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60% of organizations claim to have the capabilities for digital transformation success - up 24 percentage points from 2018

All sectors have progressed on their digital transformation capabilities with Covid-19 being the catalyst; retail (73%) and telecom (71%) lead the way

Paris, January 14, 2021 – Close to two thirds of organizations today have the digital (60%) and leadership (62%) capabilities required to successfully implement digital transformation – an increase from 36% on both fronts in just two years. This is according to *Digital Mastery 2020: How organizations have progressed in their digital transformations over the past two years* – a new report by the Capgemini Research Institute.

To understand how organizations progressed their digital capabilities in the past two years, Capgemini examined average ratings across four categories: talent and organization, operations, business model innovation, and customer experience (CX). Capgemini's 2020 research, in comparison with its 2018 research on digital mastery, found that while all organizations are doing better in their digital transformation journeys in 2020, digital masters – organizations with a high level of mastery across digital and leadership capabilities – are widening the gap with their competitors. COVID-19 has been a powerful accelerant, and, given the urgency for change, organizations have become more enthusiastic and optimistic about the maturity of their capabilities. Alongside this, organizations have taken time since 2018 to evaluate the challenges that stand in the way of success, increasing their investment in digital transformation and their adoption of emerging technologies and putting a renewed focus on talent and culture.

Large organizations, with $10 billion or more in revenue, have been found to have an edge in both digital and leadership capabilities. Some 68% of these organizations say they have the required digital capabilities, compared with 55% of those with less than $10 billion in revenue. When it comes to leadership capabilities the gap is similar: 57% of smaller organizations say they have the required leadership capabilities, marginally lower than the overall average of 62% and the 70% seen among large organizations.

From a sectoral perspective, every industry has progressed in both its digital and leadership capabilities in the past two years. Retail now surpasses all other sectors, with 73% of retail organizations saying they have the digital capabilities required for transformation, up from 37% two years ago. After retail, the telecom sector follows with 71% of organizations saying they have the digital capabilities required. Telecom operators are reshaping the consumer value proposition by creating full-fledged digital experiences. The automotive sector leads in terms of capability growth, having increased its digital capabilities to 69% from 32% in 2018.

Talent and culture initiatives take precedence
Capgemini's 2018 research revealed that the people dimension was a significant barrier to digital transformation, as organizations failed to bring employees along in the transformation journey. However, more organizations today involve employees in their digital initiatives: 63% in 2020, up from 36% in 2018.

Despite this progress, when it comes to skill building, Capgemini found less than half of organizations (48%) are investing in building soft skills such as emotional intelligence, adaptability, and collaboration. Capgemini's research also consistently found that culture is a top barrier to successful digital transformation, with some organizations, for example, not having a culture where new ideas and experimentation are valued.

Accelerating investments in sustainability is critical for digital transformation today
The report highlights that while organizations must keep their eye on factors such as customer experience, operations and business technology, they should also place emphasis on sustainability and their broader purpose, which has become important for customers and employees alike. Consumers are increasingly concerned about environmental footprint and climate change impact and want to make a difference with their actions - 78% of consumers agree that companies have a larger role to play in society beyond their self-interests.[1] Capgemini's latest research found that currently only 45% of organizations are accelerating sustainability investments, projects, and commitment.

To advance their digital transformation journey further, the report recommends that organizations reinvent the employee experience, leveraging the fluid workforce and ensuring employees' social contracts align with the digital age. In addition, they should build robust data and platform capabilities, scale new business and engagement models and embed purpose and sustainability as a core part of the business, making it part of the organizational culture and viewing technology from the twin aspects of digital transformation and sustainability.

"The progress made in building the necessary digital and leadership capabilities in just two years is striking which led us to undertake this research. The continued rapid pace of technology innovation and business model disruption over the past two years – with COVID-19 forcing many companies to reinvent themselves – has possibly driven this advancement," said Claudia Crummenerl, Managing Director, People and Organization at Capgemini Invent. *"While organizations have progressed on a wide variety of measures across areas such as customer experience, operations, business and technology, many are still challenged to incorporate purpose and sustainability into their transformation strategies. By reinventing the employee experience and ways of working, embedding purpose into the operating model, truly becoming a data-powered enterprise, and scaling new business models beyond the pilot stage, organizations can attain digital maturity and demonstrate the resilience required to adapt to future uncertainties."*

For further information and the recommendations based on the research, access the full report here.

Research methodology
In May and June 2020, the Capgemini Research Institute surveyed 1,000 executives from organizations with at least $1 billion in revenue across sectors to gauge their views on the maturity of their organization's digital and leadership capabilities required for digital transformation. Twenty percent of the organizations reported revenue of more than $20 billion in FY 2019. The characteristics of the 2020 survey population are largely consistent with the 2018 sample.

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[1] Source - Capgemini Research Institute, "Consumer products and retail: How sustainability is fundamentally changing consumer preferences," June 2020.

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