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Dr. Stephanie L. Woerner
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Creating the Next Generation Enterprise

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- Posten Norge (Norway)
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- Procter & Gamble
- QBE
- Raytheon Company
- Reserve Bank of Australia
- Royal Bank of Canada
- Royal Philips
- Shell Australia (The Netherlands)
- Scentre Group (Australia)
- Schneider Electric
- Schneider Electric Industries SAS (France)
- Standard Bank Group (South Africa)
- State Street Corp.
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- Suncorp Group (Australia)
- Swinburne University of Technology (Australia)
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- Tetra Pak (Sweden)
- Trinity Health
- USAA
- Westpac Banking Corp. (Australia)
- WestRock
- World Bank

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Founded in 1974 and grounded in the MIT tradition of rigorous field-based research, MIT CISR helps executives meet the challenge of leading dynamic, global, and information-intensive organizations. Through research, teaching, and events, the center stimulates interaction among scholars, students, and practitioners.

**2019 MIT CISR Research Projects**

- Moving from Value Chains to Ecosystems: Building & Leveraging Partnering Strength
- Coordinating Innovations: How Firms Realize Greater Business Value from Their Innovation Portfolio
- Developing Data Monetization Portfolios That Pay Off
- Operating Models for Your Digital Business
- Investing in Employee Experience to Create Better Customer Experience
- Decision Rights in the Digital Era
- The Executive Committee & Board Relationship in Digital Transformation
- Guiding Your Enterprise to Future Ready (and Beyond)
- What’s Next for the IT Unit?
The Next-Generation Enterprise

Digital Disruption—impact of increasing digitization on your company’s future success, e.g., new entrants, new business models, breaking down industry barriers. Digitization includes: social, mobile, analytics, cloud, internet of things plus platforms and legacy.

What is the next generation enterprise in 5 to 7 years?

Studied 144 enterprises’ most “important IT-enabled transformation initiatives to achieve breakthrough performance.” Then surveys from ~1000 companies.

Will describe insights, case studies, and a framework for digital business models.

1: Digital Threat

What is the **Digital Threat** and opportunity?

What percentage of your revenues are under threat?

All companies: 28%

> $7B revenues: 46%

Heavy Industry
Manufacturing
Retail
IT, Telecom, Media
Financial Services
Services
How do companies turn threat into opportunity?
What’s Your Digital Business Model? Six Questions to Help You Build the Next-Generation Enterprise.


Threat

Which Business Model is best for your enterprise’s future?
Next Generation Enterprise
Digital Business Models Framework
MORE FAMILIARITY WITH CUSTOMERS

LESS FAMILIARITY WITH CUSTOMERS

CONTROLLED VALUE CHAINS

COMPLEX NETWORKED SYSTEMS
<table>
<thead>
<tr>
<th>Controlled Value Chains</th>
<th>Less Familiarity with Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Familiarity with Customers</td>
<td>Complex Networked Systems</td>
</tr>
</tbody>
</table>
Controlled Value Chains

More Familiarity with Customers

Supplier

Complex Networked Systems

Less Familiarity with Customers
83% of customers make purchase decisions before entering a store\(^1\)

Sources: Discussions with P&G executives and P&G documents. Business sphere and cockpit images used with permission. Website screenshot is from http://www.pampers.com

1. Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers
OMNICHANNEL

MORE FAMILIARITY WITH CUSTOMERS

CONTROLLED VALUE CHAINS

SUPPLIER

LESS FAMILIARITY WITH CUSTOMERS

COMPLEX NETWORKED SYSTEMS
One Nordstrom: The sum is greater than the parts

- Seamless shopping journeys – serving customers how they want to interact (from low touch to high touch)
- Differentiated combinations of digital and physical options for customers
- Fully using inventory supply chain and digitally assisted sales. Customers have access to all inventory and multiple fulfillment options

Engagement across the four boxes encourage more visits and more spending
2017 revenues of $15B, 5% revenues CAGR over 5 years (versus 1% market growth) Digital sales penetration from 13% in 2012 to 26% in 2017

Source: Nordstrom Investor Day 2018 presentation
MORE FAMILIARITY WITH CUSTOMERS

OMNICHANNEL

SUPPLIER

LESS FAMILIARITY WITH CUSTOMERS

CONTROLLED VALUE CHAINS

MODULAR PRODUCER

COMPLEX NETWORKED SYSTEMS
From Modular Producer Pure to Plus: PayPal

- Helps people and businesses accept and make payments digitally
  - 100+ currencies for payments, 200+ markets
  - Links to credit, debit and prepaid cards plus bank accounts
  - Send, request money via mobile devices
  - Provides an array of business solutions including merchant services, invoicing, credit card processing, and business loans
- 2018 revenues of US$15.5B (annual increase of 18%)
- 267M active customer accounts (17% increase)
- 9.9B transactions in 2017 (27% annual increase)
- eBay Marketplaces volume growth was flat; Merchant Services grew 29%
- Person-to-Person (P2P) volume grew 49% to approximately $139B

Source: paypal.com (Q4 2018 and FY 2018 Results)
MORE FAMILIARITY WITH CUSTOMERS

OMNICHANNEL

ECOSYSTEM DRIVER

CONTROLLED VALUE CHAINS

SUPPLIER

LESS FAMILIARITY WITH CUSTOMERS

MODULAR PRODUCER

COMPLEX NETWORKED SYSTEMS
DBS, “Most Digital Bank in the World” is building an ecosystem and becoming a destination

- Southeast Asia’s largest bank by assets and headquartered in Singapore
- 2017 revenues of USD11B, net margin of 27.4%; 5-year net margin of 30.7% (compared to industry average of 14.3%)
- Stock price doubled from 2016 to 2018

Working to remove tedious banking tasks for customers and make banking invisible
Developing platforms that are scalable, efficient, elastic and ready for experimentation
Mapped over 300 customer journeys
New API platform with over 200 APIs
Developing partnerships with companies like McDonalds, Red Dot Payment and Property Guru

Performance differences

Source: MIT CISR 2013 Ecosystem Survey, N= 101  and MIT CISR-Gartner 2013 Ecosystem Survey, N=93
Sample: Companies >1B in revenues. Self-reported Net Margin/Growth correlates at the .05/.09 level with actual Net Margin/growth. Financial measures are relative to industry. Customer Experience and Time to Market were assessed relative to competitors. All measures were transformed to a 0-100% scale. All differences are significant at the 0.05 level or greater.
Ecosystems in our research are consolidating

<table>
<thead>
<tr>
<th>More Familiarity with Customers</th>
<th>Less Familiarity with Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2013</strong></td>
<td><strong>2017</strong></td>
</tr>
<tr>
<td>Controlled Value Chains</td>
<td>Complex Networked Systems</td>
</tr>
<tr>
<td>21%</td>
<td>20%</td>
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<tr>
<td>37%</td>
<td>9%</td>
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<tr>
<td>42%</td>
<td>18%</td>
</tr>
<tr>
<td>46%</td>
<td>8%</td>
</tr>
</tbody>
</table>
NOT IF

BUT WHEN
Lessons

Identify where your company is going

• Focusing on transactions?
• Or meeting customers’ life event needs and building a network of relationships?

Buy options for the future

• Moving up to meet customer needs, not sell products
• Moving right to become a destination

Assess the skills and leadership in your company. Do you have the right skills and leadership? Are there partnerships that could help you transform?
What’s Your Digital Business Model?
Six Questions To Help You Build The Next-Generation Enterprise

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