



Executive summary

UK organisations are taking the expected transformational impact of digital very seriously, according to our survey's findings. Twelve per cent of UK CEOs and 55 per cent of those reporting to the CEO have active responsibility for their organisation's digital strategy.

Welcome to the first edition of the Digital Disruption Index. The report builds on long running Deloitte research into innovation, digital transformation and the future of work. Over time the findings, combined with our existing insights, will create a detailed picture of the impact of digital across the largest and most influential UK companies and public sector bodies.

The Index has been designed to help remove the hype around technology investment and also help senior executives uncover digital skills gaps. Organisations face major disruption to their markets, customers and workforces. Fundamental changes to business, talent and commercial models are being driven by new technologies and digital platforms. The pace of this change, and the accompanying disruption it creates, will only increase.

Digital is not just about technology. It is now pervasive in all forms of organisational transformation. While many organisations understand technology they still struggle to transform their business, talent and commercial models.

No one doubts the importance of digital but few senior executives believe they have sufficient plans in place to exploit digital technologies and ways of working. Strategies are not coherent, investment levels are modest and the relevant skills are in short supply.

Digital can only be successfully exploited if it forms a key component of the board's agenda. It cannot just be left to the Chief Digital Officer or Chief Information Officer to deliver the digital strategy.

Organisations must create an environment that attracts and engages digital talent. However, based on our research, we believe organisations are underestimating the impact digital will have on their internal operations. Few have considered how digital will alter the way they interact with their employees and empower their workforce. This must change for digital transformation to be a success.

Our findings show a clear gap between the expected impact of digital and the reality of how digital is being delivered. Only nine per cent of survey respondents believe that UK headquartered companies lead the way with the use of digital technologies and ways of working. Why is this the case?

Digital strategies lack coherence. Our survey found that 42 per cent of respondents do not believe they have a coherent digital strategy in place while 48 per cent do not see it as central to their corporate strategy. Investment in digital technologies is modest compared to overall IT budgets. Organisations also face significant challenges in recruiting and retaining the skills needed to deliver digital strategies.

All senior executives have a responsibility to deliver digital transformation and understand its impact on their own functions. More importantly senior executives must create a link between themselves and more junior members of staff where deep knowledge and digital expertise often resides.

CXOs must become digital leaders. This is not just about senior executives mastering knowledge of digital technologies. It is also about their ability to empathise with staff and their clients or customers about their experience and expectations of digital.

With UK activity slowing the environment for investment is challenging. *The Deloitte CFO Survey Q3 2017* shows that expectations for business spending have softened significantly in the last two years. In the third quarter of 2017 CFOs said they expected to reduce investment, hiring and discretionary spending over the next 12 months. With cost control the top balance sheet priority, senior executives could find it difficult to make the case for investment in digital.

Existing investment has largely focused on improving the customer experience. However, Deloitte believes that senior executives also need to consider how digital can transform the supply chain and back-office.

Digital skills, at all levels, are in short supply and high demand. Sourcing, developing and retaining talent is a significant challenge even for the most digitally mature organisations. Senior executives do not believe that enough school leavers and graduates enter the labour market with the right mix of digital skills. In our view, digital represents a public policy issue which may require changes to curriculums to meet the current and future demands of the UK's digital economy.

To be successful organisations need to ensure their digital strategy is integral to their corporate strategy and not narrowly focused on technology. The strategy must have a level of investment that reflects the organisation's digital ambition and a direct link to their talent plan.

42
per cent of
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