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Dr. Stephanie L. Woerner
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Creating the Next Generation Enterprise

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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?

15 March 2019

The Next-Generation Enterprise



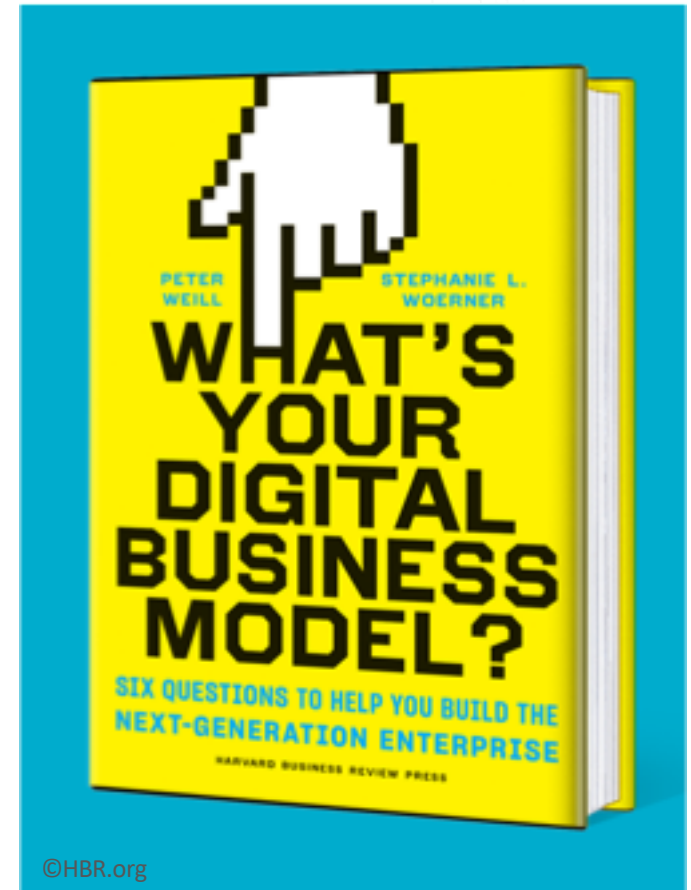
- **Digital Disruption—impact of increasing digitization on your company’s future success**, e.g., new entrants, new business models, breaking down industry barriers. Digitization includes: social, mobile, analytics, cloud, internet of things plus platforms and legacy

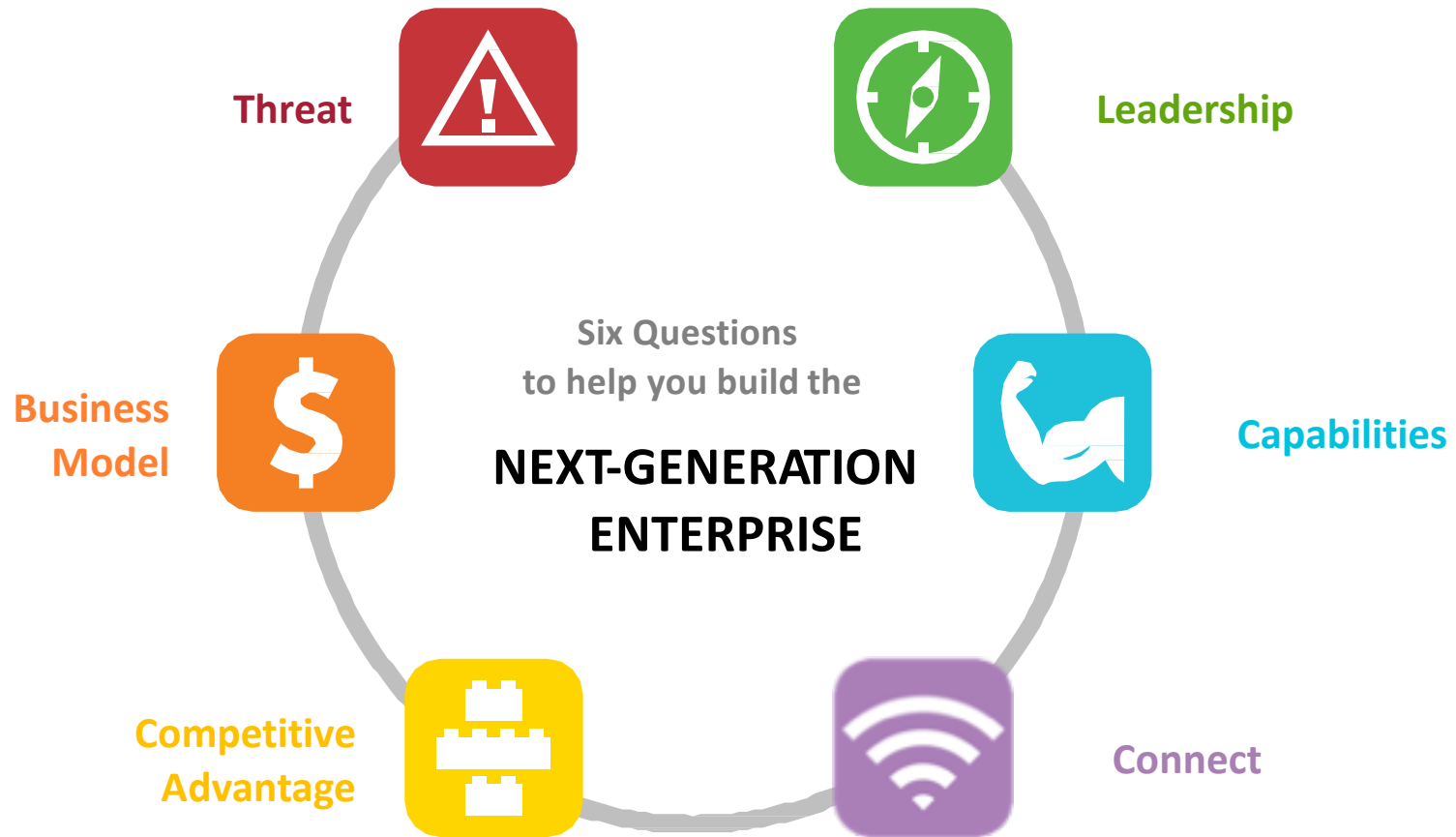
- What is the next generation enterprise in 5 to 7 years?

- 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

Also see P. Weill & S. L. Woerner, *“The Next Generation Enterprise: Thriving in an Increasingly Digital Ecosystem,”* MIT CISR Research Briefing, Vol. XIII, No. 4, April 2013.
P. Weill & S..L. Woerner, “Thriving in an Increasingly Digital Ecosystem,” MIT Sloan Management Review, Summer 2015, Vol. 56, No. 4, pp 26-34.





1: Digital Threat



Weill, P. & Woerner, S.L. (2018). *What's Your Digital Business Model? Six Questions to Help You Build the Next-Generation Enterprise*. Boston: Harvard Business Review Press.

What percentage of your revenues are under threat?



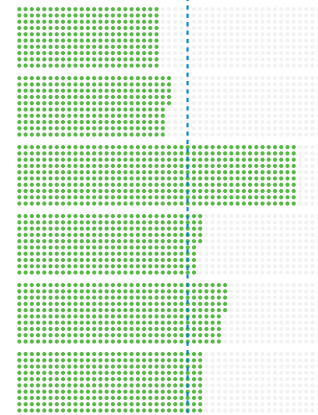
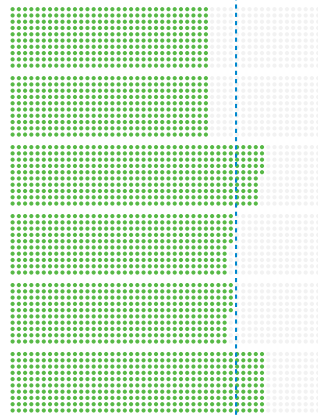
All companies

28%

> \$7B revenues

46%

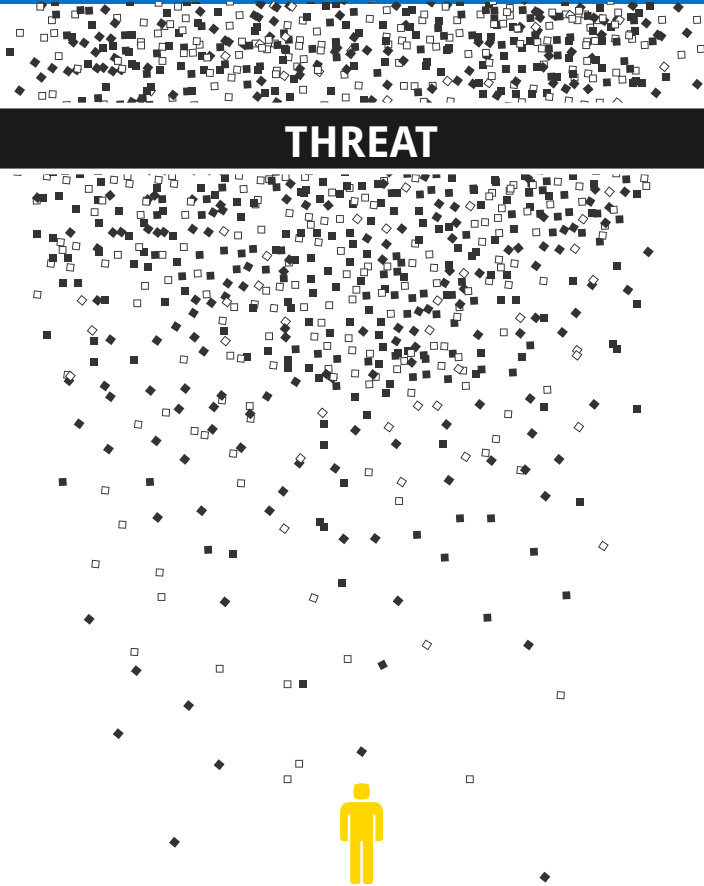
- Heavy Industry
- Manufacturing
- Retail
- IT, Telecom, Media
- Financial Services
- Services



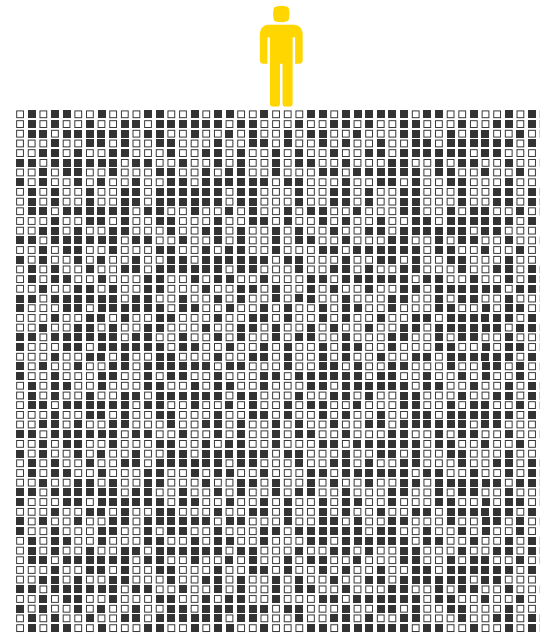
How do companies turn threat into opportunity?



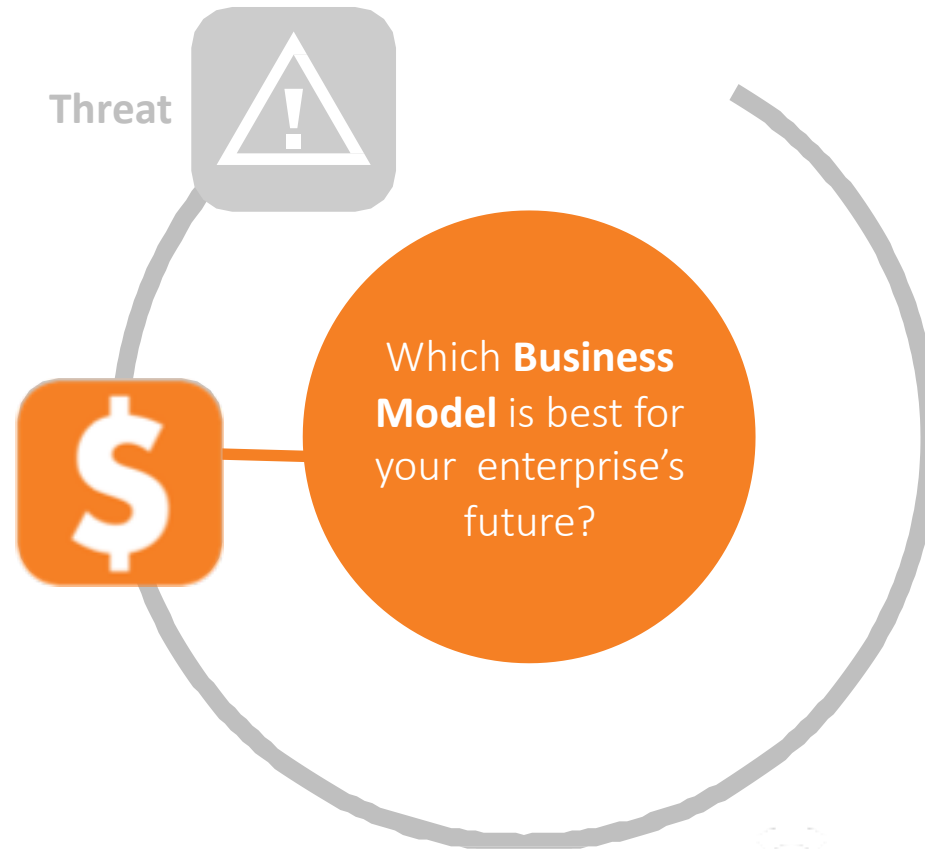
THREAT



OPPORTUNITY



2: Business model



Weill, P. & Woerner, S.L. (2018). *What's Your Digital Business Model? Six Questions to Help You Build the Next-Generation Enterprise*. Boston: Harvard Business Review Press.

Next Generation Enterprise

Digital Business Models Framework

**CONTROLLED
VALUE
CHAINS**



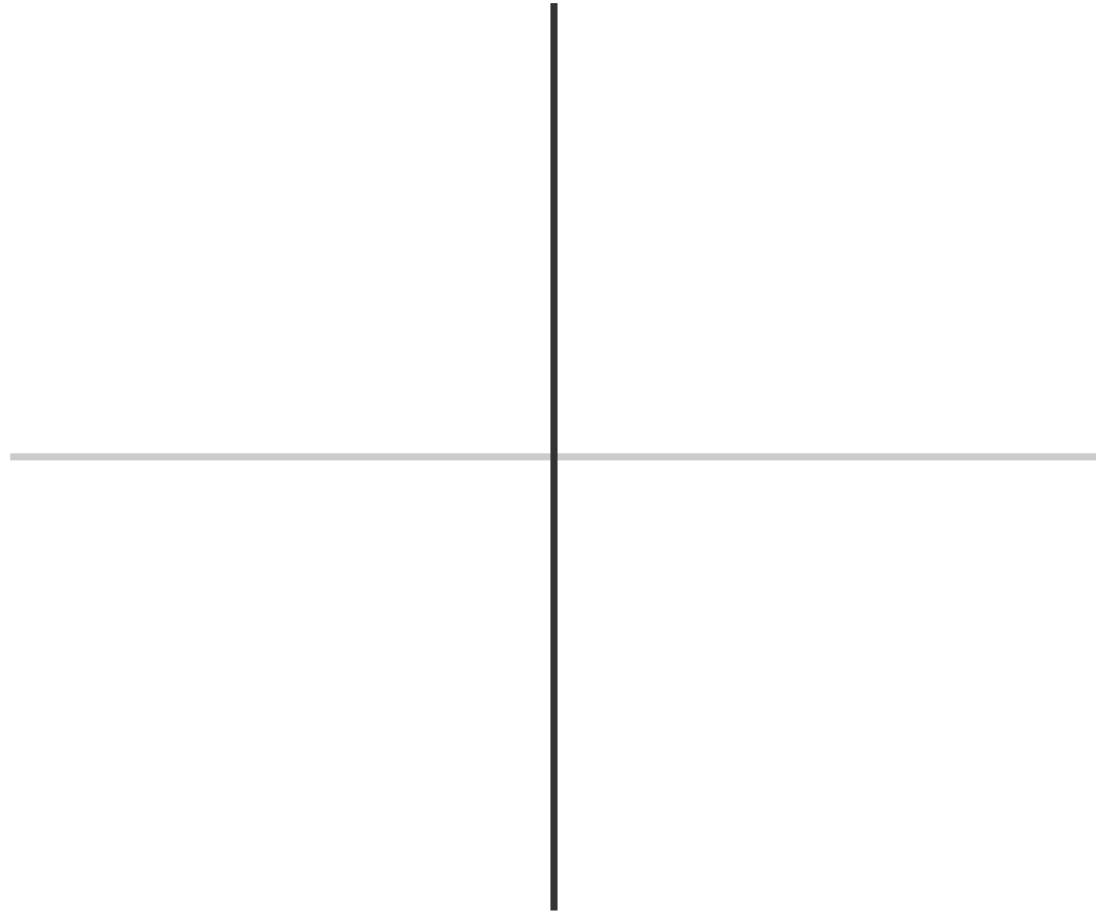
**COMPLEX
NETWORKED
SYSTEMS**

MORE FAMILIARITY WITH CUSTOMERS

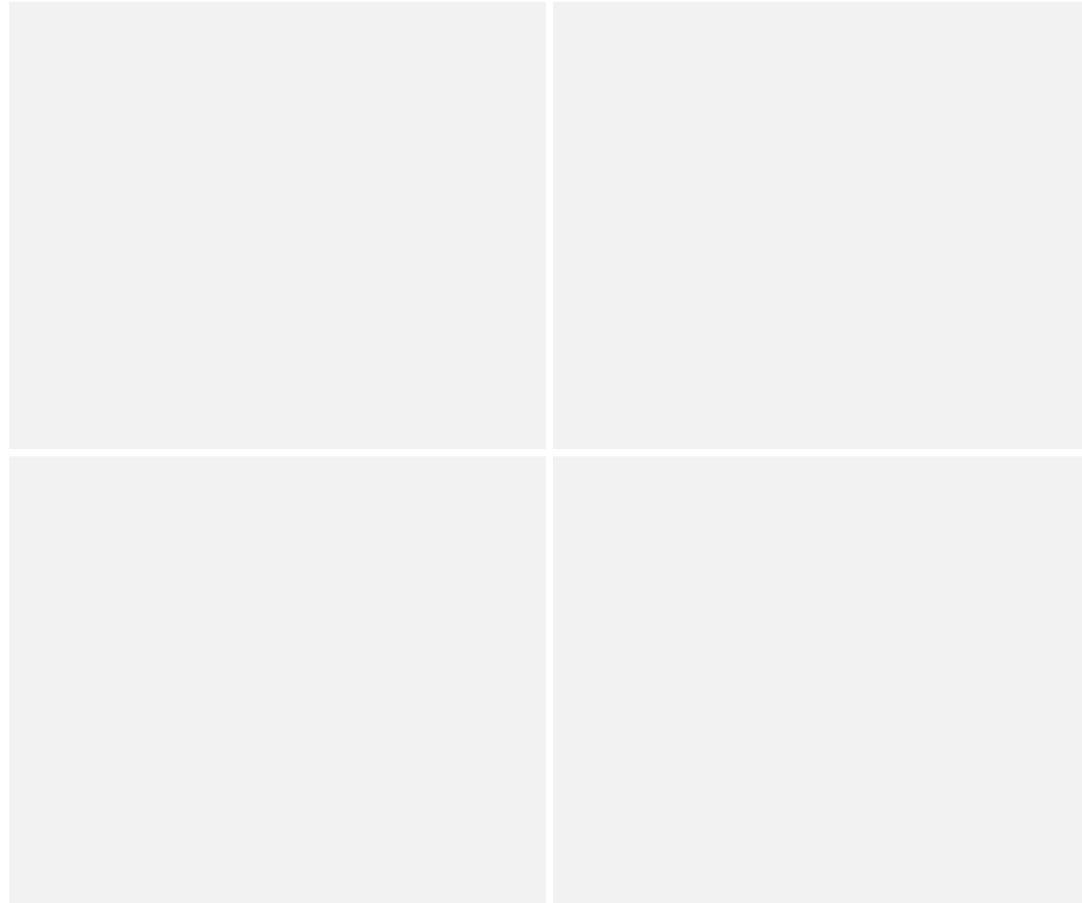
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LESS FAMILIARITY WITH CUSTOMERS



MORE FAMILIARITY WITH CUSTOMERS



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LESS FAMILIARITY WITH CUSTOMERS

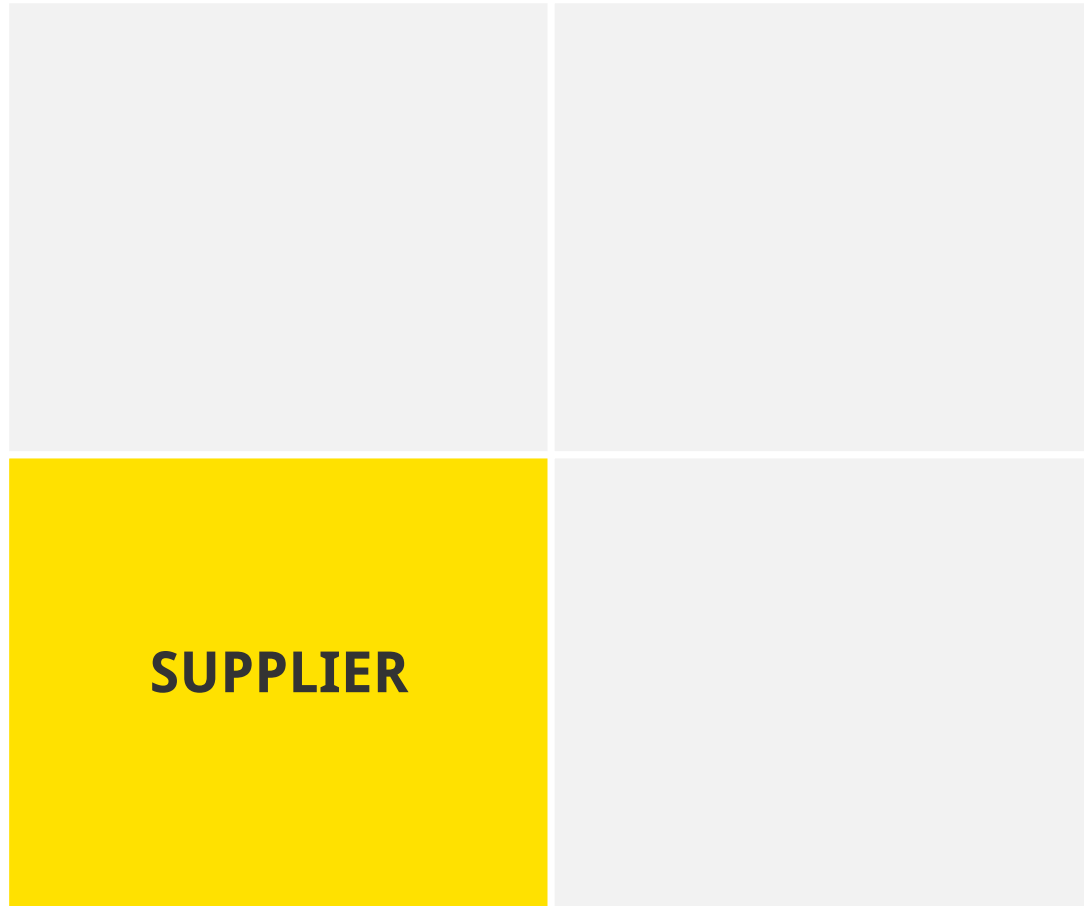
MORE FAMILIARITY WITH CUSTOMERS

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VALUE
CHAINS

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NETWORKED
SYSTEMS

SUPPLIER

LESS FAMILIARITY WITH CUSTOMERS



Supplier: Learning more about 4.8B consumers at P&G

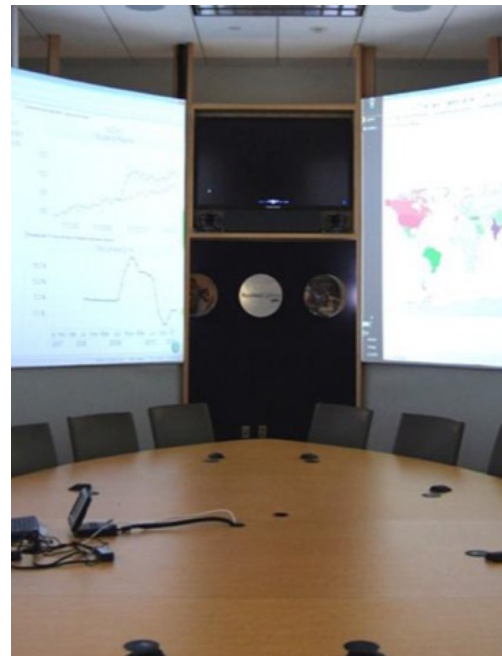


Digital Connections



Plus articles, quizzes, guides, and product offers

Business Spheres



Decision Cockpits/Dashboards

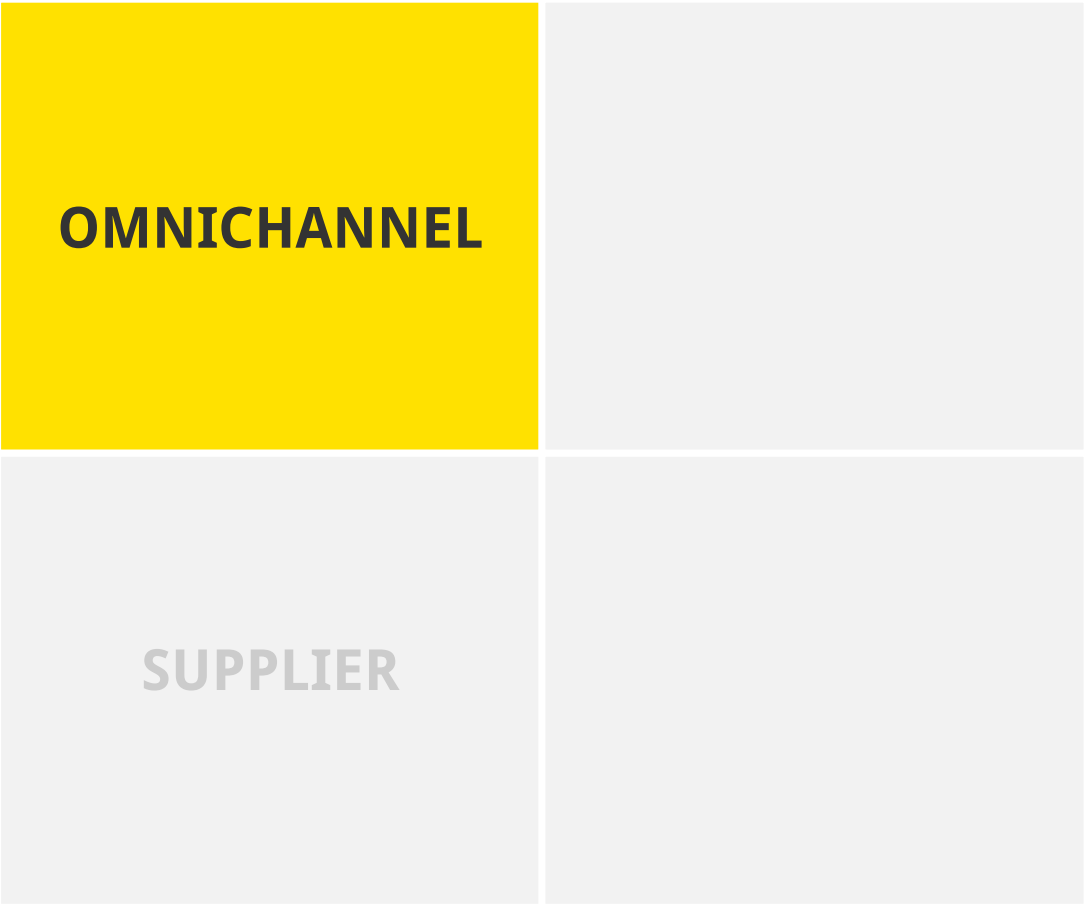


83% of customers make purchase decisions before entering a store¹

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

MORE FAMILIARITY WITH CUSTOMERS



OMNICHANNEL

SUPPLIER

CONTROLLED
VALUE
CHAINS

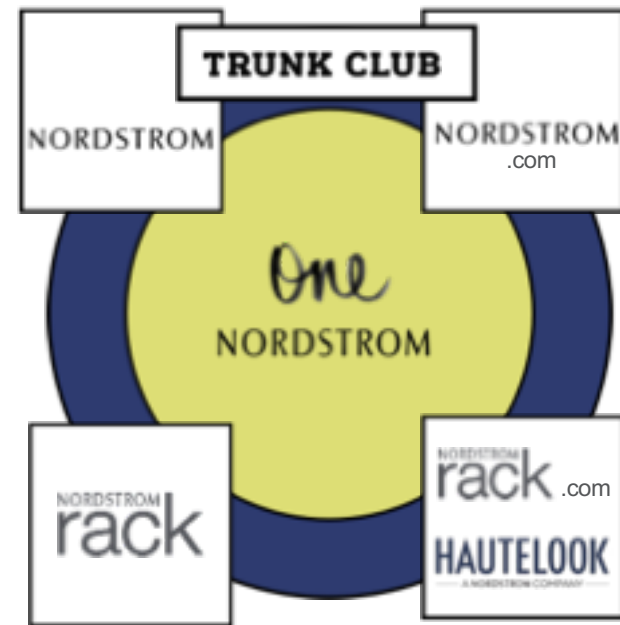
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One Nordstrom: The sum is greater than the parts



- 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

MORE FAMILIARITY WITH CUSTOMERS

OMNICHANNEL

CONTROLLED
VALUE
CHAINS

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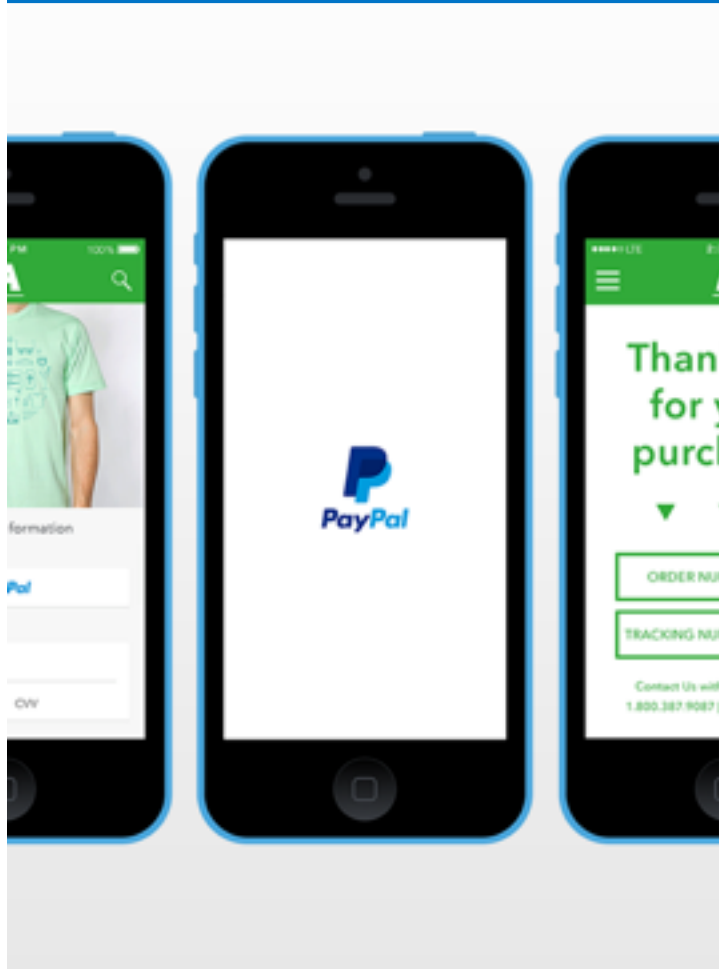
SUPPLIER

**MODULAR
PRODUCER**

LESS FAMILIARITY WITH CUSTOMERS



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

COMPLEX
NETWORKED
SYSTEMS

SUPPLIER

MODULAR
PRODUCER

LESS FAMILIARITY WITH CUSTOMERS

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
- Awarded the Best Digital Bank in the World in the year 2016 by *Euromoney*. Named World’s Best bank for 2018 by *Global Finance*.
- 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

Source: S.K. Sia, P. Weill, and X. Mou, “DBS: From The “World’s Best Bank” to Building the Future-Ready Enterprise,” *MIT CISR Working Paper*, No. 436, March 2019 and dbs.com.

MORE FAMILIARITY WITH CUSTOMERS

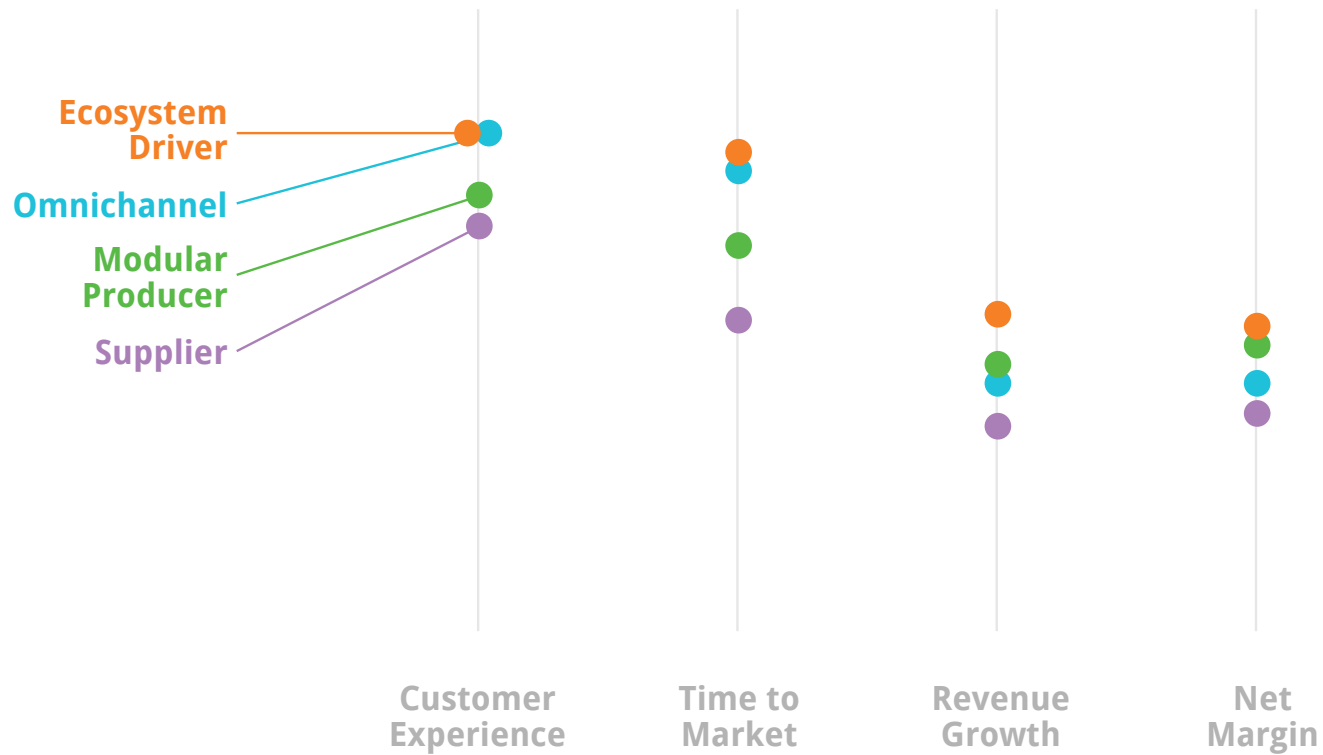


CONTROLLED
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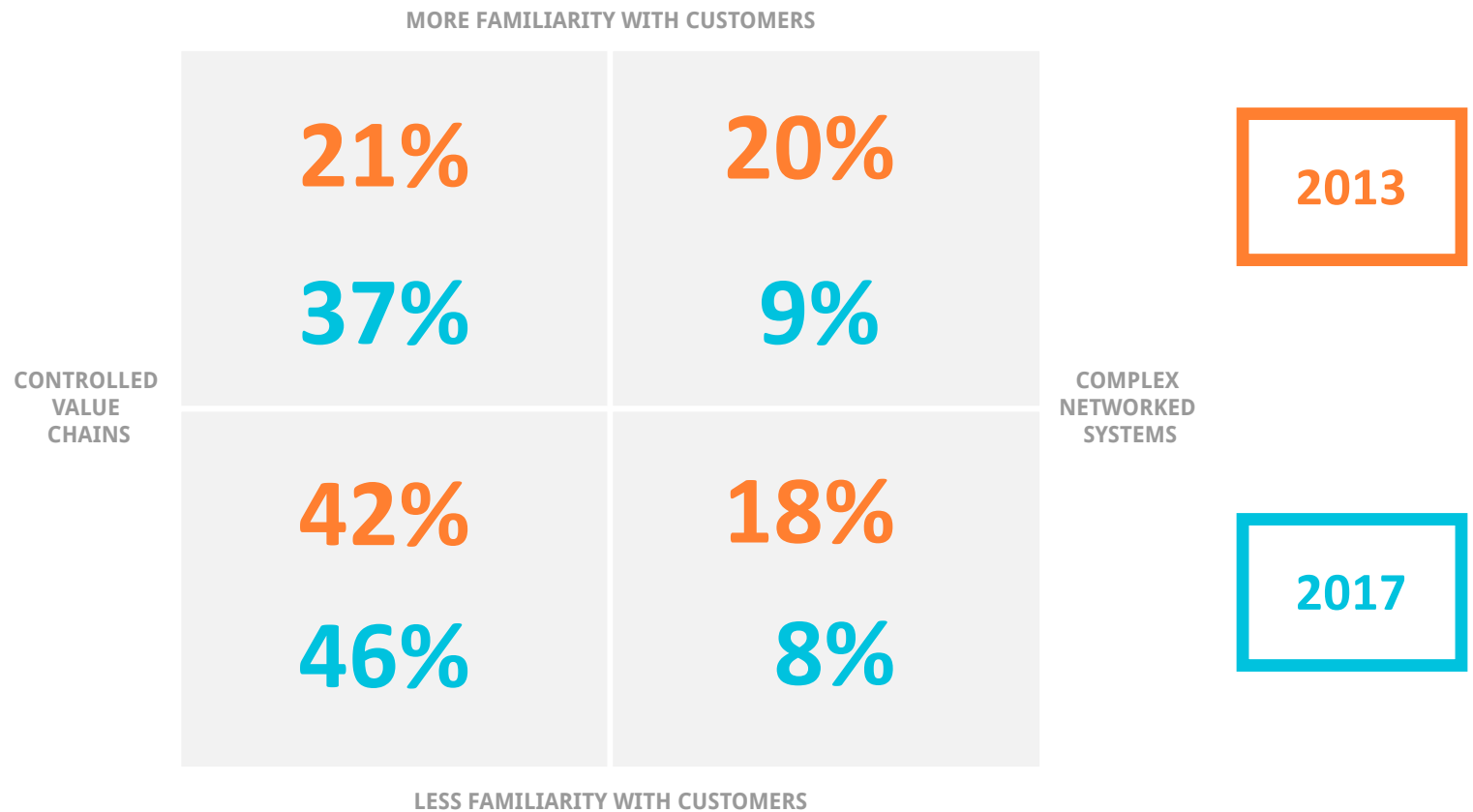
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Performance differences



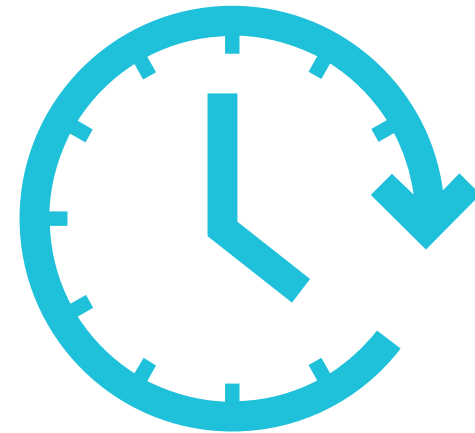
Source: MIT CISR 2013 Ecosystem Survey, N= 101 and MIT CISR-Gartner 2013 Ecosystem Survey, N=93Sample: Companies >1B in revenues. Self-reported Net Margin/Growth correlates at the .05/.09 level with actual Net Margin/growth. Financial measures are relative to industry. Customer Experience and Time to 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



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?

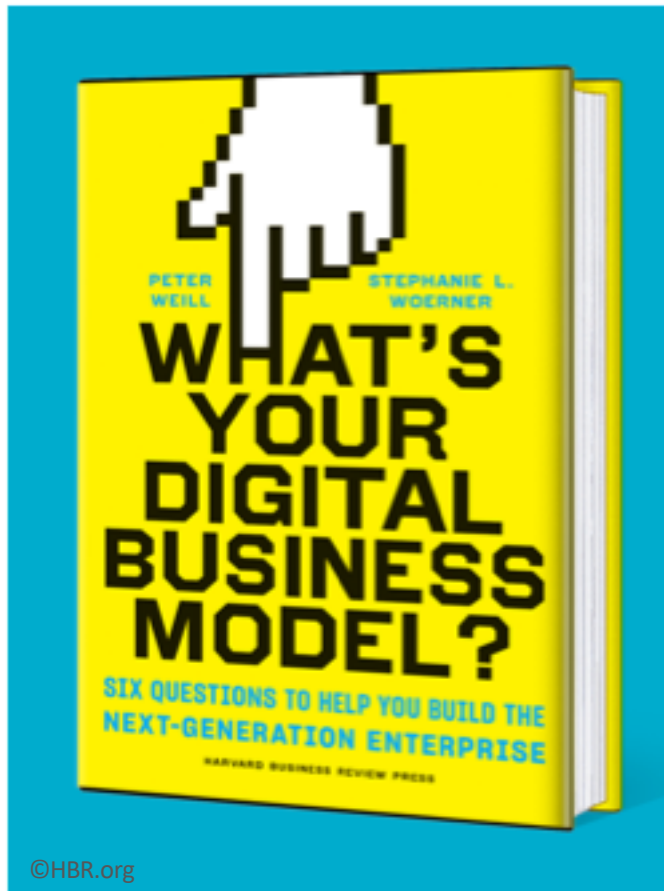
Buy options for the future

- 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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