MIT Technology Review Insights

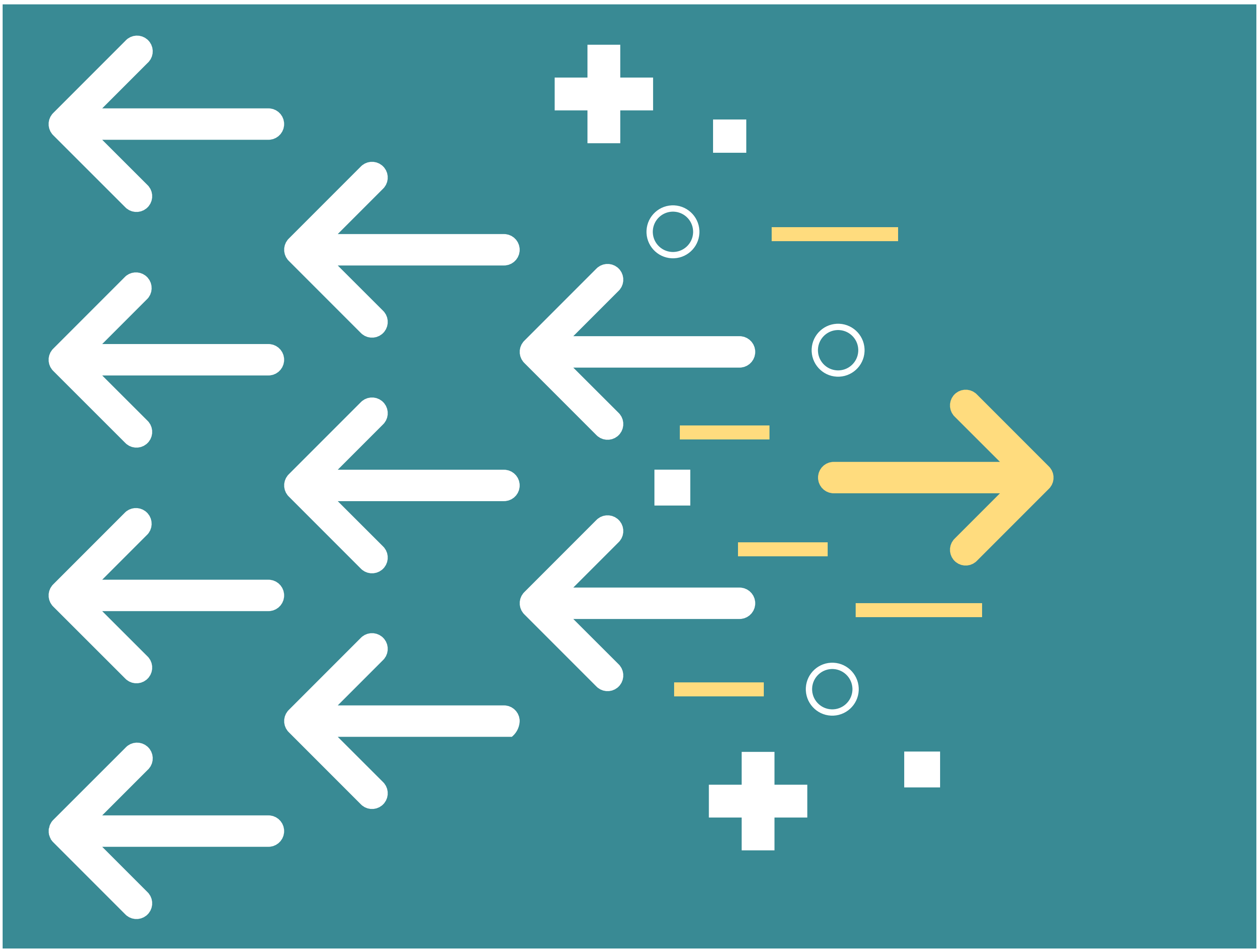
Produced in association with

ORACLE

Months into the pandemic, companies are revisiting goals and ways to achieve them. They have big plans on the horizon.

2021 PLANNING

New business models, big opportunity



Key takeaways

1 Half a year into an economic recession and government restrictions triggered by the 2020 coronavirus pandemic, **organizations are feeling optimistic** and ready to move ahead with innovative efforts to drive business growth.

2 They're not starting small. Responding to a global survey, 80% of executives report that their **organizations are planning big moves**, such as acquiring a new business or divesting one, launching a new business model, or implementing automation companywide.

3 **Numerous hurdles remain**, including frozen budgets, limited technologies or skills, and fractured risk management and compliance processes. But a combination of **cloud-based and advanced technologies** such as artificial intelligence and machine learning gives finance teams the power to guide business in the direction of success.

When the pandemic threw the world into disarray in spring 2020, most organizations responded by holding on – barely, at times. Executives assessed the impact on operations and dealt with the immediate emergency. Now businesses are ready to move beyond resilience and recovery and capture growth.

Certainly, corporate execs and finance professionals have to focus on the future and take advantage of emerging technology. "You have to evolve to succeed," explains Scott Brown, senior vice president of finance at tech distributor Mouser Electronics. "Whether it's software, hardware or automation, we are investing in state-of-the-art solutions and systems to help us work smarter across all areas of the company."

The good news: Nearly everyone is feeling optimistic. A worldwide survey of 297 business executives conducted by MIT Technology Review Insights, in association with Oracle, shows that organizations are ready to invest in innovative ideas to reinvigorate their organizations. And they're getting the work underway.

The journey from survive to thrive

The pandemic challenged every business in 2020. It tested every element of organizations' workflows and utterly changed their planning processes. But by autumn, most executives had a handle on the situation. When they spoke with MIT Technology Review Insights, they were busy designing strategic business plans for 2021. Among

About this report

Based on a combination of survey-based market research and in-depth executive interviews, this report explores how organizations are rebuilding business in the wake of the 2020 coronavirus pandemic. It is sponsored by Oracle, and the views expressed within are those of MIT Technology Review Insights, which is editorially independent.

- In November 2020, MIT Technology Review Insights surveyed 297 executives – primarily financial officers, C-suite executives, and IT leaders.
- Respondents work in more than a dozen industries. High tech, at 20%, represented the largest response group; followed by financial services, at 15%; professional services, at 13%; and retail and manufacturing, each at 8%.
- The survey was global, with 60% of respondents from the Americas, 27% from Europe, the Middle East, and Africa, and 13% from the Asia-Pacific region, which comprises Asia plus Australia and New Zealand.
- Respondents were asked about strategic business moves their organizations have made already in 2020 or are planning in the next 36 months, challenges they face in implementing such moves, and cloud-based technologies they use to support their finance organizations.

them: major business model and technology adjustments to help them achieve success.

Most execs are upbeat about their companies' future. Few are are postponing any sort of changes for the next 18 months or putting everything on hold until things shake out.

Overall, 47% expect their business to thrive in 2021, 36% expect their organizations to transform, and only 12% are hunkering down for a bleak year of survival. Herein, "thrive" is distinguished as a successful continuation of an existing business model. Take a manufacturer of standing desks – there's a good chance it's selling a lot more with the influx of employees now working from home. Compare that to "transform," or making significant changes. That might include rethinking how a company sells to customers or adding a new product line.

The 2021 objectives vary by company size to some degree. Large companies – which in this report are organizations with more than $1 billion in revenue – are more open to transforming; in contrast, small and midsize companies aim to thrive.

Making big moves

Perhaps it's possible to cope in the short term by making modest adjustments, such as renegotiating supply chain contracts or reskilling displaced workers. But many companies have used the pandemic as an opportunity to reassess their business. Which parts can succeed mostly as-is? Which need redirection? Which should be eliminated? Where are the untapped growth areas? Whatever their conclusions, corporate executives are taking action.

These are rarely small changes. For instance, some in the retail industry quickly found ways to keep business buoyant while stores were closed – bolstering their e-commerce setups and making it easier for customers to shop online or arrange for contactless pickup at a store. The coffee industry made changes across its entire supply chain, from harvest to the local coffee shop, despite the uncertainty of demand.

In 2021, 80% of businesses surveyed are planning strategic big moves, such as acquisitions, divestitures, new business models, and widespread automation. In fact, 39% have already made a "big move" in 2020. Just over a quarter of businesses, 27%, are contemplating such plans in 2021. In some cases – 14% overall – the major plans are underway but are not scheduled for deployment in the next 36 months.

80%

of businesses are planning strategic big moves, such as acquisitions, divestitures, new business models, and widespread automation.

Big moves are more likely to be undertaken by larger organizations; 87% of businesses with more than $1 billion in revenue have plans, compared with 76% of smaller businesses. These large-scale changes are also more common in the Americas – 84%, compared with roughly three quarters with such plans in Europe, the Middle East, and Africa (EMEA), and Asia-Pacific.

The companies with the most upbeat expectations – thrive or transform – have already taken the steps to make them a reality. Forty-four percent of the businesses that expect to thrive in 2021 are planning a big move in the next three years; 39% of the companies orchestrating a business transformation have already begun. In contrast, the companies that are just hanging on – surviving – or hoping for a merger or to be acquired are taking fewer chances. Just 17% of the "survive 2021, I hope" organizations have big moves planned – presumably only the technology or operational changes that are necessary to keep the doors open.

It's easy to paint everything in terms of the pandemic these days, but the current crisis is exacerbating existing problems, accelerating current trends, and requiring more companywide collaboration to pull things off. For example, typically it takes about 10 years to develop a vaccine, points out Marc Horn, head of controlling for life science at MilliporeSigma, which supplies products used by biopharmaceutical companies to manufacture covid-19 vaccine candidates. Horn's role is supporting financial decisions on operational and strategic planning and execution. Given the crisis, the world looked to develop a vaccine in just a year or so, and that has led MilliporeSigma to accelerate the process outside the lab. The company had to think about how it could help its customers in health care and allocate the financial wherewithal to accomplish and deliver those changes at a faster-than-usual pace. "And that means for us, internally, that you have to have constant interaction with the obvious departments, but especially with supply chain and HR to establish new ways of working."

Many big moves by midsize organizations are tech-related – half, for example, planned to ratchet up technology investments, and more than a third are adopting additional cloud services (see Figure 1).

Larger organizations that have big moves planned in 2021 also have their sights set on technology – they're most likely to make big tech investments (68%) or move more of their business to the cloud (60%).

For many companies, technology adoption isn't simply an enabler, it's the backbone of their business. For example, when manufacturer John Deere assesses the quality of a tractor part built by an external supplier, the company is cognizant that the part will be used in geographies different from where it is sourced. Technology can automate relevant processes to help make fast and accurate quality decisions and automate relevant processes, says Ritu Raj, John Deere's director for enterprise engineering. It makes it possible to connect departments across the worldwide organization and get the part into production quickly. "If we make it an automated process, the checks and balances are incorporated through technology, and teams have the information to make decisions very quickly," he says. Without those technology systems, the entire process can encounter missteps that create a delay.

Planning new business models

One way to respond to new business environments is to adopt or even invent new business models. Sometimes organizations have no choice, as movie theaters and the hotel industry have discovered. Savvy organizations are

Figure 1

Big moves planned for 2021

Big companies plan the biggest changes, including technology overhauls and business mergers.

	UNDER $1B REVENUE	$1B OR MORE REVENUE	ASIA-PACIFIC	EMEA	AMERICAS	ALL
INCREASE TECH INVESTMENTS	54%	68%	48%	61%	62%	60%
FURTHER STRUCTURAL CHANGES	43%	53%	48%	44%	48%	47%
MOVE IT FUNCTIONS TO CLOUD	36%	60%	35%	46%	49%	46%
ACT ON MERGER/ ACQUISITION	32%	49%	28%	41%	41%	39%
ADD A SUBSIDIARY	19%	32%	24%	27%	23%	24%
SPIN OFF A DIVISION	15%	16%	24%	10%	16%	16%
DIVEST REAL ESTATE	11%	16%	10%	14%	13%	13%
DIVEST A SUBSIDIARY	9%	10%	3%	10%	10%	9%

Source: MIT Technology Review Insights survey of 297 executives, November 2020. Respondents were asked to choose all that apply.

always looking for new ways to make money; in the survey, four out of five businesses with 2021 plans are evaluating new business models. There are plenty of ways to do so, with cost reduction, sales process changes, and new markets at the top of the list (see Figure 2).

While these directions are meaningful to businesses worldwide, and of every size, there are a few highlights.

- For the largest organizations, the business model changes that are most appealing are those that drive cost-reduction projects (70%, compared with 42% among businesses with less than $1 billion in revenue).
- The cost-reduction business model changes are rated higher in the Asia-Pacific region (63%) than in EMEA (56%) or the Americas (50%). Asia-Pacific businesses were also more enthusiastic about changing how products and services are sold (59%), compared with 48% in EMEA.
- Less than half (46%) of the companies aiming for "survival" in 2021 will see any big moves in the next 36 months, new or ongoing – more than half of them are finishing up projects they began before the pandemic. For the just-scraping-by organizations, big moves were put on hold indefinitely. When they do entertain business model adjustments, the options are primarily those that help them contain costs (55%).

There are also variations by industry. For example, manufacturing companies can be laggards in regard to new technology, says John Barcus, Oracle's group vice president of the industry strategy group, or they are hampered by the innovator's dilemma – walking the line between serving current customer needs and investing

Figure 2

New business models

In the wake of a disruptive year, organizations are planning to bring costs down, launch new products and services, and reassign resources.

DRIVE COST-REDUCTION PROJECTS	53%
CHANGE HOW PRODUCTS/ SERVICES ARE SOLD	52%
PIVOT TO NEW MARKETS	50%
REALLOCATE RESOURCES	44%
REPURPOSE AN EXISTING PRODUCT	39%
LAUNCH NEW "AS A SERVICE" MODEL	37%
PROVIDE IMPROVED CUSTOMER EXPERIENCES	35%

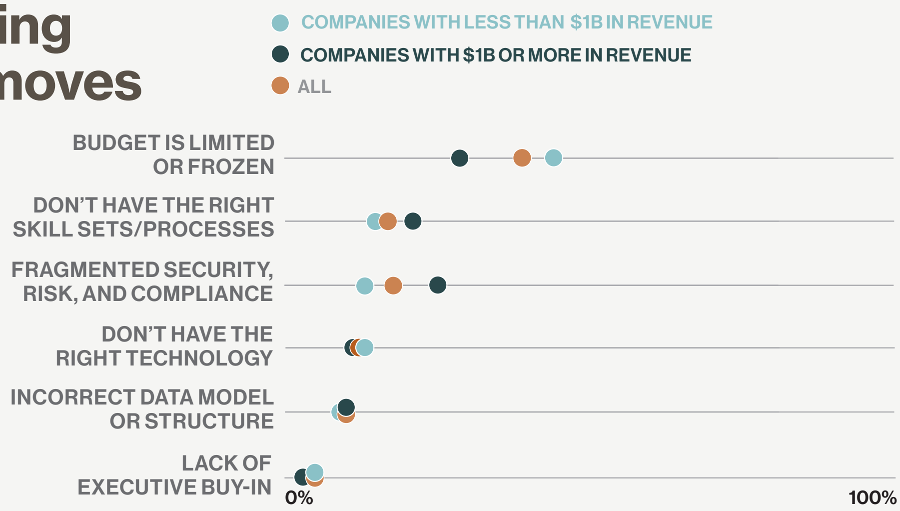
Source: MIT Technology Review Insights survey of 297 executives, November 2020. Respondents were asked to choose all that apply.

> "The pandemic has accelerated our enterprise thinking about making big moves, given the opportunities to further diversify our business model and expand into new technology areas."
>
> David Liu, Director, Corporate Strategy, Aptiv

Figure 3

What's hindering big business moves

Budget constraints are the biggest obstacle for large and midsize organizations, while security, compliance, and risk cause concerns for many.



Source: MIT Technology Review Insights survey of 297 executives, November 2020

in technology that will serve future needs. "Many manufacturing companies have done the same thing for many years. And their desire and hope is to do it the same way into the future, believing, 'It's worked for me in the past; it'll work for me tomorrow.'" But, Barcus adds, the current climate is forcing them to explore new options, such as adopting AI and automation.

"The key for us is to balance operational focus and long-term strategic thinking," says David Liu, director of corporate strategy at Aptiv, a global auto parts company. The company is focused on trends in the automotive business, such as safety, sustainability, and connected technology. It is also paying attention to the big picture despite near-term market uncertainties and hiccups. "The pandemic has accelerated our enterprise thinking about making big moves, given the opportunities to further diversify our business model and expand into new technology areas," says Liu. "Our $2 billion equity issuance in June 2020 is a good example that shows our goal to strengthen our long-term position via potential future investments, including acquisitions."

Overcoming the obstacles

Every plan has barriers to success. Not surprisingly, the biggest hurdle to organizational big moves is budgetary (39%) (see Figure 3). Other concerns include issues of security, risk, and compliance (18%) and missing skill sets and processes (17%).

For any grand scheme, getting funding requires collaboration across the executive suite. Whoever the champion might be, business-changing projects require signoff from the CEO, chief information officer, the human resources executive, and of course the chief financial officer (CFO).

That makes the finance executive the center of the process – and the person orchestrating major changes. "I empower the organization," says Mark Crowley, CFO of

> "I empower the organization. I'm there to make sure they have the resources to do what they need to do; it runs a whole lot more smoothly if we're all in sync."
>
> Mark Crowley, Chief Financial Officer, Volante Technologies

Volante Technologies, which sells cloud financial and payment software. "I'm there to make sure that they have the resources to do what they need to do; it runs a whole lot more smoothly if we're all in sync."

Funding is less of a hurdle for large organizations with more financial resources. In the survey, only 29% of companies with more than $1 billion in revenue cite a limited or frozen budget as the primary hurdle to making a big move; yet 44% of midsize organizations are held back for financial reasons.

Instead, larger organizations are concerned about compliance and security (25%) and a lack of skills (21%) to pull off their projects. That's a realistic attitude. According to a PwC survey, even before the pandemic, three out of four CFOs were concerned about the skills gap that could cripple their ability to thrive.[1]

Ongoing uncertainty brings out the need for a smarter risk-management culture, particularly for worldwide organizations embarking on big changes. As one example, in the last four years, some of the escalation in trade wars and tariffs introduced a level of risk in supply chains. That has had an effect on several industries, such as the high-tech companies that typically outsource their manufacturing, points out Mike Saslavsky, Oracle's senior director of high-tech industry strategy. Those risks have made companies rethink where their parts are made – and the parts' components – and consider choosing locations closer to their customers. "And that certainly got amplified by the pandemic," he adds.

Mergers and acquisitions are other types of big moves that come with risks. Gradual organizational changes can be managed manually – for example, adding two new payroll clerks to the system and making sure they have the right access, says Julie Lev, Oracle's director of product marketing for enterprise resource planning (ERP). But a corporate acquisition might bring in an influx of people who need to work with the financials. Big moves and disruptions can open a company's ERP system up to enormous risk, whether it's honest human error or malicious activity such as fraud.

"Automated and embedded risk management helps insulate organizations and can help them confidently manage a big move or disruption," says Lev. She adds, "Controls remain in place for continued ERP security and compliance."

Figure 4

Cloud-based technology and finance

Predictive analytics to improve operational efficiencies and market opportunities tops the agenda for most organizations.

PROVIDE PREDICTIVE ANALYTICS	58%
EVALUATE PRODUCT OPPORTUNITIES	45%
AUTOMATE SECURITY AND COMPLIANCE	42%
CREATE A SINGLE SOURCE OF FINANCIAL DATA	41%
AUTOMATE FINANCIAL CLOSE AND REPORTING	39%
CONNECT FINANCE, SUPPLY CHAIN, AND HR	36%
OPTIMIZE SCENARIO MODELING	33%

Source: MIT Technology Review Insights survey of 297 executives, November 2020. Respondents were asked to choose all that apply.

> “This has been a time for many organizations to reflect, regroup, and re-establish themselves by rebuilding – a time to lead forward versus look back.”
>
> Marie Gould Harper,
> Dean, School of Business,
> American Public University System

AI and machine-learning technologies add other benefits: speed and a level of detection humans can’t match. “By having risk management built into your ERP and financial processes, organizations have greater capability to quickly realize and securely achieve their big-move objectives,” says Lev. So a business decision to add 5,000 new employees in other countries won’t irreparably harm the company’s bottom line, brand, and reputation or lead to gaps in security and compliance.

The survey shows there’s no interoffice squabbling about the importance of the cloud in supporting such plans. 42% of respondents identify security and compliance as apt candidates for cloud-based automation (see Figure 4). Other cloud technologies that appeal to business executives and finance leaders help drive predictive analytics (58%) and analyze product and market opportunities (45%).

Aptiv’s Liu says cloud-based applications help move mergers and acquisitions forward, making the evaluation and due diligence phases more transparent. In screening for potential targets, “AI-powered analytics can provide in-depth analysis of a target’s value drivers and risks.”

Also high on the list of coveted cloud technologies is automation of finance processes. According to Oracle, machine-learning algorithms, which learn from collected data, can help companies automate common operations as well as remain in compliance with financial and data governance regulations in jurisdictions around the globe. As more functions such as financial close and financial reporting are automated, employees will no longer spend time doing repetitive tasks often subject to human error, thereby freeing up time “to do more analytical work that ultimately leads to better decision-making.”

An innovative future

In disruptive times, investing in and changing business models can grow market share. That calls for companywide collaboration – business executives must work with financial executives, who in turn work with their supply chain managers to understand where vulnerabilities lie – and where changes make sense: new product lines, for example, subscription services, or digital platforms. Cloud technology is making it easier to accomplish these goals, and it’s empowering business growth – made clear by the four-in-five business leaders in the survey who are making big moves. Technology can help plan and model for change; pivot business models, resources, and talent toward the next growth opportunity; and get new revenue streams running quickly.

“This has been a time for many organizations to reflect, regroup, and re-establish themselves by rebuilding – a time to lead forward versus look back,” says Marie Gould Harper, dean of the School of Business for the American Public University System. “Yes, there is opportunity to look back at the past for lessons learned, but now is the time to focus on what the next step is.”

It’s an unsettled time, for sure. But it’s clear that most organizations see it as an opportunity to rethink where they want to be and build their business to approach new goals.

“2021 planning: New business models, big opportunity” is an executive briefing paper by MIT Technology Review Insights. We would like to thank all participants as well as the sponsor, Oracle. MIT Technology Review Insights has collected and reported on all findings contained in this paper independently, regardless of participation or sponsorship. Jason Sparapani and Laurel Ruma were the editors of this report, and Nicola Crepaldi was the publisher.

About MIT Technology Review Insights

MIT Technology Review Insights is the custom publishing division of MIT Technology Review, the world’s longest-running technology magazine, backed by the world’s foremost technology institution – producing live events and research on the leading technology and business challenges of the day. Insights conducts qualitative and quantitative research and analysis in the US and abroad and publishes a wide variety of content, including articles, reports, infographics, videos, and podcasts. And through its growing MIT Technology Review Global Panel, Insights has unparalleled access to senior-level executives, innovators, and thought leaders worldwide for surveys and in-depth interviews.

From the sponsor

Oracle offers suites of integrated applications plus secure, autonomous infrastructure in the Oracle Cloud. For more information about Oracle (NYSE: ORCL), please visit us at www.oracle.com.

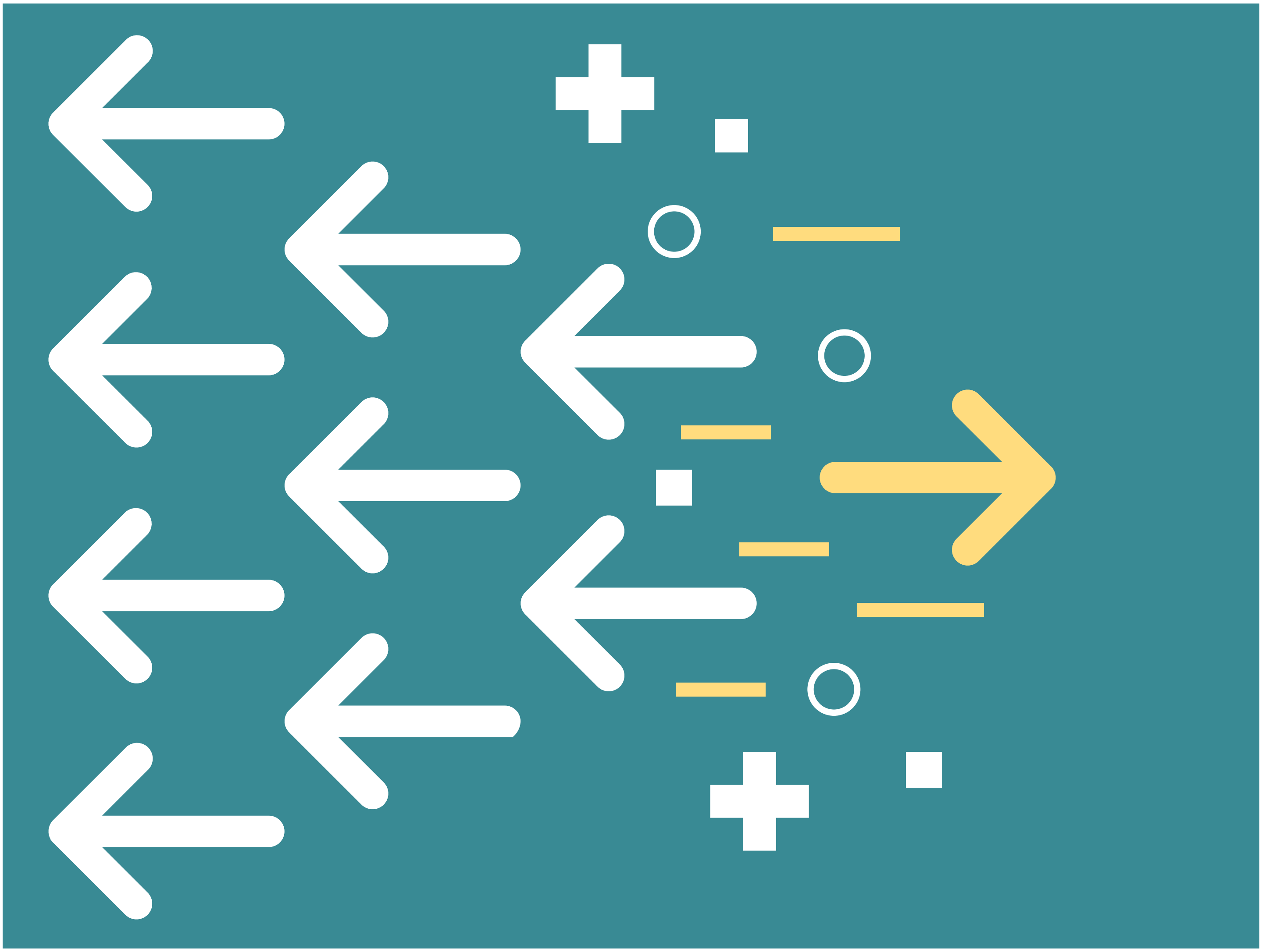
ORACLE

Reference

1 PwC US CFO Pulse Survey, PwC, June 15, 2020.

Illustrations

Cover art and spot illustrations created by Chandra Tallman with icons by The Noun Project.



MIT Technology Review Insights

www.technologyreview.com

@techreview @mit_insights

insights@technologyreview.com