

SAP: Making digital transformation simple, agile, and powerful



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In 50 years, the average listing on the Fortune 500 has dropped from 61 to 18 years. For added longevity, digital leadership has become an essential skill for C-suite executives, especially for restructuring business models and processes to implement new tech. To pave the way to success, SAP helps enterprises forecast market trends through the phase-based analysis of industries.

By Hunter Dong, Sr. Director, SAP Global Business Development and Ecosystem

Rapid change

The Internet, wireless networks, e-commerce, and social media have completely transformed the way we communicate, live, and work. The next decade will continue this trend of great transformation, with value exchanged in new ways on next-gen Internet thanks to tech like blockchain and hyper connectivity, plus the wide adoption of artificial intelligence (AI) and augmented reality (AR). These technologies will spawn new applications that dramatically transform every industry. At the current market disruption rate, 75 percent of enterprises on the S&P 500 index in 2012 will fall from the list over the next 10 years.

Next-gen Internet will bring huge opportunities and challenges for companies. While it will improve productivity and optimize business processes, business models will be impacted. SAP's Digital Transformation Officer, Dr. Chakib Bouhdary, argues that to meet the new slew of challenges, CEOs and management teams will need to be well versed in digital technologies and have clear plans to reconstruct their business models.



Hunter Dong

To describe companies' progress in digital transformation based on its analysis of 25 industries, SAP has identified three phases: Hurricane, Tropical Storm, and Tropical Depression.



Hurricane – disruptive transformation: Industries in this phase are primarily consumer-driven, for example, banking, retail, telecoms, media, and entertainment. These verticals are in the midst of the digital storm and disruptive transformation. With more consumers searching, shopping, and socializing online, building an omni-channel presence is now the key to survival. However, most companies have outdated business processes and technology infrastructures, so they need to go a step further to respond to the more agile and disruptive enterprises entering their industries, like Amazon, Apple, and Alphabet.

Tropical Storm – accelerated transformation: IoT and hyper-connectivity are transforming every industry, even conservative ones like manufacturing. In this phase, everything is connected, including cars, homes, farms, patients, and logistics. Traditional business is a thing of the past, the cost of sensors and computing power has plummeted, and smarter algorithms are in play, accelerating transformation.

Tropical Depression – preliminary exploration: While small scale innovation in asset-intensive industries such as oil, gas, chemicals, and mining has occurred, these industries are still lagging behind with digital

transformation. Alongside the impact of IoT, enterprises in this phase will primarily focus on two things: one, increasing plant and equipment uptime through predictive capabilities; and two, improving return on assets. Substantial productivity increases will reshape these industries and drive the major restructuring of the existing landscape.

In the digital age, every industry will inevitably be in the eye of the storm. How should corporate managers respond to this eventuality? What action should they take to embrace the change?

On your bike

The legendary motorcycle brand Harley-Davidson used to design and manufacture motorcycles in the traditional, standardized way. The company, though, faced new challenges in the era of personalization to customize each motorcycle it makes. In response, management optimized its sales and manufacturing processes to meet demand for personalized orders, reconstructing five factories with IoT and converging the production capacity of the different manufacturing models used in each factory. This digital transformation resulted in increased competitiveness, reducing costs by 7 percent and lead time from 21 days to 6 hours.



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Product quality, operating systems agility, and market predictability were all improved.

SAP's systematic analysis recommends that businesses take the first step on the digital transformation journey by innovating business models, business processes, and modes of work using demand-oriented design thinking.

Building new systems based on digital thinking

Innovating new business models based on digital technology

A number of global trends are causing businesses around the world to rethink their service scopes, operating models, client bases, and transformation strategies. These include high levels of product personalization becoming the norm, customer demand for immediate gratification, companies and people constantly on the go, and the increasing adoption of AI and machine-to-machine communication.

Business model reconstruction used to be the preserve of innovative start-ups or Silicon Valley entrepreneurs. But today even the largest multinationals are having to learn how to reconstruct

or risk being quickly disrupted or replaced. We believe that all CEOs, boards of directors, and their management teams are duty bound to reconstruct their business models and find ways to adjust or diversify revenue streams.

Boosting business process innovation through digital capabilities

To meaningfully improve productivity and customer experience, companies must reconstruct all business processes. We've identified five functions that are already used in business processes. They aren't mutually exclusive and can be used in combination by enterprises to maximize profits.

According to Dr. Hasso Plattner, Chairman of the SAP Supervisory Board, to become industry leaders, companies need to gain market insights and internal business insights as quickly as possible and act on them.

Reconstructing work modes: Injecting consumer-grade experiences into the workplace

Thanks to smart devices and consumer applications, people expect more from their everyday activities, whether it's studying, shopping, traveling, or communication. Although consumer-grade user experiences aren't yet common in most workplaces,



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we expect the situation to change over the next two to five years, as businesses deploy new technologies such as AI, cloud computing, social media, and e-commerce.

This is a fantastic opportunity for enterprises to reconstruct their work modes. To eliminate business complexity and change the workplace, companies need to take action in four areas: One, increase visibility and manage business in real-time; two, enable collaboration between different teams and the company as a whole; three, optimize staff productivity; and, four, eliminate manual work and automate repetitive processes.

A raft of new technologies will improve staff efficiency by between 20 and 50 percent. There hasn't been as dramatic an increase in work efficiency since the introduction of enterprise resource planning (ERP) and efficiency tools back in the early 1990s. It will be hard for any business manager to overlook such huge value. Moreover, these innovations will help companies increase employee engagement and talent retention.

Enterprise digital transformation based on design thinking

Design thinking is crucial to help enterprises succeed in the digital economy, regardless of whether their

industry is in the Hurricane, Tropical Storm, or Tropical Depression phase of digitalization. Enterprises are seeking suitable models of thinking and methodologies they can use to innovate and integrate technology, personnel, and services.

SAP's design-thinking method is, first and foremost, a people-oriented approach that stresses understanding the needs of users. The goal is to identify employees' or consumers' unmet needs and enhance their experience in a highly collaborative way. Companies can use design thinking to integrate all teams, be they technology or business focused, so that they're united and can work together to realize the company's future vision and reinvent the brand experience. We believe that design thinking is the ideal way to enhance innovation and create a culture of creativity across various products and processes.

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Partnerships for the future

According to Bouhdary, "Seventy-four percent of the world's transactions run on an SAP system, putting SAP in a unique position. We have the experience, solutions, and ecosystem to streamline value chains and drive efficiency for our customers." It's SAP's duty



Through collaboration, SAP and Huawei have helped many enterprises, including Cepsa, Fonterra, BYD, and Heilan Home, carry out digital transformation, helping them to become market leaders.



- 1**
Customer experience
Providing customized information to customers at the time and place of their choice.
- 2**
Real-time services
Using data from multiple sources as demand signals from any device, anytime, anywhere.
- 3**
Predictive insight
Using forecasts and simulations to make forward-looking decisions at work to reduce delays and increase profitability.
- 4**
Cross-enterprise collaboration
Seamlessly interconnecting employees, suppliers, and systems to innovate and provide better services for customers.
- 5**
AI and automation
Slashing work tasks, streamlining operations, and driving full automation through integrating workflows and interconnecting assets.

to work with customers and partners to facilitate and guide their journey toward increased speed and agility with various digital technologies.

SAP has invested over US\$35 billion in acquisitions and R&D on breakthrough technologies such as in-memory computing with SAP HANA and innovative cloud solutions. “To make our value proposition even stronger, we’re forging strong partnerships and working hard to embed the latest innovative technologies like AI, machine learning, AR, and blockchain in our platform. This will enable our customers to access the latest and greatest solutions that are easy to consume, can solve big business problems, and create significant value for their stakeholders,” says Bouhdary.

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SAP is committed to building world-class partnerships that drive greater business innovation in sectors such as smart cities, smart manufacturing, energy management, and new retail, as well as joint solutions and market collaboration in big data and cloud platforms. [www.sap.com](#)