The Post Digital Environment
Getting ready for 2020 and beyond

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Today, so much corporate time and effort is focused on adapting to new technological developments in the pursuit of satisfying the growing demands of customers, shareholders and employees.

Cloud services are the most popular for our clients right now due to their ability to tap into a nearly unlimited scale of computing power, storage, platforms, and software with the hope of lowering overall technology spending. Social media, and its role in rapidly transforming B2B and B2C interactions, is also a regular boardroom agenda item. Finally, mobile phone proliferation and advanced usage is quickly breaking down the traditional industry boundaries that have been with us for years and present new challenges to corporate strategy.

In decreasing timeframes, we will have moved from the “industrial age” to the “information age” and now to the “digital age”. Eventually we will reach a point that could well be described as the “post digital age”.

This paper focuses more on the marketplace 10-20 years from now when the developments referred to have fully converged and are a standard feature of business, irrespective of industry.
The Post Digital Environment (PDE) – an overview

This is an environment where digital technologies have been fully leveraged to fundamentally transform how customers, suppliers, employees and supplier interact on a commercial and personal level. We are already seeing evidence of this where the lines between the corporate networks and the home networks have been blurred and in many cases removed.

We are right now in the heart of the “digital age”, on the journey towards a totally digital world. Already some companies are starting to shed the business models and industry boundaries of the past in place of new ones.

• Is a mobile network operator going to be the bank of the future?
• Will banks move beyond being heavy users of technology to significant technology VARs?
• Will the retailer of the future be a hybrid-bank, a marketing company, a technology provider or a combination of all three?
• Are technology companies standing still or are they morphing into marketing companies subject to the same market tensions as the fashion industry? Apple and Samsung launch new products almost with the same frequency and fanfare as the fashion houses showcase their wares with the arrival of each fashion season.
• Who will own the customer of the future? Will it be brands, mobile operators or the services offered by Over The Top players? (Facebook and Google)

Our classical industry definitions are already looking out-dated. We will soon be at the point where the international stock exchanges will be hard pressed to correctly classify companies into the current market sector definitions – some new classifications are likely to emerge to help with more meaningful market comparisons.

Maybe the companies of the future will, at their core, be a builder and manager of communities that they serve with an ever-evolving product and service catalogue that constantly changes to meet the communities’ needs. One thing is for sure….everything will be digital.
Central to the PDE are three components – mobile, social and cloud. Importantly wrapped in a cocoon of cyber-security and objectively measured and monitored by advanced data analytics.

As the worlds of social media, mobile and cloud all quickly mature and fuse together, the full power of data analytics will only then be truly realised, when the definition of “information intelligence” will go far beyond its current meaning – when anomalies and opportunities are discovered in real-time and actioned just as quickly with little human intervention.

Add to this, significant advances in cyber-security will shed the fears of today and information integrity will become as natural as the air that we breath.

The convergence of capabilities in mobility, social, cloud, analytics and cyber intelligence is altering the way organizations respond to stakeholders needs.
It’s all a question of adoption rates. There are some industries right now that are racing ahead in “Usain Bolt” fashion. It’s imperative for them - just to remain competitive. Telecommunications companies, media groups and consumer retail businesses are good examples.

We expect the energy and resource companies to be later adopters together with the public sector. Not to say that there are no digital plans or strategies already in place within these industries, but ecosystem-wide digitisation is still some time off. Continuing with our sporting analogy, they are more like the marathon runners of our day.

Maturity Model

<table>
<thead>
<tr>
<th>Early Adopters</th>
<th>Medium-term Adopters</th>
<th>Long-term Adopters</th>
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</thead>
<tbody>
<tr>
<td>• Rapid product or service adoption of a digital format</td>
<td>• Regulatory issues must be addressed for wide scale adoption</td>
<td>• Benefits of PDE are less clear and ability to leverage digital formats needs to be established</td>
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<tr>
<td>• Clear benefits of a digital format especially on a cost basis</td>
<td>• Privacy and security issues are high</td>
<td>• Benefits will likely be derived from one or two elements of PDE</td>
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<td>• Customer demand for digital format quickly established</td>
<td>• PDE can radically impact products or services in a significant way</td>
<td>• Resistance from sector due to litigation, security and privacy concerns</td>
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<tr>
<td>• Limited regulatory barriers</td>
<td>• PDE can enhance information flows for both consumers and enterprises to substantially lower costs and raise service levels</td>
<td>• PDE does not impact product or service but impacts information flows so benefits are less tangible</td>
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<td>• Digital adoption not overly dependent on a new ecosystem being established</td>
<td>• An ecosystem needs to be established (a platform) that enables PDE effectiveness. Usually requires billions of dollars in investment</td>
<td>• Sector as a whole would rather delay investment due to undear benefits</td>
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Key:
- TMT: Technology, Media and Telecommunications
- CB&T: Consumer Business and Transport
- LSHC: Life Sciences and Healthcare
- FSI: Financial Services
- MFG: Manufacturing
- EBR: Energy and Resources
- PS: Public Sector
Some ideas for your PDE Strategy

We have presented below a “straw man” approach for your company to consider and to get ready for the post-digital environment. In each case, we have described key activities that are central to the PDE programme.

- Developing a clear and well-researched strategy
- Addressing risk management from the outset to ensure future challenges are anticipated.
- Harnessing the tax and legal optimisation opportunities that are all too often neglected.

<table>
<thead>
<tr>
<th>Cloud World</th>
<th>Core Strategies</th>
<th>Risk Management</th>
<th>Tax and Legal Optimisation</th>
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<tbody>
<tr>
<td>Expanding into the cloud world – explore transformative opportunities that could help lessen the constraints of existing business models in terms of cost saving strategies, customer relationships, growth and innovation. The potentially transformative benefits can outweigh the risks when applying appropriate risk management strategy.</td>
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<tr>
<td>• Develop immediate and sustainable cost reduction opportunities within the organisation as a result of moving technology and operations to the cloud (Leveraging a combination of spend analysis, organisational redesign, technology and process improvement techniques).</td>
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<tr>
<td>• Build a comprehensive cloud strategy and initiative roadmap of business transformation in consideration of Operating Model, Economic Return, Governance, Process and Technology, IT Culture, and Capability Maturity.</td>
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<tr>
<td>• Develop/Augment an Enterprise vendor relationship management plan to consider moving technologies to the cloud.</td>
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<td>• Develop an effective change management strategy, engage key stakeholders, evaluate change readiness and implement approved initiatives – all while providing strategies to accelerate understanding, speed adoption and transfer knowledge.</td>
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<td>• Consider risk mitigation strategies to minimise inherent risks resulting from the alternative strategies being considered.</td>
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<td>• Understand and research emerging security and privacy issues. Set a balance between control and efficiency – to protect corporate data and personal privacy – with a framework to enforce the required rules, with a focus on “access management” and “trust”.</td>
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<td>• Develop and execute a remediation plan around security &amp; privacy</td>
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<td>• Transform the enterprise controls framework as necessary to gain comfort around operations, risk management and financial reporting.</td>
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<td>• Get advice on new accounting issues related to leasing and revenue recognition.</td>
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<tr>
<td>• Consider cloud strategies and geography decisions that will support tax and legal optimisation strategies.</td>
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<tr>
<td>• Manage tax and legal jurisdiction issues that are emerging in a virtual space.</td>
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<td>• Align tax processes to address potential issues and opportunities in this complex cross-border environment.</td>
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<td>• Consider potential tax credits that may be available for R&amp;D and workforce retooling.</td>
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<tr>
<td>• Consider legal audits of regulatory and compliance requirements, domain name disputes, service level agreements, website terms and conditions, record management, etc.</td>
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<tr>
<td>Social World</td>
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| Expanding into the social world – explore ways to transform your social presence to maximise benefits and mitigate risks | • Define a vision and strategy for the social business/media presence and how the presence will align with the overall business strategy of the organization.  
• Define how the strategy will add value to the overall organization.  
• Develop strategy around data governance and processes including data stewardship and management of the key master data elements, with particular reference to unstructured big data.  
• Develop an effective change management strategy, engage key stakeholders, evaluate change readiness and implement approved initiatives – all while providing strategies to accelerate understanding, speed adoption and transfer knowledge  
• Conduct a gap analysis and build a comprehensive initiative roadmap of how to close the identified gaps.  
• Design necessary technology infrastructure to support the vision and implement necessary changes.  
• Develop a training strategy and a training curriculum.  
• Applying agile social media business processes internally within the organization | • Support development of the social vision, strategy gap analysis and roadmap development efforts to ensure a strategic perspective to governance, data analytics, risk and control is applied throughout the efforts and contributes to the value the social strategy delivers.  
• Research emerging security & privacy issues. Develop and execute a remediation plan around security & privacy.  
• Ensure investment models have been developed to properly assess ROI – often a neglected component of social media programmes.  
• Understand technical accounting issues including: to manage new risks, account for new intangible assets and intellectual property  
• Apply revenue recognition standards to the new enterprise structure and apply international accounting standards as a result of emerging requirements to report financial results in new jurisdictions. | • Tax optimize the infrastructure build (i.e. geography decisions) that will be necessary to manage the volume of data and data analytics work that will be a key component of a social strategy.  
• Assist in managing tax jurisdiction issues that are emerging in a virtual space.  
• Get advice on potential tax credits that may be available for R&D and workforce retooling.  
• Get advice on tax issues related to intercompany intellectual property transfers and associated transfer pricing. |
## Mobile World

Expanding into the mobile world – increasing customer base and improving ease of use.

### Core Strategies

- Define how a world would look with an expanded customer base and additional market share
- Define how the strategy will add value to the overall organization.
- Develop a mobile payments platform
- Build a comprehensive initiative to get you there
- Design a technology infrastructure to support the vision and to effect the changes
- Mobilize your product and service offering to fit your customer segment globally

### Risk Management

- Alternative strategies give rise to new risks. Utilise governance, data analytics and risk mitigation strategies
- Privacy and security issues constantly evolve, so implement your remediation strategies in advance!
- The enterprise control framework needs to be transformed to gain comfort on operational risk management and financial reporting.
- Transformation exposes you to new accounting practices and issues, especially in the area of mobile payments on an international platform

### Tax and Legal Optimisation

- Manage tax and legal jurisdictional issues that are emerging in a virtual space, e.g. VAT
- Consider issues related to intercompany IP transfers and associated transfer pricing
- Investigate R&D tax credits that may be available.
- Consider legal audits of regulatory and compliance requirements

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