The Digital Economy
Reinventing the Business World
Reinventing the Business World

The Pull of The Digital Economy

Is your industry undergoing a significant digital transformation? If so, you’re not alone. Multiple organizations and entire industries are being forced to reinvent the way they do business, as new competitors come in from left field to disrupt the status quo.

Are you prepared for the digital upheaval in your sector? Or could you fall victim to Digital Darwinism, when technology advances faster than your organization can adapt? Businesses that don’t adjust to the growing networked economy risk becoming irrelevant in their industry.

In the previous eBook, Digital Disruption: How Digital Technology is Transforming Our World, SAP addressed the multiple technological and business factors driving the enormous shift toward becoming a digital enterprise.

In this eBook, The Digital Economy: Reinventing the Business World, we will move beyond the digital enterprise, and investigate how it functions within the expanding networked economy. Digital ecosystems are completely reinventing the way business has traditionally been done, and we will explore how these expanding digital ecosystems will steer the future of business.

This material is aimed at helping business leaders go beyond the digital enterprise, and move forward on their journey toward success in the digital economy. It is an opportunity to learn about the changing business landscape from some of the top companies in the technology and consulting industries today. It is produced by SAP, and includes a compilation of insight and thought-leadership perspectives from a variety of industry-leading SAP partners, including Accenture, Capgemini, Cisco, Ernst & Young (EY), and IBM.

The road map to relevance requires proactive, not reactive evolution. If the competition is forcing the transformation, it may already be too late. Every business is now a technology business.

SAP, High Tech Pioneers the Digital Economy: A Catalyst for Growth
Businesses must adapt to new ways of doing business as they move from being single entities with their own systems and processes to become part of the rapidly expanding digital economy. Our exploration of the digital economy will focus on three main pillars:

1. **Drive Real-Time Business**
   The digital economy is accelerating the pace of business and the expectations of all those involved, from the supplier right to the end-customer. This chapter will focus on the expectations, opportunities, and realities of real-time business.

2. **Empower Business Innovation**
   As organizations strive to accomplish business in real time, new, innovative products, processes, and business models are being developed. This chapter will look at how companies are changing internally and externally, and why collaboration is vital for business innovation across and between industries.

3. **Unleash Business Agility**
   As companies innovate their business models, they naturally become more agile, which is crucial in today’s fast-paced business environment. This chapter will focus on what businesses need to do to stay current, responsive, and agile.

**Conclusion: Embrace the Digital Economy**
The speed of business will continue to increase as consumers and people throughout your business ecosystem demand answers in real time. As more and more companies reinvent the way they do business, the efficiency of the digital economy will experience its full potential. What will this look like, and what does your company or industry need to do to see successful results?
The Digital Economy
Driving Real-Time Business

The Promise of Real-Time Business

The rapid expansion of the digital economy is having a significant impact across multiple sectors worldwide. Companies in almost every industry are being forced to rethink all aspects of their business in order to keep up with the pace of change.

The speed of commerce is accelerating so quickly that real-time business – the ability to access up-to-date information and interact with people and machines throughout a business network immediately – is now the goal in many sectors.

Technology is the backbone that makes real-time business possible. It involves the complex process of receiving, processing, retrieving, and delivering data instantly as changes or transactions occur.

The potential of real-time business is raising expectations across the business landscape – in B2B and B2C companies.

Business networks are quickly transforming into digital ecosystems, as multiple organizations and entire industries transform in order to achieve the ultimate goal of real-time business.

One quarter of the world’s economy will be digital by 2020. #SAPDigitalEconomy

Accenture Technology Vision 2015, Digital Economic Value Index
The Big Challenge for Business Leaders

The unparalleled speed of technological change makes it challenging for many business leaders to grasp all of the implications as well as the full potential of the digital economy.

While business leaders grapple with the decisions over how, when, and what areas to focus on in their digital transformation, the business world around them continues to forge ahead at breakneck speed. More agile competitors move in to take advantage of the latest digital innovations and opportunities across increasingly blurred industry lines. This has the potential to quickly take your industry in a completely new direction, leaving traditional business leaders shaking their heads asking, “what do we do now?”

Learn more about SAP and Accenture’s take on the current digital landscape in the World Economic Forum video, How to Survive in the Digital World ▶

“9 out of 10 clients believe that digital is going to be very disruptive, but only 1 in 10 has a roadmap and understands what they need to do about it.”

Paul Daugherty, Accenture: World Economic Forum video, How to Survive in the Digital World

What’s Driving Real-Time Business?

The ever-increasing speed of commerce is the driving force behind the desire for real-time business. Key factors playing a role in boosting that demand are technology, consumers, employees, and business networks in the supply chain.

**Real-Time Business Drivers**

1. **Technology**
2. **Consumers**
3. **Employees**
4. **Business Networks / Supply Chain**

**Real-Time Business Driver #1: Technology**

Technology has leapfrogged to the top of the list of the most important external factors influencing business for CEOs these days. According to IBM’s recent Global C-suite Study, *Redefining Competition*, technology has jumped from sixth place to the top of the list of enterprise influences.

The IBM study shows that CEOs believe four particular technologies will be the main drivers of change in the short term: user-based mobile solutions, cognitive computing, the Internet of Things, and cloud computing.

**Multiple Technology Factors at Play**

Several technological elements work together to make real-time business possible. Capgemini’s article, *The Impact of the Digital Economy on Your Industry*, states that today’s digital economy primarily integrates the following technology components:

- Social media
- Big Data analytics
- Mobility
- The Internet of Things (IoT)
- Back office transactional systems (Enterprise Resource Planning (ERP) systems)
Capgemini predicts that the proliferation of mobile devices coupled with the growth of connected objects will cause more market disruption over the next 5-10 years; and by combining big data and analytics capabilities with future connected devices, businesses will see even greater market intelligence to support real-time business in the future.

**Seven Disruptive Technology Megatrends**

Fueled by the convergence of the above elements, Ernst & Young (EY) believes that technology is disrupting all areas of the business enterprise across many industries and geographies. In EY’s report, *Megatrends 2015: Making sense of a world in motion*, EY outlines seven areas where technology is a significant disruptor:

1. Digital transformation is changing business models, including revenue models.
2. Decreasing PC usage and increasing mobile device adoption is driving a “mobile first” world.

Under Armour is not just selling shirts and shoes; it is a technology company connecting 38 million people on a health platform.

*SAP, The Consumer-driven Digital Economy*

3. Digital transformation and proliferation of data are fundamentally changing the relationship between businesses and their customers.
4. Digital disruption is changing the market context and competitive landscape of most industries.
5. As cyber threats multiply, it is becoming harder to safeguard data, intellectual property, and personal information.
6. Work styles and the means to engage talent are becoming more agile in the digital world.
7. Digital and robotic technologies will increasingly augment or replace workers.

For more information on technology’s influence, read SAP’s whitepaper, *High Tech Pioneers the Digital Economy: A Catalyst for Growth*. 

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Five Defining Technologies That Have Already Changed Our World

According to SAP’s whitepaper, *High Tech Pioneers the Digital Economy: A Catalyst for Growth*, some fundamental technologies have matured and hit scale together, creating five defining technology trends:

1. **Hyperconnectivity.** Hyperconnectivity is shaping the way people buy and consume products and services. IoT devices using sensors, the Internet, and mobile devices are changing the way technology companies build, partner, sell, and service their offerings.

2. **Supercomputing.** Enterprise systems are shifting from a single cost-performance approach to two distinct paths: in-memory computing and distributed computing.

3. **Cloud Computing.** The Cloud is disrupting business models in many sectors, as it levels the playing field for access to required software and infrastructure.

4. **Smarter World.** Sensors, predictive models, augmented reality, and 3D printing are creating new outcome-based results.

5. **Cybersecurity.** The ongoing and increasing threat of cyber attacks has many businesses adopting more stringent security standards.

With all of these technological elements at play, it is easy to see why technology is the biggest driver topping the list for CEO’s when it comes to external factors influencing the enterprise.

**Real-Time Business Driver #2: Consumers**

In the digital economy, consumers are now in charge. They call the shots, they increase the speed of business, and they want personalized service – now. They want simple, seamless, customized experiences across multiple channels at any time and on any device.

According to a recent SAP report, *The Consumer-driven Digital Economy: Creating value in a digital world where the consumer is in charge*, three key forces are reshaping the customer and consumer experience:

1. **Consumer power.** Consumers have immediate access to products, materials, sources, pricing, quality, and availability information, and they can decide what they want, when, and where.

2. **Customer journey.** A customer’s path to purchase is no longer linear or time bound. Instead, the journey is now a real-time, dynamic gateway to an outcome.

“Digital Technology has changed the game, but consumers changed the rules.”

#SAPDigitalEconomy

SAP, The Consumer-driven Digital Economy
3. **Real-time engagement.** Companies that can sense, analyze, optimize, and act in real time while responding to or creating customer and market moments, enable new opportunities to orchestrate outcomes on consumers' behalf.

**Delivering Outcomes – Not Products**

The consumer *products* industry is transforming into the consumer *outcomes* industry. Digital leaders are transforming products into services, creating value by competing as ecosystems, and delivering outcomes instead of products.

Companies traditionally predict customer trends and produce products based on those predictions. Now in the growing digital economy, innovative companies are developing and delivering personalized outcomes using a digital ecosystem of business partners, while collecting valuable customer data at the same time.

**Delivering outcomes** is when consumers are satisfied with the overall result of an omni-channel customer experience. This can be achieved by creating a seamless experience for the consumer through many touch points, such as mobile apps, telephone or online chat customer service, payment and delivery options, as well as bricks-and-mortar locations.

These days, companies can no longer focus only on product, price, quality, value, or convenience, because consumers can get whatever they want exactly when and where they want it. Businesses should aim to deliver the outcome of a simple, personalized experience that leaves the customer feeling good about the transaction, and ultimately the company.

70% of customers are “very satisfied” when their needs are met over three or more touch points.

*SAP, The Consumer-driven Digital Economy, Source: From moments to journeys: A paradigm shift in customer experience excellence, McKinsey*

**Real-time Business Driver #3: Employees**

Sometimes business leaders forget that employees are also consumers. Employees who are used to dealing with lightning-quick applications on their phones or laptops as consumers, often face painfully slow legacy back-office systems at their workplace.

This is one reason why employees are another driving force accelerating the demand for real-time business. If employees can have a personalized gadget ordered and delivered to their door by tomorrow, why can’t they instantly access the data they need to do their jobs?

People are the very focus of the *Accenture Technology Vision 2016* report. The report states that “as businesses become digital, their people and cultures must become digital, too.”

For more information on the omni-channel customer experience, read SAP’s whitepaper, *The Consumer-driven Digital Economy: Creating value in a digital world where the consumer is in charge.*
In order to do this, the Accenture report recommends transforming your workplace culture in five key ways:

1. Make training a core competency
2. Become more project oriented and agile
3. Empower collaboration and new ideas
4. Manage a distributed workforce
5. Create an organization that is built to facilitate, not impede

Real-time Business Driver #4: Business Networks and the Supply Chain

The real-time omni-channel experience doesn’t start and stop with the customer or the employee. Your supply chain, services, and distribution partners throughout your business network need to be aligned with the consumer experience strategy in order to deliver products and services as promised. This is driving the expansion of digital ecosystems throughout supply chains and right across entire industries, touching all of the people, processes, and technology involved in the business.

Realize the Benefits of Your Digital Ecosystem

To realize the full benefits of a digital ecosystem, companies should consider the following trends:

User experience. Suppliers and distributors are becoming accustomed to the ease of the digital consumer experience. Business applications must reflect that same user experience, by being easy to learn and effortless to use. If they’re cumbersome or complex, there will be more barriers to adoption across your business ecosystem.

New Alliances. Consider partnering with former competitors to offer expanded coverage and streamlined digital processes across your industry, and possibly even crossing over industry boundaries.

Apple has jumped from computers to consumer electronics and even into banking services with Apple Pay.¹ Apple’s competitive advantage isn’t built on its hardware or its software – Apple’s greatest competitive advantage is its ecosystem.²

¹Capgemini Consulting and the Consumer Goods Forum, Rethinking the Value Chain: New Realities in Collaborative Business
²SAP, High Tech Pioneers the Digital Economy

Red Bull is not just a beverage company; it is a content media company spanning Web, social, film, print, music, and TV, creating brand experiences of joy, exhilaration, and adventure.

SAP, The Consumer-driven Digital Economy

Download the Accenture Technology Vision 2016 report, People First: The Primacy of People in a Digital Age.
Network of networks. An open network serving a single market such as travel or suppliers is valuable to a business ecosystem, but a vertical network that connects to other vertical networks in real time is revolutionary, and can streamline the entire value chain of a business or industry. Collaboration across entire vertical markets is key to value creation.

Business connectivity at scale. Imagine the possibilities of a vast digital ecosystem that connects thousands of partners with the ability to generate and process data in real time. This can be the greatest challenge and the greatest opportunity for a digital business network.

Data-driven business models. Share valuable data across networks to collaborate better with your most important suppliers and distributors. Digital networks can help manage business in real time rather than simply reacting to changes after the fact.

Networked companies are 50% more likely than their peers to have increased sales, higher profit margins, and be a market leader.

SAP, The Consumer-driven Digital Economy

Download the SAP whitepaper Embracing the Digital Economy in the Wholesale Distribution Industry: Survive and Thrive.

Making Digital Real with Real-time Business

Digital: The Competitive Advantage for Sailing Team Germany
Discover how Sailing Team Germany is using real-time tide, current, and GPS tracking, plus data analytics, and other digital technology to help reach their Olympic goals.

Technology Transcends the Spectator Experience with Cirque du Soleil
See how cloud computing and real-time audience engagement helps spectators become part of the show at Cirque du Soleil.

Digital Technology Bolsters Convergent's 200% Growth
Learn how digital technology is quickening the pace of business from monthly billing to real-time transactions and currency exchange.
The Digital Economy
Empowering Business Innovation

The Potential of the Digital Economy

Most companies today are just scratching the surface when it comes to the full potential of the digital economy. As the Internet of Things drives the need for further interconnectedness, more digital ecosystems will develop, and businesses in every sector will continue to move toward a state where everything and everyone is digitally connected. So what can you do to take advantage of the full potential of the networked economy? Innovate and transform your business.

Innovate through Digitalization

Digitalization – often called digital transformation – is the process of moving to a digital business. It offers many opportunities, but it also creates perpetual disruption in the business landscape, challenging organizations to constantly adjust and update their business models simply to remain competitive.

To be successful, business leaders must embrace and take advantage of digital transformation across their entire organization or industry, including services, products, pricing, sales, delivery, and support systems.
Digitalization: using digital tech to innovate business models, provide new revenue & value-producing opps #SAPDigitalEconomy

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Where Do You Stand on Digital Disruption?

As a business leader, you need to make decisions for the future of your business based on many factors. Will you fully embrace digital technology and become a disruptor in your industry; partially embrace technology where it works for your business; or simply maintain the status quo and see how everything plays out? The choice is yours, but inaction could lead to irrelevance.

“It’s the innovator’s dilemma: how a company’s going to cannibalize themselves and innovate to make sure they’re relevant going forward.”

Anand Shah, Accenture, World Economic Forum video, How to Survive in the Digital World

The So-called Kodak Moment

Nowadays, people are taking more pictures than at any other time in history. The easy accessibility of having camera technology on your smart phone makes it simple to capture those so-called “Kodak moments.” But where is Kodak in all of this? Despite inventing the first digital still camera in 1975, the Eastman Kodak Company did not transform its business fast enough when digital technology swept through the photography industry in the 1990s. As a result, the once iconic photography film company filed for bankruptcy protection in 2012. Kodak sold many of its valuable patents to a variety of companies, including Apple, Google, Facebook, Amazon, Microsoft, Samsung, and Adobe Systems. Kodak emerged from bankruptcy and still exists today as a technology company focused on imaging, although it is a shadow of its former self.

1 Wikipedia, “Kodak DCS”
2 Wikipedia, “Kodak”
3 Kodak website
Is Your Business Relevant in Today’s Digital Economy?

When is the right time to innovate and transform your business? How do you know if your company is ripe for digital transformation? Maybe you think your industry isn’t at risk of digital disruption at all. Do you ever wonder if your company is about to be “Ubered”?

The Warning Signs of Digital Disruption

Information from the recent IBM Global C-suite Study warns business leaders to watch for the following signs that could indicate your industry might be the next target for digital disruption:

- Venture capitalists are increasingly interested in companies related to your sector
- Technology is used to cut costs rather than to improve or innovate customer experiences
- Your industry has an aging customer base with few new customers
- Your industry uses hands-on customer service with few digital touch-points
- Customer satisfaction is low in your industry

IBM, Redefining Competition: Insights from the Global C-suite Study – The CEO Perspective Survey of 5,247 C-suite executives from 21 industries in more than 70 countries.

Emergence of new competition from unexpected places is a sign that organizations need to start looking at their business model.

Capgemini Consulting, Ctrl-alt-del: Rebooting the Business Model for the Digital Age

Survival of the Fittest in the Digital Age

Early adopters are already out of the gate causing disruption in multiple industries, so how can traditional companies keep up? Capgemini’s article, Darwinian Digital Disruption: Survival of the Fittest recommends that traditional companies take the following action to survive in the digital age:

1. **Proactively Identify Customer Pain Points.** Disruptive start-ups are good at entering a market by identifying customer pain points and finding unique ways to resolve them. Some incumbents react to pain points by downplaying their importance. That leaves an opportunity open for a disruptor.

2. **Question the status quo and constantly question your business model.** In the digital age, sticking to a decades-old “tried and true” business model may be short sighted. What might be a competitive advantage today could be a burden tomorrow. Be willing to change direction.

3. **Reorganize and allocate resources around opportunities.** Traditional firms are often organized around business units or market segments, but in the digital economy, everything crosses boundaries. If resources
are tied to only one area, it limits a company’s agility and ability to respond to new opportunities in areas that may not fall within a particular business unit.

4. **Adopt an Open Innovation Model.** Learn to spot the early warnings signs of disruption to avoid being surprised. Take a proactive role rather than being reactive. An open innovation model involves engaging with the start-up mindset, rather than fearing it. This can be accomplished by starting innovation centers or start-up accelerators to encourage innovation within your organization.

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**Defining Your Digital Strategy**

4 key questions:

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<tr>
<td>1</td>
<td>What are our digital objectives?</td>
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<td>2</td>
<td>How can we innovate to become more agile?</td>
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<tr>
<td>3</td>
<td>Can we still leverage our existing asset base?</td>
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<tr>
<td>4</td>
<td>What areas should we focus on for business innovation?</td>
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“Since 2000, 52% of the Fortune 500 companies have either gone bankrupt, been acquired, or ceased to exist.”

*Capgemini, Darwinian Digital Disruption: Survival of the Fittest*

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**Prepare for Digital Disruption**

In today’s rapidly changing environment, new competitors with completely different business models are often invisible until it’s too late. Despite the unpredictability of digital disruption, the IBM Global C-suite Study identifies three key ways to get ready for the next level of competition:

1. **Prepare for digital invaders.** Be aware of the warning signs and recognize where your industry stands on the digital spectrum.

2. **Create a panoramic perspective.** Listen to your customers and business partners and look for perspectives beyond your industry.

3. **Be first, be best, or be nowhere.** Identify and understand your company’s position when it comes to digital transformation.
The Journey to Business Innovation

There are five main areas that organizations should focus on throughout their journey to digital transformation:

1. **Improve your customer experience.** Innovate your products and services with a relentless customer-centric focus, featuring streamlined messaging and a consistent approach through multiple touch points in the customer’s omni-channel experience. Strongly consider mobile customer engagement.

2. **Digitalize your core business.** Automate your processes with faster, simpler systems, including seamless integration across all value chain processes. This also includes digital research and development, production, and administration.

3. **Enhance your digital capabilities and create value from data.** Focus on boosting your digital capabilities through advanced analytics, agile platforms, and continuous delivery. Create a business model based on data, with digitally enhanced Internet of Things (IoT) products, and product-related services based on sensor data.

4. **Connect your workforce.** Enable a smarter and more engaged workforce across all employees and contractors by focusing on training, attracting, and retaining employees with the high-tech skillset required to support an innovative business model.

5. **Build your digital ecosystem.** Work on strengthening relationships with existing partners, and expanding your business network by partnering with different, relevant, and innovative organizations that could enhance your positioning in new digital ecosystems.

*SAP, The Future of the Digital Economy and SAP’s Role; and SAP, The Consumer-Driven Digital Economy: Creating Value in a Digital World Where the Consumer is in Charge*
Going Beyond the Enterprise with Business Innovation

According to SAP’s eBook, *Digital Disruption: How Digital Technology is Transforming Our World*, innovating in the digital era is not just about adopting new technologies. It is also about embracing a culture of innovation, encouraging collaboration, and tapping into digital ecosystems to achieve results well beyond the scope of an individual business.

Business leaders are realizing that by taking advantage of digital ecosystems, they can create new products and services that were previously beyond their scope. By integrating with digital partners in a business network, companies can shape experiences and outcomes for their customers in ways that would be impossible operating on their own.

Combining the power of technology platforms with industry expertise enables companies to create new business models. It also allows them to develop capabilities that are vital to disruptive innovation in order to drive growth and lead in key markets. Integral to these platform models are the ecosystems they create to deliver value.

The Growing Importance of Digital Ecosystems

Visionary leaders are realizing that as each business goes through digitalization, the emergence of digital ecosystems is vital. Connecting with a vast network of businesses, customers, and suppliers from industries across the world can reap immense benefits, especially with the growing Internet of Things. Companies are using digital business connections to offer new services, reshape experiences, and enter new markets.

The *Accenture Technology Vision 2015* report says this grand network of connections and transformational power introduces a new era in the digital age, which Accenture calls “the age of digital ecosystems.”

Based on your digital business strategy, begin the design of your industry platform with three core components: the business model, technical architecture, and governance model.

Steps to Develop or Join a Digital Ecosystem

- Identify potential digital partners and ecosystem scenarios from existing business partners and potential new digital partners both within and outside your industry
- Based on your digital business strategy and potential partner scenario, consider if you will initially join, partner, or create your platform ecosystem
- If you are likely to build a platform, identify technology partner options

The Internet of Things Leads to the “Business of Things”

As the Internet of Things expands and leads to growing digital ecosystems, it is creating a whole new way of doing business. Companies must learn to cooperate through the complexity of evolving ecosystems in order to deliver the experience or outcome that customers expect.

IBM calls this the “Business of Things”; where companies move beyond selling intelligent, connected products and services, and expand “to deliver compelling experiences over the life of a product.”

IBM, The Business of Things: Designing business models to win in the cognitive IoT

Reinventing Entire Industries

Maybe you have already gone through digital transformation in your company, and have even expanded digital initiatives beyond your enterprise to become involved in digital ecosystems, but what about your entire industry?

Redesigning a digital ecosystem can take companies and industries in entirely new directions, where they have to alter the ways that they have traditionally done business, affecting resources, processes, costs, revenue structures, and customer value propositions.
Capgemini highlights five different approaches to business model innovation:

1. **Leverage technology to change the dynamics of an entire industry.** Digital innovators use technology in new ways and use their developments as examples to reinvent and benefit entire industries.

   Electric car manufacturer **Tesla Motors** has a different business model than most car companies. It deals directly with consumers, completely bypassing car dealerships, and aims to drive changes across the entire auto industry. In 2014, Tesla opened up all of its patents related to electric vehicles in a move to stimulate innovation in the electric car industry.1

2. **Substitute products and services with digital alternatives.** Customer expectations are forcing many companies to alter their business models and introduce digital versions of products or services.

   **Netflix** revolutionized the video rental industry, in the process destroying competitors that didn’t adapt swiftly enough. From its inception as a pay-per-rental service, Netflix continues to reinvent itself in response to changing technology and trends. In 2016, Netflix reports that it has 75 million subscribers in more than 190 countries worldwide.2

3. **Create new digital businesses.** Even traditionally non-technical companies can introduce digital offerings that expand their customer base and alter the industry standard.

   **Starbucks,** a traditional bricks-and-mortar coffee shop, launched a dedicated digital unit in 2008 as a cross-functional way to bring new services to its customers through mobile devices. Now Starbucks does over 7 million mobile transactions per week, over 16% of all of its transactions.1

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1 Capgemini Consulting, *Ctrl-alt-del: Rebooting the Business Model for the Digital Age*
2 Wikipedia; Netflix

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To reinvent an industry through business model innovation, rethink every component of the business model #SAPDigitalEconomy

Capgemini Report, *Ctrl-alt-del: Rebooting the Business Model for the Digital Age*
4. **Rethink the value proposition.** Try to enhance existing products and services using digital technology. Many companies and industries are finding immense value in the big data they have accumulated about their customers’ buying habits. They are now using that information to their industry’s advantage in different ways.

   *Michelin* doesn’t just sell tires anymore. It has moved to a service model by installing telematic sensors in customer vehicles to analyze vehicle performance and provide real-time advice on cutting fuel consumption.  

5. **Redesign Your Business Network.** A key component of every business sector is its value chain of suppliers, distributors, service experts, marketers, and everyone else involved in the industry. Innovative companies are re-evaluating and redesigning their supply chain to incorporate technology to create a streamlined digital ecosystem.

   As the demand for hyperconnected cars continues to grow, the fast-paced electronics industry and the historically slow-moving, hierarchical auto industry have had to alter their business models to work together to meet that consumer demand.  

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1. Capgemini Consulting, *Ctrl-alt-del: Rebooting the Business Model for the Digital Age*
2. Economist Intelligence Unit, *The Hyperconnected Car*
What is Business Agility?

Business agility describes the ability of an organization to quickly adapt to changing technology and market trends. A truly agile business is able to evolve in productive and cost-effective ways to meet shifting industry and consumer demands.

Agile companies are often described as nimble, flexible, and robust innovators. They can be the initiators of industry disruption, and they can promptly respond to changes in the rapidly evolving digital economy.

The Possibilities for Agile Businesses

As companies innovate their business models, they often become more agile, which is crucial in today’s fast-paced business environment. At the same time, business leaders who see new entrants move into their traditional markets are driven to make their companies more agile in order to respond.

Digital technology and the Internet of Things (IoT) are transforming the business world at an astonishing rate. This is creating immense opportunities for companies who are quick to adopt digital innovations, but it’s also causing industry disruption and creating challenges for businesses that are slow to react.
“The average lifespan of a company within the S&P 500 has dropped from 90 years in 1935 to an average of 18 years in 2011. Clearly, it is no longer business as usual.”

Capgemini Consulting and the Consumer Goods Forum, Rethinking the Value Chain: New Realities in Collaborative Business

Common Traits of Agile Businesses

Agility affects every aspect of your business, from strategy to operations, marketing, finance, and the overall organization. It’s not just what happens inside of your organization; it includes all of your end-to-end business dealings, from your suppliers right through to your customers.

A recent study by Accenture, Traits of Truly Agile Businesses, found that business leaders stand apart from laggards on nearly every aspect of business agility. So what makes these leading businesses stand out? It turns out they often have five important business agility traits in common:

1. A diverse leadership team with a variety of skills, experience, and perspectives.
2. The ability to prioritize strategic decisions by understanding which decisions are the most urgent and important.
3. Enable quick decisions by using the latest information and the right decision-makers.
4. Use data analytics to make fast, informed decisions on critical matters.
5. Eliminate silos and collaborate with new partners and existing business networks.

Throughout this chapter, we will explain the forces driving business agility, some of the obstacles you may encounter on the road to agility, and what you can do to develop these important business agility traits.

Three Factors Driving Business Agility

Why should you fundamentally change your business models and partnerships to become more agile? If you don’t, you risk becoming irrelevant, as competitors and new disruptors with more agile business models move in to your industry.

A group of consulting, technology and business leaders from across the Consumer Goods spectrum addressed this issue at a recent forum. Their findings are outlined in the whitepaper, Rethinking the Value Chain: New Realities in Collaborative Business by Capgemini Consulting and The Consumer Goods Forum.

The group determined that three key factors are significantly altering the business landscape and pushing companies to change the way they traditionally do business in order to become more agile:

1. Consumers are changing. Consumer demands are increasing, and their path-to-purchase is no longer linear. Their omni-channel customer experience could involve a mobile app, web research, social media, an in-store visit, and an online purchase – in any order. They are also more influenced by online social networks than by traditional advertising methods. They have become the center of the networked economy, and they expect quick outcomes from responsive companies.

2. Business is changing. Innovative business partnerships are becoming more important and technology is accelerating competition. There is an increasing threat from agile high-tech companies and start-ups that do not follow traditional go-to-market patterns. Digital companies with completely new business models are gaining a competitive advantage as they boldly cross previously well-established market boundaries.

3. The world is changing. Global economics and demographics are shifting. Emerging markets are growing rapidly, with a different set of needs that agile companies are more capable of responding to quickly.

The Biggest Obstacle to Business Agility

The most challenging hurdle in becoming a more agile business comes down to one thing: complexity. Large enterprises are so complex – with multiple layers, business units, legacy systems, and departmental silos – that agility seems almost impossible. But the pressures presented by the digital economy are forcing even the most complex global companies to become more agile just to stay competitive.

Many companies must completely redesign their business models and processes in order to keep up with their customers, employees, suppliers, and competitors.

Tackling complexity to become more agile may seem like an overwhelming task, but it is necessary in today’s changing business environment.
“Those companies that partner effectively and securely can bring innovative products to market more quickly, boost efficiency, improve visibility, increase agility, and reduce risk.”  


Are You Chained to the Past?

Complexity can come in many forms, and conventional business processes are often to blame for slowing the progression toward business agility.

Traditional value chains, supply chains, or even out-dated ‘chains of command’ could be holding your company back, because these established methods simply can’t respond quickly or effectively enough to the variety of complex demands placed on businesses today.

Powerful shifts in the digital economy such as consumer behavior, business innovation, and demographics are making it more difficult for value chains to meet swiftly changing business needs.

To be more agile in the future, businesses need to shift from traditionally slower, linear value chains to more nimble, collaborative digital ecosystems or business networks. Networks are non-linear, which helps to build alliances with multiple partners, offering many paths to the consumer. Digital business networks are also more flexible, enabling businesses to respond quickly to changing needs because there is less top-down control.

Agility Barrier: The Digital Skills Gap

Another key obstacle to business agility is the issue of the digital knowledge gap. The digital economy is revealing a widening gap between workforce knowledge and the need for highly skilled workers. Many employees simply don’t have the skills required to match the rapid development of digital technology.

The knowledge gap between skilled labor and jobs available has always been a challenge, but the digital era is intensifying the mismatch between current workforce knowledge and the skillset required to meet growing digital demands.

Digital technology and the expanding Internet of Things only multiply the need for highly skilled workers. Government and business are working to reduce the knowledge gap through the use of innovation centers, training workshops, and partnerships with educational institutions; but the digital skills gap still remains a barrier to business agility.

The most in-demand jobs today didn’t exist 10 or even five years ago.

#SAPDigitalEconomy

The Economist Corporate Network, Shaping the Future of Work: Technology’s Role in Employment.
How to Boost Your Business Agility

Does your company currently sense changes in the market, respond quickly to those changes, and adapt its approach going forward? In order to do these things effectively, your business needs to be agile.

Are you aware of the need for business agility, but not sure how to take action? There are ways to develop the five important business agility traits mentioned earlier. Accenture recommends the following actions and key questions to consider in order to improve your business agility:

1. **Build diverse leadership teams.**
   
   *How can you build diverse, agile leadership teams?*
   
   - Actively seek leaders from outside your industry
   
   - **Mix up your leadership teams**, not just in terms of gender or nationality, but in terms of experience, skillsets, and perspectives
   
   - Include relevant staff from all levels in important discussions and decisions
   
   - Build seasoned, diverse teams across the organization that have the right competencies to handle a broad set of circumstances

2. **Prioritize strategic decisions.**
   
   *What are the top three strategic decisions that need to be made this year?*
   
   - Differentiate strategic decisions and operational decisions
   
   - Focus on the most urgent and important strategic issues
   
   - Separate strategic meetings from operational discussions to capitalize on leadership time and focus

3. **Enable quicker decision-making.**
   
   *What steps have you taken to accelerate decisions and act on them quicker?*
   
   - Align senior leadership on critical topics so fast decisions can be made when issues arise
   
   - Make decisions at appropriate levels, and have the right people in the room to make those decisions
   
   - Delegate operational decisions so leaders can focus on critical strategic decisions
   
   - Establish a culture of making fast critical decisions that are tuned in to current market conditions

4. **Use data and analytics to your advantage.**
   
   *Is your analytics strategy tied to your business objectives?*
   
   - Embrace data and analytics and apply them where they have the biggest impact
   
   - Consider who has access to various types of data and adjust authorizations to serve the business better
   
   - Measure results and course-correct when needed

“There is still a big gap between awareness of the need for agility and the concerted, cohesive actions being undertaken to become truly agile over the long term.”

Accenture, *Traits of Truly Agile Businesses.*
5. **Manage your business ecosystem and eliminate silos.**

*Is your digital ecosystem prepared to act quickly?*

- Arm your business network – suppliers, customers, vendors, and partners – with the right resources, information, and tools for well-informed, decisive action
- Manage and develop relationships within and outside of your current ecosystem
- Strategically assess where and how you want to share elements of the value chain (through partnership and collaboration) to accelerate growth
- Explore how sharing information with partners may change the industry landscape

Agile businesses should also focus on their workforce. Be sure to train your current staff to bring them up-to-speed on the latest digital technologies, and hire new employees with the skillsets required to enhance your organization.

As a business leader, you need to **understand** how evolving technology is quickly breaking down barriers between enterprises to create agile digital ecosystems, **recognize** the impact that could have on your business, and **take action** to bring your company to the next level of success in the rapidly expanding digital economy.

Learn more about how to make your business more flexible and nimble in the Accenture strategy paper, *Traits of Truly Agile Businesses.*
Conclusion
Embracing the Digital Economy

The Impact of The Digital Economy

How significant is the current digital shift? Some say it’s the biggest technology transition in history, and companies that don’t transform and embrace the digital economy, do so at their own risk.

The speed of digitalization will only continue to increase as consumers and people throughout your business ecosystem demand answers in real time. As more and more companies reinvent the way they do business, the efficiency of the digital economy will experience its full potential.

What will this look like, and what does your company and industry need to do to see successful results?

“Every CEO I meet is fully aware that digital can be an opportunity or a threat. The question is not about awareness, it’s about how to unleash the power of digital.”

Bill McDermott, SAP CEO, SAP, Value Creation in a Digital Economy: Adapt or Die in a Digital World Where the Consumer is in Charge
Reimagine Your Business

In order to be successful in the rapidly changing digital economy, you need to properly tackle digital transformation. This is not possible if it’s not even part of your business agenda. Do you have the right corporate strategy? Does it involve digital? If not, your leadership team should consider reimagining your company with business outcomes and customers at the center of your vision. You may want to consider Design Thinking as a key approach to the reimagining phase.

Listen to McKinsey & Company’s podcast on digital strategy, or watch their video on how to survive in the digital age with Cisco’s John Chambers.

“[The digital age] will create huge opportunities—probably $19 trillion in economic value over the next decade...but it will also result in tremendous disruption.”

John Chambers, Executive Chairman, Cisco Systems, McKinsey & Company video

REIMAGINE BUSINESS MODELS
Most companies will only change business models if a competitor makes a move, or if a new disruptor changes the rules of the game. Don’t wait for that to happen. Drive competitive advantage by expanding beyond traditional industry boundaries and transforming from an asset-based company to a service-based or outcome-based business.

REIMAGINE BUSINESS PROCESSES
Any process can and eventually will be modernized and digitalized. Why not start now? Change or eliminate fundamental business processes with digital technology by optimizing the supply chain, consolidating financial and business planning, and engaging with customers in new ways.

REIMAGINE WORK
Enable your workforce, customers, partners, and supply chain with the right information and digital tools designed for quick action. Use interactive technology to improve user experiences, or eliminate some work altogether by digitizing manual steps. All of these measures have the potential to improve productivity and profitability.
Mastering Digital Transformation

Companies that successfully evolve with digital transformation and drive significantly higher levels of profit, productivity, and performance are called “Digital Masters” in the eBook, Leading Digital by Capgemini Consulting.

What makes these companies excel is having a combination of two things: effective digital capabilities, and effective leadership that sets a clear vision and executes on it. Your company can be added to those ranks if you take appropriate action to get there.

Capgemini outlines how to become a Digital Master in 12 steps:

1. **Build awareness** of the need for digital and ensure your leaders understand the potential threats and opportunities.
2. **Define your starting point** and understand your current digital competencies.
3. **Create a shared vision** for digital among your leadership team.
4. **Translate your vision into action** by creating strategic goals, understanding your priorities, and developing a roadmap to get there.
5. **Build your governance** with a focused investment on designing governance models to steer your digital transformation and keep it on track.
6. **Fund the transformation** with a balanced portfolio of digital investments.
7. **Spread the message** of ‘why’ to employees and explain what’s in it for them and the company.
8. **Mobilize the organization** and build momentum with employees by involving those who will make things happen.
9. **Evolve the digital culture** by setting new behavior expectations and encouraging the use of digital technology while breaking traditional operating practices.
10. **Build foundational skills** by having a digital training plan, a strong alignment of IT and business values, and a well-structured digital platform.
11. **Align incentives and rewards** to your digital objectives to reduce resistance to digital transformation.
12. **Sustain the digital transformation** through measurement and monitoring, and adjust or change course when it’s necessary.

See Capgemini’s infographic for all the details on how to become a digital master in 12 steps.
Disrupt or Be Disrupted – that is the Question

It takes courage to be a leader in today’s constantly evolving digital landscape. As a business leader, where do you stand on the digital spectrum? Many companies are just starting to explore all of the seemingly endless possibilities of the networked economy, and digital ecosystems will continue to expand as the Internet of Things drives the need for more interconnectedness between organizations and industries.

Do you plan to disrupt your industry, or be disrupted? As your company moves forward in the digital economy, remember it’s your choice whether to fully embrace digital technology, partially embrace it in various ways, or maintain the status quo and risk irrelevance.

“What is a moment to be epic. To forge a bold vision for a different kind of data-driven business. It won’t be easy, but it will be far brighter than standing in the shadows of competitors that take the path before you. It is time to simplify, time to innovate, and time to leverage digital connectivity.”

Bill McDermott, SAP CEO, SAP, Value Creation in a Digital Economy: Adapt or Die in a Digital World Where the Consumer is in Charge

What are you waiting for?
Take the next step to embrace the digital economy.

Find out how you stack up against your peers with a customized IDC benchmark report

Learn how to take the next step. Download the SAP whitepaper, Value Creation in a Digital Economy: Adapt or Die in a Digital World Where the Consumer is in Charge.

“At SAP, we did not invent the digital economy, but we unquestionably understand where it’s going.” #SAPDigitalEconomy