Intelligent enterprises become resilient when they rely on the right technology and partner to enable their digital world.

Business Resiliency Requires a Strategic Approach to Digital Transformation

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Disruption Brings Business Resiliency

The COVID-19 pandemic crisis of 2020 forced organizations to focus on business continuity to ensure their very survival. As part of that survival, organizations shored up their cost optimizing for the future, traversed the decline by becoming more digitally savvy, and moved toward digital parity so that employees can work anywhere at any time.

The pandemic disruption forced organizations to change and in doing so also helped them become resilient, especially those that have leveraged and upgraded their technology assets as part of an integrated digital transformation strategy. Wave 10 of IDC's worldwide *COVID-19 Impact on IT Spending Survey* found that organizations that had integrated digital strategies were able to return to growth and adapt their businesses models faster. Responding quickly and effectively to disruptions in the business is critical to an organization's immediate success. The same survey also revealed that organizations that had more tactical digital transformation initiatives or none at all have remained stuck in business continuity efforts, impacting their longer-term viability. It is apparent the pandemic disruption has brought about a digital divide. Organizations with on-premises systems have invested in applications to close gaps so that they can continue to survive, while those with digital transformation strategies or those that have already digitally transformed are finding business resiliency a natural step despite the disruption.

Business resiliency requires an organization to have the ability to rapidly respond to business disruptions and restore business operations in a timely fashion. Business resiliency in the digital economy has led organizations to start looking at their digital technology strategy. In fact, IDC finds organizations that are savvy at business resiliency have become so because they have focused on the digital world and becoming digitally resilient. Digital resiliency is the ability of an organization to adapt to business disruptions by leveraging digital capabilities not only to restore business operations but also to capitalize on changed conditions. Becoming digitally resilient is an investment in the future of the organization.

AT A GLANCE

KEY STATS

Organizations are enabling their organization through digital transformation initiatives. IDC's worldwide *COVID-19 Impact on IT Spending Survey* (conducted October 15–30, 2020) asked respondents to rate their top organizational goals for this year:

- » 55% want to digitally enhance their products and services.
- » 49% want to future proof their business.
- » 41% need to invest in technology to close digital transformation gaps.
- » 38% want to accelerate the pace of digital transformation/innovation.
- » 35% want to expand their partner ecosystems.

IDC finds that one of the first steps an organization takes toward digital resiliency is to make the enterprise more agile, adaptive, collaborative, integrated, and innovative with the use of a digital technology backbone. This digital backbone is the organization's investment in core components of digital resiliency, such as cloud, security, collaboration support for remote workers, and digital transformation projects such that the organization can pivot as needed and respond intelligently to a disruptive situation. The digital technology backbone investments are critical to becoming digitally resilient. This means organizations must shift away from traditional on-premises technology and toward more modern, innovative cloud technology that can sense and respond as needed.

Digital core components have aided organizations during the pandemic, helping them traverse negative situations. In fact, these systems have enabled more intelligent organizations such that they can think and act quickly while dynamically reshaping their business to intelligently sense and respond to the disruptions at hand. Intelligent enterprises share many of the common traits of business-resilient organizations. They are:

- » **Agile and responsive,** enabling employees to adapt and respond with more ability to think, understand, and move quickly with intelligent decision making

- » **Adaptive in real time,** making the right decisions with real-time data and intelligence, enabling better business outcomes

- » **Collaborative and integrated** across the entire enterprise and extending to the global network of suppliers, contingent labor, and supply chains

- » **Innovative,** by using data and emerging technologies such as machine learning and artificial intelligence to scale fast

Traversing the digital divide made more apparent by the pandemic requires the right digital core technology so that an organization can intelligently move beyond any disruption.

The Intelligent Enterprise Requires the Right Technology

An intelligent enterprise requires the right technology: a digital core made up of technology that is intelligent as well as cloud ready and enabled and that facilitates collaborative, innovative, and secure practices in real time. This digital core of technology enables the organization to constantly adjust as needed to disruptions. The digital core for the fundamental running of the business from both a financial perspective and an operations perspective is an enterprise resource planning (ERP) system. A digitally resilient organization utilizes an intelligent ERP system to navigate disruptions digitally because of its ability to:

- » **Manage massive data sets.** Intelligent ERP systems tie data sets to analytics, turning the data into action in real time.

- » **Connect across customers, suppliers, and employees.** Intelligent ERP systems are wise, with the ability to connect resources and leverage all data points.

- » **Be agile.** Intelligent ERP systems provide employees with a greater ability to think, understand, and move quickly with intelligent decision making, uncovering insights at the speed of thought.

- » **Be compliant.** Intelligent ERP is global in nature, including when segregating the duties in accounting, material management, and supply chain track and trace.

» **Allow business functions to access needed information.** Intelligent ERP systems enable the business to make the right decisions immediately while enabling industry extensions at the edge with innovative technology such as the Internet of Things (IoT).

» **Enable employees to work anywhere and anytime.** Intelligent ERP systems are modern and deployed in the cloud, opening up a new work dimension of anywhere and anytime.

» **Allow the entire enterprise to collaborate and extend its reach.** Intelligent ERP systems bring more to the organization in terms of collaboration that can extend into the global network of suppliers, contingent labor, and supply chains.

» **Be innovative.** Intelligent ERP systems use intelligence to sense and respond fast, quickly harnessing the information and making better and more informed decisions.

» **Scale as needed.** Intelligent ERP systems can run in the cloud, enabling the system to grow and contract based on business requirements.

» **Allow the organization to make the right decisions.** Intelligent ERP systems use real-time data and intelligence, enabling better business outcomes immediately.

Each of these benefits not only makes the business more resilient but also leads to digital resiliency. When the organization becomes digitally resilient, it can operate virtually across the business domains. In addition, the enterprise becomes much more connected because it is using the data in real time to become innovative and thus much smarter. This type of intelligent enterprise becomes a connected enterprise, which can include HR, manufacturing, finance, and supply chains.

Intelligent ERP systems can also enable extensions into the business partners from suppliers to logistics providers and assets. The intelligent ERP system extension of the enterprise operations into the business networks to manage suppliers, logistics, and assets regardless of industry is a true act of digital resiliency across the enterprise's business and ecosystem. The ecosystem includes the suppliers, contract manufacturers, maintenance providers, logistics services providers (carriers and shippers), distributors, customers, competitors, government agencies, and logistics — all of which tie the value chain together with the business for the delivery of goods and services. The idea is that each entity in the ecosystem affects and is affected by the others, creating a constantly evolving relationship in which each entity must be flexible and adaptable to survive. This ecosystem is really a business network that can accelerate time to market by collaborating with contract manufacturers and other key suppliers on design concepts and the manufacturing bill of materials (BOM) and by leveraging external manufacturing resources as a less expensive way to manufacture new products and bring them to market faster.

A prime example is the ability to track and trace consigned inventory at any point in the supply chain. Regardless of whether a customer is looking for a delivery, a manufacturer is awaiting one raw material, or production is waiting for a part to fix its equipment, the tracking and tracing can be done. Each node of the network can answer — in real time — a question for its own particular scenario, allowing the business to continue or plan based on readily available information. The intelligent enterprise becomes more intelligent when it can enable the business network so it can continue in the short term while maintaining longer-term resiliency.

Enterprise Resiliency Requires an Enterprise Technology Partner

Becoming a resilient enterprise requires the right technology partner. The right technology partner has two core attributes:

1. Understands the intelligent connected enterprise isn't just a phrase but an organization where the functions, industry, suppliers, logistics, and assets come together via technology for the betterment of the whole and not just itself. The combined entity is greater than each component within it. Enabling an intelligent connected enterprise requires the intelligent and connected technology so that the organization can amplify its own abilities while contributing to the entire ecosystem.

2. Grows with the enterprise while helping to make it resilient now and also enabling a future of intelligent outcomes.

The right technology partner focuses on critical components for the business not only to be resilient but also to be an intelligent enterprise. The focus is on the following areas:

» **Agility** so the organization can move quickly and easily and make the right decisions

» **Data** managed so it becomes actionable in real time

» **Connected resources** inside the enterprise and in the ecosystem to leverage data for faster results

» **Compliant operations** regardless of segregation of duties

» **Anytime and anywhere capabilities** enabling employees to work regardless of location

» **Functional and industry focus** through innovation such as IoT, which enables better decisions

» **Collaboration and extension** across the ecosystems of suppliers, contingent labor, and supply chains

» **On-demand innovation** with sense and respond for better decisions

» **Scale** in response to changing business requirements

» **Real-time decision making** to improve business outcomes

Definitions

The Ecosystem Economy

The term *ecosystem economy* is used to describe business activity fueled by multiple companies collaborating to achieve a business goal. The ecosystem economy is underpinned by networks that enable digital collaboration. The rapid growth and great influence of the major social media platforms served to demonstrate the power of digital networks and, in particular, the exponential growth that comes from the propagation of information through a network. Businesses across the industrial spectrum are now capitalizing on this network effect to rapidly reach new customers and new sources of innovation and deliver digital products.

The Extended Enterprise

Businesses that work very closely with partner organizations will share resources and information very openly in pursuit of a particular objective. When working this closely with partners, businesses will see these partners as being an extension of their own enterprise.

Digital Business Value Benefits

IDC's worldwide *COVID-19 Impact on IT Spending Survey* (conducted November 9–23, 2020) posed a series of questions to top IT decision makers around the business value of digital projects. When looking at only the C-level respondents, as they have the most clarity around upcoming digital focus areas, IDC found that 20–40% said their organization is concentrating on the six areas shown in Figure 1.

FIGURE 1: *Focus Areas to Ensure Future Growth and Resiliency*
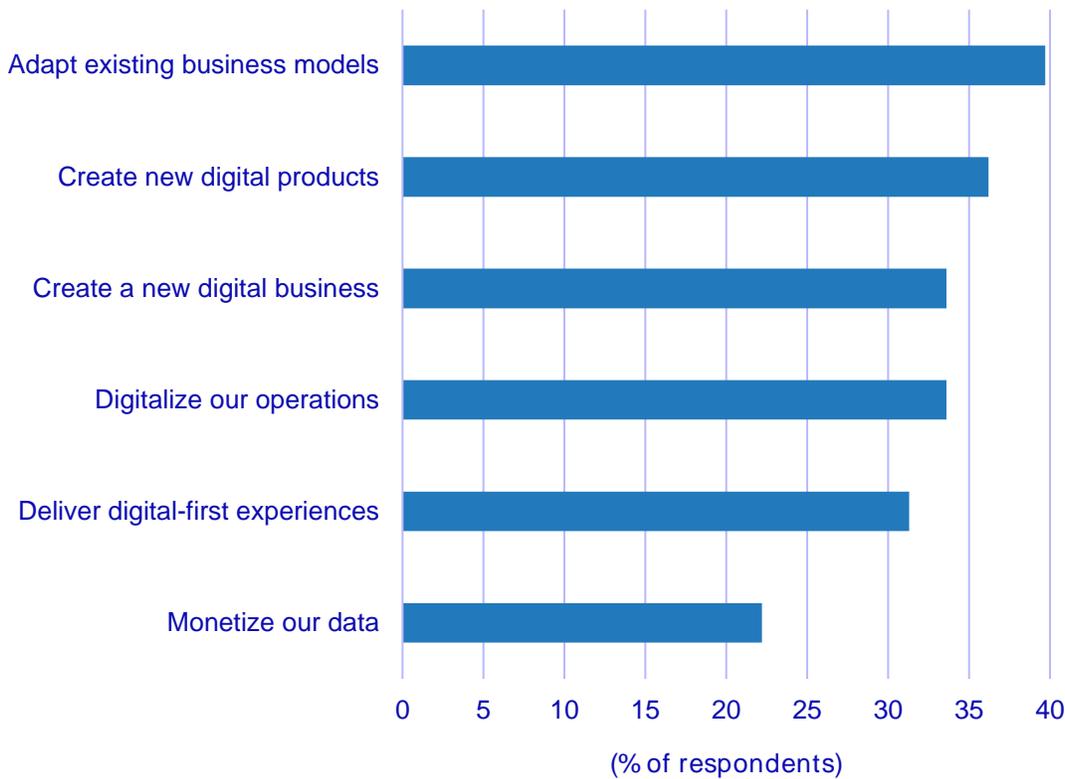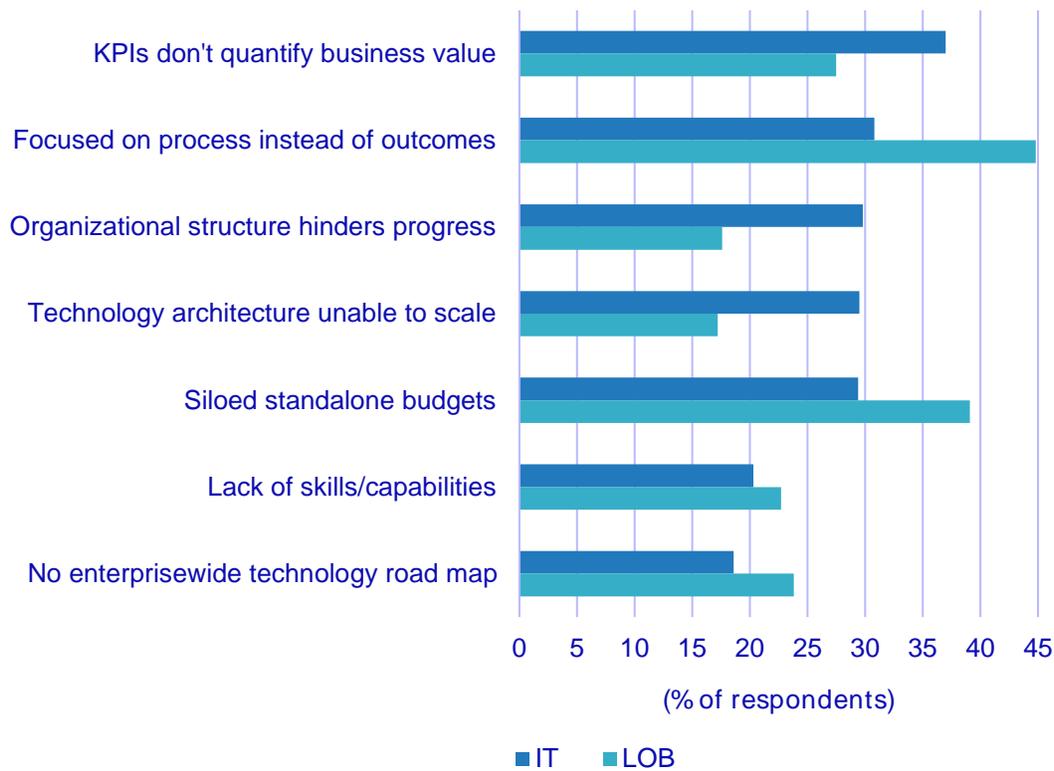

n = 146

Base = percent of C-level respondents

Note: The survey was conducted November 9–23, 2020.

Source: IDC's COVID-19 Impact on IT Spending Survey, November 2020

Organizations focused on two initiatives: adapting new business models to create new digital products and businesses and digitizing their operations. Large enterprises are more likely to change or adapt existing business models into digital businesses as well as digitalize operations. Big organizations often feel they have too much invested in existing revenue streams and do not want to risk losing customers, brand equity, or market share. Such entities will incrementally transition to digital.

Yet overcoming challenges to demonstrate digital business value requires the organization to reevaluate itself. The way an organization functions can prevent teams from fully deriving and demonstrating their digital business value. One main obstacle is that the current key performance indicators (KPIs) do not adequately quantify or reflect digital business value. And the lines of business spend more time looking at business processes instead of the desired outcomes they so desperately need. Compounding these issues are the siloed nature of functional organizations and their budgets, lack of employee skills and capabilities, and the wrong technology such that the organization cannot scale or there is no technology road map (see Figure 2).

FIGURE 2: *Challenges for Deriving Digital Business Value*

n = 679

Note: The survey was conducted November 9–23, 2020.

Source: IDC's COVID-19 Impact on IT Spending Survey, November 2020

Organizations understand that to derive more value and benefits, they must solve their problems with the right technology and partner.

Business Resiliency Requires Digital Transformation

Business resiliency requires a digital transformation strategy focused on the digital world and improved business outcomes, including intelligence, connectedness, and the ecosystem. Moving into the digital world isn't easy, but taking the necessary steps to understand where the business is now as well as where the business needs to go and then understanding the nuances required to be resilient will help an organization select the right approach, technology, and partner.

About the Analyst

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Mickey North Rizza is program vice president for IDC's Enterprise Applications and Digital Commerce research practices. She leads a team of analysts responsible for IDC's coverage of the next generation of enterprise applications including ERP, financial applications, procurement, supply chain automation project and portfolio management, enterprise asset management, services resource planning (SRP) and related project-based solutions software, and the digital commerce business network.

MESSAGE FROM THE SPONSOR

Businesses that learn to systematically transform, reinvent and seize new opportunity require new technologies, greater ability to connect to business networks, drive data driven insights and manage resources well. Companies using intelligent enterprise technology and tools will be faster, more agile, creative and have an ability to build deep sustaining relationships with customers, vendors, employees.

SAP Intelligent ERP helps customers across industries become best run businesses, enabling them to grow and align resources more efficiently. Unlocking the power of artificial intelligence helps employees make better, more informed decisions, drive out waste, grow healthy financial reserves, develop business resiliency with best practices with rapid time-to-value.

We invite you to learn more about RISE with SAP and hear from our customers at
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