

e-G8 FORUM

e-G8 Forum Summary

Paris, May 24-25 2011

Plenary Session VI: Digital Transformation: How traditional businesses are being re-invented

Key Findings

- All businesses, not just IT- related businesses, are being radically transformed by the internet.
- The process is a messy and disturbing one and makes many managers uncomfortable.
- Governments must help manage social dislocations that will make the workplace more flexible, but also more precarious.
- Social networking is an important driver of this transformation, requiring more responsive leadership and more transparency.

Synopsis

Virtually no business has been unaffected by the presence and rapid growth of the internet—the cutting of hair being one possible exception. Three quarters of internet growth is coming from traditional companies. The transformation affects what Harvard's Rosabeth Kanter calls the five Ps of corporate life : products, process, partners, people and purpose. This is often exhilarating and presents enormous opportunities ; Pepsi, for instance, asked internet viewers to determine where it should direct its charitable contributions instead of advertising on the SuperBowl, thereby allowing its customers to help define its very purpose.

But this transformation is highly disruptive, both to corporations themselves and their various stakeholders. The internet creates jobs but also destroys them : The IT and telecom industries, which employ 11 million people in the U.S. and Europe, is shedding jobs rapidly and will continue to do so. On any given day, some 40% of IBM's employees don't work from an IBM office. The move from a stable, protected work force to a

flexible, less secure work force will entail painful social dislocations. Here governments must play a role they currently do not play in helping to ease this dramatic social upheaval.

On the corporate level, companies must remain true to their identities and traditional strengths as they re-invent the way they do business. The BBC, for instance, may deliver news digitally, but it remains aware it is an authoritative source of information, and not YouTube. Social networking only adds to the existing transformative pressure by demanding more openness and faster reactions from corporate leadership. Time now joins cost and quality as a competitive axis in business. But while networking allows businesses to establish new relationships with customers, greater transparency may not always be desirable. Here again, governments must do more to manage the transition to a world where greater transparency also means greater volatility.

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Session Panelists

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Rosabeth Moss Kanter, Professor, Harvard Business School

Eric Labaye, Chairman, McKinsey Global Institute

Stephen A. Schwarzman, Chairman and CEO, The Blackstone Group

Mark Thompson, Director-General, BBC

Moderated by:

Jeff Cole, Executive Director, USC Annenberg Center for the Digital Future

The views expressed are those of certain participants in the discussion and do not necessarily reflect the views of all participants or of the e-G8 Forum as a whole.

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