

Accenture Technology Vision 2014
Every Business Is a Digital Business

High performance. Delivered.

From Digitally Disrupted to Digital Disrupter

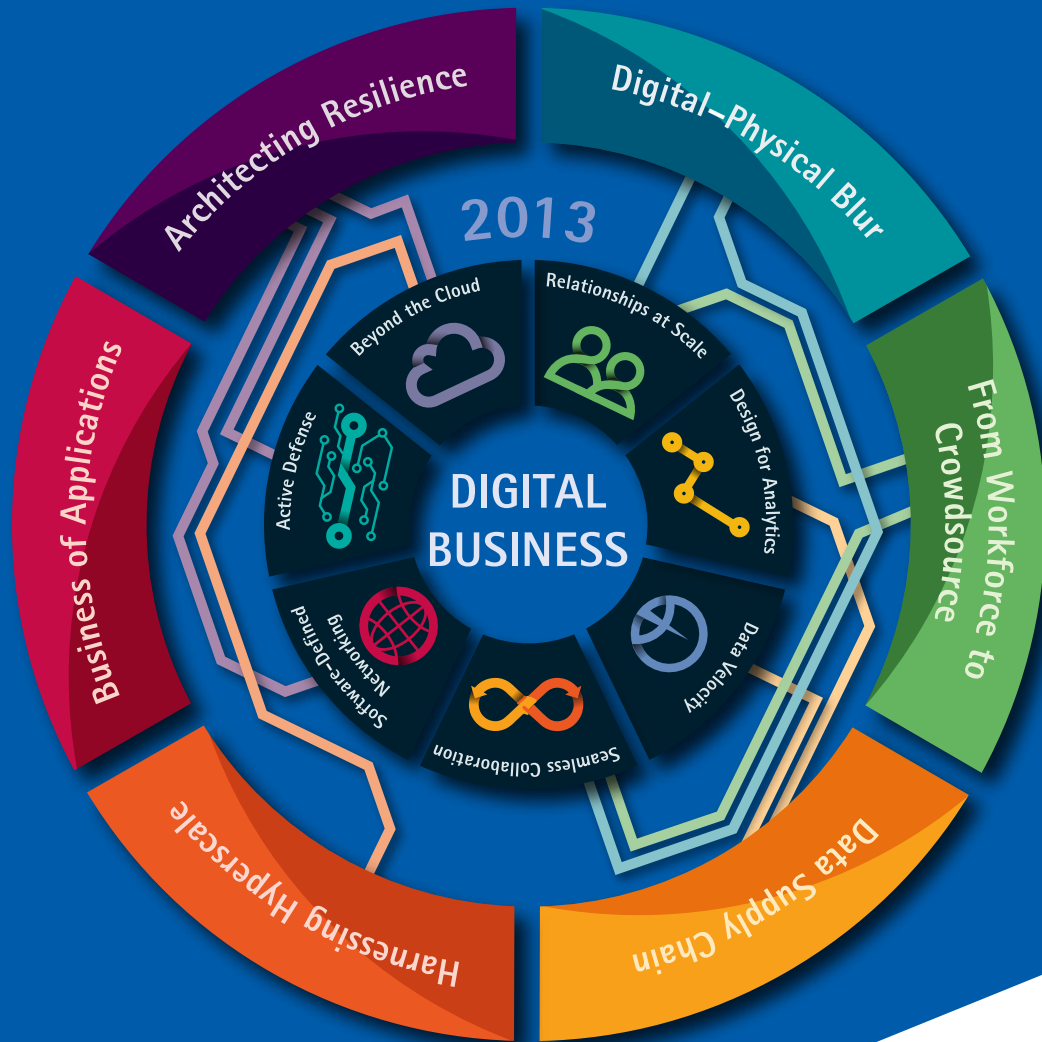
Executive
Summary

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Every Business Is a Digital Business: The Evolution

2014



Large companies are in a race to become digital. Those that get there first will be able to disrupt their existing markets and penetrate new ones. They will be in control of their digital destinies. For business leaders everywhere, the next three years will be about determining their organizations' pace in this digital race—and their place in the new world of digital.

Big is the next big thing

This year's Technology Vision report continues to expand Accenture's view of the effects of this digital race—but with one difference: this year, we see more and more large organizations, outside of the IT industry, actively leading the charge, instead of being pressured by it or taking a fast-follower approach.

These organizations understand that while it is still early days, there are many significant opportunities to seize. They are beginning to leverage their vast resources and capital not only to react to technology disruption but also to embrace it. They are weaving digital technologies throughout their operations to drive business and industry disruptions to their advantage.

This shift in strategies marks a significant inflection point. If the last decade has been seen as the playground of the digital start-ups—overnight sensations such as Instagram and Twitter, Zipcar and YouTube, TripAdvisor and Airbnb—the coming decade will see the emergence of the traditional companies as digital giants.

Enterprises are not there yet, of course, and start-ups and small and midsize companies will still play big roles in disrupting the status quo. But large companies are starting to exert their muscle.

Leading, digitally

Consider Tesco. In the last two years, the United Kingdom-based global supermarket chain not only has created interactive grocery stores in airports and subway stations but also has expanded into new industries. Tesco now offers movie streaming, e-books, and even its own 7-inch tablet priced as low as \$91.ⁱ

The grocery retailer is well on its way to becoming a truly digital business. More than 20 percent of Tesco's online sales now come through smartphones, and 10 percent of all orders from Tesco Direct come through its mobile Web site.ⁱⁱ Over the years, Tesco's leaders—IT leaders included—have moved from experimenting with social media, mobile, cloud computing, and analytics toward mastery of those digital domains. They have learned by doing, steadily gaining the skills and the competencies to pull ahead of their competitors and prove to their stakeholders that they have what it takes to excel in the new digital economy.

Tesco's leaders are hardly alone. Big companies are on the rise in a big way, becoming star players in the digital game. For example, GE is betting on the industrial Internet, building cloud-based services with intelligent analytics so that it can collect and combine vast amounts of industrial-machine data and equipment data, extracting unique insights that it can use to set new performance standards in major industries such as energy and aviation.

In the business-to-consumer realm, Disney is introducing a collection of tools including a wireless tracking wristband to create an entirely new personalized and enriched experience for visitors to its amusement parks. With visitors wearing the MagicBand, Disney offers a better guest experience with much less waiting. The technology goes beyond just giving preferential places in queues; for example, it allows Disney parkgoers to

simply touch-to-pay for food and merchandise, and allows users to make and share plans with family and friends in a travel group. The technology is also transforming the dining experience, enabling patrons to pre-order food, which starts to be prepared as they walk into a restaurant.ⁱⁱⁱ And of course, Disney captures a comprehensive digital record (or storybook) of its customers' activities.

Even more interesting: some of these companies are making waves in markets that aren't their own. General Motors is already raising anxiety in the car rental business by partnering with RelayRides, a start-up whose use of mobile phones makes ride-sharing easy. And AT&T is entering the home security market with its Digital Life service, allowing customers to remotely control everything in the home, from alarms to lights to door locks.

These industrial powerhouses realize that not only can they control their own markets, but they can actually disrupt and establish footholds in others, often creating new business and market models in the process. These visionary digerati giants have the resources, the scale, and, importantly, the will to reinvent their businesses, systems, data, and talent networks.

Last year, in the Technology Vision 2013 report, we declared that every business is now a digital business, whether its leaders acknowledge it or not. What we have seen since our last report is that leading digital companies have recognized that IT is the driving force not only for how they design and make things but also for how they go to market, how they collaborate, how they engage customers, and how they manage transactions. In short, digital has become their operating DNA.

When boundaries blur

A huge shift is under way. Boundaries are blurring in many dimensions, not just between IT leaders and their business colleagues but between digital assets and physical resources and between enterprises and their customers, suppliers, and other stakeholders. IT strategy and business strategy are no longer separate; indeed, they have become inseparable.

The next three years will see business leaders define and direct digital strategies to create enduring advantage. We fully expect large companies to use their skills, size, and scale to shift from being disrupted to becoming the disrupters. More and more business leaders are seizing opportunities to vault past their longtime rivals, to halt or at least impede the inroads made by many of the digital newcomers, and to redefine or even create entirely new industries. Evidence that IT strategy and business strategy are one and the same: fully 55 percent of the IT investments of top-performing IT groups are designed to deliver strategic business capabilities, compared with just 37 percent in the IT departments of other organizations, according to Accenture's latest High Performance IT Research.^{iv}

In many ways, digital is fostering a renaissance for large companies, allowing them to reconnect with what made them industry leaders in the first place.

There is a smorgasbord of opportunity before them. Just as technology leveled the field for the newcomers of the last decade, large enterprises can now tap into those same forces of digital democratization to charge back. In fact, with their scale in so many dimensions—financial, talent, geographic, cultural—large enterprises are now positioned to create far greater reverberations than smaller companies can.

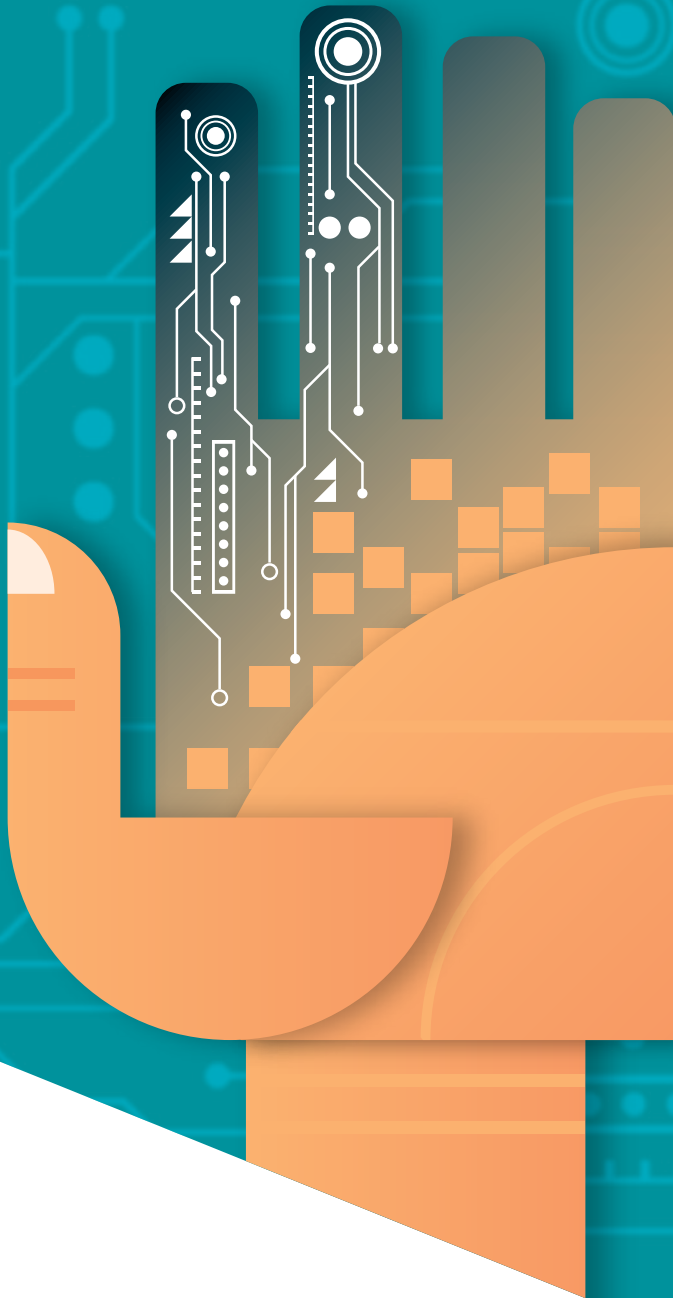
Many will use their new digital prowess as a potent differentiator—resetting the bar for consumer interactions, for instance, or providing unprecedented levels of supply chain effectiveness, or perhaps developing groundbreaking new pricing models.

Hallmarks of tomorrow's digerati

The concept of the "fast follower" is becoming obsolete. In a world of nonstop change, there is no time to catch up. Instead, we expect the emerging digital leaders to be master orchestrators—uniquely able to strive for convergence on a huge scale as they capitalize on, for instance, the digital gains made in this department or that function.

In turn, the dissolution of digital silos will force corporate leaders to think about new operating models that might confer further advantage. Here, too, there are plenty of experiments—from new cross-functional roles for data scientists to chief digital officer roles whose influence extends beyond the four walls of the enterprise. And throughout every organization, we anticipate a re-estimation of the skills that will be most valuable, at all levels.

The Technology Vision 2014 report highlights six themes that fully reflect the shifts emerging now among the digital power brokers of tomorrow: large enterprises such as Tesco, GE, and Disney that recognize that big is the next big thing. Here is a glimpse of those themes.



TREND 1

Digital–physical blur: Extending intelligence to the edge

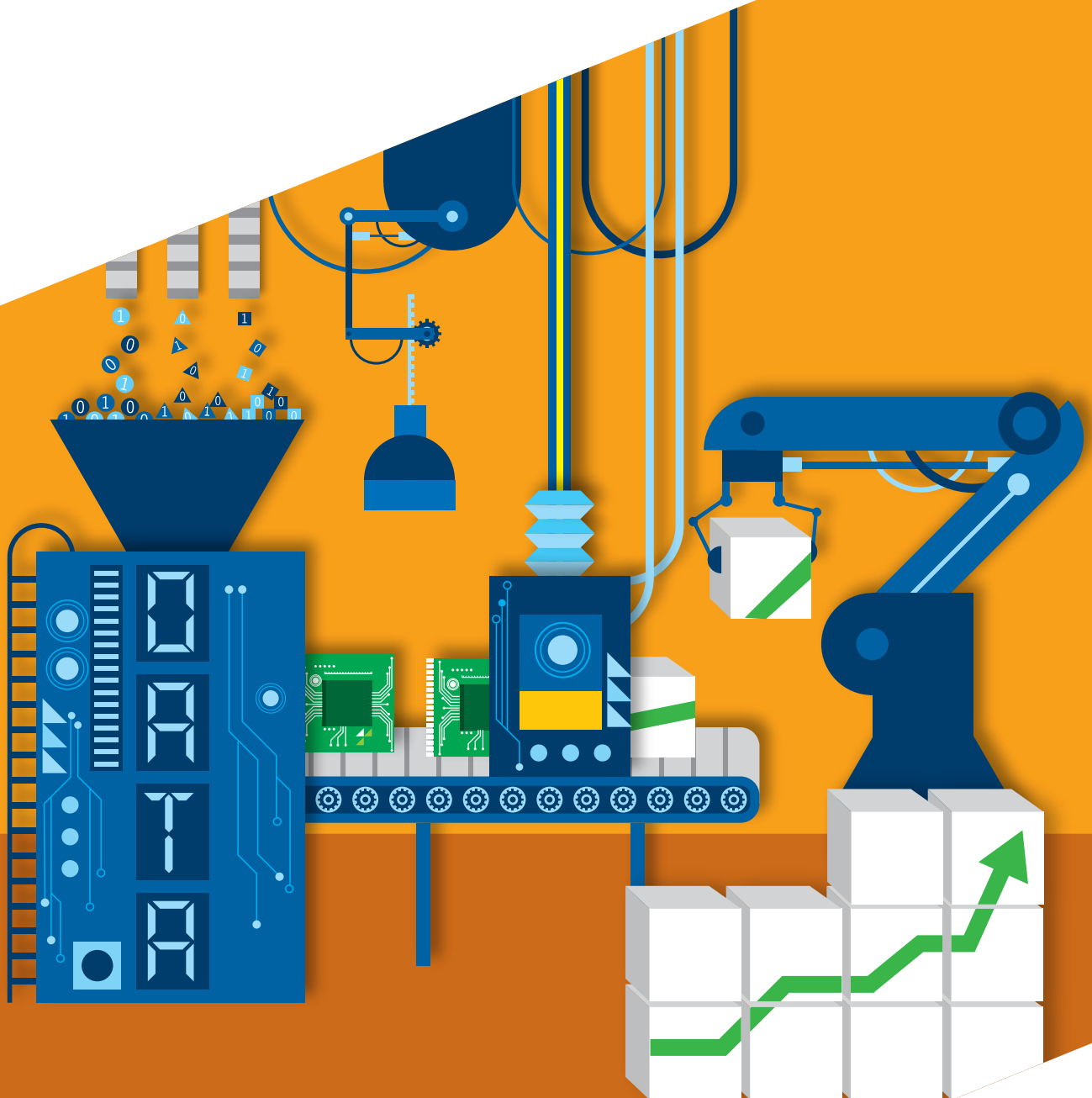
The real world is coming online, as smart objects, devices, and machines increase our insight into and control over the physical world. More than just an “Internet of things,” it’s a new layer of connected intelligence that augments employees, automates processes, and incorporates machines into our lives. For consumers, this provides new levels of empowerment. They are highly informed and can interact and influence the way they experience everything around them. For their part, organizations now get real-time connections to the real world that allow machines as well as employees to act and react faster—and more intelligently.

TREND 2

From workforce to crowdsource: Rise of the borderless enterprise

Picture a workforce that extends beyond your employees, one that consists of any user connected to the Internet. Cloud, social, and collaboration technologies now allow organizations to tap into vast pools of human resources across the world, many of whom are motivated to help. Channeling these efforts to drive business goals is a challenge, but the opportunity is enormous. Such an approach can give every business access to an immense, agile workforce that not only is better suited to solving some of the problems that organizations struggle with today, but in many cases will do it for free.





TREND 3

Data supply chain: Putting information into circulation

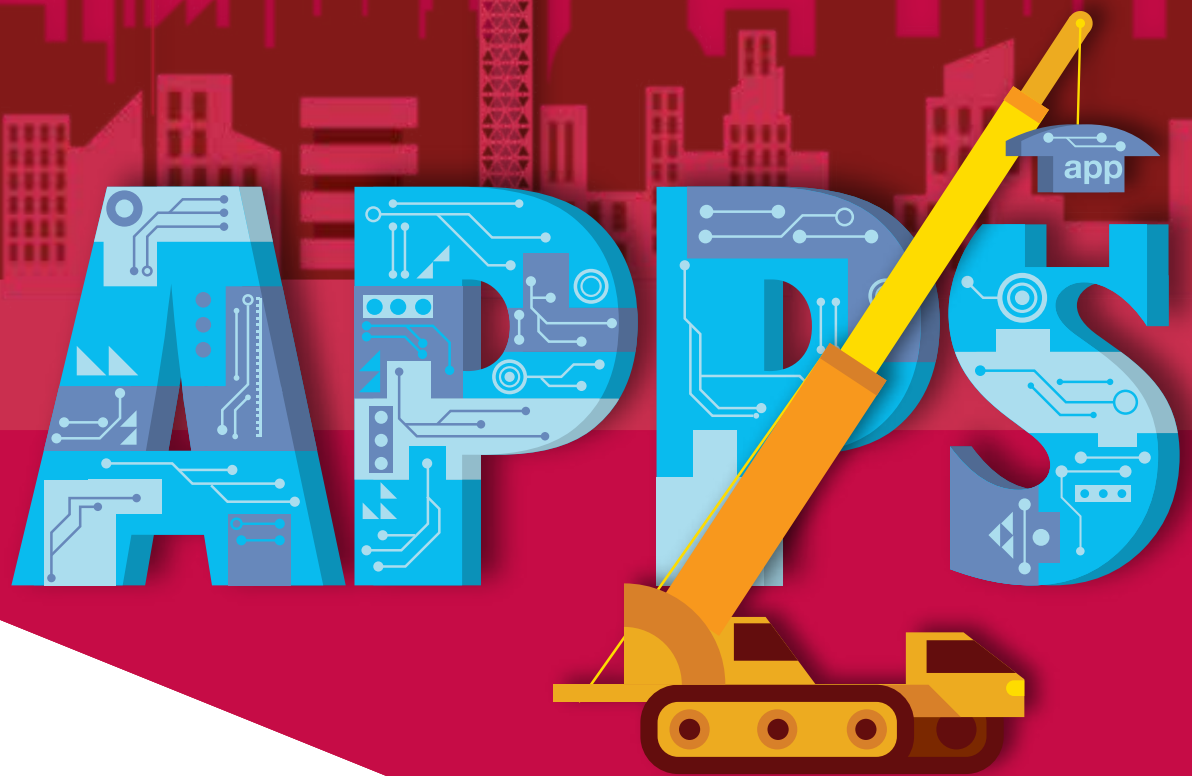
Yes, data technologies are evolving rapidly, but most have been adopted in piecemeal fashion. As a result, enterprise data is vastly underutilized. Data ecosystems are complex and littered with data silos, limiting the value that organizations can get out of their own data by making it difficult to get to. To truly unlock that value, companies must start treating data more as a supply chain, enabling the data to flow easily and usefully through the entire organization—and eventually throughout the organization's ecosystem of partners too.

TREND 4

Harnessing hyperscale: Hardware is back (and never really went away)

Eclipsed by more than a decade of innovation in software, the hardware world is now a hotbed of new development as demand soars for bigger, faster, more efficient data centers. Every company will see the benefits of “hyperscale” innovation trickle into its data center in the form of cost reduction, but as companies digitize their businesses, more and more will see these systems as essential to enabling their next wave of growth.







TREND 5

Business of applications: Software as a core competency in the digital world

The way we build software is changing. Mimicking the shift in the consumer world, enterprises are rapidly moving from applications to apps. Yes, there will always be big, complex enterprise software systems to support large organizations, and it will still be necessary for IT developers to keep customizing those systems, providing updates, patches, and more. But now, as organizations push for greater operational agility, there is a sharp shift toward simpler, more modular apps. There are implications for IT leaders and business leaders alike: they soon have to decide not just who plays what application development role in their new digital organizations but also how to transform the nature of application development itself.

TREND 6

Architecting resilience: “Built to survive failure” becomes the mantra of the nonstop business

In the digital era, businesses are now expected to support the nonstop demands that their employees and stakeholders place on business processes, services, and systems. This shift to support ever-changing priorities has ripple effects throughout the organization, especially in the office of the chief information officer, where the need for “always on” IT infrastructure, security, and business process economics can mean the difference between business as usual and the erosion of brand value. As a result, today's IT leaders must ensure that their systems are designed for failure rather than designed to spec.



CONCLUSION

All businesses, from the global 2000 to small businesses, are facing a pressing need to re-examine their capabilities in light of the next stages of their digital journeys. The pressure applies to both the IT and the business side.

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The technology imperative is absolute: it is now time for the CIO's organization to decide what role it plays in the emerging digital business—reinforcing the organization's technology backbone while equipping the business side with the knowledge, understanding, and partnerships with IT to leverage that stronger backbone.

For the business side, it is now incumbent on the leaders to define their company's place in the digital world. They must re-assess their relationships with their customers, partners, and the Internet community at large. They have to tear down the organizational silos that limit collaboration and sharing of data. They must re-examine the roles that their enterprise plays in its industry. And perhaps most exciting of all, they now have what they need to lower the entry barriers to other industries, opening them up as potential areas for growth.

The opportunity for every C-suite executive is to be a digital disrupter—to re-create and redefine the business to create lasting competitive advantage. The potential for growth is limited only by the creativity of the enterprise itself. Now is the time to stop thinking about being disrupted by digital technology and start using it to become a disrupter. The opportunity is here; what's stopping you from taking it?



NOTES

ⁱ "Tesco Hudl Review: Can a Supermarket Chain Put Out a Decent Tablet?" Engadget, October 27, 2013. <http://www.engadget.com/2013/10/27/tesco-hudl-review/>.

ⁱⁱ "Tesco Profile," PlanetRetail, November 6, 2013.

ⁱⁱⁱ "Thomas Staggs at D11: Disney's MagicBand in Action," AllThingsD, May 29, 2013. http://allthingsd.com/video/?video_id=528B4FF7-C8CA-42B4-AF89-59DCE53C18F1.

^{iv} "High Performers in IT: Defined by Digital," Accenture, November 4, 2013. <http://www.accenture.com/highperformancelT>

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