

Canadian Digital Disruption Readiness – Preliminary Survey Results

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Executive Summary

Canadian organizations are not immune to digital disruption. Some industry sectors such as banking may be protected by government regulations, as well as public organizations in sectors such as education and health care. Yet Canadian customers and citizens see and expect services on par with what they see and often experience in other jurisdictions, the US in particular. If Netflix or Amazon can deliver superior customer experience, will customers expect less from their Canadian equivalents? If Apple or Alibaba/Ant can deliver innovative digital financial services, why can a Canadian bank not do the same?

Preliminary data from our research on digital disruption preparedness suggests that Canadian organizations are less clear about their digital strategy and may have a fuzzy view of the challenges ahead, with a less coherent strategy compared to their global peers. As well, with a planning horizon of more than two years (an average of 2 to 5 years), Canadians perhaps feel less urgent about digital disruption than their global peers, where the planning horizon is well under two years. Surprisingly, 15% of the respondents simply don't know their organizational planning horizon, and when coupled with the 9% who don't know if their organization is adequately preparing for disruption, a more worrisome picture begins to appear.

An earlier note on this research suggested that Canadian organizations were far less prepared than global organizations, but now with more data we see this is not exactly true. However, there is an uneasy sense that big disruption awaits those organizations that lack a clear and near-term plan for their digital strategy.

Research approach

Over the course of November 2016 to November 2019, a team of Toronto researchers at the Centre of Excellence in Disruption and Transformation collected data to understand how well Canadian organizations are prepared for disruption to their business from digital technologies. The data collection consisted of five (or more) survey questions to understand the expected impact and timing of the digital disruption. The survey questions are based on a similar set of questions from MIT, published in a 2016 article in Sloan Management Review, "Aligning the Organization for Its Digital Future". The researchers previewed and discussed preliminary findings with workshop participants to help interpret and understand implications.

A total of 79 surveys were completed, by seven groups of participants, over a three-year period. Each group consisted of managers and senior executives who participated in a Toronto-based workshop, a learning module or an online survey, where the topic of discussion was disruption and transformation through digital technologies. Two survey formats were used, one with a short set of five questions and

a longer one with 34 questions. The five questions were included in the set of 34. In total, 54 short surveys were completed and 25 long surveys were completed.

This report provides an analysis of five questions that were common in all surveys, which are as follows:

1. To what extent do you agree with the statement: Our organization has a clear and coherent digital strategy?
2. What are your digital strategy objectives? (choice of five)
3. How far into the future does your organization project when developing its enterprise digital strategy?
4. To what extent do you believe digital technologies will disrupt your industry?
5. To what extent is your organization adequately preparing for disruptions projected to occur in your industry due to digital trends?

Appendix 1 provides more details about the surveys.

Results

This section provides the results for each of the five questions and provides a comparison to the global survey results published by MIT. The 2016 MIT study, conducted in collaboration with Deloitte, surveyed more than 3,700 business executives, managers and analysts from organizations around the world. Respondents from 27 industries in 131 countries participated in the study.

Q1 - Our organization has a clear and coherent digital strategy

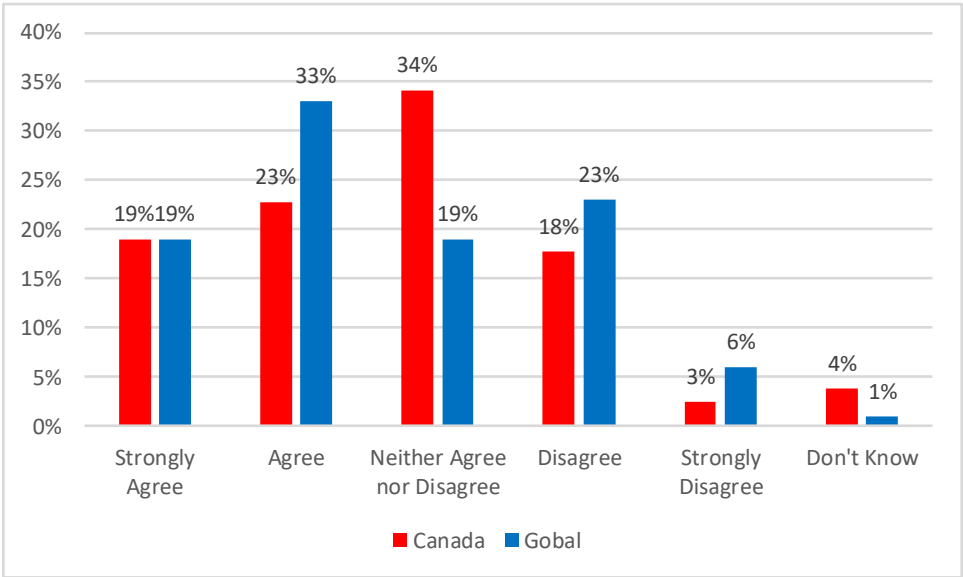


Figure 1 – Responses to Question 1: Canada (n=79) and Global (from MIT)

The above figure shows that 43% of Canadian organizations agree (or strongly agree) that they have a clear and coherent digital strategy. This is below the MIT global figure of 52%. In contrast, the Canadian sample has a much higher (34% v 19%) of undecided organizations, who neither agree nor disagree, and a large number (4%) compared to MIT, who simply don't know.

We conducted this survey well after the 2015 MIT survey; some of the Canadian data were collected four years after the MIT survey. Therefore, the concept of digital strategy should not be new for Canadians, but the lower number of those Canadian organizations that agree, relative to the global data, is disconcerting. The percentage who simply do not know is alarming.

Q2 - What are your digital strategy objectives?

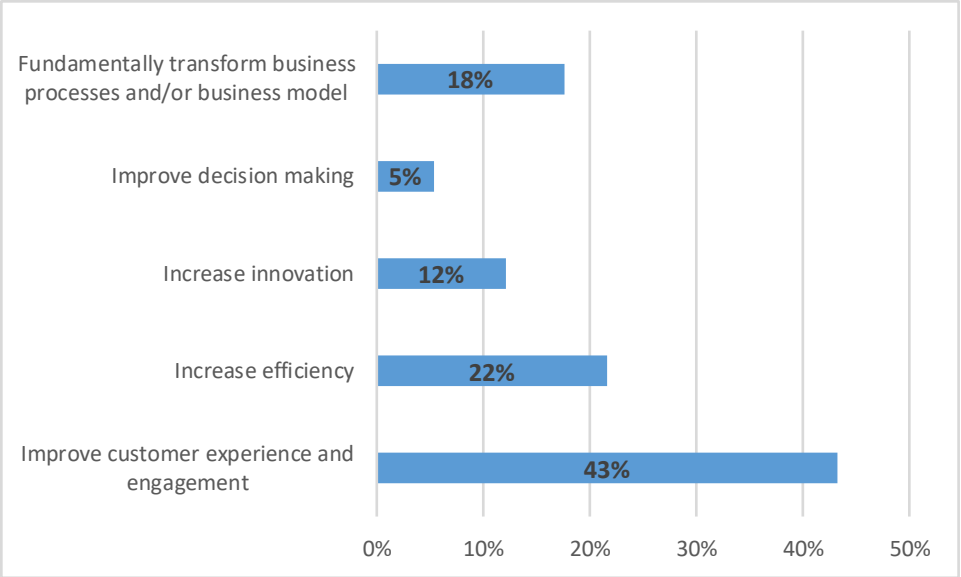


Figure 2 – Responses to Question 2 (n = 74)

The overwhelming digital strategy objective for Canadian organizations is to “Improve customer experience and engagement”. The least strategic objective is to “Improve decision making”. Comparison with the MIT survey is not as straight forward as question 1, due to the formatting of the Canadian surveys. However, the ranking is similar as depicted below, suggesting that Canadian organizations have focused on the same objectives as their global peers.

Strategic objective	Canadian Rank	Global Rank
Improve customer experience and engagement	1	1
Increase efficiency	2	2
Increase innovation	4	3
Transform business process or business model	3	4
Improve decision making	5	5

Q3- How far into the future does your organization project when developing its enterprise digital strategy?

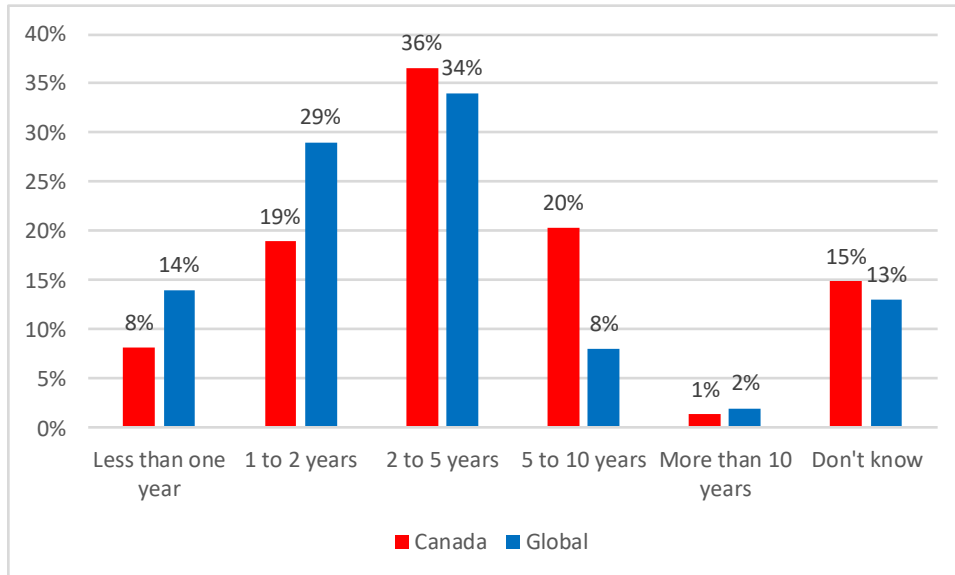


Figure 3 – Responses to Question 3: Canada (n=74) and Global (from MIT)

In this question, the most interesting gap between Canada and the Global results is at the “5 to 10 year” mark, where Canadians are two and a half times more likely to plan their digital enterprise strategy. In contrast, while 43% of Global firms are more likely to focus on a “now to two-year strategy” only 27% of Canadian organizations have the same short focus. Canadian firms are playing the long game of 5 to 10 years and may not appreciate how rapidly competition can change with new digital technologies.

Q4 - To what extent do you believe digital technologies will disrupt your industry?

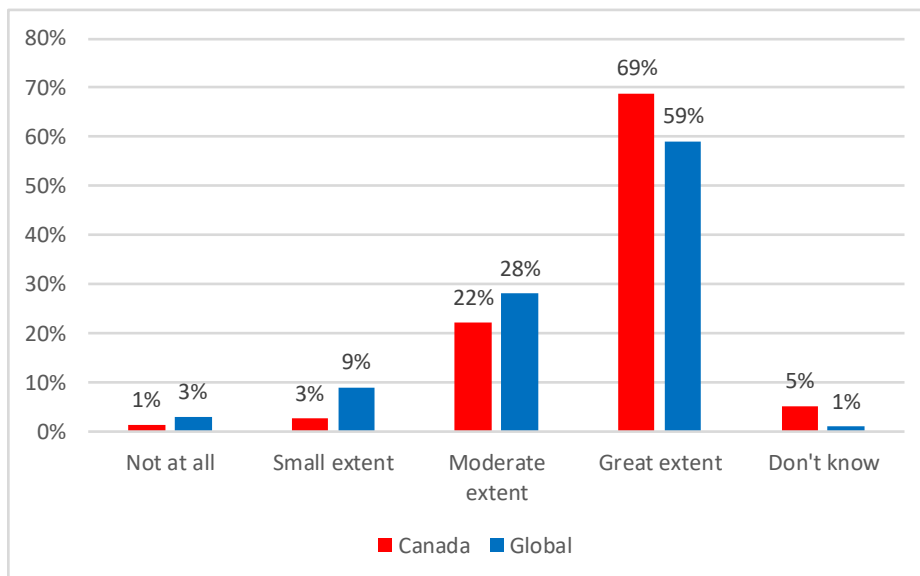


Figure 4 – Responses to Question 4: Canada (n=77) and Global (from MIT)

Canadian organizations have a strong anticipation (at 69%) that digital technologies will disrupt their industry, to a “great extent”. This is 10% higher than the global response (at 59%), perhaps indicating that four years after the original survey, Canadian organizations are much more aware of the impact of digital disruption, having seen examples of how competition can be changed by new technologies. A harsher interpretation suggests that although Canadian organizations are aware of the coming disruption, they are either unwilling or unable to do anything about it.

Q5 - My organization is adequately preparing for disruptions projected to occur in my industry due to digital trends

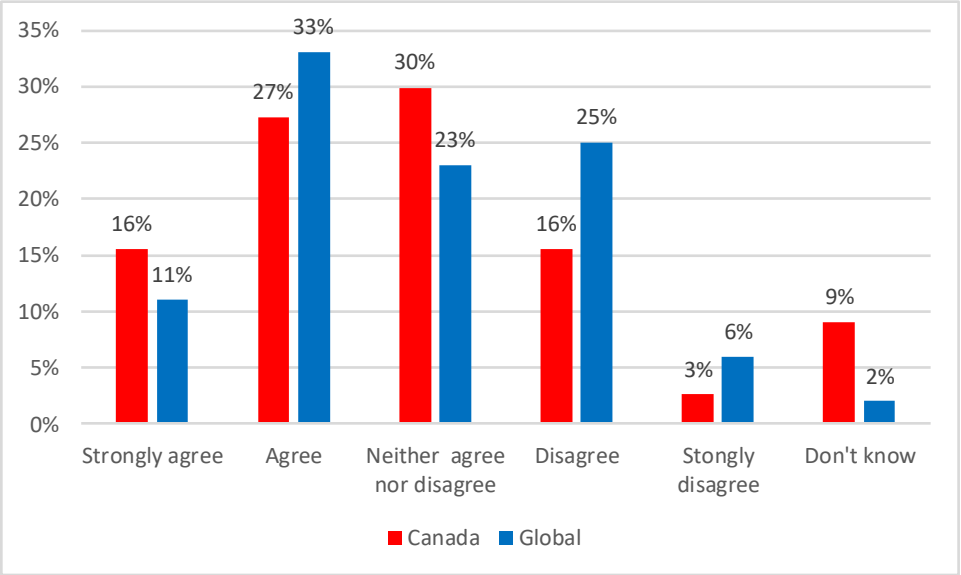


Figure 5 – Responses to Question 5: Canada (n=79) and Global (from MIT)

In this question, for those who agree (and strongly agree), the comparison between Canada and the Global survey is very close, with 43% of Canadian organizations adequately preparing for disruption, with 44% of the global organizations doing the same. Surprisingly 9% of Canadian organizations simply do not know if they are adequately preparing, compared to 2% of the global survey respondents.

Interpretation

First the good news: Canadian organizations are focusing on similar strategies as their global peers, with a priority on improving customer experience and engagement with digital technologies. This suggests that external use of technologies using digital devices such as smart phones, smart home devices, wearables, etc., connected to 5G internet will be the focus of most organizations, as well as understanding and anticipating customer expectations using large volumes of data analyzed with artificial intelligence services. Less important will be the desire to fundamentally transform the business or simply to make better internal decisions. As well, Canadian organizations appear to be equally (or more) concerned about the extent to which digital technologies will disrupt their industry and seem to

be adequately preparing for the disruptions that will occur in their industry; Canadian organizations are on par with their global peers with respect to digital disruption readiness.

However, our data suggest that Canadian organizations are less clear about their digital strategy and may have a fuzzy view of the challenges ahead, with a less coherent strategy compared to their global peers. As well, with a planning horizon of more than two years (an average of 2 to 5 years), Canadians perhaps feel less urgent about digital disruption than their global peers, where the planning horizon is well below two years. This can be risky; U.S. organizations have the potential to overtake and disrupt even some of our most regulated and established industries. Surprisingly, 15% of the respondents simply don't know the planning horizon, and when coupled with the 9% who don't know if their organization is adequately preparing for disruption, a more worrisome picture begins to appear.

In our view, Canadian institutions have historically been less aggressive than our American counterparts, in part due to our more stringent regulation and the business culture it creates. Until recently, Canada has had a mixed relationship with high technology. We had brief stints of global success at the turn of the millennium with Nortel and RIM, but have gone quiet for a while. However, now that Toronto, Montreal, Edmonton, and other cities are becoming world-renowned hubs for AI and other technologies, the broader business community should embrace digital capabilities and leverage our technical advances to become leaders and disruptors in the market.

Conclusion

Why is this important?

Canadian organizations are not immune to digital disruption. Some industry sectors such as banking may be protected by government regulations, as well as public sector organizations in sectors such as education and health care. Canada is a small market relative to Europe, China and others, but for US organizations Canada can be attractive because of proximity and cultural alignment. Competition and disruption via digital technologies seems inevitable for most Canadian industry sectors, but our survey suggests that there is complacency and lack of clear readiness in the near-term for most organizations.

In lieu of confident, large-scale digital strategies, Canadian organizations must be willing to experiment more with digital technologies. Given the somewhat cautious culture that we have observed with this survey, organization-wide change will be difficult. However, small, separated working teams (skunkworks), can be effective, low-risk ways to trial new digital innovations and build momentum and buy-in from employees before broader roll-out.

This paper is a preliminary report; we will present a more detailed analysis later in 2020. The Centre for Disruption and Transformation is now asking over 1,000 senior executives, primarily in Canada, to provide their views on how well they are prepared for digital disruption. Send an email to rbabin@schulich.yorku.ca if you would like to participate in the survey.

We look forward to your comments and reaction to this research.

Appendix 1 – Survey details

The table below provides an overview of how and when the survey was administered.

Source	Timing	Long (34) or Short (5)	Number of responses
Toronto Board of Trade seminar	November 2016	Long	7
SEEC Client education class	November 2018	Long	18
SEEC Innovation lecture	1- April 2019	Short	16
	2- September 2019	Short	11
SEEC Client workshop	October 2019	Short	6
SEEC Transformational Leadership lecture	October 2019	Short	8
CORE Outsourcing survey	November 2019	Short	13