



XI Italian-German Economic Forum

Approaching disruption

Deloitte and AHK Italien, June 20th 2017

Introducing the survey

Approaching disruption

Survey highlights

Over 60% of top management involved in the research



Online Survey



Disruption: challenges and factors of uncertainty in the companies' growth process



The role of digital technologies in developing the business



Addressing the change: propensity and maturity of the companies



21st March Survey launched



Respondents breakdown

More than **200 C-Level** related to companies associated to the Chamber of Commerce

- ✓ Over 60% of CEOs/Presidents/Managing Directors
- ✓ 10% of CFOs
- ✓ Over 10% of Head of Business Unit/Departments



42% founded in **Italy**

58% founded in **Germany**

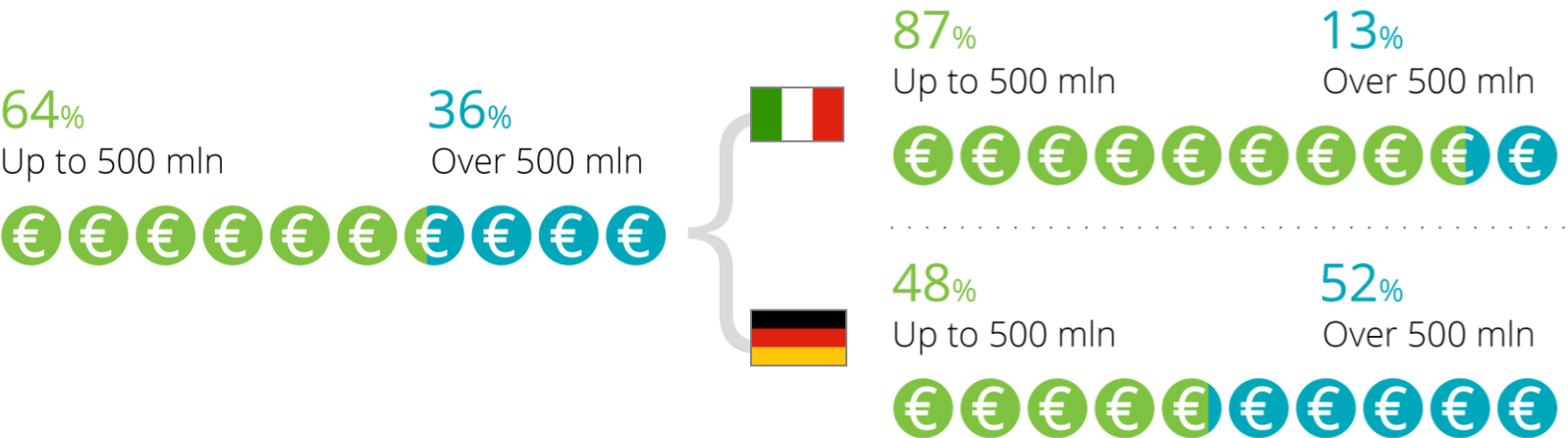


18th April Survey closed

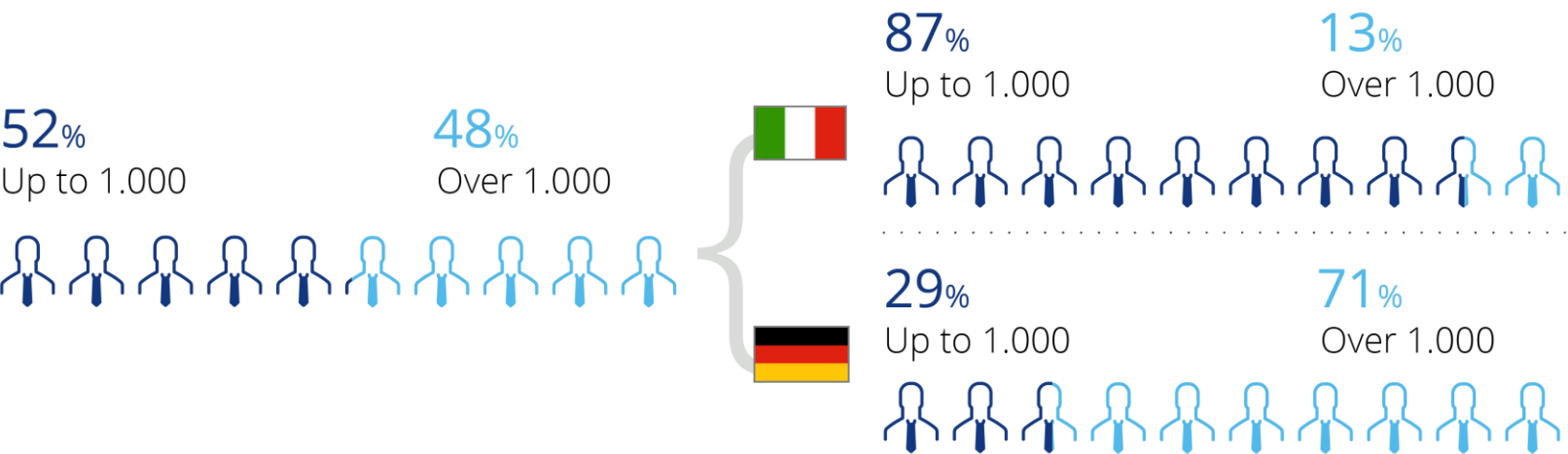
The sample

...represents companies of each dimension

Turnover

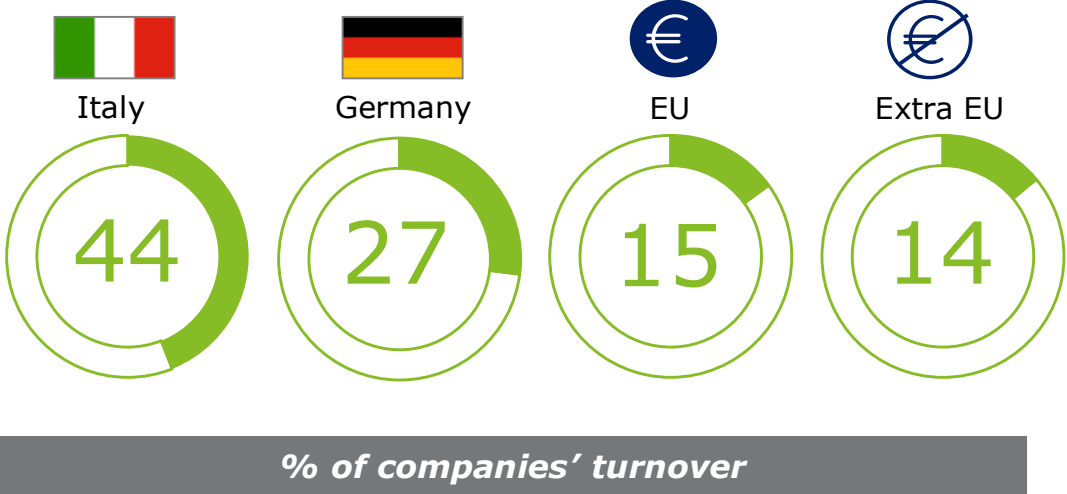


Employees



The sample

Companies' turnover



Preface

The macroeconomic context

A comparison between two countries

Italy and Germany rank among the first economies in the world

Position 2016	Country	Nominal GDP Billion \$
1	United States	18,5
2	China	11,3
3	Japan	4,4
4	Germany	3,4
5	UK	2,7
6	France	2,4
7	India	2,2
8	Italy	1,8
9	Brazil	1,5
10	Canada	1,4

Source:
International Monetary Fund, World Economic Outlook
Database, April 2016

Both countries rely deeply on trade commerce

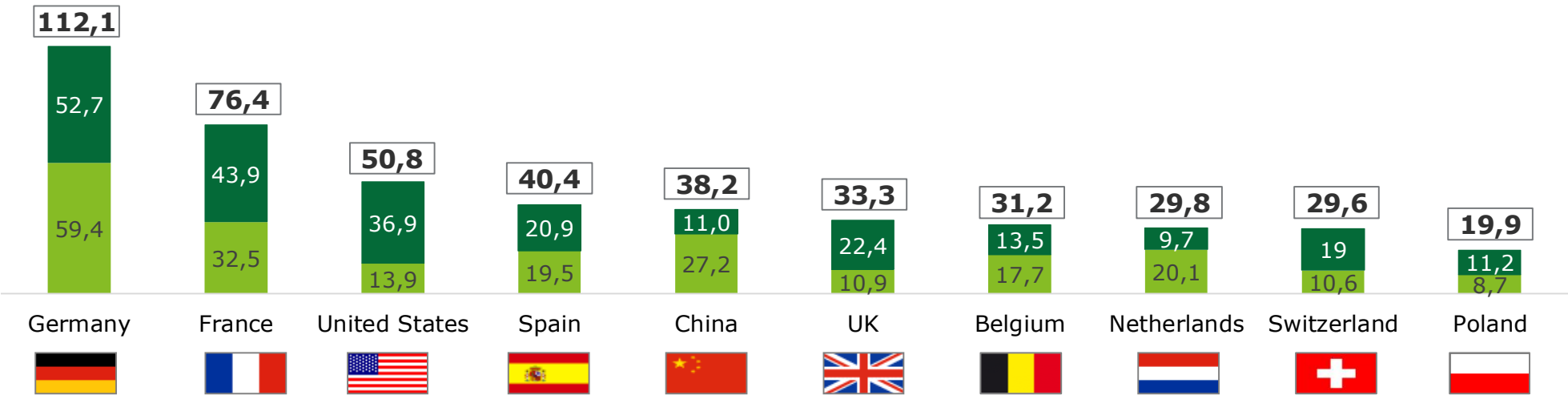
Position 2016	Export	Import
1	China	United States
2	United States	China
3	Germany	Germany
4	Japan	Japan
5	South Korea	UK
6	France	France
7	Hong Kong	Hong Kong
8	Netherlands	Canada
9	Italy	South Korea
10	UK	India
14	---	Italy

Source: CIA

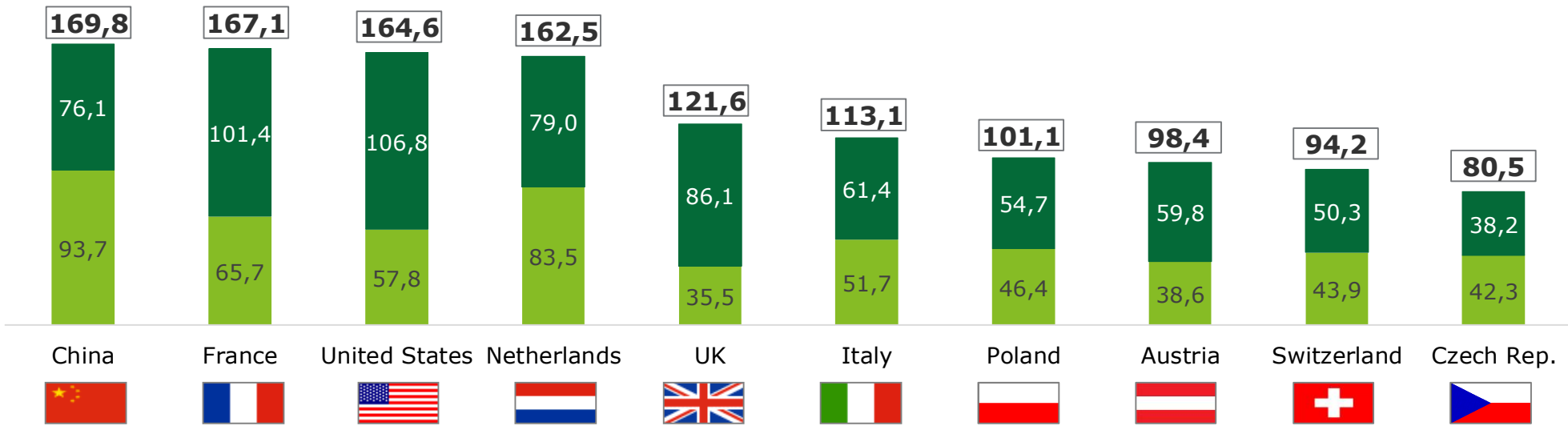
Trade partners of both countries

Germany is our first customer and supplier, Italy also plays a key role in the German economy

Top 10
Italy
Trade
Partners in
2016

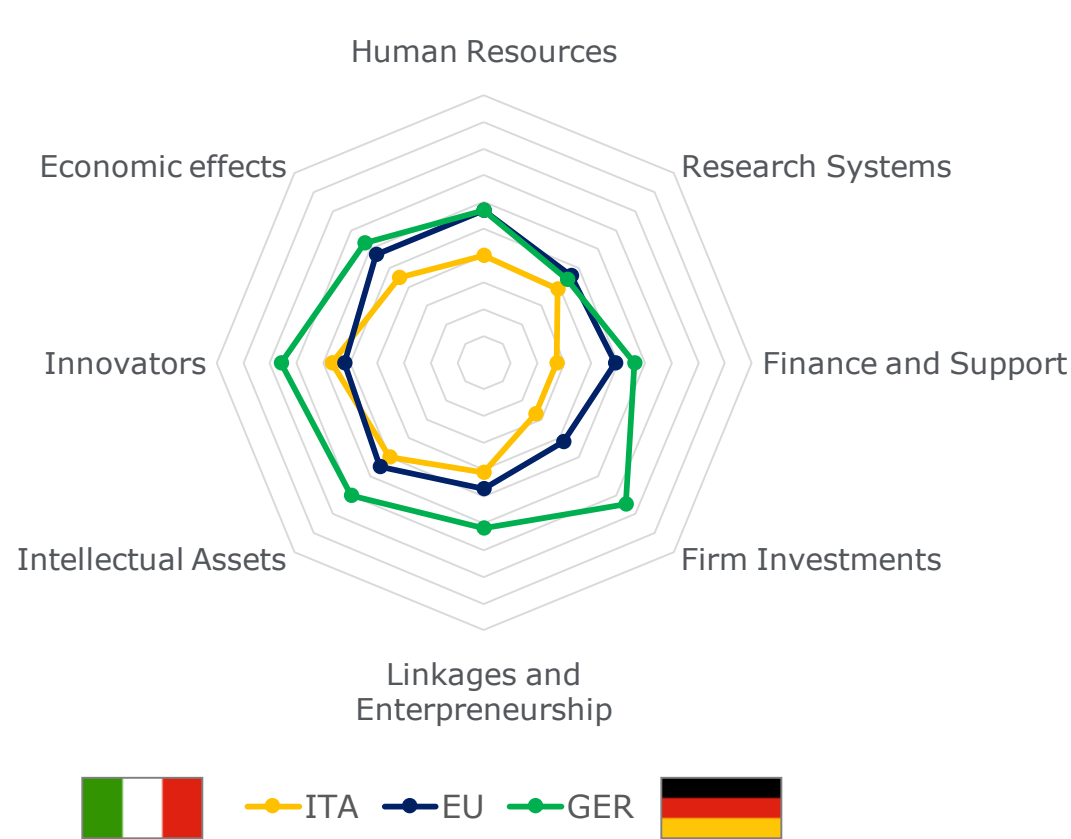


Top 10
Germany
Trade
Partners in
2016



The European Innovation Scoreboard: an assessment of innovation performance

Germany is considered an Innovation Leader; Italy a Moderate Innovator



Italy is the 17th in Europe, with a performance between 10% and 50% below the EU average. Germany is the 4th country in Europe, with a performance higher than the EU average of at least 20%.

Disruption: challenges and factors of uncertainty in the companies' growth process

Uncertainty is the new normal ...

“Uncertainty is an uncomfortable position.
But certainty is an absurd one.”
Voltaire



How would you rate the overall level of external financial and economic uncertainty facing your business?



Political elections and economic policy uncertainties



Political tensions and humanitarian crisis

January 2017

May 2018

US Presidential inauguration and policy decisions

Article 50 (by end of March 2017)

Dutch general election (March 2017)

Hong Kong chief executive election (March 2017)

French presidential election (April 2017)

German federal election (Oct 2017)

South Korean presidential election (Dec 2017)

Hungarian parliamentary election (before Spring 2018)

Italian general election (before May 2018)



USA



UK / Europe



Netherlands



Hong Kong



France



Germany



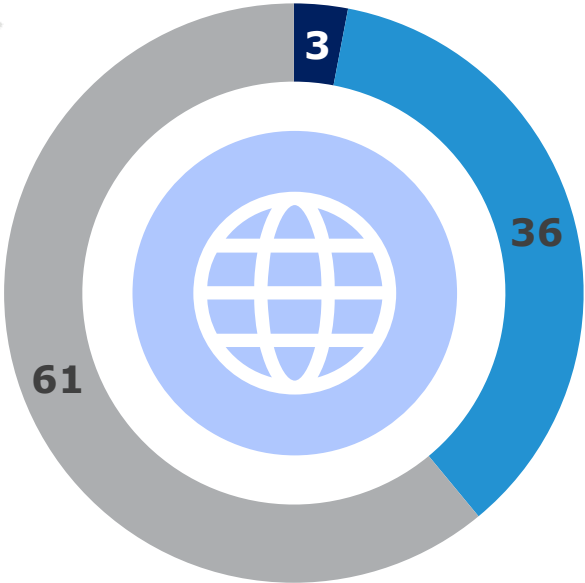
South Korea



Hungary



Italy

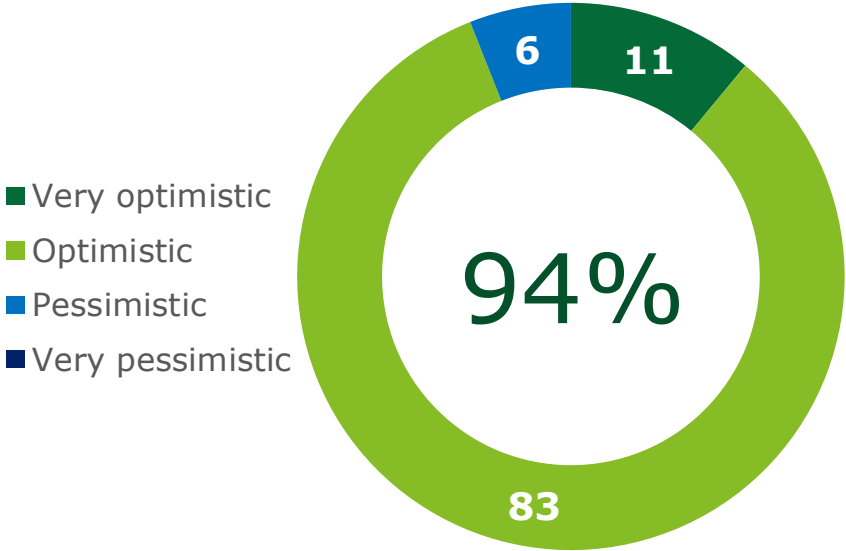


- Very high
- High
- Normal
- Low
- Very low

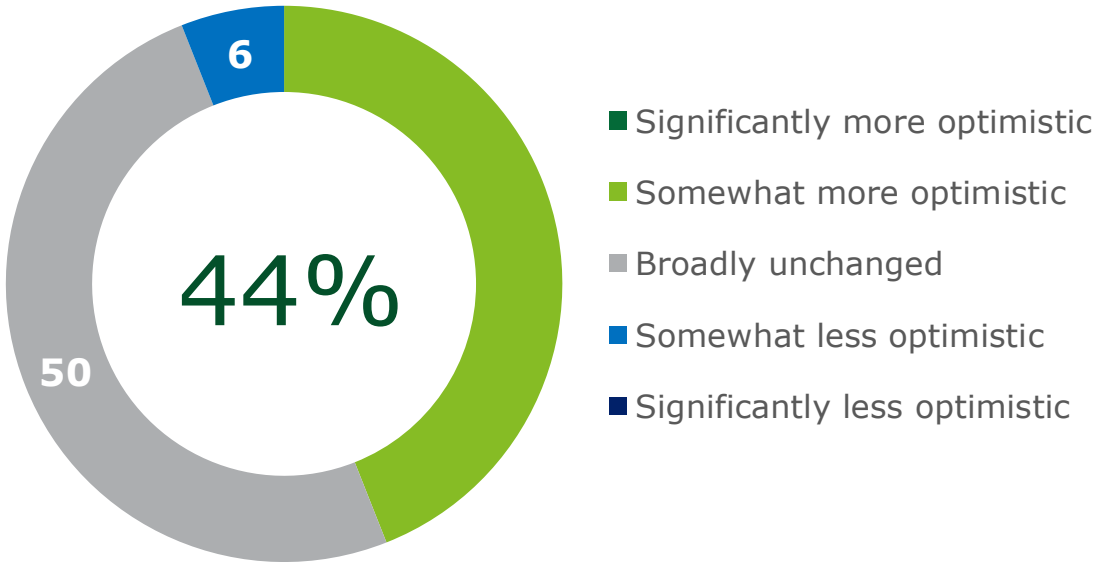
Sentiment on financial and economic perspectives

There is optimism about current situation; Italians are more positive than 6 months ago

Considering the current economic and financial situation of your company, you feel ...



Compared to six months ago, how do you feel about the financial prospects for your company?

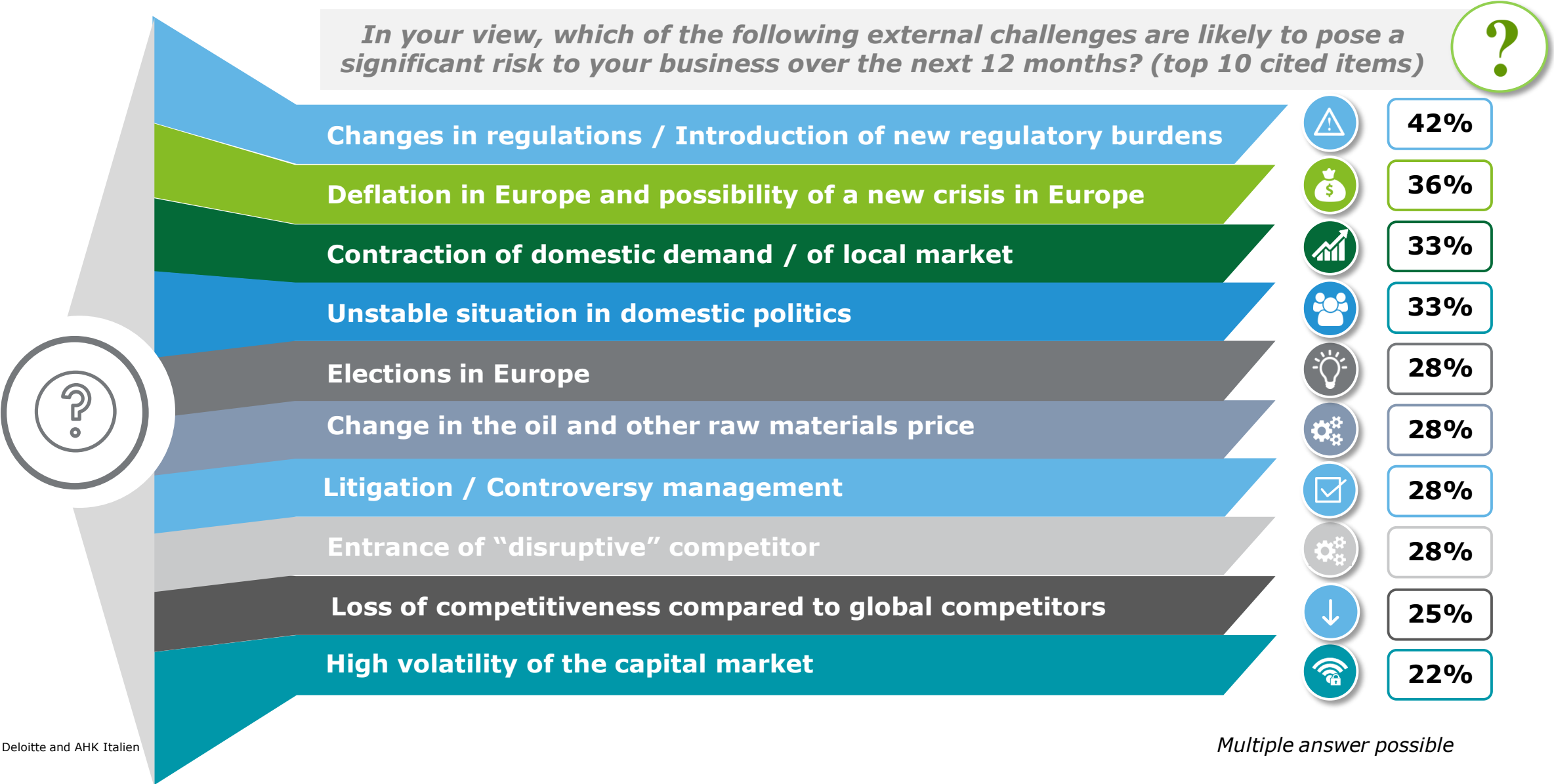


Comparison - % of optimistic		
Companies founded in Italy		93%
Companies founded in Germany		95%

Comparison - % of more optimistic		
Companies founded in Italy		60%
Companies founded in Germany		33%

The main challenges for the next 12 months

Economic context and regulatory framework seem to be the worst concerns

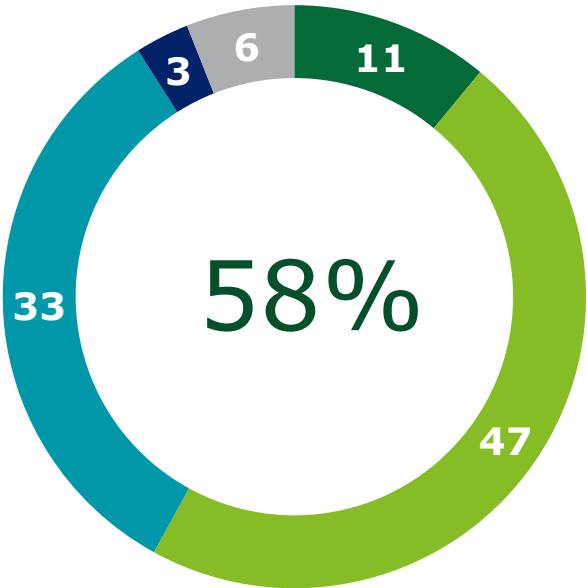


Sentiment on financial and economic perspectives

There is optimism about current situation; Italians are more positive than 6 months ago



How likely is it that your market will be 'disrupted' over the next 2-3 years?

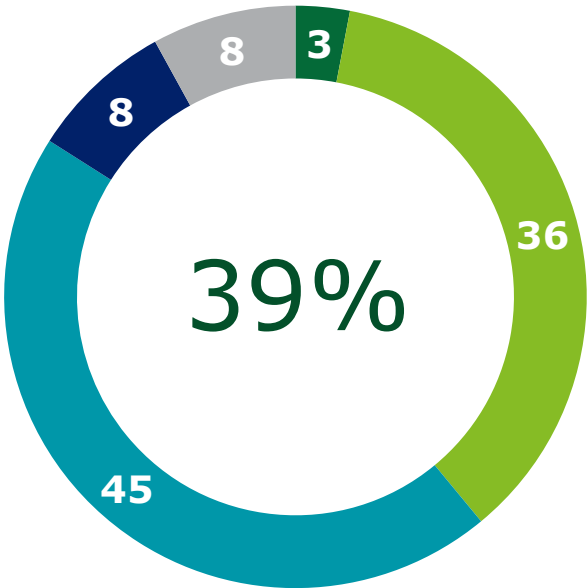


- Very Likely
- Likely
- Unlikely
- Very Unlikely
- Don't know

Comparison - % of Very likely + Likely		
Companies founded in Italy		54%
Companies founded in Germany		62%



How likely is it that your company has the potential to lose significant market share to new entrants in the near future?



Comparison - % of Very likely + Likely		
Companies founded in Italy		40%
Companies founded in Germany		38%

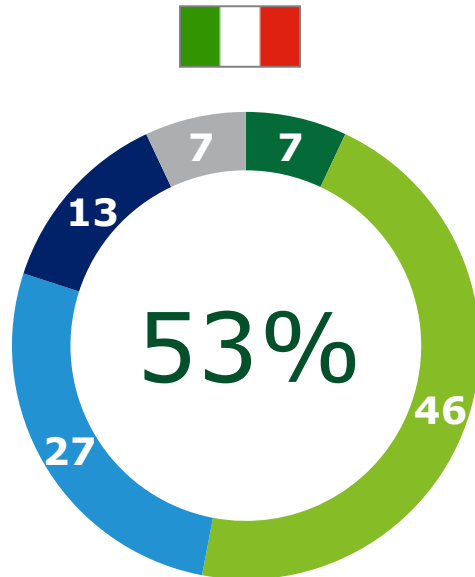
The role of digital technologies in developing the business

Disruptive technologies will have an important role for companies

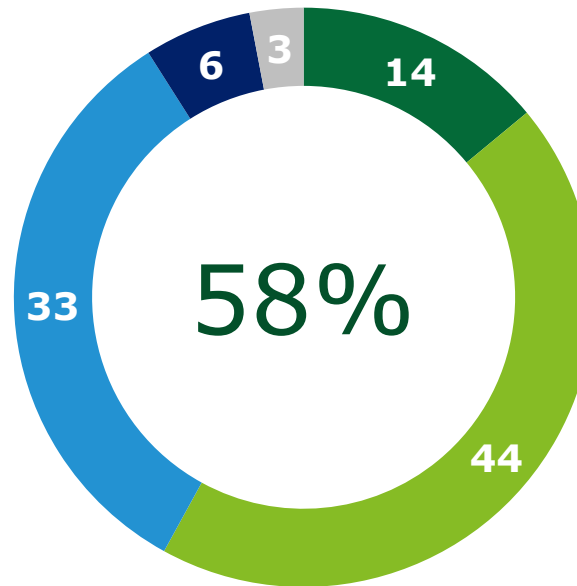
More than 1 respondent out of 2 believes digital technologies will have a 'disruptive' role



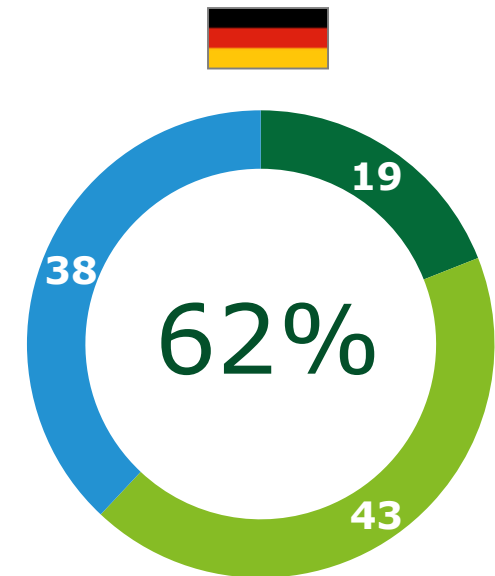
Do you think that digital technologies (as IoT, Artificial Intelligence, Cognitive technologies, robotics, etc.) will have a "disruptive" role for your business?



Companies founded in Italy



- Very likely
- Likely
- Unlikely
- Very Unlikely
- Don't know



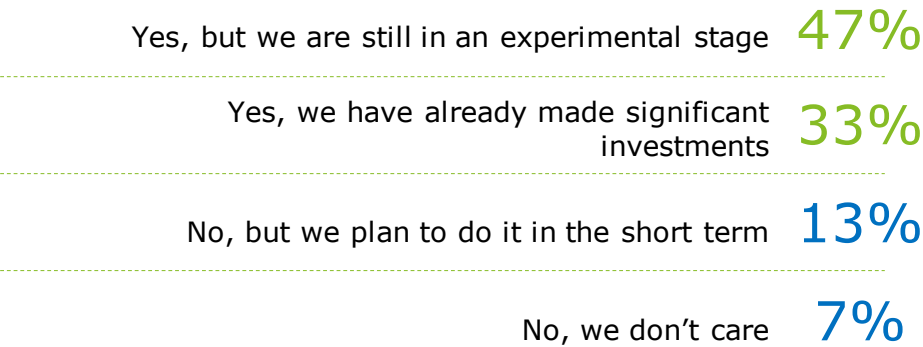
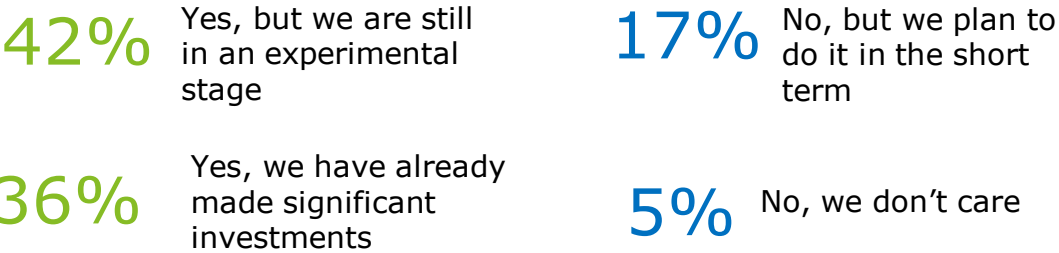
Companies founded in Germany

Digital technologies – phase of the journey ^{1/2}

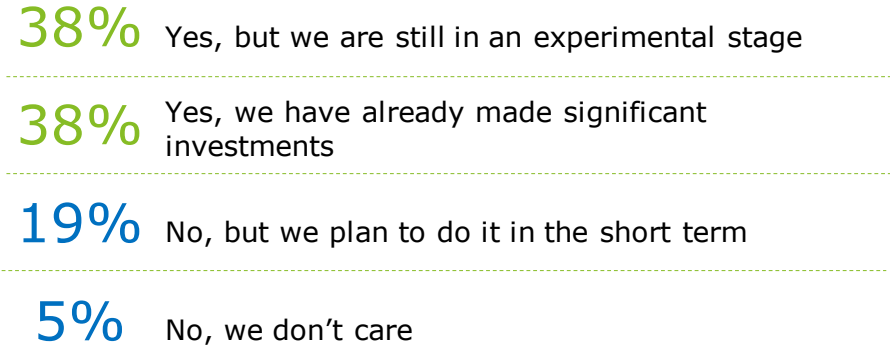
The majority of companies have already started initiatives ...



Has your organization already taken initiatives related to that?



Companies founded in Italy



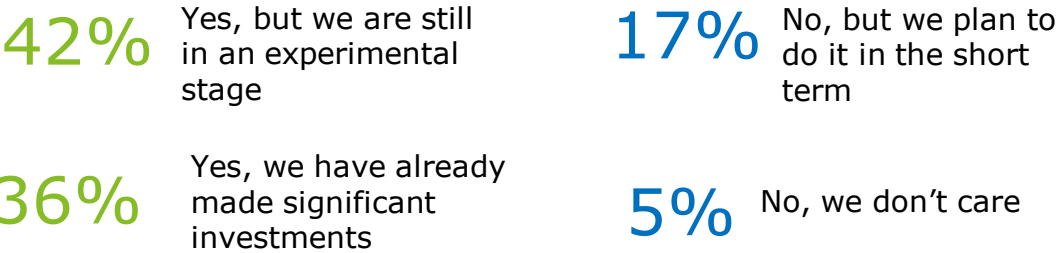
Companies founded in Germany

Digital technologies – phase of the journey ^{2/2}

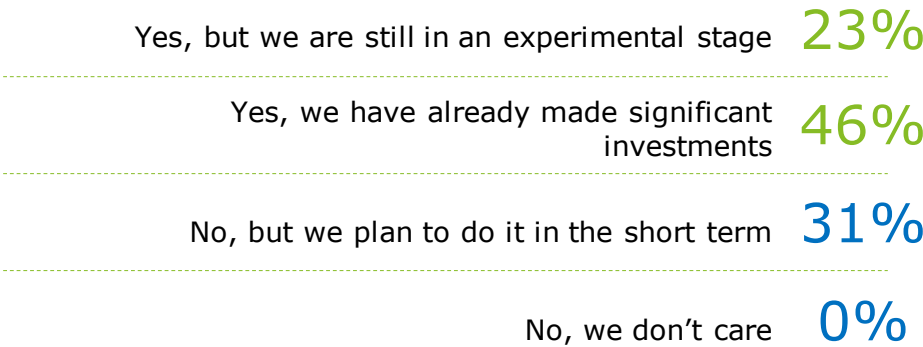
... companies with higher turnover are more ahead in the journey



Has your organization already taken initiatives related to that?

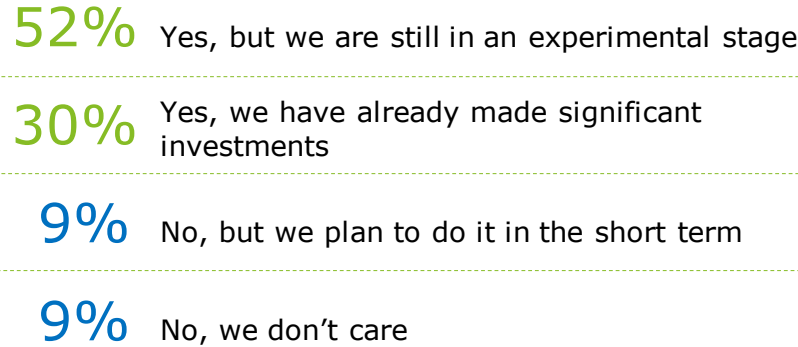


'Big' Companies



Companies with turnover up to 500 Mln

'Small' Companies



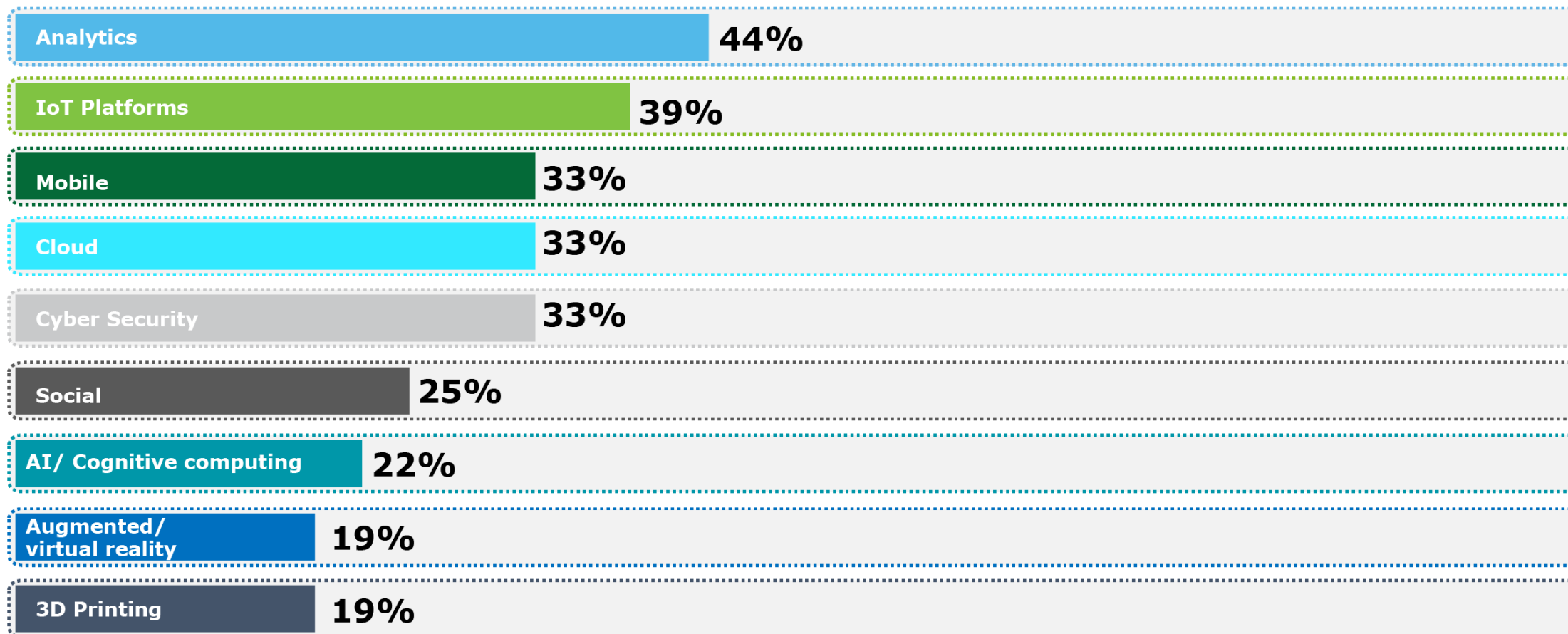
Companies with turnover over 500 Mln

Digital technologies – where to invest

Analytics perceived as a technological priority where investing



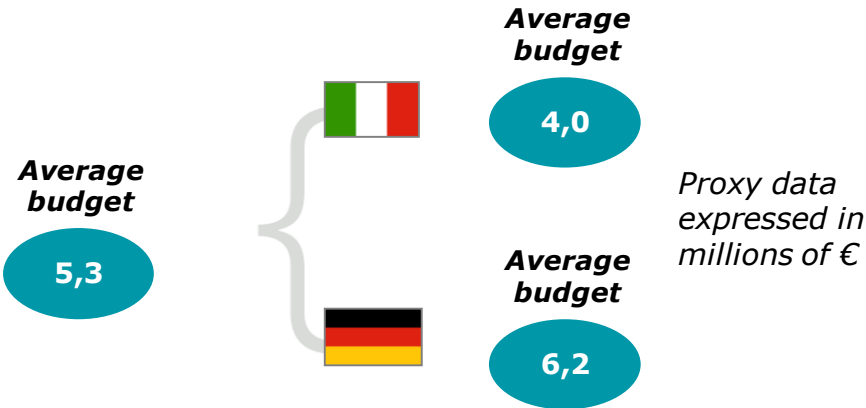
Which of the following technologies does your organization consider as priority to invest upon in the next 3-5 years?



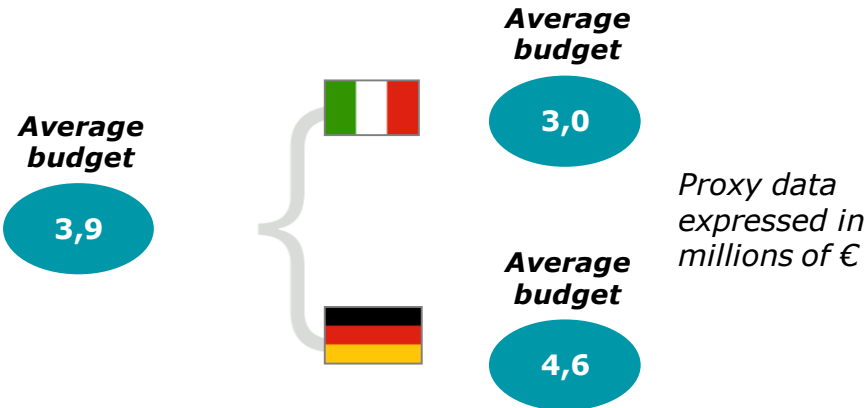
Digital technologies – how much to invest

Companies plan to invest less than what they think it is necessary

? *Considering the next 2/3 years, how much should your organization invest to enhance activities and processes related to innovation?*



? *How much your organization is likely to invest in order to enhance activities and processes related to innovation in the next 2/3 years?*



Digital technologies – obstacles in the journey

Dealing with organizational changes and lack of talent are the main challenges

What are the biggest barriers that your organization expects to face in this path of innovation?



Difficulty in managing the resulting organizational changes

53%



Poor availability of resources with specific skills

44%



Limited knowledge of new technologies

31%



Problems with management and data security

28%



Lack of standards, regulations and certifications

22%



Timeline and uncertain investments

19%



Poor commitment from top management and other stakeholders

11%

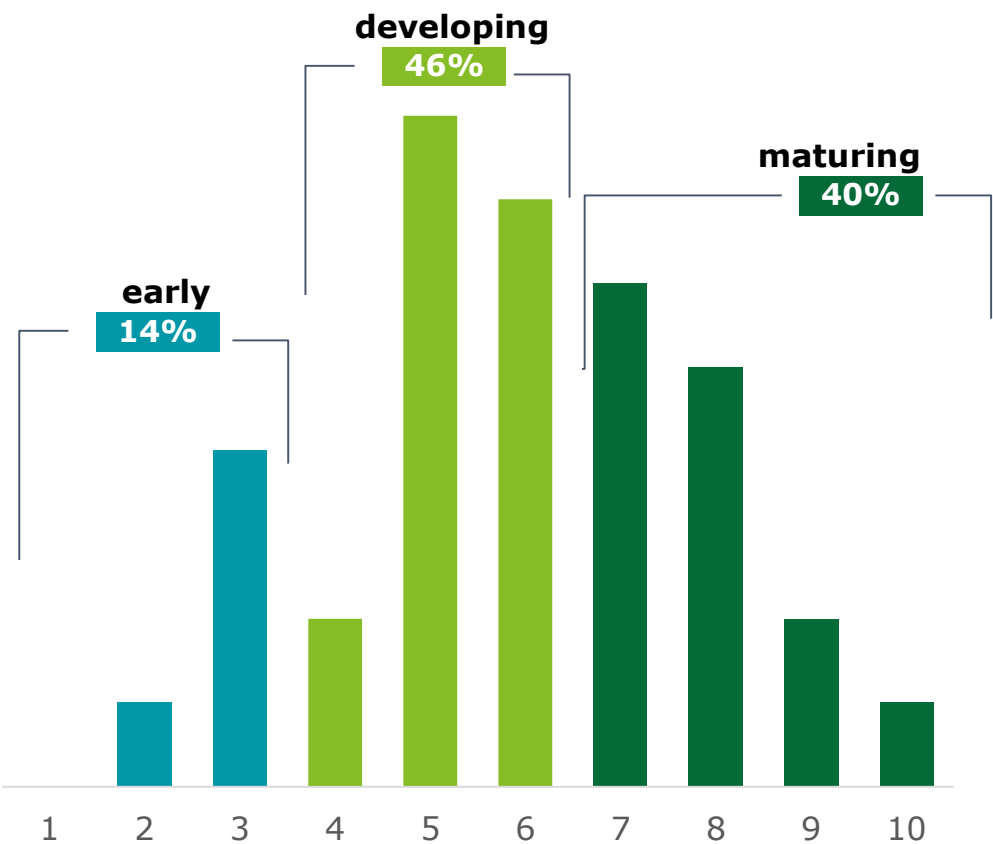


**Addressing the change:
propensity and maturity of the
companies**

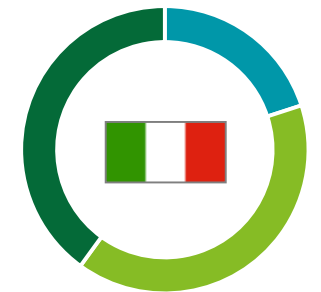
Propensity to face out changes: overall perception

40% of the companies consider themselves mature to address change

? *How would you rate the maturity of your organization in facing radical changes, triggered by the development of new digital technologies?*



20% early
40% developing
40% maturing



Companies founded in Italy



10% early
52% developing
38% maturing

Companies founded in Germany

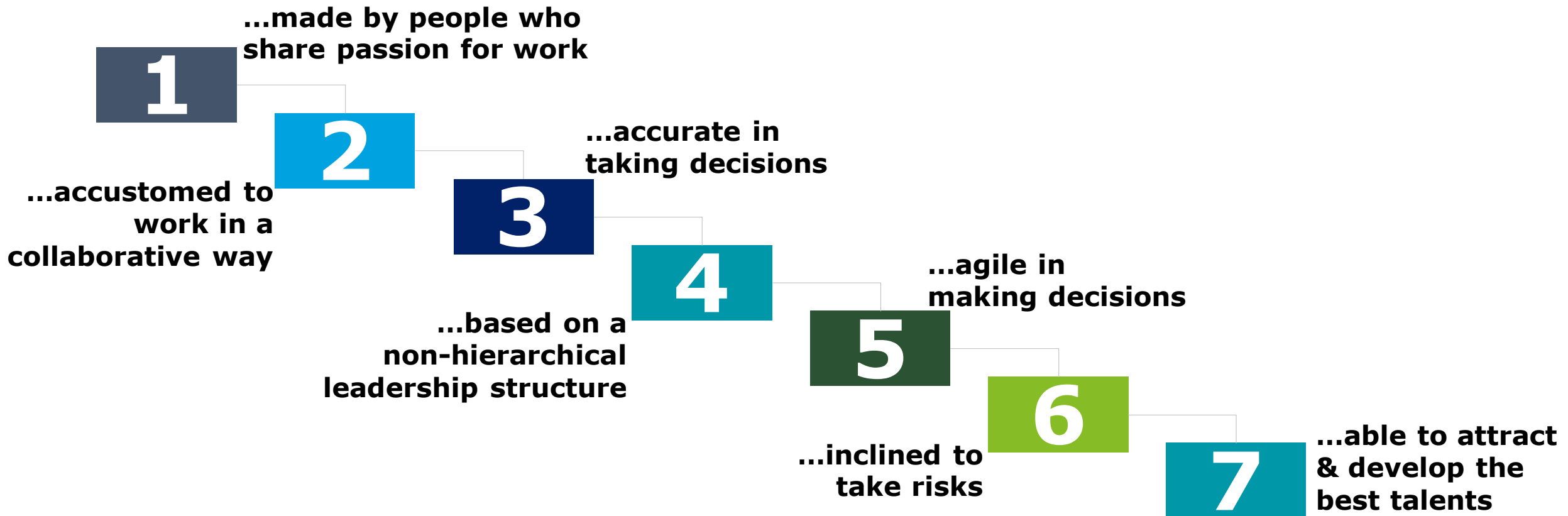
Methodology comes from a survey conducted by MIT Sloan Management and Deloitte University Press, July 2016. Respondents have been asked to rate their company's maturity on a scale of 1 to 10. Three maturity groups were observed: "early" (1-3), "developing" (4-6), "maturing" (7-10).

Propensity to face out changes

Inability to attract talents and poor inclination in taking risks are the main issues



*And how much do you agree with the following statements?
My company is ...*

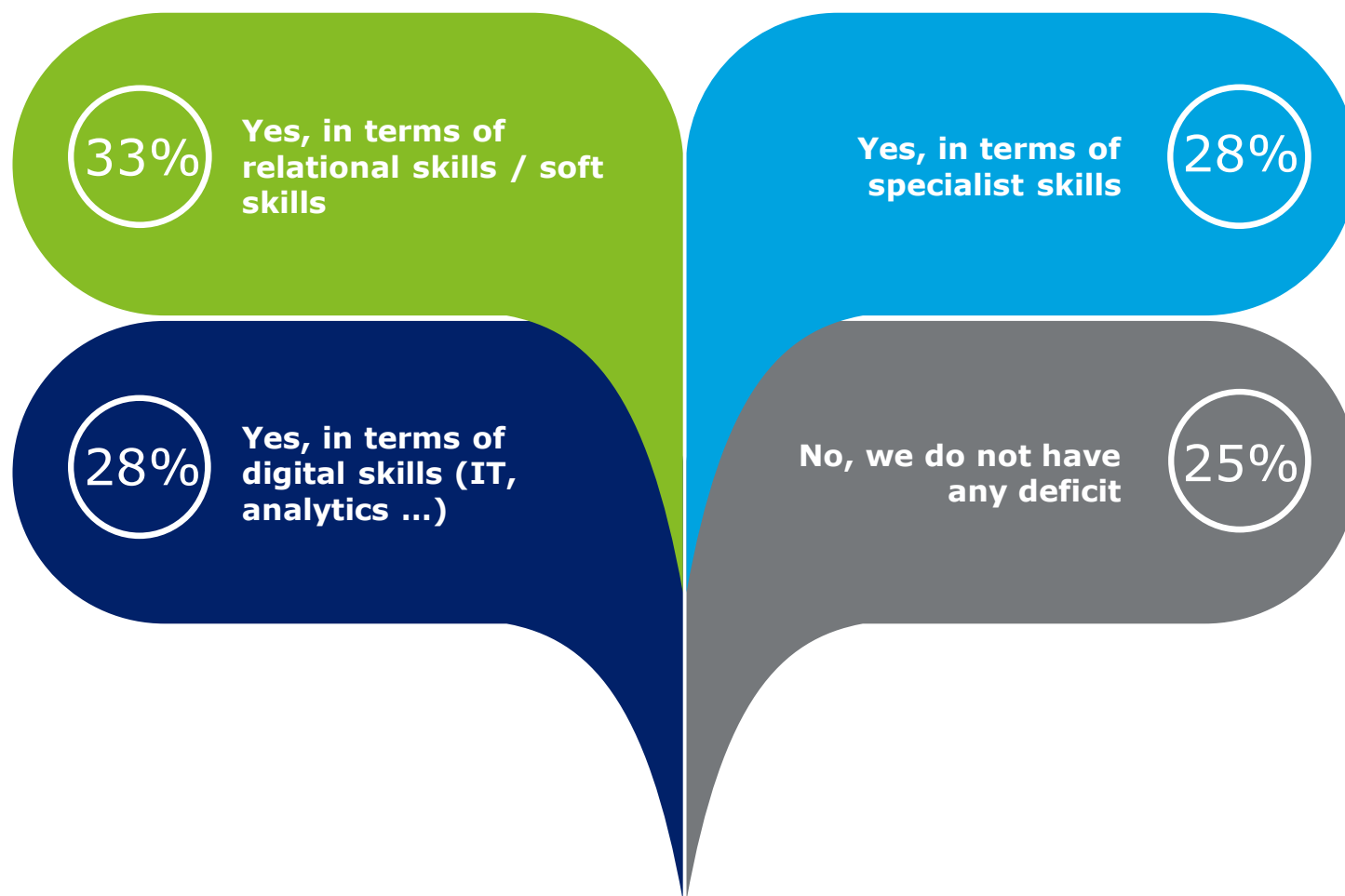


Deficit of human resources

...affects 1 company out of 4



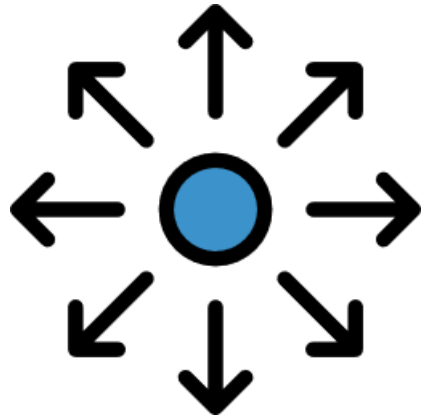
In order to face this innovating path, do you think that your organization has deficit in terms of human resources?



Multiple answer possible

In conclusion ...

Perspective



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In an economic and financial context where uncertainty is the “new normal”, companies are fundamentally optimistic.

Companies are aware that markets will be “disrupted” (~60%) in 2/3 years but only 28% consider the entrance of disruptive competitors as a risk in the short term.

Even if disruption challenges do not yet seem to be tangible, they’re already real.

Tomorrow is today!

Investments



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Camera di Commercio
Italo-Germanica

Companies are focusing on technology (especially analytics), but they are investing a lower budget than what is actually needed.

The future investments gap is not concerning Italy and Germany, but between big and small companies.

Small companies, especially in Italy, need to fill the gap between planned and completed investments. (~50% of Italian SMEs will not invest what they should to face disruption)

Think big!

Human value



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Investing in innovation involves the management of cultural and internal challenges; 86% of companies define themselves as "ready" to face disruption but HR lags behind.

Companies need to go beyond only the technological aspects, and invest in change management, knowledge transfer and training for employees.

Public players should incentivize this process
(*iper-ammortamento HR*)

Human, after all!



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