

Press Release

Digitalisation is greatest challenge facing the economy

- **Business models of every second company are changing as a result**
- **Vast majority of top managers consider this transition an opportunity**
- **Digital economy is primary focus of CeBIT under the motto "d!conomy"**

Hanover, 15 March 2015

Digitalisation has fundamentally changed the market conditions of the German economy. More than every second company (55 per cent) is being compelled to change its business model as the result of digitalisation.

70 per cent of companies consider digitalisation to be a tremendous challenge. As a result, the digital shift ranks alongside the shortage of skilled workers as a major challenge facing companies, far ahead of other internal and external challenges such as intense competition or strict terms for financing. This was determined by a representative survey of 505 managing directors and executive board members of companies with 20 or more employees commissioned by the digital association BITKOM. "Mastering the digital shift is the most important challenge facing today's management," explained BITKOM President Prof. Dieter Kempf at the start of the CeBIT in Hanover. "Business models are changing as the result of digitalisation; companies must adapt or they will be driven out of their market sooner or later." Overall, a clear majority considered the digital shift to be a positive development. 86 per cent of the top managers surveyed considered digitalisation to be more of an opportunity than a risk for the company. 10 per cent viewed it more as a risk and only 4 per cent believed that digitalisation has no influence on their company.

The digitalisation of the economy will be one of the key topics at this year's CeBIT under the catchword "d!conomy". "In the 'digital economy', digitalisation concerns all industries and permeates all areas of a company – from product development and sales up to and including customer service," noted Kempf. It is based on technologies like cloud computing or big data, high-end terminals from tablets up to and including wearables, and increasingly fast fixed-line and mobile data networks. As a result, it permits further networking of devices, machines and vehicles.

According to the results of the survey, nearly three quarters (73 per cent) of the managers and executive board members surveyed are taking an open-minded

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Press Release

Digitalisation is greatest challenge facing the economy

Page 2

approach to the possibilities of digitalisation. One fifth has a neutral stance and 7 per cent view it as negative. A particularly large number of managing directors of small companies with 20 to 49 employees view the digital revolution critically. Only half of the managers surveyed in this group (56 per cent) view it in a positive light while a quarter (27 per cent) is unsure and nearly one fifth (18 per cent) consider it a negative development. In the major sub-sectors of industry, service and retail, the largest number of sceptics can be found among service providers (19 per cent). They appear to perceive the greatest risk, fearing that digitalisation may make existing business models obsolete.

The survey determined that for many companies, the competitive environment is changing as a result of the digital shift. Nearly half (48 per cent) of those surveyed have observed competitors from the internet sector entering their market. One quarter (25 per cent) states that competitors from their own sector, who committed to digitalisation early on, are in a better position than they are. One third (34 per cent) of the business leaders surveyed admitted they were having difficulty coming to grips with digitalisation. Nearly one fifth (19 per cent) even believes that digitalisation poses a threat to the existence of their company. "The digital shift is a process of creative destruction," explained Kempf. "This should motivate those in positions of responsibility. No one is completely at the mercy of this development as it can be shaped in a creative manner."

Companies are taking a wide variety of approaches to the digital shift. Four out of five (82 per cent) are training their employees to use digital technologies. In order to gain expertise in digital topics, 61 per cent have partnered with IT and internet companies. 58 per cent stated that they are investing large sums in order to cope with the digital revolution. However, one third (37 per cent) of German companies have yet to develop a digitalisation strategy. "A digitalisation strategy is an essential basis when it comes to facing the challenges ahead," stressed Kempf. Many companies must take steps to improve their position in the immediate future. One quarter (24 per cent) have a digitalisation strategy for at least some areas of their company. 39 per cent of companies have a central strategy for dealing with different aspects of digitalisation.

BITKOM believes that digitalisation is a challenge facing society as a whole. In order to take an active approach to shaping the digital world, Germany must avoid

Press Release

Digitalisation is greatest challenge facing the economy

Page 3

any one-sided dependencies and embrace key technologies. "We need more digital self-determination," stressed Kempf. BITKOM identified the term 'digital self-determination' as between the polar opposites of being completely subject to outside influence, and autonomy. Kempf: "We are not interested in either of these extremes. Digital self-determination means that we have expertise in major technological fields. We also have to be able to select suitable offers from various trustworthy, expert partners in a self-determined and competent manner.

More digital self-determination can only be achieved if all policy areas place increased focus on digitalisation," emphasised Kempf. This concerns central themes such as copyright, competition and tax law, data and consumer protection as well as telecommunication and media policy. Outdated laws must not impede innovative business models and start-ups must be provided with ideal conditions during the founding and growth phase on their way to becoming a global player. Furthermore, the economy, government and citizens must be able to rely on the highest level of confidentiality and protection when communicating via digital networks. Kempf: "Digitalisation must permeate all policy areas."

Note on the method: The data was obtained from a survey conducted by Bitkom Research in cooperation with Aris Umfrageforschung as commissioned by BITKOM. In February, 505 managing directors and executive board members of companies with 20 or more employees were surveyed. The survey is representative of the entire economy.

BITKOM represents more than 2,200 companies in the digital sector, including 1,400 direct members. With more than 700,000 employees, our members generate a domestic turnover of 140 billion Euros a year, exporting high-tech goods and services worth another 50 billion Euros. Comprising 1,000 small and medium-sized businesses as well as more than 250 start-ups and nearly all global players, BITKOM members offer a wide range of software technologies, IT-services, and telecommunications or internet services. They produce hardware and consumer electronics or operate in the sectors of digital media and the network industry. 76 percent of the companies' headquarters are located in Germany with an additional amount of 10 percent in other countries of the EU and 9 percent in the USA as well as 5 percent in other regions. BITKOM supports an innovative economic policy by focussing the modernization of the education sector and a future-oriented network policy.