Executive Roundtable: Digitalization

Partnering approaches and how to benefit best

V. Executive Roundtable – Digitalization

Friday, the 10th of March 2017: For the fifth Executive Roundtable: Digitalization, *Volker A. Pfirsching*, Partner in Arthur D. Little's Information Management Practice, welcomed the participants to Arthur D. Little's office in Frankfurt. As in previous roundtables, the aim of the event was an interactive session, with discussions to exchange experiences between participants, combined with selected impulse presentations.

This event's focus was partnering in the digital ecosystem. Partnering is a key topic with growing importance across industry, and a pillar to benefit from growing ecosystems, as Michael Opitz, Partner at Arthur D. Little, pointed out in an introductory key note.

Accordingly, the participants ranged from the airline and railway industry to logistics and telecommunication executives.

"Corporates are somewhat incapable of partnering" (Executive, mobility industry)

Corporates' incapability of partnering with fast, agile organizations is largely due to fear of disruption, attachment to standards, security concerns and numerous habits. These observations are applicable cross-industry.

Executive briefing: Issues corporates face today

- Decision cycles are too long for start-ups
- Too many projects in similar contexts
- Missing strategic orchestration
- Unclear prioritization and selection criteria: pointed vs. broad search?

As a consequence, first start-up experiences are often semi-successful.

How corporates can successfully manage partnerships – with start-ups as well as other corporates – was shown in three impulse presentations from the invited speakers.

Taking partnering opportunities to the next level

The first impulse, "Deutsche Bahn goes digital," was given by Simon Daum, Head of Digital Agenda at Deutsche Bahn AG. Mr. Daum gave an introduction on how the DB addresses disruptive topics in a structured way with the help of partnerships. The focus of partnerships in the digital agenda lies on the targeted implementation of topics that are not feasible internally without partners.

Strategic orchestration in the CDO organization

Key within the DB to overcome common issues is the CDO organization. It is defining the digital agenda for the upcoming years, e.g., "real-time user experience" in the next 12 months. The digital agenda allows the organization a targeted orchestration of digital business.

> "Ideas that find the way into our venturing portfolio really have to hurt our core business"
>
> *– (Executive, mobility industry)*

Success during the implementation is ensured through a combination of different partnering approaches: hackathons, labs, accelerators, ventures, etc. Centralization of such models is currently being discussed in many companies. The common train of thought implies that central management alone does not work, but has to set "mission-critical" priorities for the corporate set-up.

> "Critical for the success of investment models with shares is rather not the amount of money itself – it's rather the process and decision criteria that count"
>
> – (Executive, airline industry)

Intrapreneurship – an attractive alternative?

An alternative to combining partnering with internal creativity is intrapreneurship. Models that can be seen in corporates today include job guarantees for intrapreneurs to come back to after working in outside environments. Yet, successful intrapreneurs often stay with the start-up set-up and pursue paths outside the organization, making intrapreneurship an option in specific cases only.

Partnering @ Telekom. Real world examples.

Partnering for seamless service delivery

After insight into business development through partnering, the second impulse by Bryan Wills, Commercial Manager Multinational Corporations at T-Systems International, addressed opportunities in service delivery through international partnering: "Partnering to deliver seamless service across borders: Real-world ICT examples."
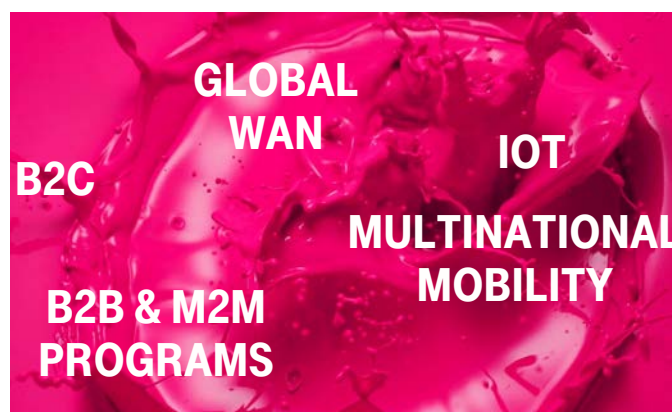
Better product and service offerings through partner integration

The underlying overall strategy of Deutsche Telekom in terms of partnering is: Win with partners! In times of global ecosystems this means not only technical, but also, and more importantly, process and commercial integration, to allow smooth cooperation with partners. Advantages that global partnerships offer customers are manifold: Easy access to complementary product and service offerings, global availability of products, delivery through and billing by one company instead of many are just a few. Telekom calls this approach the "Steckerleiste" principle.

Organizational set-up for international collaboration

In global partnerships, including international subsidiaries, the right mix between central and decentralized steering is key.

Establishing a global partnering approach requires strategic alignment and a common vision across geographies both for pragmatic reasons - as formal disciplinary structures are not established for strict global steering - but also in order to leverage local know-how in establishing a best-in-class approach across the footprint.

In the example of Deutsche Telekom a high local degree of freedom is combined with central reporting structures. This set-up allows the required degree of agility in the organization and transparency at the same time.

External partnering through joint ventures

External alignment with corporates requires different forms of organizations. For one-time partnerships, for example, joint ventures allow the required flexibility without the drawback of intense financial interlockings.

Partnering as a digital business model

The value-add of partnerships can go way further than simply better products and services through the addition of outside capabilities. Partnering can also become a business model of its own: helping B2B customers to navigate through new ecosystems and manage partners can also create value-add (B2B2C). The occupation of a central role as an enabler or hub supports partners in offering customer services faster and with higher efficiency across multiple markets.

Local partner innovations strengthen global service offerings

In particular in global corporates, the boost of successful local partnerships to global levels offers significant potential.

At Deutsche Telekom, a layered approach to identify and push successful local partners is established: innovative solutions are provided independently by local subsidiaries with own products and programs. An intermediate layer in the global organization has the aim of identifying the strongest partners globally. Successful local examples are thereby selected and provided internationally.

Munich airport digital strategy

Balancing customer experience and customization

The third impulse allowed insight into the digital and partnership strategies of airports. Jörg Ebbighausen, SVP Corporate Development & Chief Strategy Officer at Munich airport, vividly described the developing ecosystem and the strategy Munich airport is pursuing.

Digital customer expectations set the pace for the travel ecosystems

Just like in many other industries, high customer expectations, set by core digital companies, e.g., towards a seamless travel journey, challenge airports. Plus, airports are becoming destinations on their own, independent of aviation and travel. To gain attractiveness in this segment, digital becomes an imperative.

Partnerships along the customer journey

The relatively mature partnership environment between airports and airlines is continuously expanding, with additional players such as tech companies and global digital players. Focus with regard to customers, particularly regular ones, lies on making the customer journey as convenient as possible. Integration of trip planning from parking to boarding is addressed.

Executive briefing: The airport partnership ecosystem

- **Airlines:** Intense partnering with joint innovation teams.
  Goal: Seamless integration of travel journey, efficient operation
- **Tech companies** for new services (indoor navigation, maps), apps, etc.
  Goal: Improved service offering for airport customers
- **Global digital players:** Increasing importance for intensified partnerships with Google, Yelp, TripAdvisor, etc.
  Goal: Increase of global reach and integration into global booking platforms

Insight: Digital agenda of airport strategy
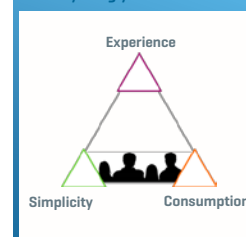
The digital strategy of Munich airport follows the direction of "Customer experience first, commercial follows." The enrichment of the customer's digital experience is realized with partners that provide digital offerings. Similar to Deutsche Telekom's "Steckerleiste," the challenge of a "travel platform" is addressed to allow easy integration of partners – technical, processual and commercial.

Digital enabler: "Infrastructure"

The second pillar of Munich airport's digital strategy is the digital infrastructure. Infrastructure is necessary for internal efficiency, and is also a key differentiator for additional customer services.

For instance, context-specific services, tailored to the customer's profile and his current situation in the terminal, require appropriate infrastructure that allows location identification and communication.

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Access to the customer's digital journey through partners

Get access to the customer in his digital journey
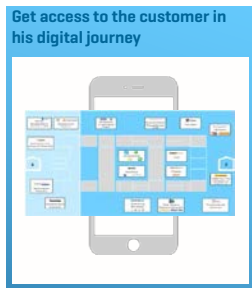
The final key element to promoting and delivering digital services to customers is access to his or her digital journey. A consistent roadmap, linking current capabilities and future aspiration, is one crucial building block. While regular customers are the focal point of today's efforts (booking, parking, tailored services), partnerships with global reach may allow for much wider positioning of value-add services.

Executive briefing: Successful overall partnering approach at Munich airport – a well-balanced combination

- Own small service offerings that tend to have smaller reach
- Integration of large global platforms to ensure broad reach (Google, Yelp, TripAdvisor)
- Product partnerships for value-add services

Summary and outlook on next topics

Following intense discussions on the presented examples and cross-industry exchange of partnership models, Volker Pfirsching summarized the key findings:

1. Partnering is a necessity…
2. …and a challenge for many large corporations for manifold reasons
3. Partnering is not only helping to complement lacking capabilities, but it can be a business model in itself
4. Successful partnering concepts include similar, well-balanced elements:
   i. A combination of approaches (dedicated budgets, intrapreneurs, hackathons, etc.) and partner types (startups, large platforms, etc.)…
   ii. …as well as a combination of own and partner skills to focus on customer experience
   iii. Central transparency and management of strategic priorities and partners
   iv. A lean process to identify and test partners

Based on the core discussion topics the group summarized the most interesting topics for later roundtables:

- **Global implementation steering:** How can strategy implementation and cultural change be measured in the digital era?

- **Piloting and trial & error principles:** When and how to use trial & error? Only internally, or also in customer interaction?
- **Technologies and their use cases:** Robotics, artificial intelligence, blockchain, etc. What are real-world use cases for today's hype topics?
- **Security and data privacy:** Challenges, solutions and pitfalls
- **Communication and cultural change:** Does culture still eat strategy for breakfast?

The next Executive Roundtable, scheduled for Q3 2017, will deal with one of the topics above, showing successful examples and insight, combined with room for discussion.

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Arthur D. Little

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Our consultants have strong practical industry experience combined with excellent knowledge of key trends and dynamics. Arthur D. Little is present in the most important business centers around the world. We are proud to serve most of the Fortune 1000 companies, in addition to other leading firms and public sector organizations.

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