

## Interview with Martin Petry on “Digital Innovation for the Networked Society”

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Dr. Martin Petry, who became Hilti’s CIO in 2005, is responsible for 400 IT employees based in Schaan, Liechtenstein; Plano, Texas; Tulsa, Oklahoma; and Kuala Lumpur, Malaysia. Since 2009 he has also been in charge of Hilti’s Business Excellence initiatives. Dr. Petry came to Hilti in 1993 and has held various leadership roles in Liechtenstein, Switzerland, Great Britain and Japan. He developed Hilti’s ground-breaking IT Strategy in 2000 and

led its implementation, and Hilti’s global SAP implementation cum business transformation project is now used by 18,000 Hilti employees in more than fifty countries.

### 1 Joint Understanding and Examples

**BISE:** Dr. Petry, since the topic of this interview is “digital innovation in a networked society,” could you outline your understanding of digital innovation? How does Hilti define digital innovation?

**Petry:** We have defined what digital means for us in our IT strategy. We distinguish three topics: how we work (workplace and business processes), what we offer (software, software-based services, and embedded software), and how we interact with our customers (digital interfaces and big data). I will illustrate each topic with a couple of guiding questions.

Regarding the first topic, workplace and business processes, we continually ask ourselves how to enable effective innovation selling, how to extend our leading position in customer relationships, and how to bring collaboration, reliability, usability, and productivity to the next level. Regarding the second topic - software, software-based services, and embedded software - our guiding questions include “Where is the value?”, “What is the IT solution?”, “How to deliver?” and “How much do we spend?” Finally, with the third topic, digital interfaces and big data, we are concerned with questions like “What are our digital customer interface priorities?”, “What role should “digital” play in our unique market-reach model?” and “How do we operationalize the roles and priorities we have defined?” Overarching questions that address all three topics are “What IT technology is needed?”, “Which operating model is needed?” and “What organizational set-up is required?”

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You might see from what I’ve mentioned here that digital innovation is not new for Hilti. We have always cared about how we interact with our customers, what we offer, and how we work, and we have always strived for innovation and competitive advantage in this regard. Digital technology certainly offers compelling opportunities to do so these days.

**BISE:** Can you think of exemplary projects at Hilti that work under the umbrella of digital innovation?

**Petry:** I can give you three examples, one in each of the areas I mentioned above - how we interact with our customers, what we offer, and how we work.

- (1) In the area of what we offer, we extend our offerings for the construction industry beyond physical products to include application software. More specifically, we want to make Hilti’s products the preferred choice so that engineers and design teams who choose, specify and design applications use Hilti’s portfolio of high-performing, safe solutions for fastening.
- (2) In the area of how we interact, let me stress the importance of user experience design, such as in our eBusiness platform, Hilti Online. Just providing a digital webshop with some nice features will not meet customers’ expectations in the future, as there will be a much sharper focus on how the customer experiences his or her digital interactions. Therefore, everything that we do in digital has to follow common user experience guidelines, such as high usability and “findability,” up-to-date design principles, and multiple options with which to access our services, including mobile and device independence.
- (3) Finally, examples from the area of how we work target improving the IT workplace of the future. The goal of this effort is to provide a reliable and high-performing network and browser-based application access in order to move toward true device independence and to be ready for upcoming technologies. We have also started several user-centric initiatives in order to move away from design-to-build solutions and rather toward design-for-use initiatives.

## 2 Enablers and Challenges

**BISE:** Dr. Petry, based on your many years of experience, what would you say are the key enablers that put Hilti in the position to succeed in digital innovation?

**Petry:** The key enabler is that Hilti was prepared. We have prepared continuously for digital innovation for decades, both in terms of business and on the IT side. For instance, on the IT side, Hilti launched and executed a global project to standardize processes and data in order to supply all

employees and customers with one global IT system. On the business side, we have a clear customer focus and a leading position in customer relationships, a global governance structure for processes, and a clear differentiation from competitors by means of world-leading products and services. We can now leverage these achievements, which are important prerequisites to leveraging the potential of digital technology, since we have a solid foundation to build on when we implement mobile apps or data science scenarios.

**BISE:** Dr. Petry, as opposed to the enablers, can you point to any key challenges you face at Hilti in leveraging the full potential of digital innovation?

**Petry:** I see three major challenges: We have to accept that digitalization changes our business environment, whether we want it to or not; we have to accept that we need to make sometimes radical decisions regarding our business model to cope with changing customer expectations; and we have to drive the resulting change in the whole organization. If you miss one of those steps, your business is at major risk. At Hilti, we see challenges related to a changing role for our direct sales force and our retail shops in a digital world, and we see the implications of our new business in the field of commercial software for the construction industry. All these areas have to respect our customers’ and internal users’ new expectations.

## 3 Effects on IT Management

**BISE:** Dr. Petry, moving toward, the effects of digital innovation, let us start with an open question: What would you say has changed in your approach to innovation with IT since you began addressing digital innovation?

**Petry:** The approach to innovation has not really changed. The most important step was the “information technology at Hilti strategy” where we identified the areas on which we wanted to focus digital innovation. The clear driver for innovation in the digital age - for us - is not new technology but *customer needs* and how we can serve customers better with the means at hand. This focus was there before people started to talk about digital innovation, and it will remain. Actually, innovations over the past several decades have largely benefitted from listening to and learning from the customers, and these capabilities are highly valuable for digital innovation, too.

**BISE:** For many organizations, digital innovation also means opening their innovation processes through, for example, co-creation, start-up engagement, and university cooperation. What is HILTI’s current and future strategy in this regard?

**Petry:** We do all of these - but not only since digital; also pre-digitally. What is new is the amount of effort and

funding going into this, resulting in a significant increase in R&D.

#### 4 Future Perspectives on the IT Profession

**BISE:** Dr. Petry, considering the growing outreach of IT in all areas of business and society, what will be the future role of the IT function in an organization like Hilti?

**Petry:** The essential role will remain, which is to enable and support core business processes. Given the proliferation of digital technologies in all business areas, businesses will need more IT competencies. In such a setting, the core contribution of the IT function will be to provide common services for digital innovations, such as a user-identification service for all customer-facing software. The IT function at Hilti will be a key enabler for digital. In addition, it will be important to run global systems such as ERP, CRM and BW and provide the necessary data.

**BISE:** Given these developments, do you expect any changes to the governance of IT? What will remain centralized and what will be decentralized? In terms of sourcing IT capabilities, are there global shifts in the workforce? What services might be sourced outside the company?

**Petry:** In line with the changes we expect in the IT function, Hilti IT will concentrate internal IT resources on core capabilities. We use cloud computing significantly today and expect to do so increasingly in the future, as it allows us to focus on core capabilities and to reduce or even eliminate internal resources working on standardized tasks. Our external partners work closely with internal staff in order to ensure an optimum business fit.

**BISE:** What kind of IT competencies do you build at Hilti, and what profiles do you seek in which of your strategic locations when you hire graduates?

**Petry:** These are two questions: starting with the latter one, we look for intelligent, ambitious and flexible people who want to work in a global team - people who recognize that IT is part of the business and want to shape business through IT. We also look for people who consider work an important part of their lives. We continue to develop our three strategic IT locations - in the US with Tulsa and Plano, in Malaysia with Kuala Lumpur, and in Switzerland with Buchs. We positioned these locations strategically to be as close as possible to potential graduates and new talent for Hilti.

As to the first question, we build IT competencies that are directly related to our business, that are unique to Hilti, and that help us to differentiate ourselves from our competition. Typically, these are competencies that are close to the customer interface or that directly support this interface.

#### 5 Closing Thoughts

**BISE:** What comes after digital innovation? Some people might say that digital innovation is a wave or a fad. If you think 5 or 10 years ahead, what do you think will drive business, and what will be the role of the IT function?

**Petry:** Digitalization is not a fad; it is here to stay. Therefore, in 5 or 10 years we will still have digital, although it might not be the big topic to talk about anymore, as it will be regarded as given. We will see virtual reality in our daily lives. Based on digital, we will see an increasing focus on the customers' experience - and here the customer will no longer be a company only but a company with a group of individuals working in it - and we will see stronger collaboration between companies to provide an outstanding experience to their customers. It's a great world to look forward to.

**BISE:** Thank you very much for the interview!