruption. Some 21 percent of Chinese executives say they are looking for an increased ability to comply with new regulatory standards, compared to 14 percent of the rest of the world. And 20 percent hope to become more resilient to disruption, versus 16 percent. Notably, more believe they can actively create a culture capable of handling that disruption, at 20 percent, versus 12 percent in other regions.

Figure 3:
The Top Drivers of Digital Transformation
 “What are the key drivers of digital transformation within your organization?
 Select up to three.”



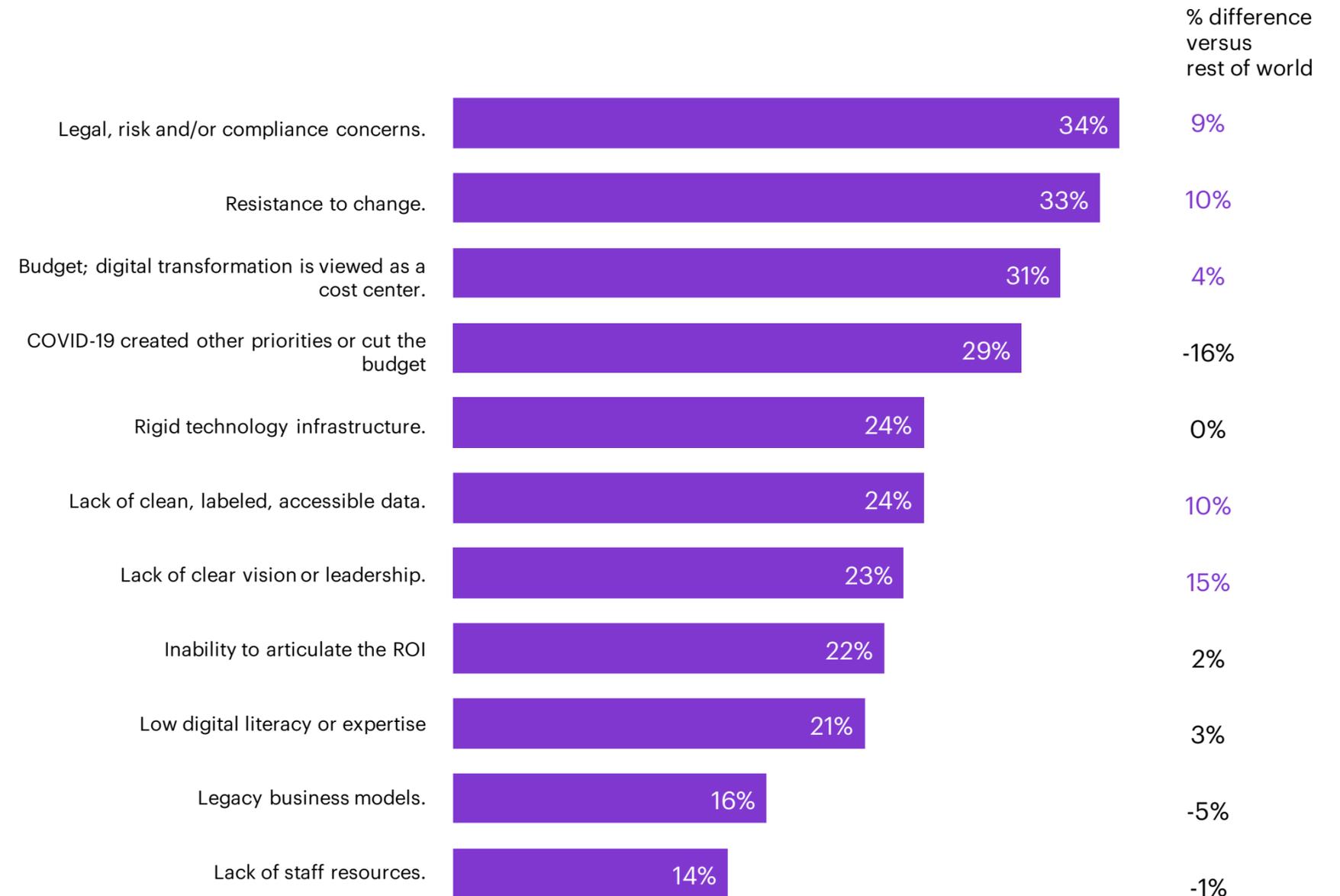
Compliance concerns, resistance to change and budget are the top three challenges of digital transformation.

Chinese companies also see the obstacles to transformation somewhat differently. They say the three most significant barriers they face are compliance concerns (34%), resistance to change (33%) and budget (31%).

They are less likely than those elsewhere to say they are held back by legacy business models (16%) or lack of staff resources (14%).

The lack of clean, labeled data and the lack of clear vision or leadership also stand out as two major challenges Chinese companies find more difficult than the rest of the world. Chinese companies have the opportunity to make better use of data and strengthen leadership.

Figure 4:
The Top Challenges of Digital Transformation
 “Please indicate the most difficult challenges you or your organization come up against in digital transformation efforts. Select up to three.”



Base: 628 respondents

Advance the Transformation

Opportunities for Building Strength

**Lean into the Future
by Pursuing Multiple
Technologies**

**Integrate More,
Collaborate Better**

**Double Down
on Data**

Lean into the Future by Pursuing Multiple Technologies

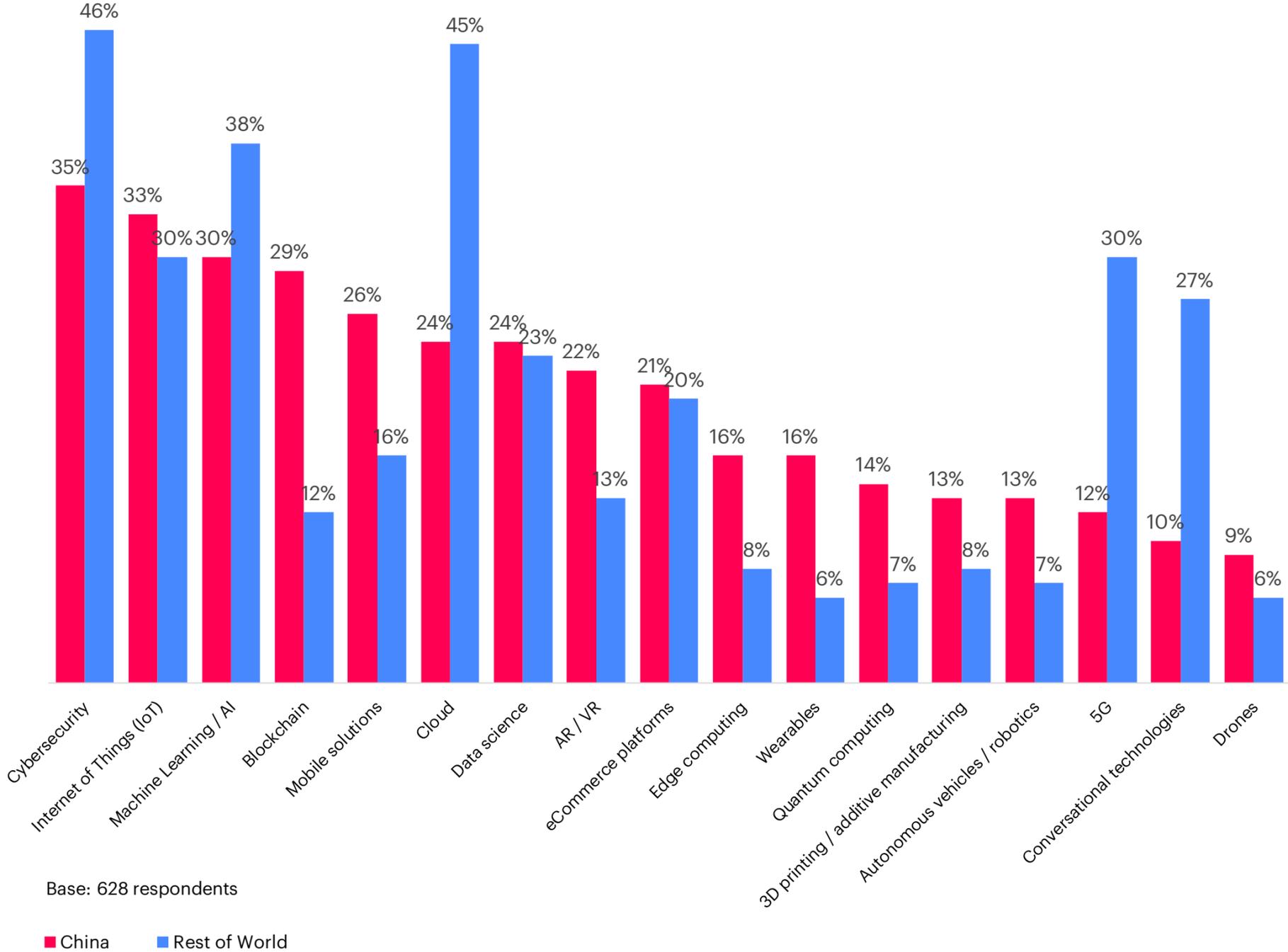
Around the world, companies are heavily investing in the same five technologies. They're banking on Cybersecurity, Cloud, Machine Learning and Artificial Intelligence, 5G and Internet of Things.

Although Chinese companies are investing in these technologies too, they are also more diversified, putting their eggs in far more baskets.

And while they say 5G is less of a priority than in the rest of the world, we believe that is because Chinese companies are already a step ahead in their embrace of 5G. They are now thinking about different applications that 5G will enable and exploring different advancements.

Continuing to invest in emerging technology – and hiring the talent that can best help leverage it – will build competitive advantages and enhance agility, enabling companies to move quickly into new directions.

Figure 5: Prioritized Technology Investments
 “What are your top priorities for technology investments in 2020? Select up to five.”



Integrate More, Collaborate Better

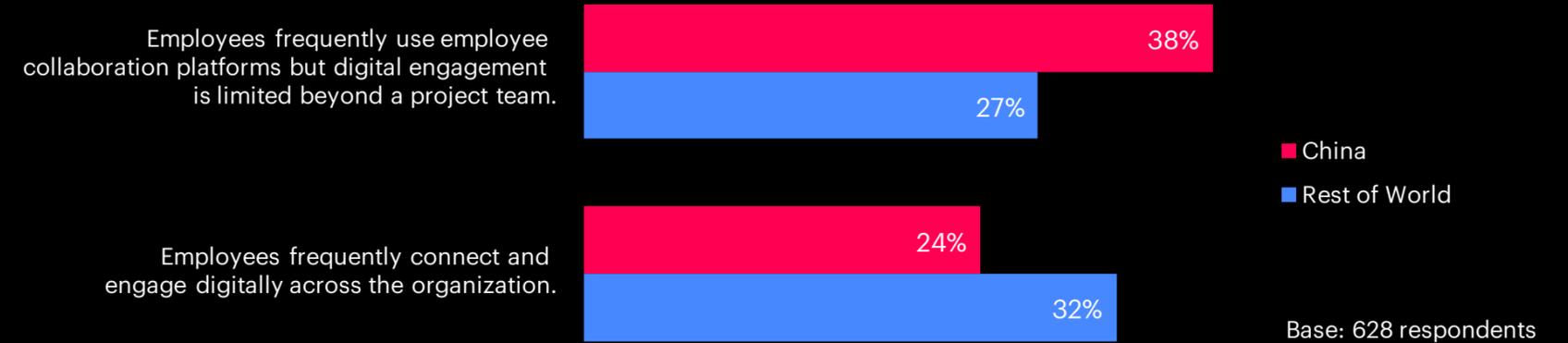
Chinese companies are also behind other regions in their ability to get employees to collaborate. In China, just 24 percent of the respondents say their employees are connected throughout the organization, versus 32 percent in the rest of the world. And 38 percent of Chinese companies say that while workers frequently use employee platforms, digital engagement is still limited when working beyond the project team, compared to 27 percent of the rest of the world (see Figure 6).

Moreover, less than half (44%) of Chinese executives say their companies have aligned customer and revenue KPIs across marketing, sales and service teams. Yet 67 percent of those in the rest of the world have achieved this (see Figure 7). As the report emphasizes, unifying metrics is an essential requirement for digital maturity.

Our experience substantiates that. While Chinese companies seem especially skillful at building and deploying highly effective project teams, they need broader collaboration across different functions to achieve maximum impact.

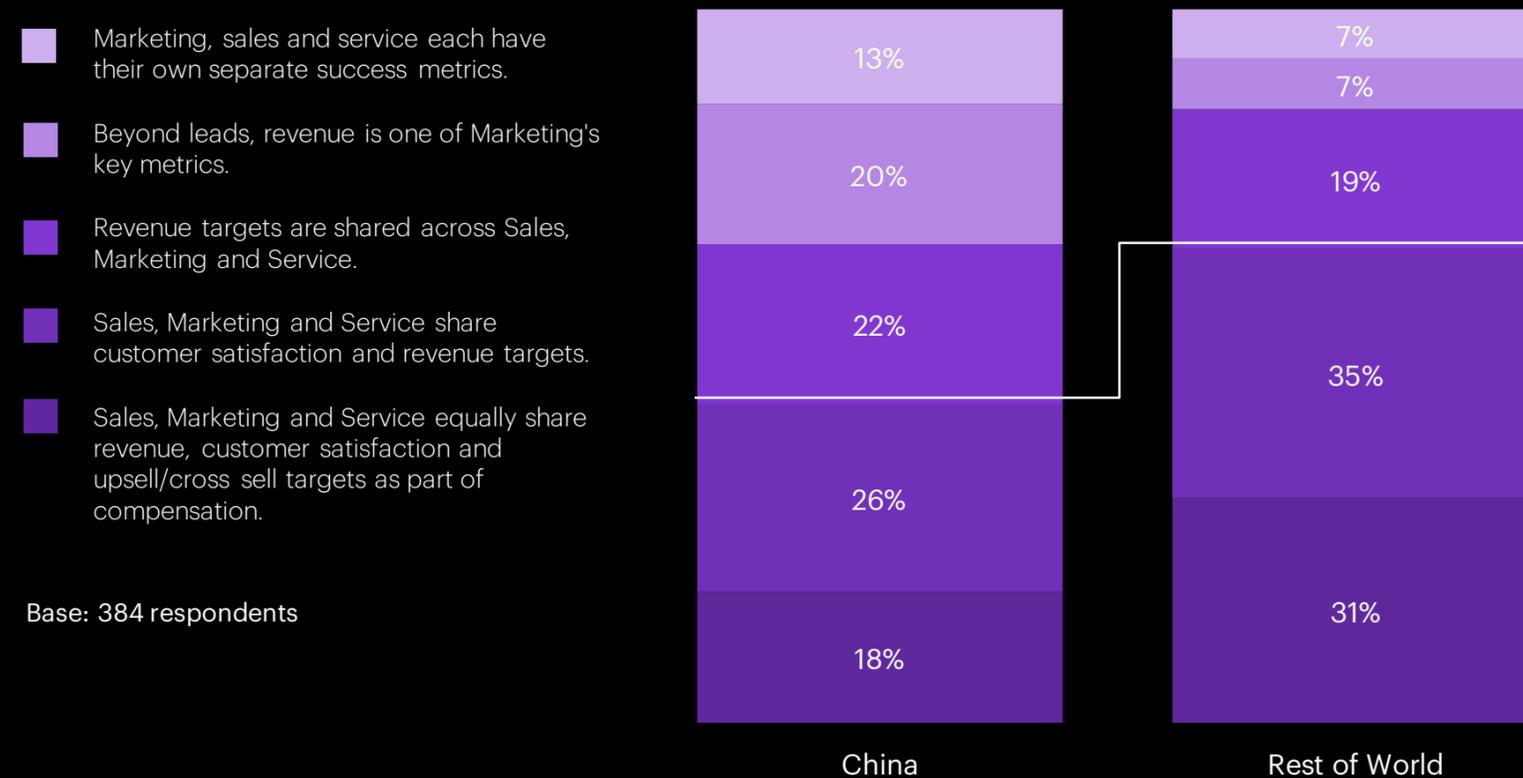
**Figure 6:
Employee Collaboration and Engagement**

“Which of these statements best describes how your organization is transforming employee collaboration and engagement?”



**Figure 7:
Success Metrics Across Functions**

“How do you currently measure success across marketing, sales and service teams?”



Double Down on Data

Chinese companies trail other regions in leveraging data as a core strategic component. Only 38 percent say their company has succeeded in making data analytics a central capability, compared to more than half (51%) for the rest of the world. That means 62 percent still have the opportunity to expand and build their data capabilities (see Figure 8).

This shortcoming is also seen in the top challenges of digital transformation for Chinese companies. Many (24%) find the lack of clean, labeled data to be a major challenge, compared to only 14 percent for the rest of world (see Figure 4).

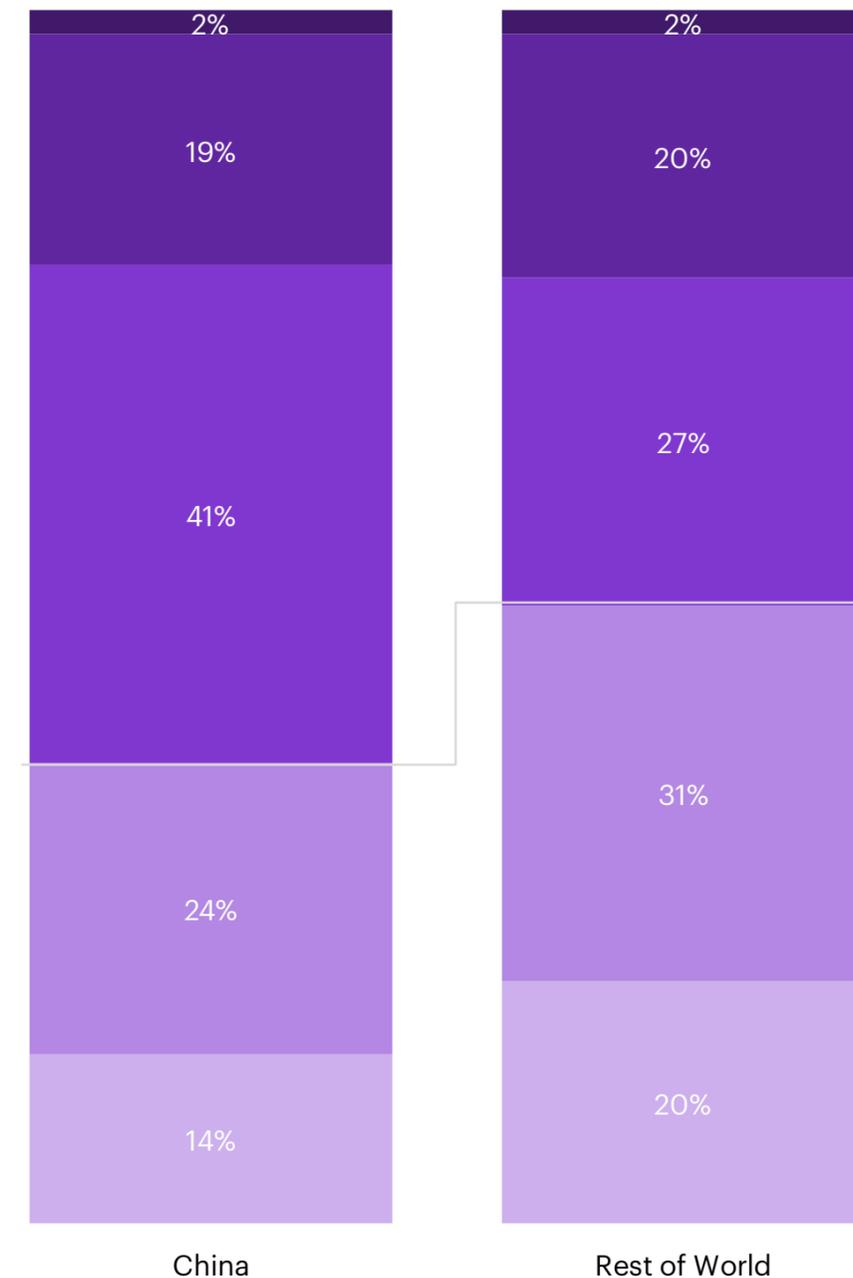
A more evolved data strategy should also include rethinking the metrics used to track progress toward goals. While the rest of the world shows much greater integration and alignment behind common benchmarks, customer metrics and links to key performance indicators, Chinese companies fall behind (see Figure 7).

**Figure 8:
The Use of Data**

“To what extent do you have clean and accessible data, clear processes, and organizational support for and discipline around data science in your organization?”

- We do not have organizational capacity for data science, nor do we have a plan to develop it within the next 12 months.
- Data is siloed and not in accessible, useful form. Analytics are largely descriptive and retrospective but we are actively exploring how to improve our data science capacity.
- We have data science leadership and are moving from descriptive to predictive analytics.
- Data strategy is becoming a core competency in some groups, but is not yet scaled across the organization.
- Organization is deriving continuous and compounding value from data.

Base: 628 respondents



Only 38 percent of Chinese companies have made analytics a central capability, versus 51 percent for the rest of the world.

What Does This All Mean?

Digital transformation is essential to competing today. And it can't happen unless companies continually grow and change. Without it, companies will lack revenue engines. And they will lose relevance with all stakeholders – employees, investors and customers.

Beyond digitizing marketing and sales, digital maturity is also about strengthening organizational operations and driving innovation to increase revenue. That requires a new kind of leadership. CEOs must do more than prioritize the change, they must become a cheerleader for digital progress, to bring all stakeholders into the mission.

Digital leaders can't afford to lose sight of the need to invest in digital transformation, even when budgets tighten. While no one can predict future moments of opportunity, they will continue to come, creating digital leaders' chances to further outperform digital laggards.

Five Imperatives for Advancing Digital Transformation in China

01 Clarify CEO messages on transformation

Define clear objectives to amplify goals, communicating urgency and consistency. Create action plan to follow through on the vision.

02 Pursue multiple technologies

Make smaller bets on more emerging digital innovations. Adjust the talent strategy to support those investments.

03 Make data do more

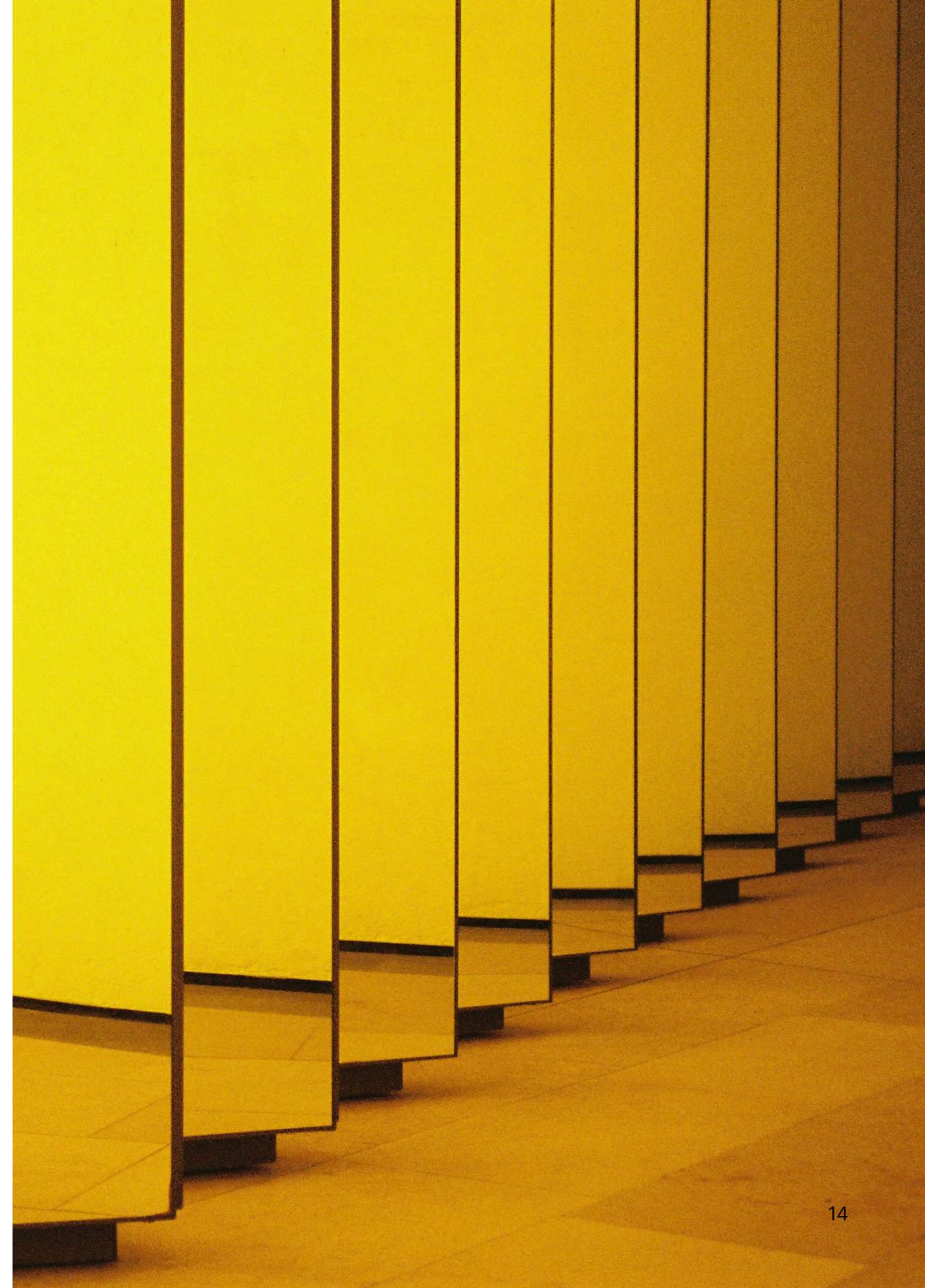
The goal is to make predictive analytics the very core of the organization.

04 Integrate more, collaborate better

Find new ways to dial up firm-wide collaborations and expand project teams to work more cross functions.

05 Re-align metrics behind a common goal

Sales, marketing and service groups should share revenue and customer satisfaction KPIs, with cross-selling targets built into compensation.



Methodology

We surveyed 628 professionals from brands, consulting firms, and other organizations with at least 1,000 employees, across four geographies: North America (U.S. and Canada); Europe (U.K., France, and Germany); The People's Republic of China; and Southeast Asia (Indonesia, Singapore, and Vietnam). The respondents from these organizations included in-house and agency digital strategists and C-suite or other executive-stage leaders.

Our sample includes a fixed quota of respondents from five industry verticals: Banking/Finance, Consumer Products, Healthcare, Retail, and Technology. We asked each respondent multiple choice answer questions about digital transformation at their respective organizations or organizations they serve. Digital maturity was scored across 26 criteria in five areas. More details about the criteria are available in the online version of this report here.

About Altimeter, a Prophet company

Altimeter is a research and consulting firm owned by Prophet that helps companies understand and act on technology disruption. We give business leaders the insight and confidence to help their companies thrive in the face of disruption. In addition to publishing research, Altimeter analysts speak and provide strategy consulting on trends in leadership, digital transformation, social business, data disruption, and content marketing strategy.

Learn more at prophet.com/altimeter.

About Prophet

Prophet is a consultancy that helps clients find uncommon growth through marketing, brand, experience, innovation and organization & culture capabilities. We operate differently than other consultancies, blending insight, strategy and creativity with an optimistic yet pragmatic approach.

We have partnered with some of the world's most successful companies, including Marriott, Walmart, AB InBev, AXA, Samsung, Emart, Midea and MB Bank. With twelve global offices and more than 450 experts in marketing, innovation, digital and design, we are able to bring together the right people with the right experience to solve our clients' business challenges.

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Ready to talk about
how we can help you drive
Uncommon Growth?

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