BE THE NEW DIGITAL ENTERPRISE

COMPETING IN THE INDUSTRY X.0 ERA OF SMART, CONNECTED, EFFICIENT BUSINESS
It is not a new story—but it’s a plot that continues to thicken, as companies remain unclear about how to best use digital to deliver at scale and seize new sources of growth. Some have built a strong external digital presence for their customers, but that is not nearly enough to make the business responsive and competitive. Being a digital enterprise is about being “digital inside.”

Digital is reinventing industries. In today’s Industry X.0 era, businesses must transform to deliver the hyper-personalized experiences and services that customers—including patients, travelers and consumers—expect. They must adopt more flexible processes and capabilities that allow for greater agility and speed. Companies must also embrace a borderless landscape where the lines between industries, products and services are blurred, and new ecosystems offer fertile ground for growth.

Digital advancements and new ecosystems, along with the ubiquity of applications, magnitude, availability of data, and reduction in the cost of computing, are disrupting the value chains of today’s businesses. Companies are left struggling to understand how to operate outside their traditional spheres to harvest value in this new Industry X.0 world.

To be competitive in the future, organizations must become dynamic and collaborative, focused on continuous improvement and positioned to capture new growth opportunities—the moment they appear.

Those that understand digital transformation earn **26 percent more profit than others**.¹

**UTTERLY DIGITAL**

A digital enterprise is connected and dynamic, flexible enough to embrace continuous change. It uses connected platforms, analytic insights, collaboration and modular operating models to increase productivity, speed and responsiveness while putting customers at the center of whatever it does.

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BE DIGITAL, OR BE REPLACED

Every business must become a digital enterprise to improve costs, increase margins and seize new growth opportunities. There is tremendous value in digitizing the way companies work. Accenture and the World Economic Forum estimate there is $100 trillion that can be unlocked for businesses and society from digital transformation.1

Companies must become fully digital enterprises to deliver at scale and sustain growth. Unfortunately, most have only made forays into digital, adding digital capabilities that improve customer experience or a specific function. Few have integrated digital and advanced analytics across their mid or back offices, and even fewer have an end-to-end view.

Being fully digital calls for an end to linear processes by function. Instead, as the walls between functions crumble, the enterprise will be organized into a network of processes oriented around customer outcomes. It is a modular approach where capabilities can be brought together in flexible combinations to achieve a specific outcome.

Companies need to transform not only by advancing their digital experiences for customers, i.e. being “digital outside,” but also transforming to digital operations, i.e. being “digital inside.” There is great financial value to be gained by going digital or being digital. Companies need to progress along both axes seen in Figure 1, but the changes do not need to occur at the same pace. As companies execute initiatives that move them along the axes, they have the opportunity to make “wise pivots” that protect the core business, and grow the new business. The business should have a foot in today and tomorrow, making wise pivots that accelerate the speed of transformation from crawl, to walk to run.

Companies with above-average levels of digital revenue have been growing on average 1.5 percent faster than the industry mean. Above average organizations experience lower costs and higher capital productivity.2

FIGURE 1. MAKING INTENTIONAL PIVOTS TO BOTH GO DIGITAL AND BE DIGITAL

Great financial value can be achieved by going digital or being digital. However, to grow the core and transform to a digital business, companies must advance on both axes.

For a $5-10B retail client, Accenture helped achieve these financial outcomes:

1. Customer personalization to drive margin enhancement
2. Digitally enabled operating model to lower the cost base
As businesses transform to become digitally dominant, they will have several core building blocks in place:

**Digital Operating Model**

The operating model connects business functions, processes and structures and influences how well a company can navigate its rapidly evolving ecosystem.

**Innovation is the New Vision**

Innovation must happen faster than ever in the digital era. Leaders pursue more experimentation: testing innovations, failing fast and moving on to the next idea. Data and analytics can provide insights to help shape innovation around initiatives with higher likelihoods of success. We believe some companies should consider an acquisition-based strategy to drive innovation. When the enterprise can innovate at speed, it can accelerate product and consumer lifecycles.

**Rebuilding the Foundation**

In the digital enterprise, linear processes will be “dead” and the walls will come down between silos so the business can work collaboratively, and in new ways. Companies will need to be more flexible and fluid so that they can organize around customer outcomes. Traditional capabilities will still have a home in the digital enterprise, but not in discrete functional silos. Capabilities will become modular. These capability “blocks” can be stacked together to deliver a desired customer outcome and solve the challenges of the moment. Similarly, they can be dismantled and reconfigured to achieve a different customer outcome or deliver a different skillset. When processes are organized around a talent skillset, such as planning or customer service, the skill set is aggregated and deployed across the company to deliver value enterprise-wide, rather than in just one functional silo. Processes will be re-imagined to be faster and more collaborative, responsive and productive, see Figure 2. Digital companies will leverage both in-house and external capabilities. Models to balance internal and external capabilities will vary, depending on the specific need.

**Digital Makes the Difference**

Digitalization will give the new enterprise an end-to-end view of processes, which also allows for automation, analytic modeling and insight-driven approaches to solve specific business challenges. The digital enterprise takes advantage of robotics, algorithms, cognitive computing, drones and augmented reality to both appeal to customers’ personalized expectations and increase productivity and speed to market.

Deciding what to digitize calls for re-evaluating the company’s core and non-core capabilities. The company can be a digital enterprise even if robotics, for example, isn’t a core capability. Its core is still its business/market differentiator.
Companies now have the ability to organize processes with greater agility and fluidity.
DIGITALLY CAPABLE WORKFORCE

The workforce of the future that powers the digital enterprise will have a next-generation talent pool that includes a balance of humans and machines.

The humans will consist of a core workforce and liquid workforce that allow the business to be more responsive and align the right talent. Employees, especially newer generations, expect more flexible ways of working, so this new model improves the employee experience while also driving up the company’s level of competitiveness.

GREATER FLUIDITY

Technology enables the workforce itself to be more liquid and flexible. Employees are gaining adaptable skills that are relevant and transferable from one business unit to the next, or one ecosystem company to the next. This on-demand workforce of “free agents” allows businesses to leverage the best of the best for key initiatives.

Organization models that are built on workforce capability pools allow the business to be more adaptive and productive. Core skills will become transferable across the organization, and the company can focus on building and growing new important skills, such as problem solving and innovation, which are different than before robotics, AI and external talent pools were adopted.

HUMANS + MACHINES

Digital will drive real business value by way of labor productivity, talent acquisition and retention, as well as innovation and creativity. Companies “in the new” use automation for transactional activities, freeing up workers to focus on thinking and creating—factors that accelerate speed to market and inspire differentiation. As companies become more digital, they will need skilled resources who understand the building blocks of end-to-end capabilities, people who can look across functions and assemble those building blocks to achieve certain business outcomes.

In the digital economy, humans and machines are now working on the same team—and each brings a critical skillset. It can allow people to be more productive and focus on what they do best. MIT estimates an 85 percent reduction in workers’ idle time when they collaborate with robots.3

NEW HR

Leaders are transitioning their HR organizations from a transactional, administrative role to a digital-savvy group of people that understands employees and contingent workers as well as the areas in which they work. Understanding the talents, skills and aspirations of the workforce will also allow HR to personalize talent management and training for the first time. Furthermore, robotics and AI deliver cost savings that can be reinvested in the workforce. Companies may see 30 to 40 percent loaded labor cost savings from automation.

As companies cultivate this workforce of the future, they will have to piece together many new roles based on specific initiatives versus having talent sitting in traditional company functional “silos.” The company’s relationship with the liquid workforce will also change, as companies assemble (then disassemble) talent that can simultaneously opt in (and out).

APPEALING TO A WORKFORCE OF ONE

Technology is playing a larger role in what employees want, and what they expect. They expect a culture where digital flourishes and opportunities are abounding to share ideas, brainstorm and solve business problems using the latest technologies. They also expect hyper-personalization, not a one-size-fits-all approach in their HR interactions.

Companies that focus on the workforce experience are winning in the market. The new digital enterprise improves experiences and fosters employee growth at an individual level. Analytics can help determine what employees want so that HR can respond with choices about what work to do. The Accenture Worker Values Index reveals that emotional factors like engagement, quality of life and status are equally, if not more important, to workers than income and benefits.

Ecosystem Opportunities

In the new world, where industry boundaries are permeable, every business must reconsider its partnership strategy and fundamental role in the broader ecosystem. Companies that don’t proactively claim their role will be replaced. Market leaders recognize the need to participate in the ecosystem—78 percent of research respondents said they would be increasing their partnerships and alliances as they attempt to boost digital growth in the next three years.  

Finding a Place

Some might choose to pursue joint ventures and partnerships where companies can work together to enrich the customer value proposition. Others may spin off aspects of their business and create different businesses that unearth new revenue streams.

Companies can build, buy, partner, invest and incubate to stay ahead of disruption. These choices depend on the level of talent/skills mix a business has, and their vision for where they fit into the ecosystem. In any case, it is critical to figure out a strategy and clearly define your role. Businesses that don’t find a place will be left behind—or left out.

Partners in Value

Companies are increasingly integrating their core business with third parties and their platforms, shaping a digital ecosystem that unlocks new waves of growth. The first step to collaboration is breaking down the walls between the business and its ecosystem partners. Ecosystem players have stronger potential for profitability, as when companies work together toward the same goal, there are potential growth multiplier effects.

For instance, ecosystem partners have exponential data to draw on and analyze to enable customer outcomes. By pooling resources, there is a better chance of scaling to reach new audiences. Exchange of customer information across platforms also allows for more tailored interactions with customers. And together, businesses can innovate systematically and often, and focus on experiences and solutions to problems. Forming these new partnerships, especially unorthodox ones, requires an open mindset—but the possibilities for value are endless.

Following a lean approach to core and support functions, 90% of companies have significantly adjusted operations in the past two years.  


Technology is no longer viewed as just a cost of doing business; it’s a key driver of future value—an enabler of revenue generation in the new enterprise.

**DIGITAL PLATFORMS**

Companies are investing in smart, connected technology platforms that have embedded prescriptive analytics that provide the underpinning for understanding the resources needed to deliver an outcome, and the business impact of each decision. They are using technology to better understand what customers want, and act on those learnings. For example, by learning from each customer interaction, businesses can deliver more hyper-personalized, relevant, valuable and seamless experiences across sales channels. Cognitive platforms hold tremendous potential to almost instantaneously understand the relationships between thousands of business variables and suggest actions to achieve specific business outcomes.

Others are transforming, retiring and leap-frogging away from legacy systems into the new world of value systems. By investing in this new technology, large businesses can move with the pace and agility of much smaller players. They can affordably preserve and exploit the value of their legacy systems—by creating a versatile environment that uses open API architectures, multi-speed IT and cloud. Emerging technologies, like blockchain, can connect a business to the ecosystem so that value is more easily exchanged and processes can more readily be digitized.

**ADVANTAGES OF AUTOMATION**

Leading companies embrace automation as a means to free up workers to focus on thinking and creating—factors that accelerate speed to market and inspire differentiation. And while technology empowers humans, humans can also empower technology to work smarter and faster. In the digital economy, the two entities are now working on the same team—and each brings a critical skill set. Technology simply allows everyone’s strong suit to flourish.

Through the transformation to a digital enterprise, we recommend businesses are careful to ensure proper controls and governance. All technologies must have robust security that protects consumer/patient data as well as intellectual property.
DIGITAL LEADERSHIP

As walls between functions crumble and processes take on new form, someone must be there to manage all of it. The chief operating officer (COO) and entire C-suite have a powerful role to play in digital transformation—but roles are changing.

FROM VERTICAL TO VALUE

Current C-suite functional roles, e.g., CFO and CHRO roles will expand in new ways. Rather than managing a large function and reporting/being backwards-looking, the CFO will need to drive value for the company, invest in innovation and drive ROI on digital and other investments. So it will likely be a smaller function to manage but have greater responsibility. For the CHRO, rather than focusing on HR processes, this executive will need to manage liquid talent pools and determine where technology can free people to do higher level tasks.

Leaders in the C-suite must take on broader roles. Rather than being managers of vertical functions, they must now manage broader value streams. For instance, the chief financial officer will look beyond the finite finance organization. They will move from analysis of historical data to helping the company invest in innovation and focus on driving value. The chief human resources officer will manage a team that extends beyond the organization’s four walls. They will pull in resources from outside of the enterprise, and they will also manage machines, as automation and robotics are increasingly key to augmenting the workforce. The “team” will also include resources from ecosystem partners that enable the business to expand and contract based on need. HR leaders will need to manage this workforce cohesively, and also ensure it is driving value for the organization.

MANAGING FOR OUTCOMES

The role of the COO will shift most dramatically. In addition to leading supply chain and operations responsibilities and teams, COOs will be tasked with reorienting the business around outcomes. They will have a stronger commercial and customer orientation as they now will be responsible for architecting a flexible operating model and running modular end-to-end processes within the organization, and also across an ecosystem of partners.

The COO will work with all business leads to align priorities and objectives and ensure the business has the right capabilities and relationships to deliver outcomes through end-to-end processes. This includes understanding the proper sequence and relationships between capabilities, and where to insert new IT to increase agility, responsiveness and improve decision making. Given the critical role technology will play in enabling the digital enterprise, COOs can benefit from understanding technology to help them run future operations.
HOW TO BECOME A DIGITAL ENTERPRISE

The journey to transformation in the Industry X.0 world may seem daunting. However, we believe it is achievable when your enterprise follows a disciplined and pragmatic journey. That journey begins by establishing a north star that defines why your business exists, along with a vision for what it can become. What will be your role in the new ecosystem? What is the value story that substantiates the need for transformation? Working toward the north star allows you to identify the pieces of your business that need to transform in order to get there.

Use wise pivots to determine where to start cutting new ground. These pivots leverage and digitize the core business, allowing it to break into new business areas. Pivots on the journey to a digital enterprise include:

**Transform the core**
Get brilliant with the basics of your organization. Digitizing functions across the enterprise that support the core business will release funds that can be reinvested in growth. During this phase, identify where you can start breaking new ground to enhance productivity and drive profitable growth.

**Grow the core**
During this phase, your business can strengthen the building blocks of the organization. Adopt new business models that allow your business to be competitive and responsive, and play a strong role in the ecosystem.

**GET TALENT RIGHT**
The workforce of the future will have a strong base of core talent with the right skills, training and opportunities. It will support a liquid workforce that can flex as enterprise needs change. Automation will be used to offload transactional tasks onto artificial intelligence, allowing workers to unleash their human potential. And, if the enterprise does not have all of the necessary skills in-house, an ecosystem partner can fill in capability and talent gaps.

As the organization hones its talent strategy and people adopt more cross-functional roles, it will lead to changes in where profit and loss is managed and, therefore, how executives are rewarded. HR should establish new objectives and success measures to support new collaboration models and the failing fast approach to innovation.

**THE NEW IS NOW**
Digital businesses have the tools to sense disruption and compete in a fluid market. They organize structures, teams and processes in a way that drives revenue growth and productivity. They use technology to enable more customer-centric ways of working. They harness advanced analytic capabilities to spot which trends matter, and determine what impact they will have on the business. They leverage digital as a multiplier of value that unlocks new opportunities to be an integral part of a new ecosystem.

Becoming a digital enterprise is necessary to grow your bottom line. The question is no longer “When to transform,” it’s “How fast can you shift to become a digital enterprise ready for a more profitable future?”
About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 401,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

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