



HARNESSING DIGITAL FOR CREATING **NEW VALUE** **DIMENSIONS FOR** **CUSTOMERS**



Mikael Cato

Chief Digital Officer at Scania

Mikael Cato is the Chief Digital Officer and Senior Vice President at Scania. As the CDO, Mikael is responsible for developing and driving cross-process and cross-functional digital transformation initiatives. Prior to joining Scania, Mikael was Head of Digital at Acando, a leading Sweden based Management and IT Consulting firm.

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What does your role as the Chief Digital Officer entail?

My role as CDO of Scania was basically established by a decision from our CEO, Mr. Henriksson and the executive board. According to him, there were a lot of digital opportunities that we were not capturing and embracing in the formal way of operating. So, the charter of the CDO's Office is to embrace these opportunities, create inspiration and awareness in the work dimensions and harness these opportunities to deliver business value faster than what we were used to.

What are your top two or three priority areas right now, that are really important for your organization?

When we look at the value dimensions that we are trying to capture, we brought down the digital acceleration that Scania had embarked upon into four major value buckets. The first one was of course customer value which enables us to help our customers and potentially increase revenue possibilities. The second dimension we focused on was how can we consistently achieve a higher rate of operational efficiency. The third was enabling better business decisions through automation and AI. Last but certainly not the least came the employee experience or employee value. To give you an example we are using RPA to improve operational efficiency.

DIGITAL ACCELERATION – VALUE BUCKETS FOR OPTIMUM RESULTS



Greater customer value



A higher rate of operational efficiency



Driving business decisions through automation and AI



Improving employee experience

According to you, what is the impact of emerging technologies such as AI, AR/VR, Machine Learning, and Data/Data Analytics?

If I were to prioritize these technologies in terms of positive impact I would say, first data analytics, followed by advanced analytics and finally AR and virtual reality. I believe data and data analytics is the foundational capability to many other areas. That is the foundation of everything.

In my opinion, the broad definition of AI from machine learning all the way to robotics is not a very valuable definition. Keeping in perspective the current levels of maturity I would be comfortable in using the term algorithms in place of AI. Certainly usage of these algorithms have been creating value though only in pockets such as R&D and cost management.

In terms of augmented reality and virtual reality, I think that we are only scratching the surface on what will be the big value opportunity to capture in the future. At Scania, we are certainly using virtual reality in our 3D labs and we are also experimenting with AR within production to create immersive experiences.

To sum up my response to your question, I think that at Scania we are doing a lot of interesting things in all the above areas. At the same time, the opportunities are so large that I believe we have only scratched the surface so far.

What has been the openness among the employees and the overall organisation in terms of adopting these digital

technologies and embracing some of the changes that it brings along?

If you rate support for driving accelerated digitalization, I would say that the support for driving acceleration is fairly high. And I also feel that the top management across all domains agree on the need for faster digital adoption. The major resistance is usually from the middle management because of the significant disruptions in their day to day work patterns. Overall I believe employees are significantly open for the adoption of new technologies.

To answer the second part of your question pertaining to skills, I think its important to have a mindset of challenging the way things are done today. For example, a lot of things done in Scania which is a 130 year old organisation, follows a product development process that is very long term and that has a ripple effect on the employee mindset on how to embrace change in other areas.

However, in today's software driven world, you will be able to innovate and push out those innovations significantly faster. So I think the core capability is an awareness of where the future is going in terms of this and also having a mindset of challenging the status quo of activity. A lot of things we do are very complex and requires deep understanding before you challenge it; however a lot of things are also repetitive or manual that can employ a machine first thinking. So looking at what's happening in the world around us, understanding where we need to go in the future and challenging the things that we can improve is a crucial thing, and we should not take the slowness we sometimes see in our industry as a contextual thing that we cannot change.

With your experience, can you throw light on a couple of things most people don't realize when they embark on this journey of digital transformation?

Companies need to enable simulation from customer experience of the product to R&D to production and purchasing. Other major thing people don't realize is they assume that digital engineering is lot about AR/VR, calculation clusters, cloud, computing power - but what most of the older companies struggle with is their reliance on 2D drawings and hand tools for their inspection needs but their internal processes are driven by 3D drawings. And so, there are some maturity steps that you need to take to get to next level of productivity. Take for example a recent industry case study on Boeing when they won a deal from the US Department of Defense by citing 40 percent cheaper than their competition. One of the main requirements that Boeing put to achieve this was the need to comply with Model Based Definition standards, which drove a lot of opportunities and also, of course, a lot of efficiencies.

Thoughts on the need for collaboration with the ecosystem partners such as service providers and startups for a successful digital transformation journey?







I am of the firm belief that this is something we need to embrace more and more, because the rate of changes in technology that we anticipate in the business over the next decade clearly shows that we would not be able to do everything ourselves. For instance, despite having limited experience in working with startups, Scania has been launching multiple initiatives ranging from corporate venture capital to

identifying and participating in accelerator forums for closer relationships with startups. We are also presently doing an initiative called client venturing, where we scan startups with interesting ideas and work with them to innovate and build futuristic capabilities and solutions that don't exist in the industry today, as we know it.

What is the biggest disruption that you see in your company or industry in the next four to five years from now?

At Scania we believe that we stand at the cusp of significant digital disruptions that will change the face of the transportation industry as it exists today. The whole spectrum of transportation system will move to a connected autonomous and electrified ecosystem. But will that happen in the next five years? Maybe not, but it's safe to predict that in the next 15 years or so, the transportation system will be changed irrevocably and that will create new value dimensions for customers. In the future these self-driving systems, basic infrastructure where the vehicle operate, new product development and manufacturing methodologies, services in the logistic ecosystem will all converge and create significant value for the end customers. Moreover, we will see additional services mushrooming that simply don't exist today.

What you (probably) didn't know about Mikael Cato

-  **My Tech Gadget**
What's Your Digital Business Model? : Six Questions to Help You Build the Next-Generation Enterprise By Peter Weill & Stephanie Woerner
-  **Tech I'm betting on**
Artificial Intelligence
-  **My Decisions: Gut or Hard Analytics**
30-70
-  **My key message for young engineers**
Stay curious
-  **Relieve stress**
Watch TV Shows
-  **Attribute for driving engineering change in the 21st century**
passion and curiosity

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Mikael Cato on impact of Digital Engineering

Impact of Digital technologies on R&D or product development



Collaboration with startups for the org's digital journey



Employee adoption of digital learnings



Given Rating



Average rating amongst interviewees

1 Lowest

5 Highest