



*„We have made great progress launching over 50 digital initiatives over the last 24 months, ... but the return of these investments is meager and given our business outlook we now must cut cost in digital too. We need more bang for less bucks!“*

*CEO Manufacturing Co, Germany*

## Increasing demand to optimize spending

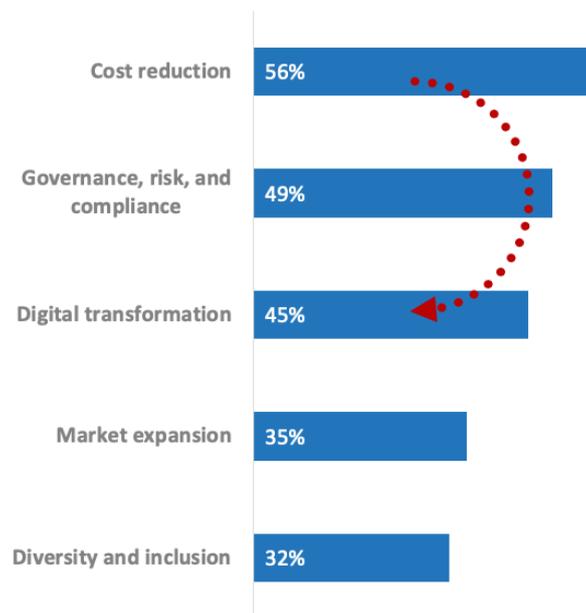
Companies worldwide are dedicating huge resources to their digital transformation efforts. According to IDC, by 2020 companies around the world are expected to have spent a total of US\$2.1 trillion on digital transformation. However, a recent survey by Celonis among 1000 top managers reveals that companies have spent significant resources on poorly planned Digital Transformation programs. In fact, 56 % of the German companies interviewed stated that their programs have largely been a waste of resources and with 36% having sunk more than € 500.000 over the last 12 months.

Furthermore, during the last couple of months global executives have become increasingly nervous about the business impact from the many economic uncertainties, be it the geo-political situation, Brexit or the general pullback on overall consumption. While in the last two

years we have seen digital transformation as the top business challenge, for the next 12 months, it is now cost reduction that returned back to the top of the agenda (see picture 1). Certainly, digital transformation plays a key role to strengthen a company’s competitiveness, but we will soon see the need to optimize and streamline costs for digital activities with the aim to achieve more bang for less bucks.

Picture 1: 2019 Corporate Challenges

### Top Business Challenges (next 12 months)



Source: Concentra Business Challenges Study 2019

## Digital Transformation impact under review

While the average return on investment (ROI) in digitalization seems to be positive according to a 2018 World Economic Forum study, almost half of the companies analyzed stated that the ROI in such initiatives is below expectations and some say does not cover the cost of capital invested.

mobileVision’s own 2018 poll of several hundred CDO’s in Europe and the US also showed that only 4 % realized half of their digital investments in less than one year, with the majority of respondents saying it has taken or will take their organization 2-3 years to see at least half of these investments come to fruition.

So how can it be at a time when virtually every company in the world is worried about its digital future many run the risk of investing in digital initiatives with poorly-informed impact assessment and subsequent execution?

And how can it be that a plethora of digital initiatives have been launched where the return is getting increasingly uncertain and the gap is constantly widening between forecast and original expectations?

Consider some of your own digital initiatives and ask yourself these 10 questions:

1. *Are there external or internal changes impacting our digital initiatives, and have we adjusted the initiatives' scope and governance accordingly?*
2. *Are our teams collaborating consistently across functions vs. being a silo for our digital activities?*
3. *Are we successful in managing shortages of skilled resources across the multiple initiatives in our pipeline?*
4. *Is our entire organization prepared to support agile management and development?*
5. *Do we have a disciplined 'test and learn fast' approach to continuously review actions vs. investments?*
6. *Do we have sufficient mechanism to challenge ideas early on before they get too far in a resource-constrained environment?*
7. *Are our digital investments linked to clear, short-term milestones vs. fixed budget cycles?*
8. *Do we regularly evaluate progress of our initiatives based on on-time, on-budget and on-quality? Do we dare pulling-the-plug quick enough when performance is lacking?*
9. *Does organization, process design, resource allocation and governance follow the structure of the initiatives?*
10. *Do we manage our digital transformation as a portfolio of initiatives?*

If the answer is 'no' to a few or several of these questions', the probability is high that you strongly benefit from a critical review of your digital transformation landscape.

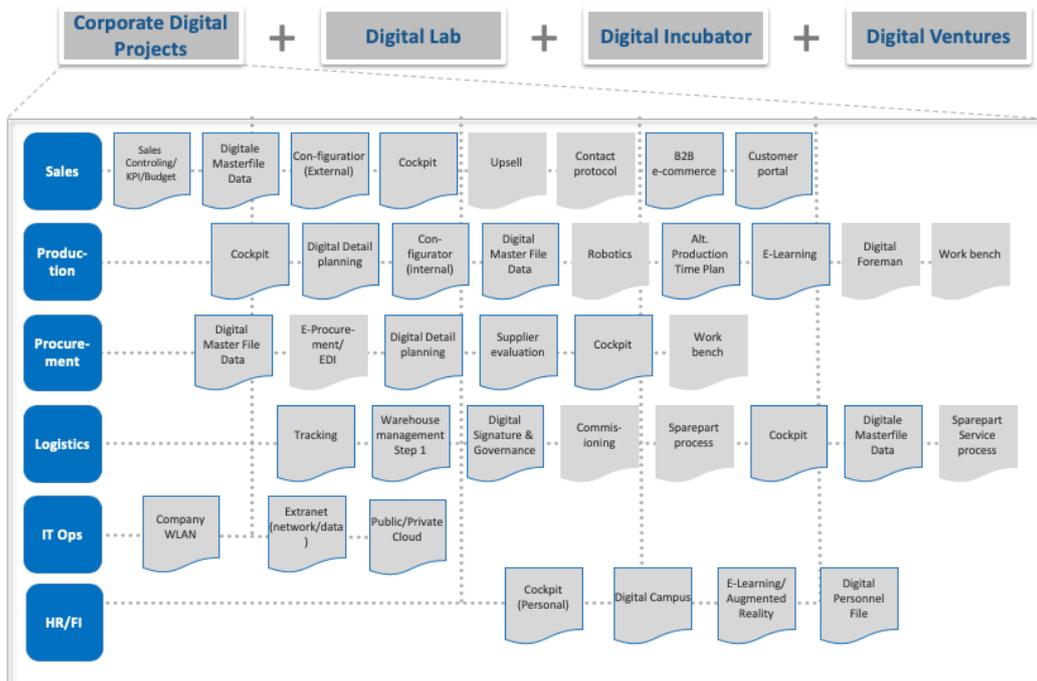
## Think portfolio!

The fragmented and piecemeal efforts at digital transformation of past years are slowly becoming part of a portfolio of more integrated digital initiatives. Whilst some organizations have adopted a "let a hundred flowers bloom" approach, where each initiative works independently in a spirit of experimentation. But, this is not a formula for scaling a digital transformation across a business. A comprehensive digital transformation isn't a single effort, but rather a portfolio of initiatives that combine to scale the change. While each initiative is usually executed by a cross-functional team and draws on broader support for implementation, success ultimately depends on how management coordinates these initiatives while they run in parallel. Strong, regular and comprehensive (end-to-end) governance is key.

Executives need to map out each initiative, ensuring it is clearly aligned with the overarching business strategy. They then must prioritize the initiatives, determine the dependencies between them, coordinate resourcing and budgeting, monitor the execution performance and risks – and support an agile culture which allows 'failing fast and regroup'. Our data shows that as many as 85 % of all enterprise decision makers believe they have about two years to better integrate their initiatives. Still a minority of companies have fully coordinated efforts across the organization to deliver on shared planning, consistency in execution and application of common

data models which is key to move faster at scale and produce better results. Some advanced digital companies succeed in managing a portfolio of tens and hundreds of initiatives in parallel.

Picture 2: Client example of a digital transformation program



When determining how well digital transformation investments are performing, it is best to take a holistic portfolio view and not just a project level perspective. A portfolio is comprised of investments with different risk and return profiles which complement each other. Just as a mutual fund manager or venture capital firm would look at overall performance to determine how well investments are going overall, digital transformation leaders must take a holistic view of digital change efforts. High failure rates of large technology and digital business initiatives remain as true today as ever (remember, about 70 % of all change efforts fail, not just digital ones!), which mandates this holistic perspective, especially in the light of upcoming budget constraints. Hence a certain amount of hedging bets would be prudent.

This is particularly important so that an underperformance of one particular project doesn't reflect negatively on the overarching efforts of your digital transformation. It also builds tolerance for the necessary risks that must be undertaken to achieve real digital transformations. In any case, swift decision-making to cull low-performing or even failing initiatives should be a clear option.

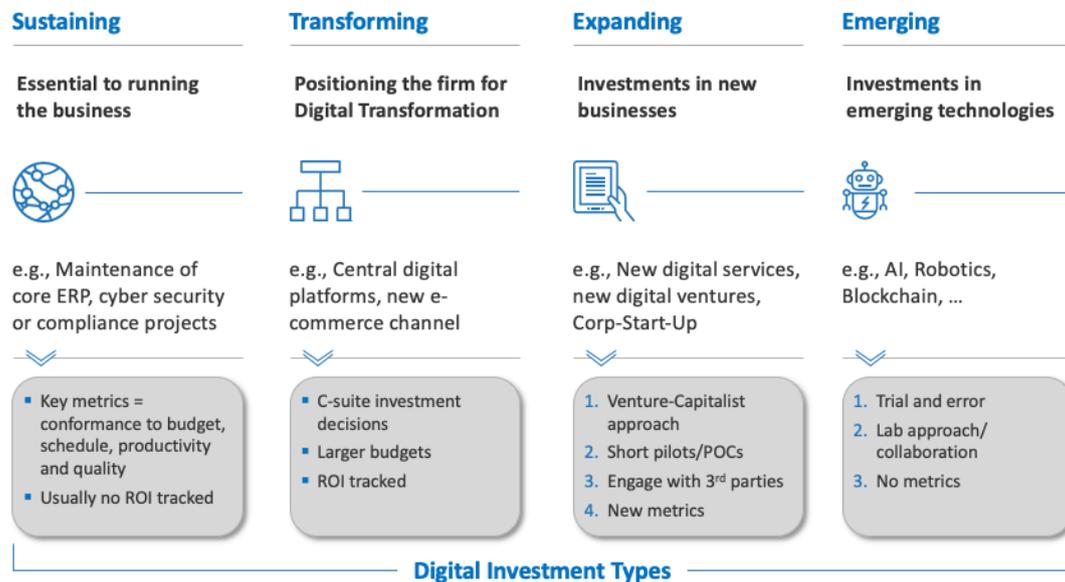
## Portfolio Differentiation

A recent study reported that less than 15 % of companies can really quantify the ROI of their digital initiatives. One of the key challenges in measuring the impact of digital activities are the organizational silos influenced by these. Many organizations simply don't have an organization-

wide methodology to rigorously assess such investments and their performance. Applying only ROI or NPV KPIs is insufficient.

So, how can you differentiate the type, scope and impact of your digital initiatives? We suggest to first classify them into four different investment baskets:

Picture 3: Digital Initiatives framework



**Sustaining** – these investments are needed to keep your business running (e.g. ongoing maintenance activities for your website, system upgrades, minor functional enhancements). Most likely this is a significant component of your budget and expected goals for these activities are pretty clear upfront. Therefore, it makes sense to use traditional project methodologies and metrics of time, cost and quality.

**Transforming** – such investments have the clear objective to support a wider digital transformation of the organization. Examples are investments in core platforms (such as e-commerce), services to support advancements in digital customer experience or a new digital supply chain solution. In most cases they are very cost intensive with widely distributed benefits. Comprehensive business cases need to be established to determine the full business impact and to measure progress against those goals.

**Expanding** – investments in this area require regular assessments and are best managed in a venture capitalist mode. Typically, such investments are in new sales channels, new digital services and offerings and including a broader eco-system of the extended enterprise. Most are evolving dynamically and fast, with ROI of a speculative nature. Investments need to be allowed to prove their value in focused pilots and evolving versions. Monitoring needs to be concurrent, allowing for incremental steps and continuous budget adjustments, both on the upside and the downside. Some sound knowledge and experience are needed in creating and assessing these opportunities since there is a risk in identifying the right time to evaluate ROI - too early will kill a good idea while too late will result in sunk investment costs.

**Emerging** – investments in this area are allocated to explore the benefits of new technologies, potentially far from a real deployment as part of the core business. VR/AR, Blockchain, Robotics, AI, Big Data, IoT have realizations already today with technology leading enterprises. But, many are still at explorative stages where a return on the investment is not yet clear.

Each of the aforementioned investment decisions should be made within an enterprise-wide, consistent framework and clear guidelines. A critical component of the investment methodology must be the evaluation of investment decisions via a Digital Transformation Board spanning traditional silos and aligned with the company vision, strategy, financial and operational measures.

From our experience, companies increasingly need to combine the shareholder's appetite for returns, the C-level strategies and expectations, the views of customers and employees with clear financial and operational performance expectations to provide a holistic perspective to the digital dialogue in the boardroom and at C-level.

## mobileVision's Digital Portfolio Optimization Approach

When clients ask for our *"DPO-Approach"*, they typically want to gain a much better transparency about value, risks, costs/financials and optimization opportunities related to their digital initiatives and projects.

The trigger for CFO/COO or CDO's is quite often that either several digital projects do not meet committed management expectations and them getting financial and/or performance pressures, but also that a more holistic and structured assessment of the organization's digital maturity and challenges is required to accelerate their Digital Transformation Program. In most cases the goal of this check-up is to identify optimization potential, specific roadblocks and barriers for success, and to define a clear starting point for a change in set-up and governance.

When asked to drive an optimization of a digital transformation program, we always recommend scrutinizing all digital initiatives and investments, all internal projects, extended enterprise projects, investment in internal and external start-ups and stakes in digital ventures. There should be no 'holy cows' excluded from the assessment.

### Step 1: Understanding the value

Initially we conduct a focused digital assessment to gain greater transparency about your company objectives, your digital initiatives already under way and how they are linked together and, most importantly, the potential value and impact of each initiative to your business to date. The goal of this step is to define a clear starting point, which results in a comprehensive inventory and a map of initiatives versus company goals and business impact. Across all projects, it must be clear to everybody if they are rather *"Sustaining"*, *"Transforming"*, *"Expanding"* or *"Emerging"* and therefore which perspective must be applied.

### Step 2: Exploring the optimization potential

Once you have a full understanding of the potential business value of all your digital initiatives, you need to figure out how complex, costly, and time-consuming they are to implement. The

highest value opportunity might not necessarily be the best one to pursue if you need to optimize the portfolio. If it's a potentially high-investment project that will take years to implement, the return could ultimately be too late or take too long to justify.

It is very important to compare like with like. If your challenges are to reduce cost in an environment where technologies are changing rapidly, then the last thing you want to do is invest heavily in a technology or platform that could wind up being quickly outdated. In this step we analyze each initiative and the investment level and budget consumption vs. plan, the inherent complexity (functional, technical and operational), complications or issues resulting from staffing situation and possible skill shortages, as well as different kinds of risks, be it financial issues, delivery capability or time to market.

Picture 4: Digital project assessment (client example)

Nr.	Digital Project	Functional area	Category	Phase	Tandem	Value Impact			Investment Level		Complexity / Feasibility			Staffing & Skills			RISK Potential		
						Business Impact/ Strategic Impact	Focus	ROI	Time to Business Impact	Invest-accum. (k€)	Budget Consumption (%)	Functional	Technology	Operational	Staffing	Skills	Economic	Delivery	TTM
1	Internal collaboration platform	Corporate	S	B			E	6-12 mts	200	85%	Medium	High	High	0	4		Medium	Medium	High
2	Internet presence / Website redesign (CI/CD)	Corporate	S	D			G	< 6 mts	150	66%	Low	Low	Low	0	2		Low	Low	Low
3	Corp Intranet Cloud Migration	Corporate	S	B			E	12-18 mts	300	76%	Low	Medium	Medium	0	14		Medium	Low	Medium
4	Digital Campus	Corporate	T	I			G	24+ mts	800	12%	Low	Low	Medium	0	8		High	Low	Medium
5	Agile-IT implementation	Corporate	T	B			E	6-12 mts	500	130%	Medium	Low	Medium	0	28		Low	Medium	Medium
6	Mobile Employee App	Corporate	S	D			E	< 6 mts	750	17%	Medium	Low	Medium	0	3		Low	Low	Low
7	Open-Innovation in R&D	Development	X	I			G	12-18 mts	200	35%	Medium	Low	High	0	6		Medium	Medium	Low
8	Online Application Process	HR	S	E			E	6-12 mts	2000	170%	Medium	Low	Medium	0	4		High	Medium	Medium
9	eSCM	Operations	T	B			E	12-18 mts	300	120%	High	High	High	0	12		Medium	High	High
10	Blockchain POC for SCM	Operations	X	I			E	6-12 mts	300	66%	High	High	High	0	3		Medium	High	Medium
11	RPA accounting transactions	Operations	S	E			E	12-18 mts	500	29%	High	Medium	Medium	0	2		Medium	Low	Low
12	Hololens/AR application in logistics	Operations	X	I			E	12-18 mts	1000	80%	Low	High	Medium	0	3		High	High	High
13	Robotic aided commissioning (Return Shipments)	Operations	T	B			E	12-18 mts	3000	75%	Medium	Medium	High	0	5		Medium	Medium	High
14	Migration to cloud-based HR time & expense platform	Operations	S	B			E	6-12 mts	800	200%	Low	Low	Medium	0	11		High	High	High
15	Outsourcing Data Center France	Operations	S	B			E	12-18 mts	150	35%	Low	Low	Medium	0	2		Medium	Medium	Low
16	IoT solution (Product line Z)	Product	T	B			G	6-12 mts	800	100%	Medium	Medium	Medium	0	12		High	Medium	High
17	CRM Cloud Migration from prior on-premise solution	Sales	S	D			E	6-12 mts	200	25%	Medium	High	High	0	7		Low	Medium	Medium
18	Digital sales enablement eCommerce	Sales	T	D			G	24+ mts	500	45%	Medium	Medium	High	0	3		Low	Medium	Low
19	SocMedia (FB, Insta, Twitter) for Corporate	Sales	T	B			E	< 6 mts	425	54%	Low	Low	Low	0	1		Low	Low	Low
20	Userbased Pricing (Product line Y)	Sales	E	I			G	< 6 mts	1000	5%	Medium	Low	Medium	0	3		Low	Low	Low
21	Integration Amazon-Webshop (Product line Z)	Sales	T	E			G	< 6 mts	1000	23%	Low	Low	Medium	0	9		Low	Medium	High
22	Chat-bot Support Pilot	Service	S	I			E	6-12 mts	1000	40%	Medium	Low	High	0	8		Low	High	High
23	Whatsapp Enterprise solution	Service	S	B			E	< 6 mts	100	87%	Low	Low	Low	0	1		Low	Low	Low
24	Mobile Customer App	Service	T	D			G	< 6 mts	500	75%	Medium	Low	Medium	0	3		Low	Medium	Low
25	e-Commerce Shop (Product line X)	Sales	T	E			E	6-12 mts	500	66%	Medium	Medium	High	0	7		Low	Medium	Medium
26	Configurator (internal)	Operations	T	B			E	< 6 mts	500	70%	High	Medium	High	0	4		Medium	Medium	Medium
27	Digital master file data	Operations	T	E			E	6-12 mts	200	50%	Medium	Low	Medium	0	12		Medium	High	Medium
28	Digital Bill of Materials	Operations	T	I			E	6-12 mts	500	48%	Medium	Low	High	0	12		Medium	Medium	Low
29	Configurator (external)	Sales	T	E			E	< 6 mts	1000	79%	Medium	Medium	Low	0	4		Low	Low	High
30	Market place Production orders	Operations	T	I			E	12-18 mts	500	15%	High	Medium	High	0	8		Low	High	Medium
30	CorpVenture Accelerator	Product	I	B			G	12-18 mts	500	75%	High	High	High	0	0		Medium	High	High
	Start-Up Invest 1	Product	E	D			G	24+ mts	500	45%	High	High	High	0	0		Medium	High	Medium
	Start-Up Invest 1	Product	I	D			E	6-12 mts	500	89%	High	Medium	Medium	0	0		Medium	Low	Low
	Start-Up Invest 1	Product	I	E			G	12-18 mts	500	100%	Low	High	Medium	0	0		High	High	High
	Start-Up Invest 1	Product	E	I			E	24+ mts	500	20%	Medium	Medium	High	0	0		Medium	Medium	High
	Start-Up Invest 1	Service	E	E			E	24+ mts	500	33%	Medium	Medium	Medium	0	0		High	High	High
	Start-Up Invest 1	Operations	X	D			E	12-18 mts	500	95%	Medium	High	High	0	0		Low	Medium	High

Source: mobileVision client example 2019

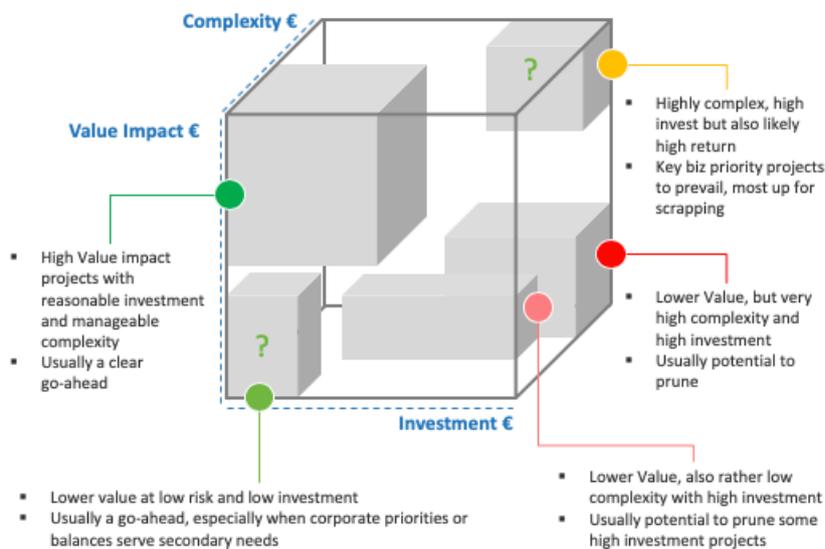
Measuring the ROI on digital transformation investments can be tricky. Digital changes, particular those which are at scale, often transcend a company's typical investment decision-making ways, functional business boundaries, how a company goes to market, how it operates, how it interacts with customers and engages its employees. As business opportunities are widely provided by the same budget pool, and short-term ROI often overrules longer-term investments this could easily result in cutting into the future of the business. Consequently, relevant quantitative and qualitative metrics are needed, and the different projects need to be evaluated in the context of your company's overall business strategy.

### Step 3: Optimizing the portfolio

Once all digital initiatives are mapped against value impact, complexity and investment needs it becomes quite visible how well they support corporate and financial goals, whether they are feasible (i.e. given resource availability) and how risks can be mitigated.

Picture 5: Our approach towards optimization

### Step 3.1



### Step 3.2



Source: mobileVision client example 2019

One observation from many projects is that too often digitalization initiatives are launched without detailed business cases, with overly optimistic assumptions, with under-resourced teams and unrealistic milestones. Also, while using agile methodologies can yield significant benefits, we regularly see agile teams going nowhere and losing track of initial expectations. A 2017 survey of 300 CIOs in the UK and the US revealed that 12% of all agile projects fail completely, another 32% fail to some degree.

We observed that 35-40% of digital initiatives can be accelerated with much benefit for the business at the cost of 10-20 % of digital initiatives which can be terminated immediately and with negligible impact on the companies' strategy and business performance.

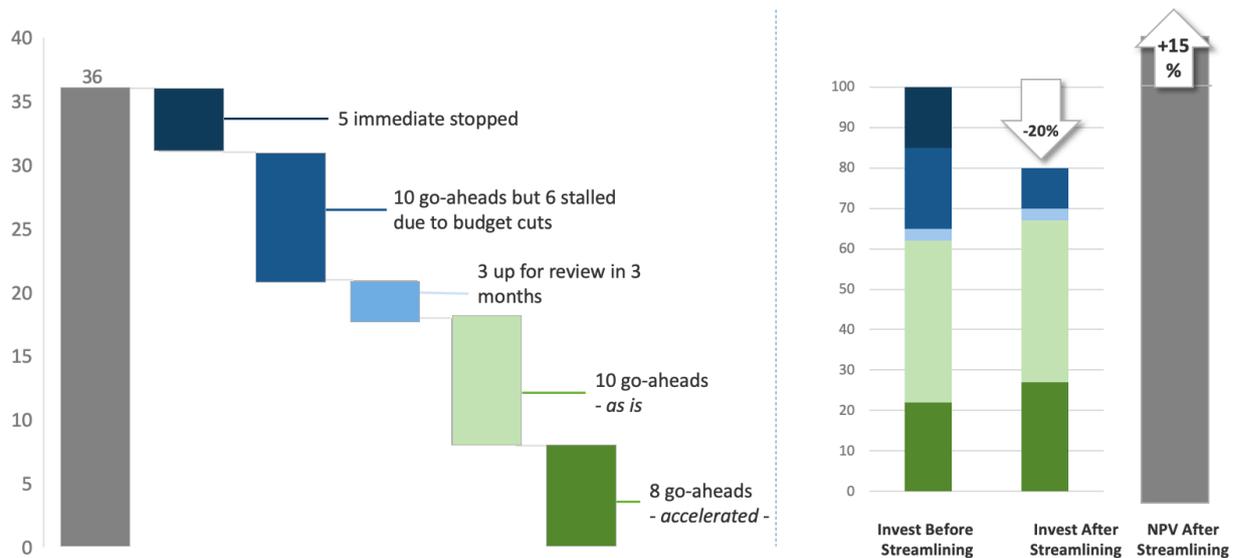
The reasons why one should re-set or even prune a digital project or initiative may vary. It could be the complexity involved, staff resource and skill limitations, unrealistic project expectations, a naive and underdeveloped project plan, the loss of key stakeholders, higher priorities elsewhere, market changes or some other elements. Likely, it will be a combination of several factors. Knowing when and how to terminate a digital project and following-through swiftly is key for the success of organizations, teams and sponsors.

But, way more important is what you can do with the freed-up resources. The remaining 30-40 % of initiatives, which are really critical, will then benefit massively from acceleration following a reallocation of budgets and resources.

Picture 6: Optimization of Digital Initiatives

Digital Portfolio Streamlined ...

» ... yielding bigger bang for less buck



Source: mobileVision client example 2019

In most situations we have been able to significantly reduce overall spending of a client’s digital transformation program while at the same time reprioritizing and accelerating the most important and impactful ones.

Following such an approach, executives are enabled to better understand and subsequently to focus on where they get the most “bang for less bucks”.

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About mobileVision:

*mobile**Vision** drives growth and business impact by applying advanced digital technologies and innovative business models to power our clients digital transformation. We are specialized in advising, designing, building, operating and transforming our clients most challenging digital initiatives. And we work side-by-side with them to maximize growth potential by accelerating the design, launch and execution of our clients innovative business ideas.*

*We provide a holistic and seamless service offering from consulting to solutions building to talents development to venturing. Faster, more efficient, with higher impact and lower risk – and we are positioned to co-manage and co-finance as entrepreneurs! [www.mobileVision-group.com](http://www.mobileVision-group.com)*