BCG HENDERSON INSTITUTE

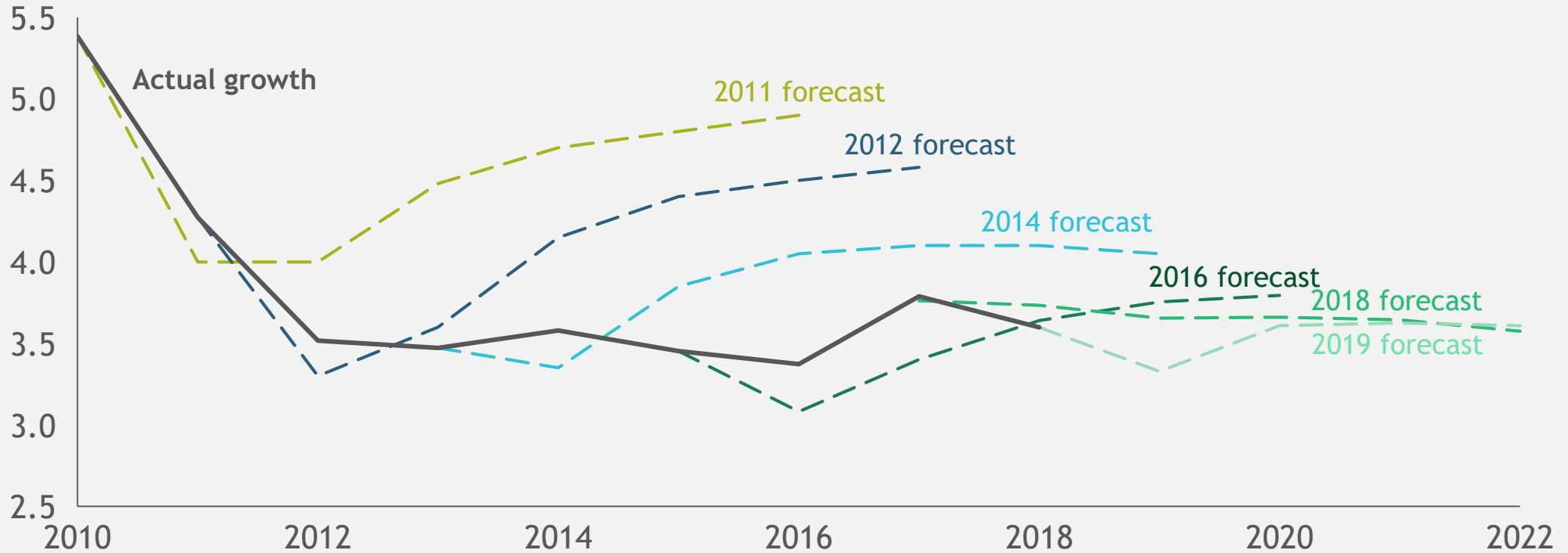# Winning the '20s: The Organization of the Future

Martin Reeves, Global Director, BCG Henderson Institute

Worst time to be average

Five-year forecasts of
global GDP growth (%)

Actual growth

2011 forecast

2012 forecast

2014 forecast

2016 forecast

2018 forecast

2019 forecast

5.5

5.0

4.5

4.0

3.5

3.0

2.5

2010   2012   2014   2016   2018   2020   2022

No time for complacency

TOP GLOBAL COMPANIES BY MARKET CAPITALIZATION

2009

#1	PetroChina	🇨🇳
#2	Exxon Mobil	🇺🇸
#3	Microsoft	🇺🇸
#4	ICBC China	🇨🇳
#5	BHP Billiton	🇦🇺
#6	Walmart	🇺🇸
#7	CCB	🇨🇳
#8	Petrobras	🇧🇷
#9	HSBC	🇬🇧
#10	Alphabet	🇺🇸

2019

#1	Microsoft	🇺🇸
#2	Apple	🇺🇸
#3	Amazon	🇺🇸
#4	Alphabet	🇺🇸
#5	Facebook	🇺🇸
#6	Berkshire H.	🇺🇸
#7	Alibaba	🇨🇳
#8	Tencent	🇨🇳
#9	Visa	🇺🇸
#10	JPMorgan	🇺🇸

2029

???

Technology driving change at multiple levels

New **processes** and efficiency standards

New **offerings and business models**

New ways of organizing within and across companies

New ways of leading and managing

Shift to competing on the rate of learning

First generation:
The experience curve

Marginal cost

Cumulative volume
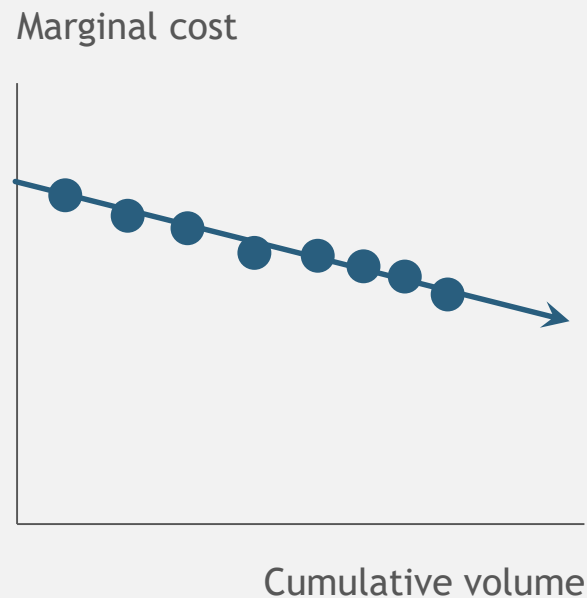
Second generation:
"Jumping" between curves

Marginal cost

Cumulative volume

Product generations
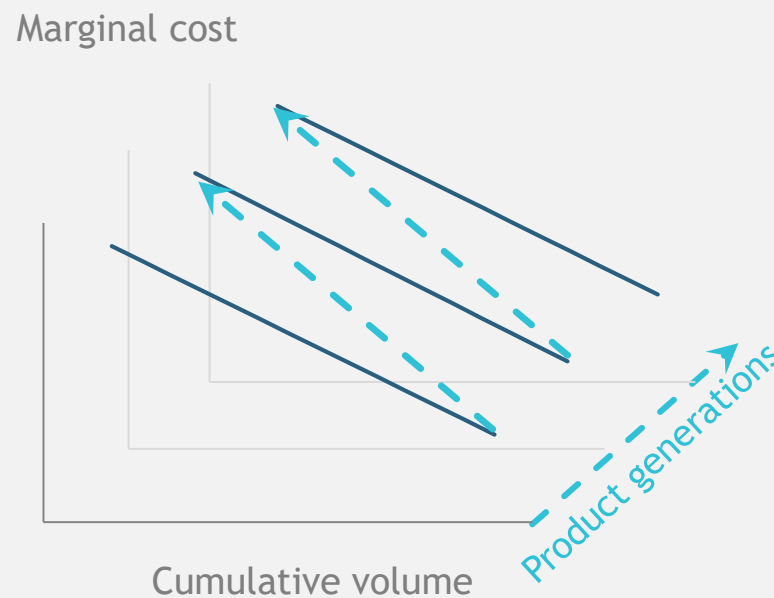
Third generation:
Hybrid learning enterprise

Levels of inference

Humans

Machines

Timescales
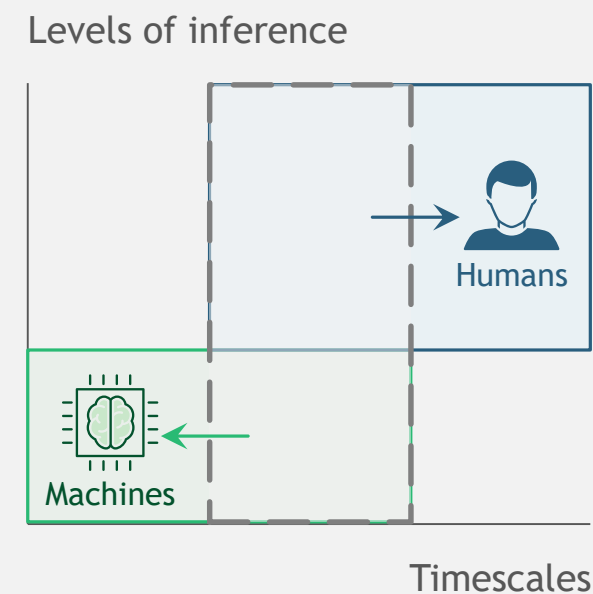
Need to build the organization of the future
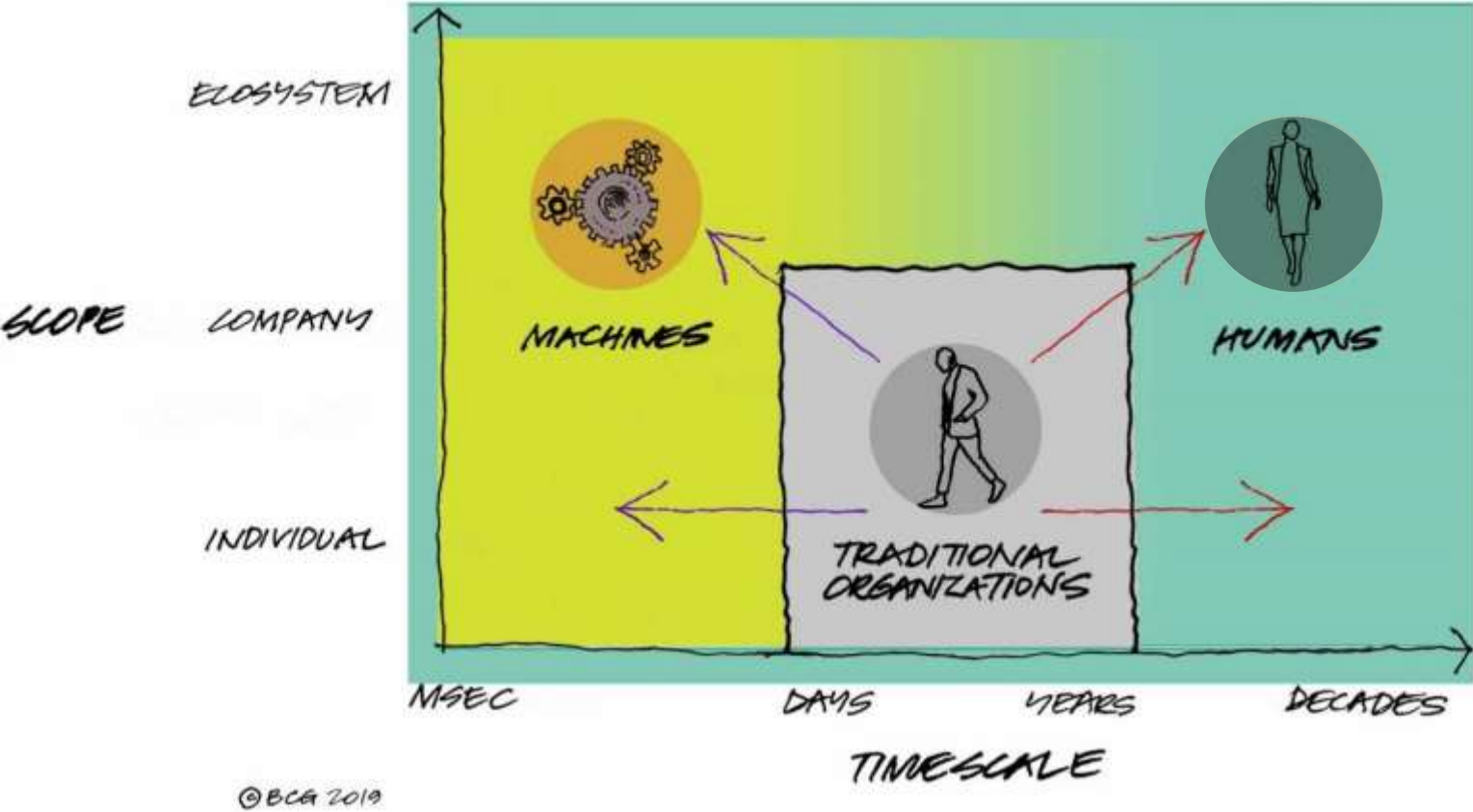
1. **Autonomous learning loops**
2. **Division of labor**
3. **Leveraging ecosystems**
4. **Rethink management**

Microsoft

Pioneers embedding learning throughout the firm

"**Companies need to create digital feedback loops**: connecting data around operations end-to-end; taking data from one system to optimize another"
—*Satya Nadella, Microsoft CEO*

Examples at Microsoft

› "AI-first" organization

› Rise of "workplace analytics"

› Learn-it-alls, not know-it-alls
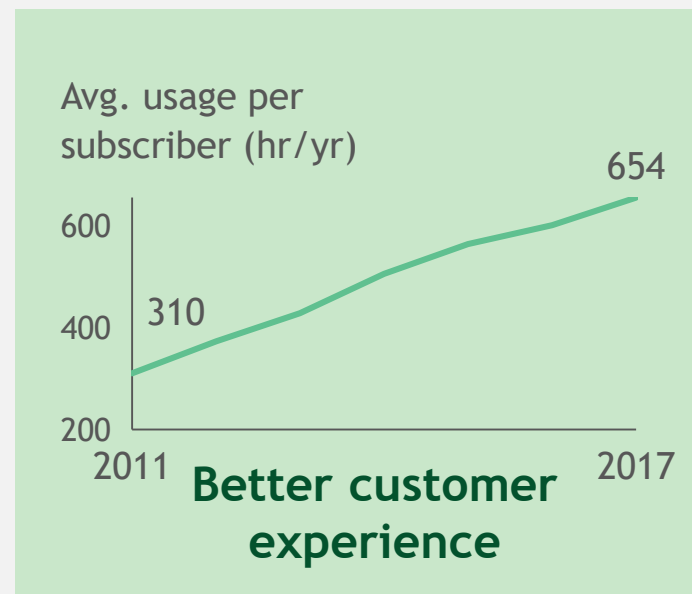
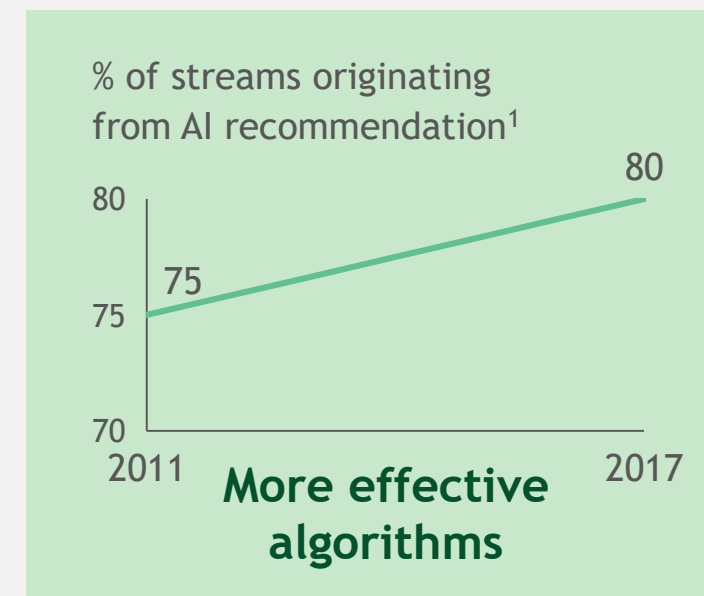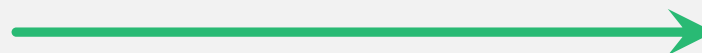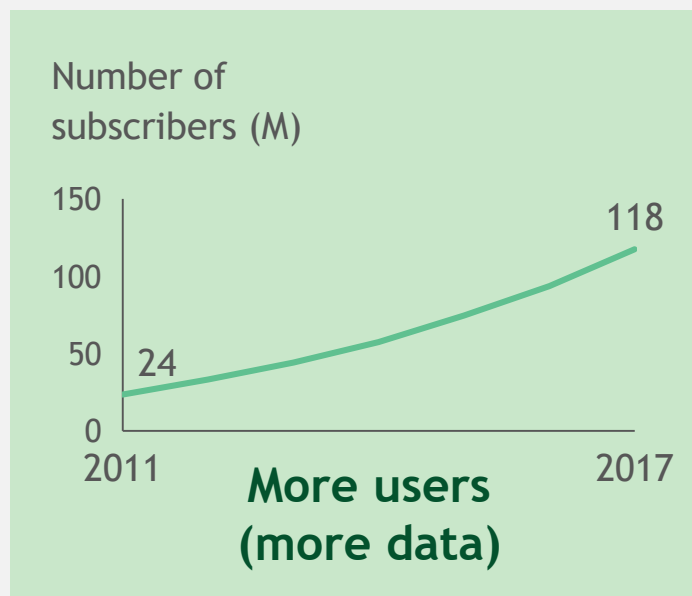# Creating "self-tuning" organizations

Ecosystems
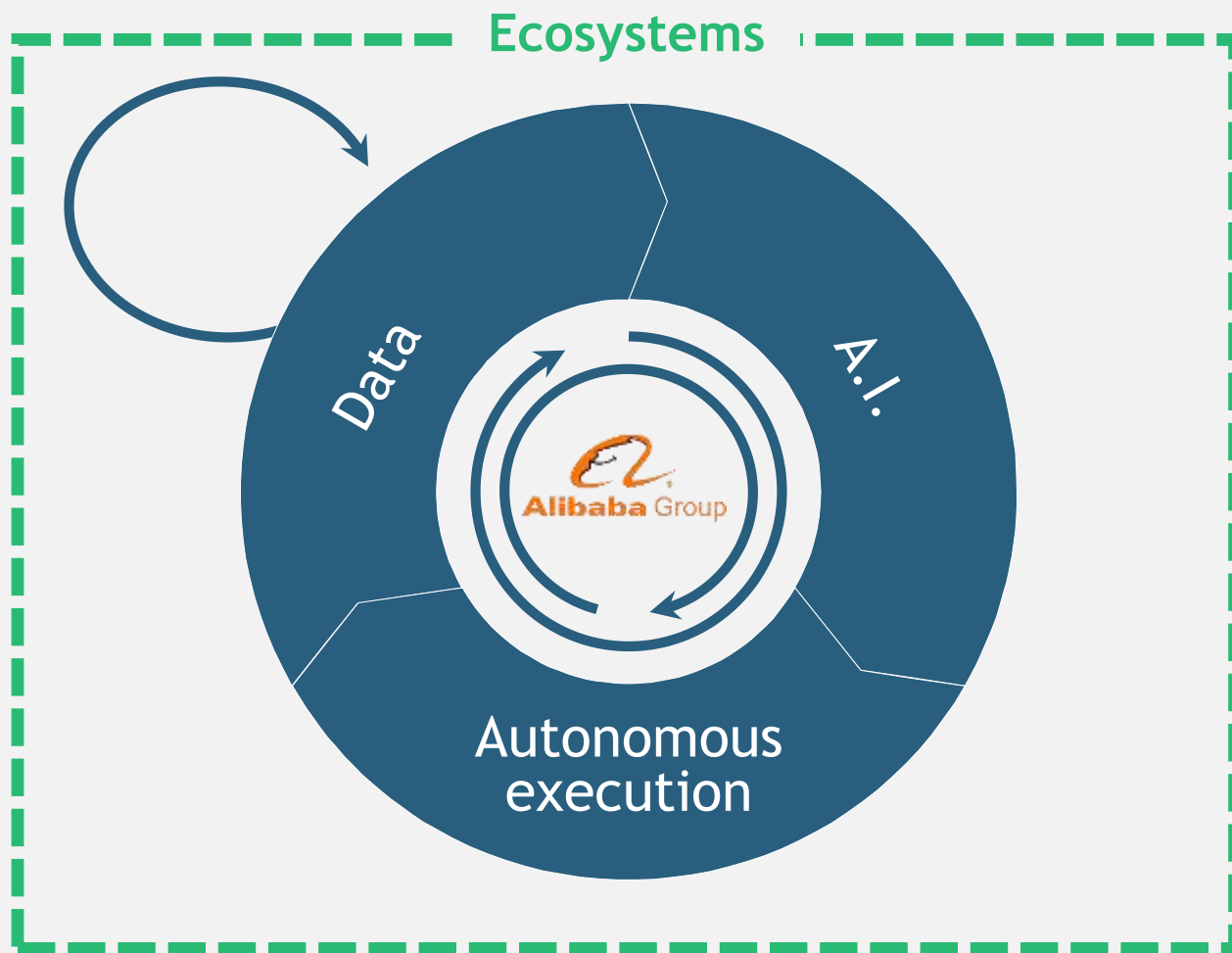
- **Autonomous** learning

- **Experimentation**

- **Removing hierarchy**

Example: Netflix runs on autonomous learning

Example:

NETFLIX
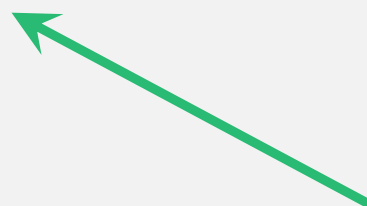
Number of
subscribers (M)

150
118
100
50
24
0
2011   2017

**More users
(more data)**

% of streams originating
from AI recommendation[1]

80
80
75
75
70
2011   2017

**More effective
algorithms**

Avg. usage per
subscriber (hr/yr)

654
600
400
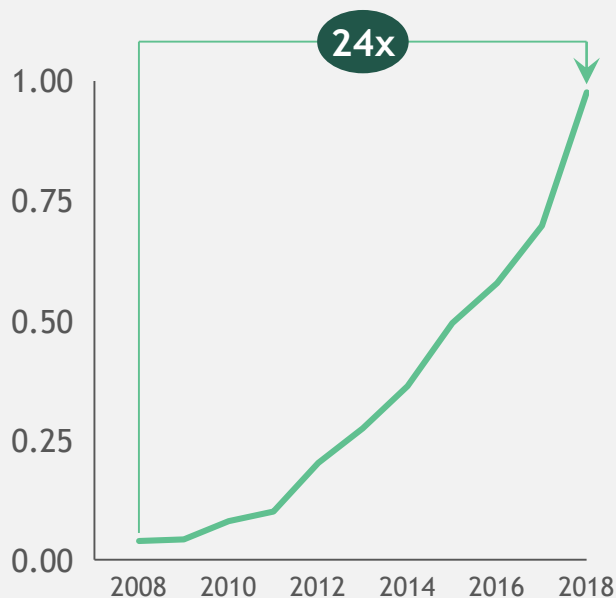310
200
2011   2017

**Better customer
experience**

Harness *imagination* to drive growth
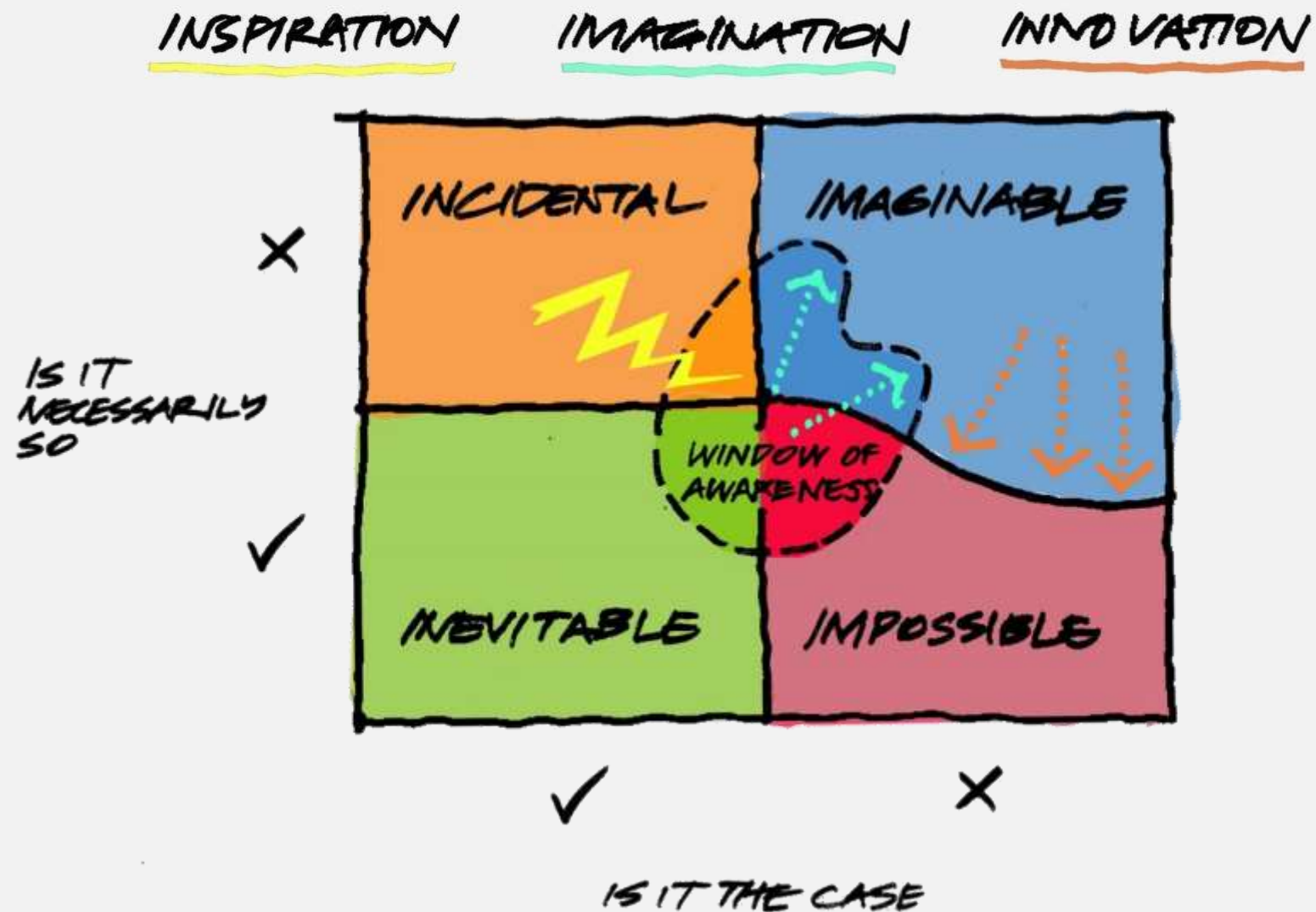
Ecosystems: hyped, misunderstood... and important

Much hype

Usage of the term "ecosystem"[1]

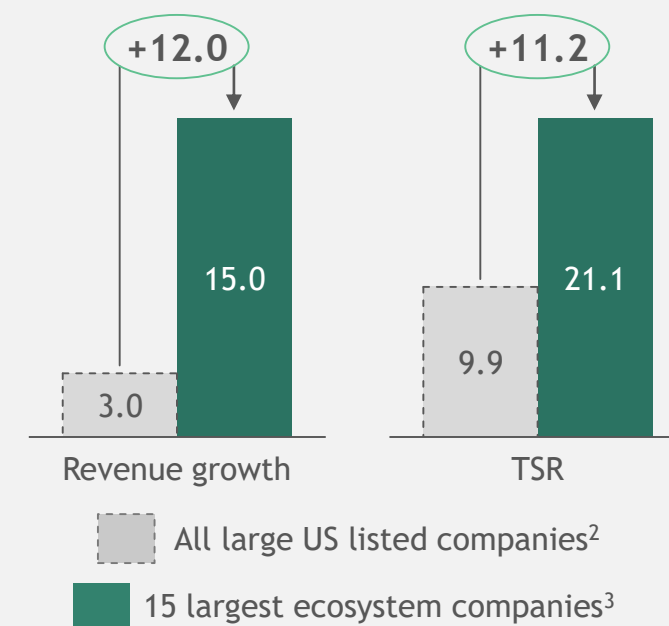**24x**

And confusion

Popular myths of ecosystems:

An ecosystem is always the answer

An ecosystem is always a digital platform

Ecosystems don't change the company itself

If you can understand it you can do it
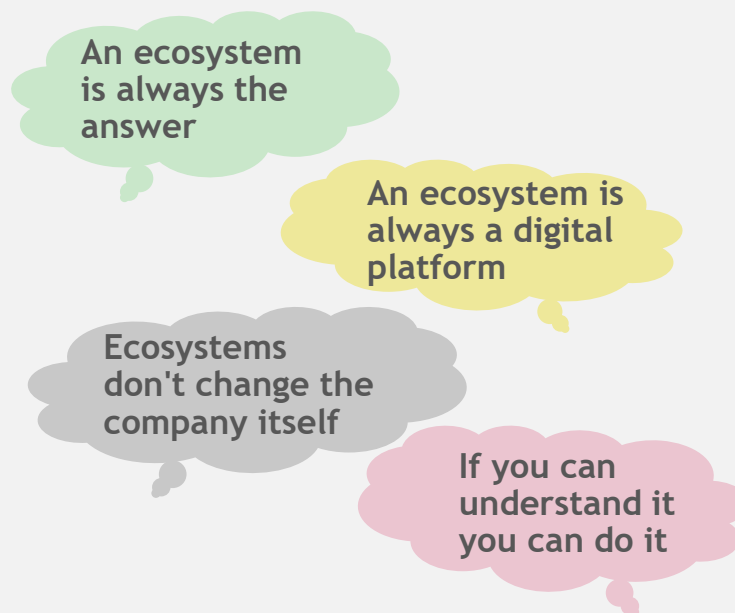
But something real

2013-18 performance (ann.):

+12.0

+11.2

15.0

3.0

9.9

21.1

Revenue growth   TSR

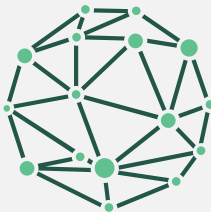☐ All large US listed companies[2]

■ 15 largest ecosystem companies[3]

Reinvent management and leadership principles

Leveraging indirect, "soft" power

Algorithm governance

Bringing markets inside the company

Ambidextrous leadership

Defying the gravity of size, age and complexity

BCG Vitality Score

Sector:
- Information Technology
- Healthcare
- Consumer Discretionary
- Industrials
- Other
- Financials

Company Age (log scale)
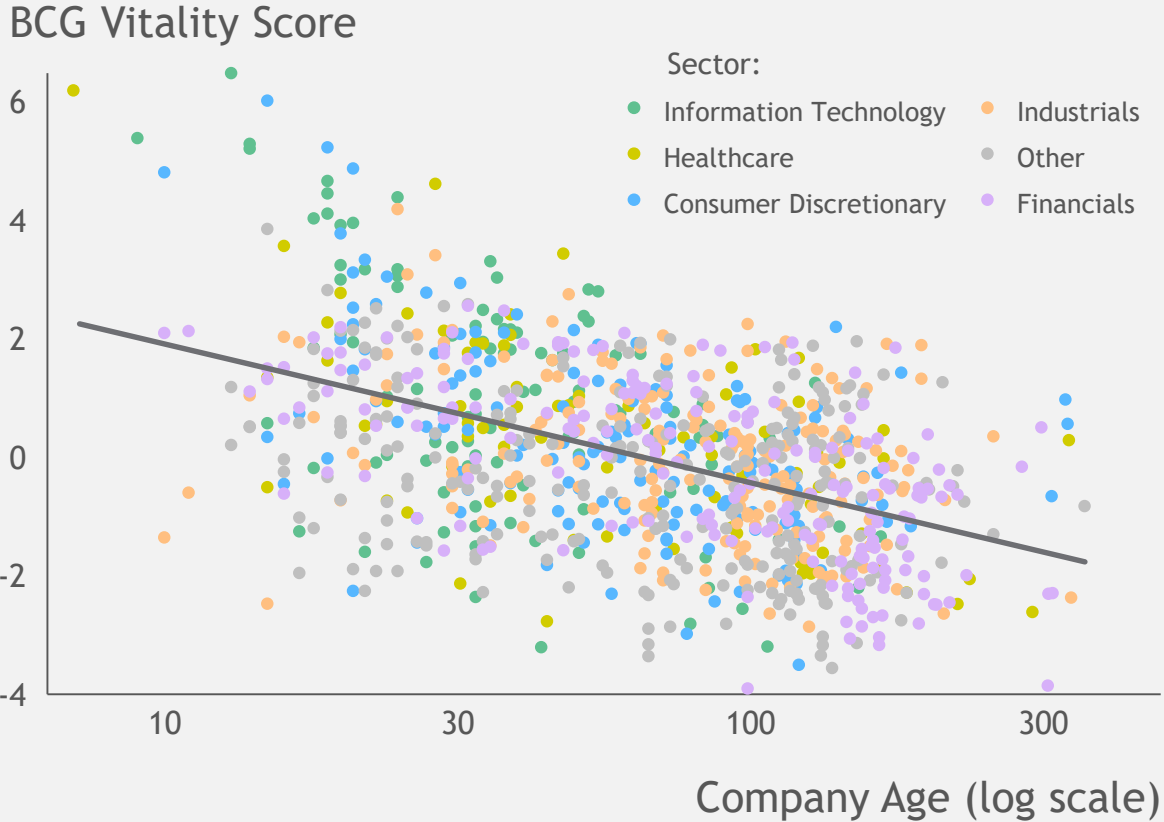
⟩ **Look forward**

⟩ **Act preemptively**

⟩ **Self-disrupt**

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