

Designing a Digital Organization

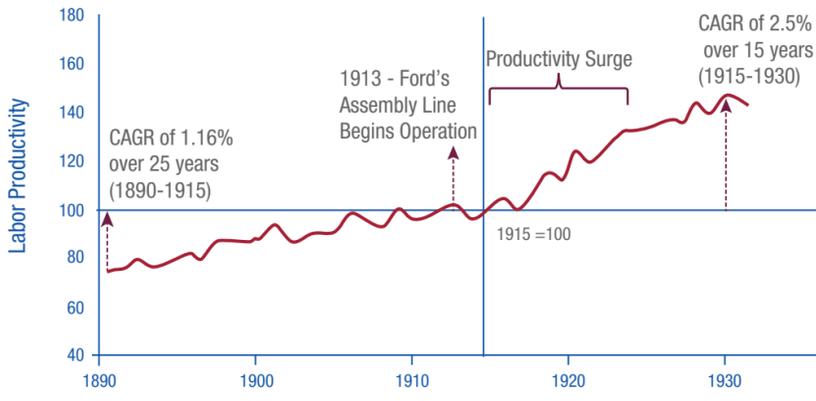
How **Mindset, Practices, Workforce** and **Resources** Need to **Evolve** for the **Digital Age**



Organizational Design is Key to Reaping Rewards of Technology Adoption

Productivity in the Electrification Era Surged Only after Companies Rethought their Organizational Design

Assembly lines were made possible by electric power but appeared **30 years** after the beginning of the electrification era.



Adapted from Erik Brynjolfsson and Andrew McAfee, "The Second Machine Age", January 2014

Today some leading companies are harnessing organization redesign to take **advantage of digital opportunities**

GE

Earlier GE's software efforts were in silos. GE then **created GE Digital, consolidating its IT capabilities** to strengthen its leadership in the industrial internet.



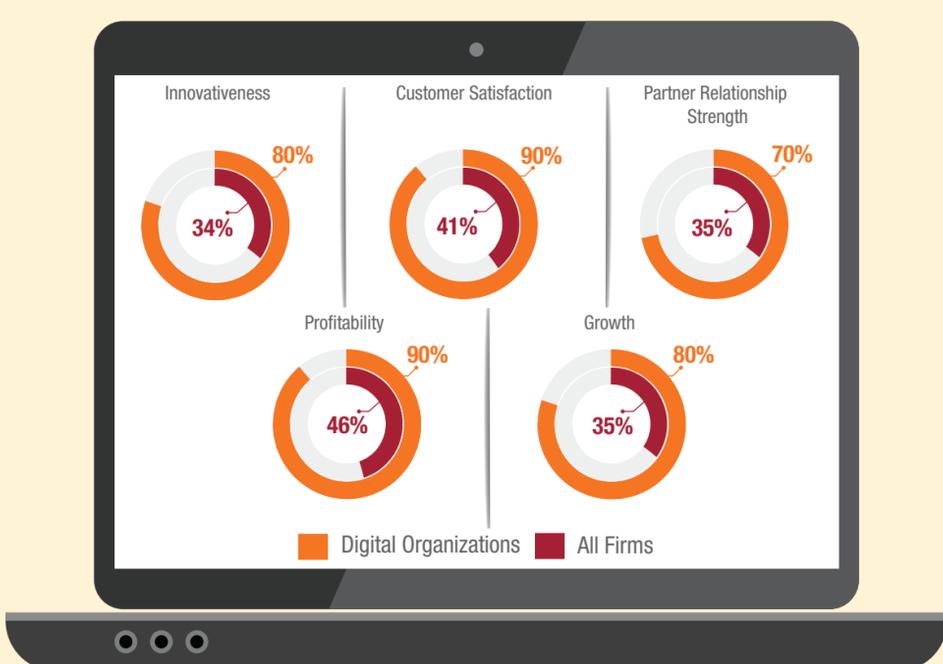
Starbucks

Starbucks ensured a **joined up approach to digital**, adding responsibilities such as digital marketing and loyalty management under its digital unit. Now Starbucks has **one of retail's most powerful mobile ecosystems**.



Digital Organizations outperform their industry peers

% of organizations which score themselves as better than their competitors



Digital organizations are characterized by investments in technology - digital capability, and the ability to rapidly self-organize - digital dexterity

Digital capability: the use of technology to improve customer experience, operations efficiency and workforce enablement

Digital Capability: Use of technology

Operations Efficiency

90% digital organizations use digital to standardize operations, whereas only **31%** of all firms do so, on average

Customer Experience

70% digital organizations use digital to reach customers not accessible through traditional approaches, while just **16%** of all companies do so

Workforce Enablement

80% digital organizations use digital to access resources and talent that they need to succeed, as against just **26%** of all firms

Digital dexterity: the ability to self-organize to deliver new value from digital technologies

Digital Dexterity: Ability to self-organize

Digital Partnerships

100% digital organizations establish partnerships with ease, while only **17%** of all firms can do so on average

Adaptability

60% digital organizations easily adapt operations to external shifts, compared to just **8%** of all firms

Digital Expertise

70% digital organizations easily find experts when needed, whereas only **13%** of all firms can do so

Tesla

In order to leverage digital to drive a **connected car experience**, Tesla established **partnerships with telecom operators, content providers and ecommerce platforms**.



Nike

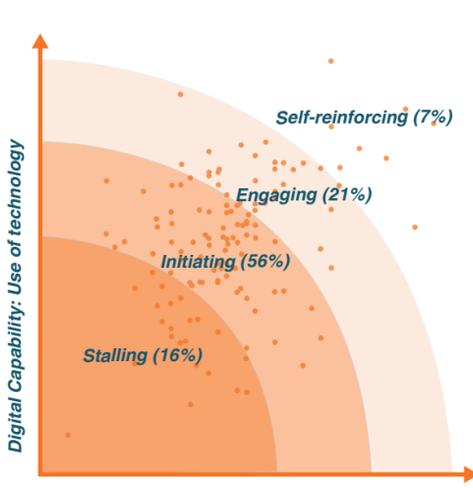
As new digital opportunities emerged, Nike **adapted to leverage digital in product development, brand building and driving operational efficiency**.



Digital Dexterity + Digital Capability = Digital Organization

Digital organizations are exceptions among a vast majority of followers

Only 7% of firms have become digital organizations



How can Companies Transform into Digital Organizations?

DIGITAL ORGANIZATION



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