Becoming a Best-Run Midsize Company:

How Growing Companies Benefit from Intelligent Capabilities

The Opportunity for Midsize Companies to Become Intelligent Enterprises

As companies continue to adapt to the digital economy, they are looking for new and more efficient ways to drive revenue, empower employees, and respond to customer needs. **By leveraging all their data assets, advanced technology, and process automation,** companies are able to embed intelligence into their operations.

Companies of all sizes are moving to become "intelligent enterprises," and many midsize companies take advantage of software with advanced capabilities such as artificial intelligence and machine learning to leap ahead of larger competitors. **Agility and updated processes** can make an important difference.

Best-run companies empower employees to focus on higher-value tasks, improve decision-making, explore new business models, and achieve their goals.

Midsize Companies Grouped Based on Key Performance Outcomes

IDC conducted a survey of 1,957 midsize companies (100-1,000 employees) worldwide to identify key factors associated with business success and progress towards becoming a best-run, digitally engaged organization. Commitment to customer engagement, employee productivity, and effective use of technology all distinguish best-run midsize companies.

IDC compared results over the last two years in **four critical areas**:

Revenue or sales/bookings growth

Profit growth

Customer satisfaction

Employee productivity

Based on this analysis, four segments emerged: **laggards, survivors, strivers, and best-run.**

Best-Run

Strivers

Survivors

Laggards

Companies Identified as Best-Run Are Achieving:

- **Revenue growth 8x** greater than that of **laggards**
- **Customer satisfaction** improvement **7x** greater than that of **laggards**
- **Profit growth 8x** greater than that of **laggards**
- **Employee productivity** increases **4x** greater than that of **laggards**

Performance Results for Each Segment (%)

Mean revenue/sale increase over last 2 years
- 23.8
- 14.8
- 8.5
- 3.4

Mean profit increase over last 2 years
- 20.8
- 13.3
- 8.0
- 2.6

Mean customer satisfaction increase over last 2 years
- 29.0
- 19.2
- 10.8
- 3.6

Mean employee productivity increase over past 2 years
- 24.0
- 17.4
- 8.8
- 5.9

Best-Run
Striver
Survivor
Laggard

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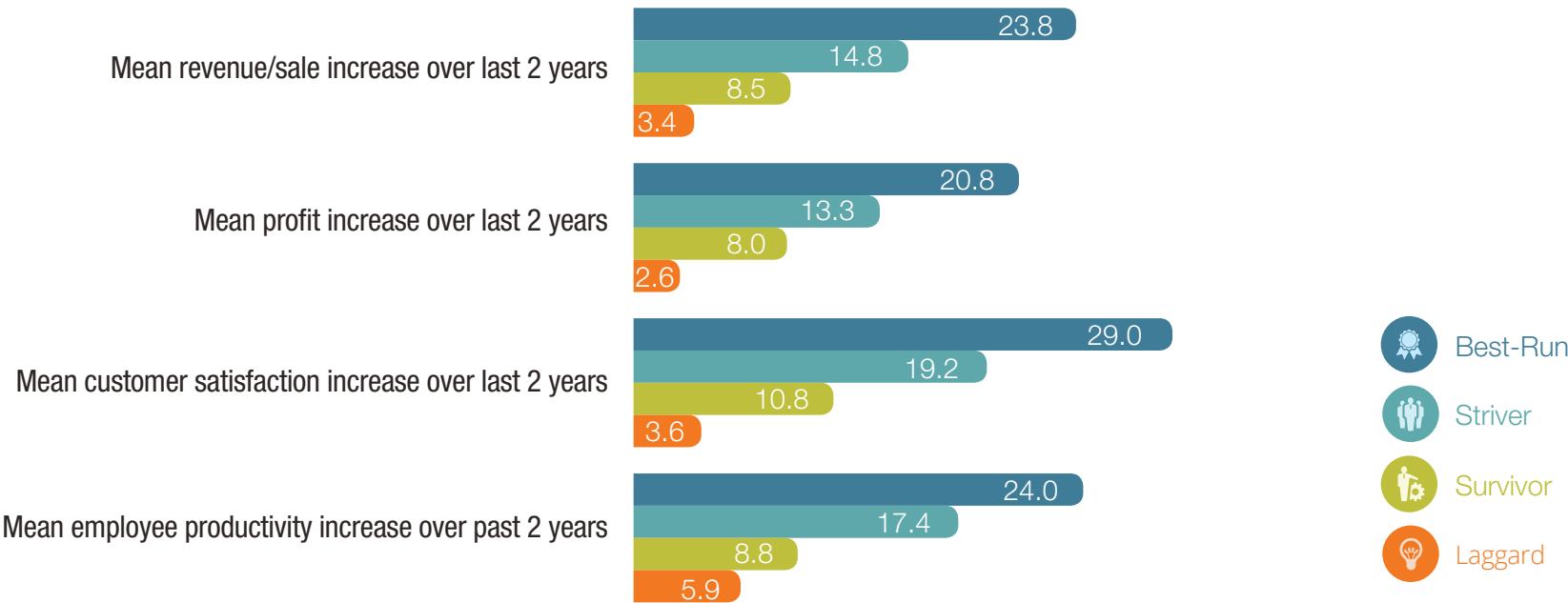
Attitudes That Lead to Long-Term Success

IDC's research revealed certain attitudes that are associated with higher performance and are more common in best-run companies. These attitudes help support company flexibility and agility; IDC views them all as especially important to long-term success in every business segment.

We will explore **these attitudes** in more detail:

1 **Prioritization** of long-term capabilities

2 **Empowerment** of employees to innovate

3 **Treatment of data** as an asset that leads to actionable insight

4 **Enablement and promotion** of communication and collaboration

5 **View of modern technology** as a necessity and an enabler
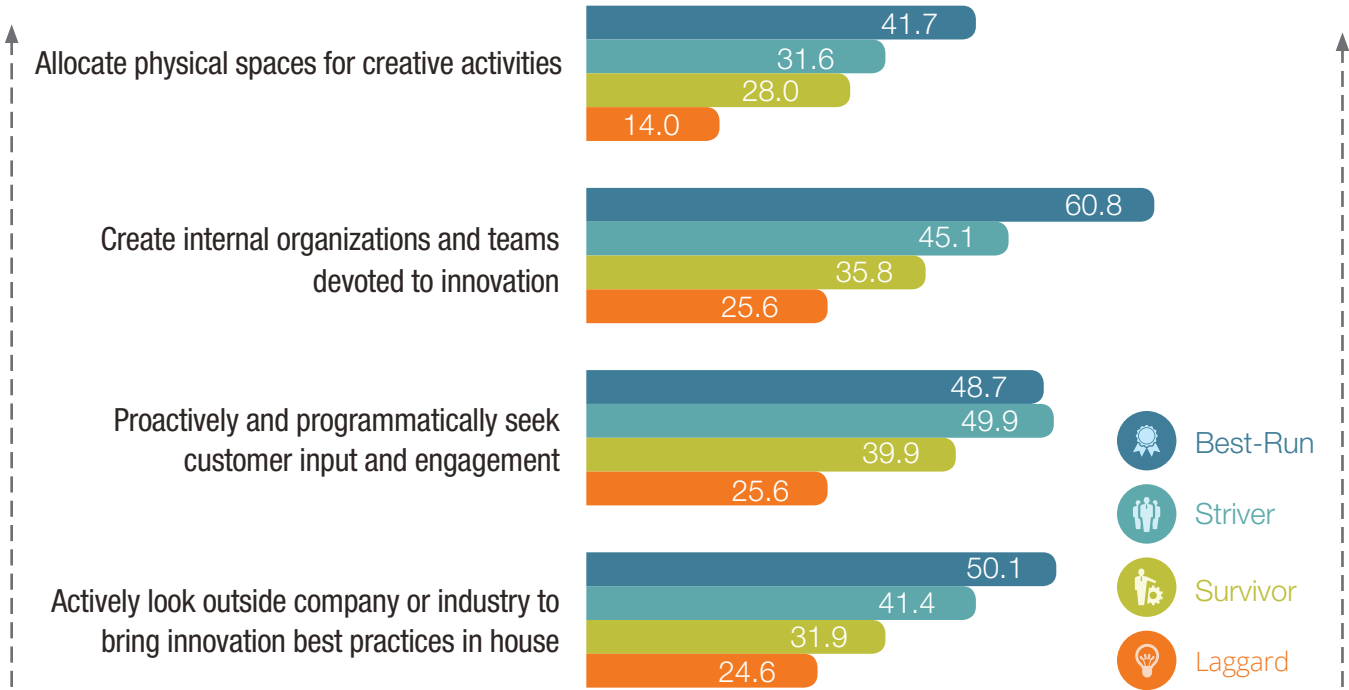
6 **Centralized sponsorship** of digital transformation initiatives

Empower Employees to Innovate

Best-Run Companies Promote Innovation in Different Ways

What Does Your Company Do to Promote Innovation? (%)

Of best-run companies surveyed, **74%** say they are good at using innovation to meet organizational objectives (compared to **0.5%** of laggards)

Best-run companies are more likely to embrace an "outside-in" approach that supplements internal insights with external input from customers and other stakeholders.

Allocate physical spaces for creative activities
- 41.7
- 31.6
- 28.0
- 14.0

Create internal organizations and teams devoted to innovation
- 60.8
- 45.1
- 35.8
- 25.6

Proactively and programmatically seek customer input and engagement
- 48.7
- 49.9
- 39.9
- 25.6

Actively look outside company or industry to bring innovation best practices in house
- 50.1
- 41.4
- 31.9
- 24.6

- Best-Run
- Striver
- Survivor
- Laggard

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Treat Data as an Asset...

Strongly Agree Data Is (%)

Best-run companies invest in data management, data integration, and data integrity processes and technology to improve quality and coordination. The result? More trusted, understandable, and timely data.

This data is used to influence decision-making and as a source to train artificial intelligence and machine-learning algorithms — a virtuous circle of positive reinforcement.

Chart legend:
- Best-Run
- Striver
- Survivor
- Laggard

Categories on chart:
- Timely (available at the right time for various decision-making processes)
- Trusted
- Complete (includes all the needed data from multiple sources and of various types)
- Reliable, accurate, relevant
- Understandable
- Available (accessible to all decision-makers across a variety of devices and networks)
- Granular (available at the lowest needed level of granularity)
- Secure
- Actionable

Axis: 0 10 20 30 40 50 60 70 80

...And Derive Actionable Insights From That Data

Best-run companies work to **eliminate** data silos and **share** insights across the company

This results in the ability to provide insights across the business, ultimately, in **actionable data** – a hallmark of an intelligent enterprise

Strongly Agree (%)

Working to reduce silos/share info across company

46.0	
27.0	
32.8	

Strongly Agree (%)

Company provides insights across the business

78.1	
29.9	
13.5	
11.3	

Best-Run

Striver

Survivor

Laggard

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Enable and Promote Communication and Collaboration

Best-run companies cite more frequent use of technology for internal and external communication and collaboration

Technology along with training and governance enables a common language across the company

Companies Using Technology (%)

Planning/coordination solutions used with partners/suppliers
- 69.2
- 58.8
- 33.2
- 21.2

Communications technologies including telephony and video conferencing
- 69.1
- 67,2
- 47.2
- 39.1

Collaboration software
- 73.3
- 53,9
- 35.9
- 26.9

Strongly Agree: Significant/Great Extent (%)

People across company have common, agreed-upon understanding of key performance indicators
- 96.8
- 74.5
- 29.2
- 8.5

A common language helps improve data intelligence and align employee achievement of common goals

- Best-Run
- Striver
- Survivor
- Laggard

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Treat Technology as Both a Necessity and an Enabler

Best-run Companies Use
More Advanced Technologies

... and ...

Modern Packaged Apps
to Run Their Operations

Technology is not the only capability needed to develop a more intelligent enterprise, but without modern technology, best-run status will remain elusive.
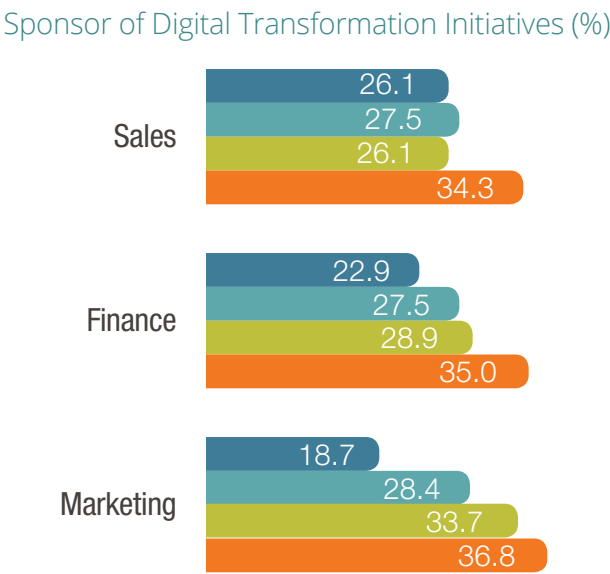
Companies Using Technology (%)

Chatbots/digital assistants
- 60.2
- 36.8
- 26.3
- 14.9

Artificial intelligence/ machine learning
- 64.7
- 33.4
- 19.3
- 11.7

Internet of Things
- 71.3
- 52.7
- 33.1
- 21.1

Big data
- 75.6
- 55.5
- 27.9
- 19.4

Legend:
- Best-Run
- Striver
- Survivor
- Laggard
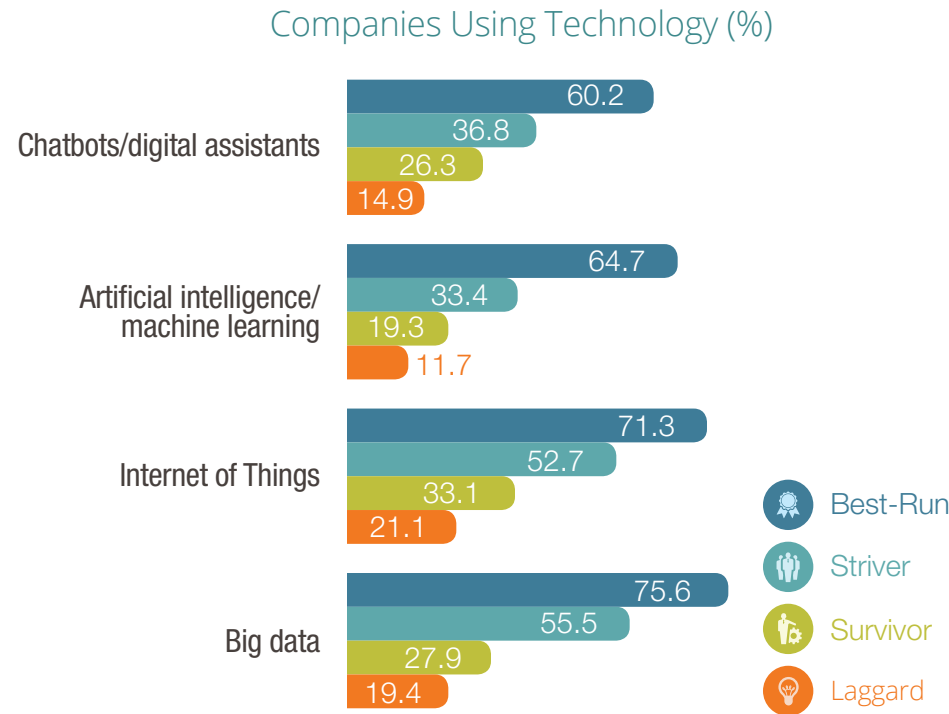
Almost 60% of best-run companies agree that new technologies can lead to a competitive advantage (compared to 13% of laggards).

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Centralize Sponsorship of Digital Transformation Initiatives

In best-run firms, it is the **executive team and central IT** who drive transformation efforts. This helps ensure coordination, support, and commitment.
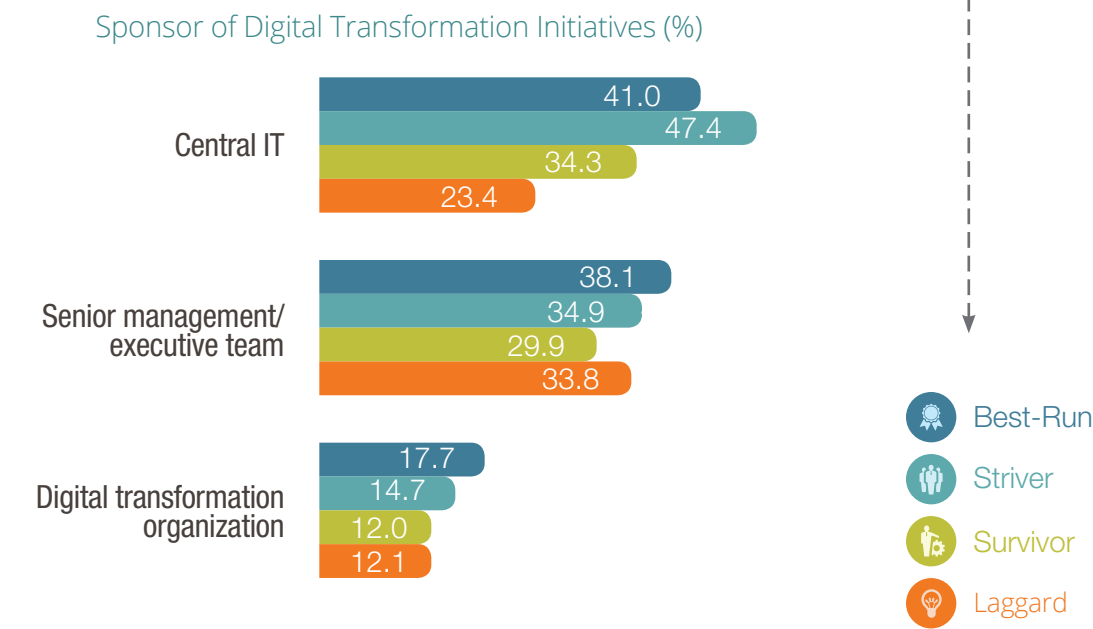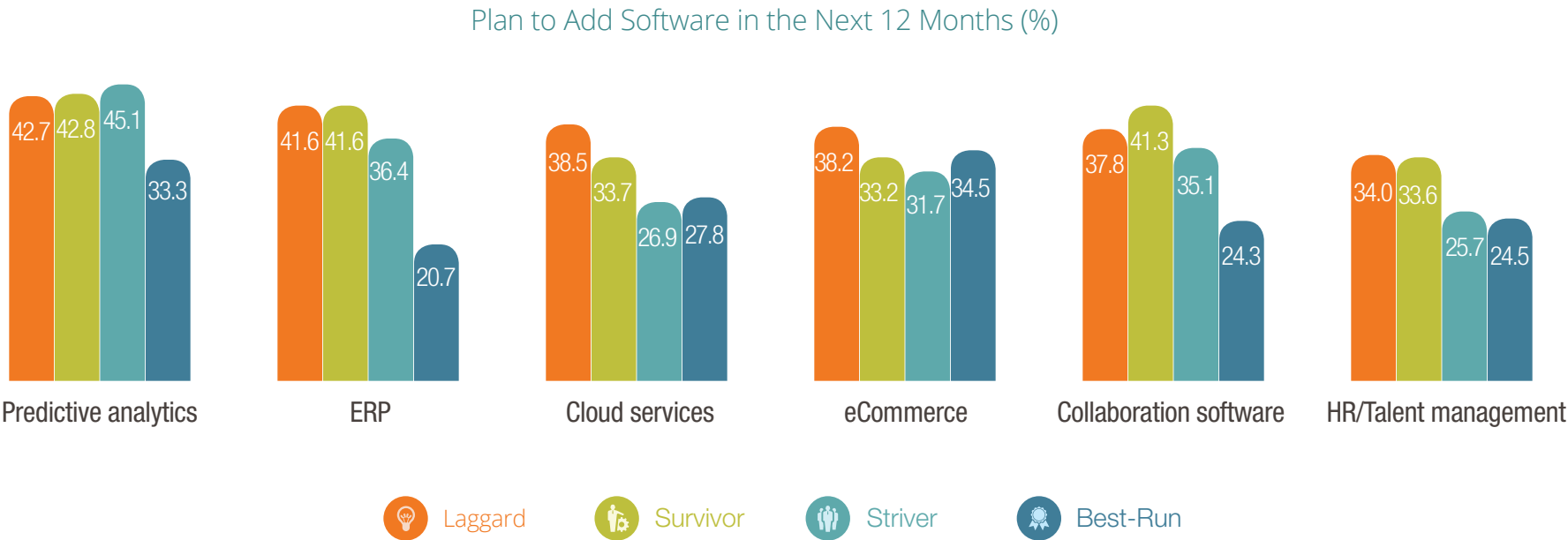
While it is important get support across the organization, digital transformation led by individual departments such as **Sales, Finance, or Marketing** can result in inefficiency and investments that are not well aligned.

Sponsor of Digital Transformation Initiatives (%)

Central IT
- 41.0
- 47.4
- 34.3
- 23.4

Senior management/ executive team
- 38.1
- 34.9
- 29.9
- 33.8

Digital transformation organization
- 17.7
- 14.7
- 12.0
- 12.1

Best-Run
Striver
Survivor
Laggard

Sponsor of Digital Transformation Initiatives (%)

Sales
- 26.1
- 27.5
- 26.1
- 34.3

Finance
- 22.9
- 27.5
- 28.9
- 35.0

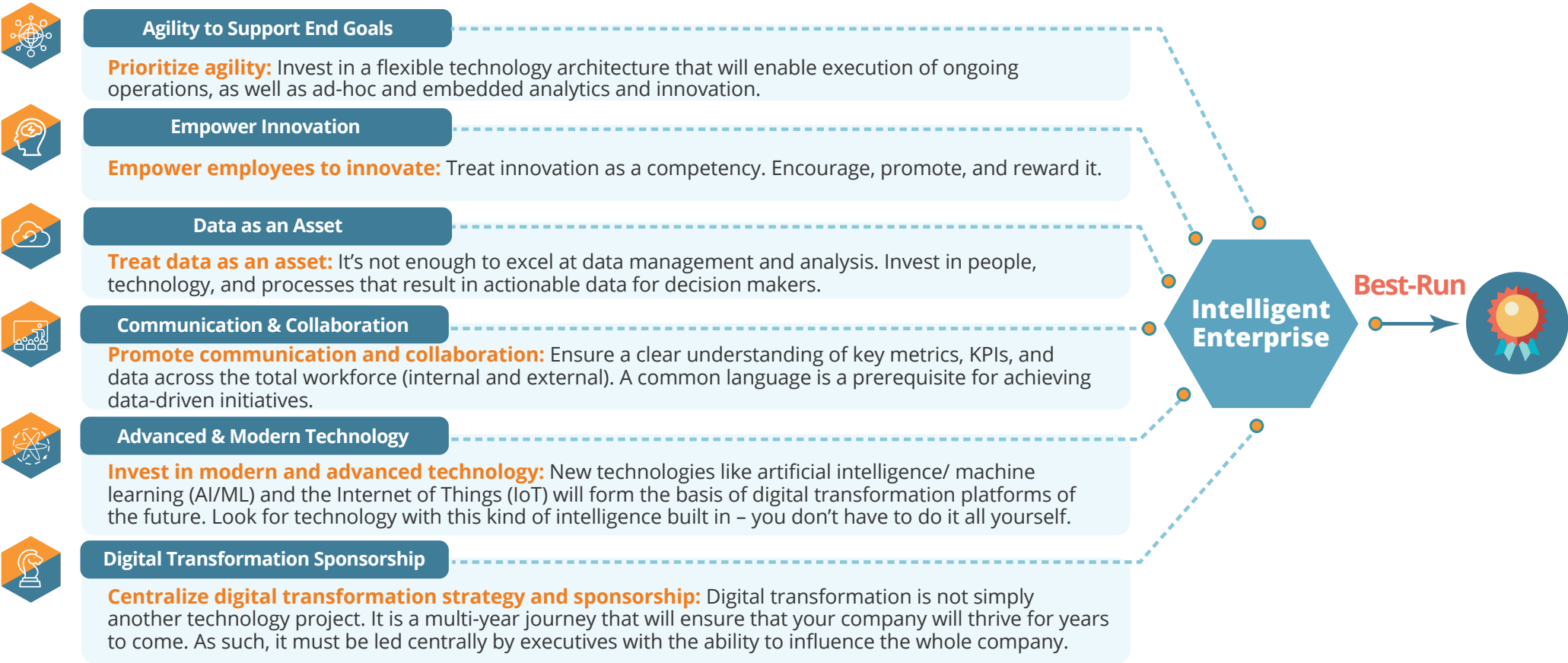**Marketing**
- 18.7
- 28.4
- 33.7
- 36.8

Midsize Companies From All Categories Are Gearing Up Technology Investment

While laggards and survivors still have a lot of work to do, their plans to add advanced resources are often greater than the plans of best-run companies. They are recognizing the importance of technology to their long-term success.

Plan to Add Software in the Next 12 Months (%)

	Predictive analytics	ERP	Cloud services	eCommerce	Collaboration software	HR/Talent management
Laggard	42.7	41.6	38.5	38.2	37.8	34.0
Survivor	42.8	41.6	33.7	33.2	41.3	33.6
Striver	45.1	36.4	26.9	31.7	35.1	25.7
Best-Run	33.3	20.7	27.8	34.5	24.3	24.5

Laggard   Survivor   Striver   Best-Run

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Recommendation: Invest in Improving Your Enterprise Intelligence

Becoming a best-run company requires investment in developing higher-level enterprise intelligence and associated people, technologies, and practices. IDC recommends that CEOs in midsized companies actively focus on the following:

Agility to Support End Goals

Prioritize agility: Invest in a flexible technology architecture that will enable execution of ongoing operations, as well as ad-hoc and embedded analytics and innovation.

Empower Innovation

Empower employees to innovate: Treat innovation as a competency. Encourage, promote, and reward it.

Data as an Asset

Treat data as an asset: It's not enough to excel at data management and analysis. Invest in people, technology, and processes that result in actionable data for decision makers.

Communication & Collaboration

Promote communication and collaboration: Ensure a clear understanding of key metrics, KPIs, and data across the total workforce (internal and external). A common language is a prerequisite for achieving data-driven initiatives.

Advanced & Modern Technology

Invest in modern and advanced technology: New technologies like artificial intelligence/ machine learning (AI/ML) and the Internet of Things (IoT) will form the basis of digital transformation platforms of the future. Look for technology with this kind of intelligence built in – you don't have to do it all yourself.

Digital Transformation Sponsorship

Centralize digital transformation strategy and sponsorship: Digital transformation is not simply another technology project. It is a multi-year journey that will ensure that your company will thrive for years to come. As such, it must be led centrally by executives with the ability to influence the whole company.

Intelligent Enterprise

Best-Run

Methodology

Findings for this InfoBrief are based upon an IDC September 2018 study of business and IT leaders in midsize companies around the world.

For this study, IDC surveyed 1,957 executives with decision-making or recommending authority for IT solutions and services. Respondents were located in 13 countries across North America, Europe, and Asia/Pacific and spanned a broad mix of industries.

For each respondent, IDC collected business KPIs including revenue growth, profitability, customer satisfaction, and employee productivity. IDC analyzed the correlations between these business success metrics and respondents' IT policies and behaviors to determine best practices for IT digital transformation, which provided the basis for determining the four intelligent enterprise maturity categories.

Sponsor Statement

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SAP applications and services enable more than 250,000 small and midsize companies to operate profitably, adapt continuously, and grow sustainably. SAP provides pre-integrated software components with embedded intelligence, enabling companies to stay lean, automate, optimize, and become a best-run business. Our solutions are designed to deliver value right away and to scale for future growth.

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Appendix

Additional Insights Across All Respondents

Diverse Multiple Pain Points Underscore Midsize Companies' Challenges

Strategic direction and meeting of customer needs tops the list

Primary Pain Points Companies Identify (%)	TOTAL	Laggards	Survivors	Strivers	Best Run
Insufficient funding or resources to meet management expectations	28.9	29.7	33.2	24.9	28.6
Lack of appropriate skills and talent (recruitment and retention)	33.6	39.4	36.4	29.6	32.4
Burden of using/managing legacy technology	30.9	30.7	30.2	31.2	31.7
Setting appropriate strategic direction and strategy	40.8	37.6	35.4	46.7	41.3
Adequately executing business plan against customer expectations and competition benchmarks	35.1	26.6	34.5	37.9	37.0
Understanding customer needs and meeting them in a timely, appropriate manner	39.3	39.8	43.7	35.7	38.1
Inability to put appropriate financial controls and practices in place to adequately run the business	25.7	29.6	25.2	22.4	31.3
Forecasting, understanding, and providing for financial needs of the organization	32.0	38.2	27.3	33.4	33.8
Reducing business risk/meeting regulatory requirements	33.6	28.3	34.1	38.3	25.8

Best-Run Companies Are Focused on Increasing Revenue and Improving the Customer Experience

Laggards are focused on reducing costs

Top Business Priorities for Next 12 Months (%)	TOTAL	Laggards	Survivors	Strivers	Best Run
Increase revenue	**36.1**	**39.3**	**34.7**	**37.5**	**33.5**
Increase profits or lower costs	**33.7**	**41.2**	**41.2**	**29.8**	**21.2**
Improve customer experience	**32.0**	**22.9**	**31.4**	**35.0**	**33.6**
Increase employee productivity/efficiency	**30.7**	**34.9**	**31.7**	**28.2**	**30.8**
Improve business agility/responsiveness	21.3	10.9	20.1	23.3	27.6
Grow or maintain market share	30.0	31.6	28.6	30.9	29.3
Introduce new business models	20.7	18.2	16.7	22.7	26.7
Support new products and revenue streams	19.7	22.8	19.2	17.6	22.9
Support specific digitization/business transformation initiatives	16.9	12.9	17.5	17.1	18.2
Respond to disruptive threats from competitors	12.1	12.7	9.5	11.7	18.0
Minimize business or compliance risk	14.2	16.9	13.2	14.1	14.1
Identify and attract new customers	32.7	35.7	36.2	32.3	24.0

Perceived Benefits of Being a Best-Run Company

Percent Strongly/Somewhat Agree (%)	TOTAL	Laggards	Survivors	Strivers	Best Run
Improves workflow/efficiency allowing focus on higher-value activity	74.5	37.2	67.2	85.7	93.4
Provides better customer experience	79.1	41.8	72.8	91.3	94.1
Provides competitive differentiation	73.6	42.0	67.0	82.2	92.9
Lowers costs/improved profitability	69.8	36.2	62.1	82.0	84.4
Improves employee experience	30.2	12.7	22.6	35.6	47.5
Positions us better for success in digital economy	71.7	44.6	61.1	83.6	88.1
Improves our time to market	72.5	38.3	63.2	84.6	91.3
Improves our company's agility/flexibility	72.3	48.5	63.2	82.4	87.3
Enables us to address new business models	73.2	39.7	65.4	84.7	89.9