

## Interview with Michael Nilles on “What Makes Leaders Successful in the Age of the Digital Transformation?”

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Michael Nilles is Member of the Group Executive Committee and Chief Digital Officer of Schindler and also serves as CEO of Schindler Digital Business.

BISE: Mr. Nilles, you did receive several awards in 2015 for your work as CIO at Schindler. What are the success factors of the new type of CIO or CDO?

Nilles: First of all and most important the recognitions and awards were a team effort. This is also one of the most important success factors in the digital transformation. At Schindler we call this ‘unity of effort’. Within the journey of the digital transformation it is essential to break silos and

to work very closely together with other functions like R&D, the various lines of business and most important with customers and people in the field.

In addition, time to market is key. The greatest innovation doesn’t help if it doesn’t hit the road. Agile approaches are therefore not only a trend from Silicon Valley but a necessity. This might even require to build up an own innovation incubator in a protected space.

On the personal side you need to be prepared to drive change. That’s not always fun, in particular in the early days of such a journey. So you have to be a risk-taker. Inspiring people and driving a shared ambition remains is another important factor.

In terms of tech capabilities it is essential to find a good mix of existing capabilities and new ones. Expertise on the existing business processes and its underlying application landscape is needed as well as new technologies and concepts like the Internet of Things or Design Thinking.

BISE: The business of Schindler is split in new installation business and service business, How does that influence the work of you and your organization?

Nilles: You are right, Schindler on the one hand engineers, manufactures and installs elevators and escalators and other hand has a strong business in service. Here the business model differs substantially from other industrial engineering and manufacturing companies.

You have to manage two related business models and accordingly two value chains have to be optimized through the best business processes and digital solutions which fit the respective business.

For our digitization efforts the strong share of service business helps to drive the transformation since the servicing the customer attitude is already in our DNA.

Beside of servicing our customers in New Installations and Service we also strongly focus on the 1 billion

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passengers who use our equipment every day. Here we are working on solutions for superior passenger experience.

BISE: Can you provide some more details about the awarded project “Leading-Edge Digital Business”? Which preconditions were required? What exactly did you do in the project? How was success of this project measured?

Nilles: We followed three strategic themes. We called the first one ‘IT Rationalization’ where we focused on consolidating our IT infrastructure and application landscape, retired hundreds of legacy systems and significantly increased IT efficiencies.

The second one which we called ‘Operational Excellence’ focused on establishing a global business process platform. Within the initiative SHAPE, which stands for Schindler Harmonized Applications for Process Excellence, we globally harmonized our value chain with its related business processes, business objects and master data. This was a huge effort but helped us to streamline our business on a global scale, to enable our globalization and growth efforts and to substantially drive business efficiency and productivity and strongly focusing on bottom-line.

Within the 3rd strategic theme ‘Leading-edge Digital Business’ we were looking at creating a long-term and sustainable competitive advantage. This required game-changing innovation. Therefore, we connected our customers for a superior customer and passenger experience, our products over the Internet of Things and our people like the internal workforce in the field via a digital tool case to a digital ecosystem which took out inefficiencies and increased the reliability and convenience for all involved stakeholders. For instance our customers benefit from a much higher uptime which is one of the most relevant requirements. In addition we developed smart digital algorithms and processes to further optimize the overall system.

BISE: Availability of the required skills seems to be a critical element in digital transformation? How did you build up the skills at Schindler? When it comes to recruiting new people directly from the university, what critical skills to contribute successfully to the digital transformation?

Nilles: You are absolutely right, digital capabilities are one of the key success factors in the digital transformation. And to scale up fast you will need to accelerate in building up these capabilities.

By history enterprise IT organizations of traditional corporations were focused on standardization and engineering the perfect solutions. Within the new digital world speed and agility are of essence. A startup incubator is a great vehicle to gain experience with the new innovation culture and agile approaches. But that’s not sufficient since the newly developed digital solutions will need to work with the entire ecosystem landscape and that does include

legacy and backbone systems as well. Therefore, we founded the new entity Schindler Digital Business, which incorporated both, the new start-up guys as well as long-term company veterans. Another important factor, which we talked about earlier, was the cross-functional team composition.

New people from the universities are a great way of filling the talent pipeline. We have seen that new candidates can jump start within the digital transformation if they come from universities which teach know-how from various domains like Engineering, Software Development, Design, Economics, to just name a few. Universities can prepare the students with a ‘Studium Generale’ very well for the future challenges. In addition, since agile approaches very much focus on prototyping a very close cooperation with the industry is of utmost importance. This will also help the students to learn working in interdisciplinary and cross-cultural teams.

BISE: I assume you were also faced with various challenges in the digital transformation process of Schindler. Can you share some challenges with us?

Nilles: A digital transformation represents a huge change initiative for an organization. We were facing some additional challenges since we have been early in the curve and since we went at fast pace and on global scale. One of the key challenges for digitization is to overcome functional silos and to work in the ‘unity of effort’ mode. We talked about this earlier.

You also have to take your workforce and customers onto the digital journey. Let me give you an example. We have 30,000 people working in the field close to our customers. With the introduction of our digital tool case the way on how they used to work was changing dramatically. The digital tool case is a collection of business apps based on Apple iPhones and iPads which help for instance the service technicians to plan his maintenance visits, check the history of an equipment or order spare parts. We were very well prepared for this change. Later we were positively surprised on how well our people in the field moved into the digital age.

When you want to be fast and to be ahead of the curve you also need to quickly pass the pure exploration and pilot phases and scale up quickly. This is a major challenge by itself.

Last but not least the technology challenge may not be underestimated. For instance, in the area of Internet of Things there are only a few players who can offer you the full stack at scale.

BISE: At the beginning of 2016 you additionally took over the position as Chief Digital Officer (CDO) of the Schindler Group. In some companies the responsibilities between CIO and CDO are split between two persons. This comes with pros and cons, what is your take on that?

Nilles: The role of the CIO used to be focusing on enabling the business to drive efficiency and productivity, ideally resulting in bottom-line impact. This has still a great relevance since many companies have not sufficiently addressed to drive operational excellence yet and with the new digitization wave the so called digital thread can result in significantly higher operational performance.

The prime role of the CDO is to create top-line impact. He has to focus on driving superior customer experience, exploring new digital business models and constructing digital ecosystems. In order to accomplish this, the CDO needs to build-up digital capabilities which go beyond the traditional IT scope.

Top class CIOs have built up strong teams that run the IT and digital operations so that they can spend a big portion of their time with customers and business peers and on innovation. If on top of that they are great transformational leaders the CIO can also evolve into the role of the digital leader. Then it doesn't matter on how you call him.

I personally believe there should be one digital leader. Having the CIO function being integral part of his scope of responsibilities will help him to drive the digital agenda.

However, it is important to understand that Digital is not just IT plus.

BISE: Mr. Nilles, thank you very much for your time and for this interview.