Session 5

What Technological Disruptions are in Store for the 21st Century?

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Digital is the new frontier.
Every 10 years or so, a technology revolution disrupts conventional business models. We are in the midst of the digital revolution today, where technologies known as SMAC—social, mobile, analytics/-big data, cloud—can be combined to enable the 'ultimate dream' for CEOs and heads of state: growth; new sources of value creation through innovation in products, services, and business models; and new sources of competitiveness through reduced costs, productivity gains and improved time to market. At the same time, digital technologies help reduce investment requirements as technology and services are accessed on a 'pay per use' basis.

Yet… it is only the beginning of the Digital era
Digital disruptions are coming in waves. First and most visible has been the **digital customer** wave, which transformed access to products and services as well as the way customers and citizens interact. We, at Accenture, have seen this wave come to life at Nespresso, where we have helped the company enable an e-commerce strategy to offer a personalized customer experience—across online, mobile and in-store channels—in more than 41 countries.

Next, and just beginning is the **digital enterprise** wave, whereby companies are leveraging digital technologies to rationalize their corporate operations and rethink how employees collaborate. For example, at Accenture our people interact virtually through our own internal versions of 'Facebook' and 'Skype.'; we train employees in virtual classrooms; we have 'digitized' many of our key processes to be paperless and accessible through PC, tablets or mobile phones; we leverage analytics for better insight, for instance to better understand people at risk of leaving; and we have the world's largest installed email base on the cloud, which drives both agility and cost effectiveness.

Emerging is the **digital operations** wave, often referred to as the Industrial Internet, or Internet of Things. The Internet of Things leverages technologies such as sensors, embedded software and the Internet to collect and receive data to improve machine monitoring and maintenance. With the Internet of Things, we have the ability to make our cities, plants and energy grids "smart"; and our cars "connected". Accenture has been working with Fiat-Chrysler, for instance, to develop the next range of connected services for its Uconnect™ system, which is integrated into vehicles to provide drivers with communication, entertainment and navigation features. The next wave will be about cognitive computing, robotics, artificial intelligence to make the machines learn.

Trillions of dollars of GDP are at stake!
The potential and impact of digital technologies is at the top of the agenda for CEOs and heads of state. And the business rationale is compelling. Accenture Strategy, in partnership with Oxford Economics, benchmarked the leading economies on the penetration of digital technologies. The result of this work—the Accenture Digital Density Index—empirically shows that increased penetration of digital technologies in economic activity can significantly lift productivity and GDP growth – potentially adding 0.25 percentage points per annum of GDP growth in advanced economies and 0.5 in emerging economies.

The Internet of Things, alone, is a growth game-changer, accelerating productivity, overcoming infrastructure gaps and driving innovation. In the 20 countries Accenture Strategy analyzed, current

policy and investment trends in Industrial Internet of Things products and technologies point to cumulative real GDP contributions of US $10.6 trillion by 2030. C-suite executives expect the Internet of Things to deliver more than 40% improvements in areas such as employee productivity improvement, asset optimization and cost cutting.

A multi-national race to reap the promised rewards

Yet, not all nations are equally prepared. To capture growth, nations need to shift attention away from the technology, itself, and focus on creating the right environments to enable their countries to weave innovations into its economic and social fabric. For governments, it is about fostering quality communications infrastructure, supporting R&D spending, developing STEM talent, addressing data privacy and security concerns, and fostering knowledge transfer and innovation through research institutions and technology clusters.

As with governments, not all enterprises yet ready to invest to seize the digital opportunity. While 87% of C-suite executives recognize the significant potential of the Internet of Things to deliver long-term job growth, only 38% think their company's senior leaders fully understand it, and a mere 7% have developed a comprehensive strategy and committed investments accordingly.

Digital change happens fast. To succeed, business leaders must consider a new strategic approach, setting a clear direction toward becoming digital leaders, while managing the evolution at multiple speeds. It often means to optimize their current businesses to fuel future investment in the growth areas and develop the required 'new' capabilities. As digital technologies and customer expectations shift, it is a matter of sequencing multiple bets and experiments. Indeed, a key to digital success is organizing for speed and adaptability.

For more information, access the following Accenture Strategy research:

Accenture Digital Density Index
The Growth Game-Changer: How the Industrial Internet of Things can drive progress and prosperity
Being Digital: fast forward to the right digital strategy