BUSINESS COMPETITIVENESS 2015: DIGITAL OPPORTUNITIES

By the IMD World Competitiveness Center
in collaboration with Accenture

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Executive Summary
Austria

The IMD World Competitiveness Center, a pioneering institution in the study of competitiveness, partners with Accenture Austria to conduct a study about digital expectations, strategies, and practices in the largest Austrian companies.

Introduction

The IMD World Competitiveness Center, a pioneering institution in the study of competitiveness, partners with Accenture Austria to conduct a study about digital expectations, strategies, and practices in the largest Austrian companies.

The study utilizes the Top 100 to identify the largest Austrian companies. The analysis considers financial data from 2010 to 2014. Austrian Growth Champions were identified as the firms that achieve average revenue growth (CAGR) and profit margins above the corresponding averages of the overall sample and the firms' direct industry peers. There are 13 Growth Champions in six different industries. Companies are eligible only if data for all five years are available. In addition, the Growth Champions consists from companies with the main headquarters in Austria. The analysis does not include firms that experienced extraordinary events such as mergers and acquisitions during the period 2010 to 2014 because such events influence the results. It also excludes the real estate industry because it showed extremely volatile results, which were heavily influenced by single development projects.

Key Findings

Company level

Digitization is not a fundamental part of the business strategy for large Austrian companies

1

Only about half of the respondents (52%) perceive that the strategic value of digitization is realized by their company. Only 30% indicate that "digitization is actively promoted within the company" and 81% perceive the current degree of digitization of their company as mid-to-fully developed.

The digital culture does not have a clear advocate at the top of an organization

2

The development over the digitization strategy does not have a clear advocate in the C-level management. Only 27% of the respondents indicate that the CEO of the company is the digitization planner while the same percentage believe that the planning is conducted by the CIO. About a fourth of the respondents (24%) perceive that this is the responsibility of "other organizational units." Interestingly, 24% of the respondents perceive that the digital culture is a "shared responsibility" between "board members and senior executives."

Furthermore, only about a third of the respondents (30%) believe that digitization is actively promoted within the company and new business models are developed.

Increasing efficiency

3

71% of the respondents identify the "increase of the efficiency" while 38% recognize "data modernization" as the main aspect of digitization. Yet, 29% point to the "digitization of products" and about a fourth (26%) view the "expansion into new business areas" as the main feature of digitization.

Industry level

Digitization needs a greater presence at the industry level

4

69% of the respondents perceive the level of digitization to be mid-to-fully developed. Furthermore, 65% of the respondents believe that "competition has not changed fundamentally due to digitization." From the remaining 35% of the participants, 83% perceive that competition has increased or significantly increased while 17% see it as disruptive.

Implications of digitization

5

The expanded digitization brings along a pressure in the industry level. Thus, 50% expect that the digitization pressure will result in **lower market prices and costs**, 47% perceive **shorter innovation cycles**, while 21% do not feel any digitization pressure.

The majority of the respondents (53%) anticipate that digitization will transform the existing **value creation logic**.

Half of the participants (50%) expect an **increase in efficiency** at the industry level. This can be ascertained either from the diminishing overall business volume, or from adapting a better optimum size. Interestingly, 32% of the respondents expect that the industry will mostly remain the same.

Summary of data-trends: Austria

I. Status of digitization (industry)

- 69% of respondents see the current degree of digitization at the industry level to be mid-to-fully developed.
- 74% see the "increase of efficiency" as the most relevant aspect of digitization, while 38% consider the "data monetization," 26% see the "expansion into new business areas."

II. Impact of digitization (industry)

- State of competition (based on progressive digitization): 65% indicate that "competition has not changed fundamentally due to digitization."
- Impact of progressive digitization competition: 33% see that competition "has increased," 50% see the increase as "significant" and 17% as "disruptive."
- Impact of digitization on industry long-term evolution: 50% respondents expect that impact to be realized in increase efficiency by ""rightsizing" / a diminishing of its overall business volume." 53% see the impact to be focused on "its value creation logic," 32% expect the "industry will largely remain as it is today."
- For 50% of participants "decreasing market prices and allowed-costs" leads to increase "digitization pressure." While 47% see "shorter cycles of innovation" at the core, 26% consider "the increasing demand for digitalized products and services," 26% do so about "lower barriers" for new competitors and 21% "don't feel any 'digitization pressure'."

III. Status of digitization (company)

- 81% see the current degree of digitization of their company as mid-to-fully developed.
- 71% see "the increase of efficiency" as the most relevant aspect of digitization. "The expansion into new business areas" is perceived by 26% to be the most relevant element, while 38% highlights "data monetization," and 29% "the digitization of products."
- 52% consider that the strategic value (essential component of strategy) of digitization is being realized by their company.
- Digitization's embeddedness: 30% indicate that "digitization is actively promoted within the company," 21% point out that it "is actively promoted within the company" leading to "new business models." For 15% their companies react to "digital customer requests."
- 27% say that digitization strategy planning is conducted by the CIO and 27% indicate that the planning is done by the CEO. 15% indicate that it is the responsibility of "other members of the board" and 24% say "Other organizational units." 24% see it as "shared responsibility" between "board members and senior executives."
- 31% of respondents point out that the digitization strategy execution is conducted by the CIO and 25% say that it is done by the CEO. 28% say "other organizational units." 16% see it as "shared responsibility" between "board members and senior executives."
- While 47% describe their business model as "customer-focused," 32% does so as "efficiency-focused."

IV. Financial impact of digitization

- 47.22% of respondents (combining the 2014 and for the next 3 years categories) consider the turnover results from digital business activities to be 0% to 10%.
- 58.33% (combining the 2014 and for the next 3 years categories) indicate that the proportion of profits that results from digital business activities is from 0% to 10%.
- 63.89% of participants (combining the 2014 and for the next 3 years categories) estimate that their investment requirements to be 0% to 10%.

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Executive Summary Germany

The IMD World Competitiveness Center, a pioneering institution in the study of competitiveness, partners with Accenture Germany to conduct a study about digital expectations, strategies, and practices in the largest German companies.

Introduction

The IMD World Competitiveness Center, a pioneering institution in the study of competitiveness, partners with Accenture Germany to conduct a study about digital expectations, strategies, and practices in the largest German companies.

The study identifies the Growth Champions from the Top500 largest German companies. The analysis considers financial data from 2010 to 2014. German Growth Champions are identified as the firms that achieve average revenue growth (CAGR) and profit margins above the corresponding averages of the overall sample and the firms' direct industry peers. There are 43 Growth Champions in 14 different industries. Companies are eligible only if data for all five years are available. In addition, the Growth Champions includes only companies with their main headquarters in Germany. The analysis does not include firms that experienced extraordinary events such as mergers and acquisitions during the period 2010 to 2014 because such events influence the results. It also excludes the real estate industry because it shows volatile results, which are influenced by single development projects.

The IMD World Competitiveness Center approached more than 4000 executives from the largest German companies. Final results are based on a total of 247 survey responses.

Key Findings

Company level

Digitization becomes an essential part of the business strategy for large German companies

1

78% of the respondents agree with this statement. In a question related to the investment towards digitization for 2014, more than half of the respondents (53.8%) suggested that the investment towards digitization was less than 10% of total investments. In estimating the digitization investment for the next three years, however, this number of respondents declines to 20.5%.

The digital culture is built at the top of an organization

2

The survey provides strong evidence that the development of the digitization strategy is a C-level management decision. 43% of the respondents indicate that the CEO of the company is the digitization planner while 26% believe that the planning is conducted by the CIO.

Furthermore, more than a third of the respondents (39%) believe that digitization is actively promoted within the company and new business models are developed.

Increasing efficiency

3

69% of the respondents identify the increase of the efficiency, while 49% recognize the expansion into new business areas, as a main aspect of digitization. While 39% of the participants view the digitization of products as a main aspect of digitization.

Increasing efficiency along with expansion in markets and products lead to transforming the way industries operate. 17% of the participants felt that their company can be identified as a 'disruptor' within the industry.

Industry level

Digitization is on the rise at the industry level

4

54% of the respondents perceive the level of digitization to be mid-to-fully developed.

With respect to competition, 45% of respondents perceive that it has changed fundamentally due to digitization. Almost 80% of these perceive the progression of digitization competition to be increased or significantly increased while 20% see it as 'disruptive'.

Implications of digitization

5

The expanded digitization brings along pressure at the industry level. Thus, 47% expect that the digitization drive will result in **shorter innovation cycles**, 34% perceive **lower market prices and costs**, while 37% envisage an **increasing complexity of products** as the core of the digitization pressure.

The majority of the respondents (62%) anticipate that digitization will transform their industry's existing **value creation logic**. Another 47% of the participants expect an industry level increase in efficiency which will translate into a **rightsizing** of today's businesses.

Summary of data-trends: Germany

I. Status of digitization (industry)

- 54% of respondents see the current degree of digitization at the industry level to be mid-to-fully developed.
- 68% see the "increase of efficiency" as the most relevant aspect of digitization, while 50% see the "expansion into new business areas," and 37% consider the "digitization of products."

II. Impact of digitization (industry)

- State of competition (based on progressive digitization): 55% indicate that "competition has not changed fundamentally due to digitization."
- Impact of progressive digitization competition: 49% perceive that competition "has increased," 30% see the increase as "significant" and 20% as "disruptive."
- Impact of digitization on industry long-term evolution: The majority of respondents (62%) expect that impact to be focused on "its value creation logic." 47% see the impact to be realized in increase efficiency by "rightsizing" / a diminishing of its overall business volume," 24% expect a "convergence" among multiple industries.
- For 59% of participants "the increasing demand for digitalized products and services" leads to increase "digitization pressure." While 47% see the "shorter cycles of innovation" at the core, 37% consider "the increasing complexity of products" and 34% see the "decreasing market prices and allowed-costs."

III. Status of digitization (company)

- 60% see the current degree of digitization of their company as mid-to-fully developed.
- 69% see "the increase of efficiency" as the most relevant aspect of digitization. "The expansion into new business areas" is perceived by 49% to be the most relevant element, while 39% highlights "the digitization of products" and 25% "data monetization."
- 78% consider that the strategic value (essential component of strategy) of digitization is being realized by their company.
- Digitization's embeddedness in company strategy: 39% point out that "digitization is actively promoted within the company and new business models are developed." 24% indicates that "digitization is actively promoted within the company." For 16% their companies react to "digital customer requests."
- 26% say that digitization strategy planning is conducted by the CIO and 43% indicate that the planning is done by the CEO. Only 5% selected the Chief Digital Officer.
- 27% of respondents point out that the digitization strategy execution is conducted by the CIO and only 7% indicate that it is the Chief Digital Officer who implements that strategy and 26% say that it is done by the CEO.
- While 52% describe their business model as "customer-focused," 22% does so as "efficiency-focused."

IV. Financial impact of digitization

- 75.30% of respondents (combining the 2014 and for the next 3 years categories) consider the turnover results from digital business activities to be 0% to 10%.
- 74.49% (combining the 2014 and for the next 3 years categories) indicate that the proportion of profits that results from digital business activities is from 0% to 10%.
- 59.51% of participants (combining the 2014 and for the next 3 years categories) estimate that their investment requirements to be 0% to 10%.

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Executive Summary Switzerland

The IMD World Competitiveness Center, a pioneering institution in the study of competitiveness, partners with Accenture Switzerland to conduct a study about digital expectations, strategies, and practices in the largest Swiss companies.

Introduction

The IMD World Competitiveness Center, a pioneering institution in the study of competitiveness, partners with Accenture Switzerland to conduct a study about digital expectations, strategies, and practices in the largest Swiss companies.

The study utilizes the Handelszeitung Top 500 to identify the 985 largest Swiss companies 301 of which are banks and insurance firms. The sample spans 18 industries, and the analysis considers financial data from 2010 to 2014. Swiss Growth Champions were identified as the firms that achieve average revenue growth (CAGR) and profit margins above the corresponding averages of the overall sample and the firms' direct industry peers. There are 44 Growth Champions, including 9 banks and 3 insurance firms. Companies are eligible only if data for all five years are available. In addition, the Growth Champions only includes companies with their main headquarters in Switzerland. The analysis does not include firms that experienced extraordinary events such as mergers and acquisitions during the period 2010 to 2014 because such events influence the results. It also excludes the real estate industry because it shows volatile results, which are influenced by single development projects.

The IMD World Competitiveness Center approached 7,387 executives from the largest Swiss companies. Final results are based on a total of 396 survey responses from which 111 are from Growth Champions.

Key Findings

Company level

Digitization becomes an essential part of the business strategy for large Swiss corporations

1 78% of the respondents agree with this statement. Within the Growth Champion sub-sample 86% of the respondents recognize digitization as a major component of the business strategy.

The digital culture is built at the top of an organization

2 The survey provides evidence that the development of the digitization strategy is a C-level management decision. 26% of the respondents indicate that the CEO of the company is the digitization planner while 34% believe that the planning is conducted by the CIO. For the Growth Champion sub-sample this combined number becomes 66%.

Furthermore, more than a third of the respondents (38%) believe that digitization is actively promoted within the company and new business models are developed.

Increasing efficiency

3 83% of the respondents identify the increase of the efficiency while 44% recognize the expansion into new business areas as a main aspect of digitization. While 32% of the participants view it as a response to the digitization of products.

Increasing efficiency along with expansion in markets and products lead to transforming the way industries operate. 17% of the participants felt that their company can be identified as a 'disruptor' within the industry. For the Growth Champions sub-sample this percentage becomes 21%.

Industry level

Digitization is on the rise at the industry level

4 62% of the respondents perceive the level of digitization to be mid-to-fully developed.

With respect to competition, the majority (63%) of the participants believe that "competition has not fundamentally changed due to digitization". However of those who do see change almost 40% see the change as significant or disruptive.

Implications of digitization

5 The expanded digitization brings along a pressure in the industry level. Thus, 42% perceive that the digitization pressure will bring about **lower market prices and costs**, 36% expect **shorter innovation cycles** while 27% envisage an **increasing complexity of products** as the core of the digitization pressure.

The majority of the respondents (54%) anticipate that digitization will transform their industry's existing **value creation logic**. Another 47% of the participants expect an industry level increase in efficiency which will translate into a **rightsizing** of today's businesses.

Given the above, a weakening of the industry barriers to entry is also anticipated.

Summary of data-trends: Switzerland

I. Status of digitization (industry)

- 62% of respondents assess the current degree of digitization at the industry level as mid-to-fully developed.
- The most relevant aspect of digitization is the "increase of efficiency" (81%) followed by the "expansion into new business areas" (43%).

II. Impact of digitization (industry)

- State of competition (based on progressive digitization) remains steady: The majority of respondents believe that "Competition has not changed fundamentally due to digitization (63%).
- Impact of progressive digitization competition: 23% says it "has increased significantly", 55% "has increased" with 16% considering increased competitive pressure to be "disruptive."
- The majority of respondents (57%) expect that Impact of digitization on industry long-term evolution will focus on "its value creation logic." 47% see that impact to be realized in increased efficiency by ""rightsizing" / a diminishing of its overall business volume."
- 51% indicate that "the increasing demand for digitalized products and services" leads to increase "digitization pressure." 42% perceive the "decreasing market prices and allowed-costs" as the main cause of digitization process. While 27% consider it to be "the increasing complexity of products," 36% see "shorter cycles of innovation" at the core of that pressure.

III. Status of digitization (company)

- 67% of participants tend to perceive the current degree of digitization in their company as mid-to-fully developed.
- 83% see the "increase of efficiency" as the most relevant aspect of digitization. 44% consider expansion into new business areas and 32% the "digitization of products."
- 78% consider that the strategic value (essential component of strategy) of digitization is being realized by their company.
- Digitization's embeddedness in company strategy: 38% point out that "digitization is actively promoted within the company and new business models are developed." For 13% their companies react to "digital customer requests" while 14% believe that reaction originates in the "digital competitive pressure within the industry."
- 34% say that digitization strategy planning is conducted by the CIO and 26% indicate that the planning is done by the CEO. Only 8% selected the Chief Digital Officer.
- 37% point out that the digitization strategy execution is conducted by the CIO. While only 9% say that it is the CDO who implements that strategy, 17% say it is the CEO.
- While 50% describe their business model as "customer-focused," 26% do so as "efficiency-focused."

IV. Financial impact of digitization

- 79.80% of respondents (combining the 2014 and for the next 3 years categories) consider the turnover results from digital business activities to be 0% to 10%.
- 77.78% (combining the 2014 and for the next 3 years categories) indicate that the proportion of profits that results from digital business activities is from 0% to 10%.
- 65.15% of participants (combining the 2014 and for the next 3 years categories) estimate that their investment requirements to be 0% to 10%.

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