



# Ten IT-enabled business trends for the decade ahead

**As technological change accelerates and adoption rates soar, ten pivotal trends loom large on the top-management agenda. Their implications have only grown since we last reviewed the IT landscape in 2010.**

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A few years ago, we described ten information technology-enabled business trends that were profoundly altering the business landscape.<sup>1</sup> The pace of technology change, innovation, and business adoption since then has been stunning. Consider that the world's stock of data is now doubling every 20 months; the number of Internet-connected devices has reached 12 billion; and payments by mobile phone are hurtling toward the \$1 trillion mark.

This progress both reflects the trends we described in 2010 and is influencing their shape. The article that follows updates our earlier list. In addition to describing how several trends have grown in importance, we have added a few that are rapidly gathering momentum, while removing those that have entered the mainstream.

The dramatic pace at which two trends have been advancing is transforming them into 21st-century business “antes”: competitive necessities for most if not all companies. *Big data* and *advanced analytics* have swiftly moved from the frontier of our trends to a set of capabilities that need to be deeply embedded across functions and operations, enabling managers to have a better basis for understanding markets and making business decisions. Meanwhile, social technologies are becoming a powerful *social matrix*—a key piece of organizational infrastructure that links and engages employees, customers, and suppliers as never before.

Implicit in our earlier work, and explicit in this update, is a focus on information and communication technologies. Other forms of technology

<sup>1</sup>Jacques Bughin, Michael Chui, and James Manyika, “Clouds, big data, and smart assets: Ten tech-enabled business trends to watch,” *McKinsey Quarterly*, August 2010, mckinsey.com.

## Takeaways

In revisiting the top ten IT-enabled business trends of 2010, we discovered that the implications of several trends have grown, some trends have entered the mainstream (and have thus been removed from our list), and several new trends are gaining prominence and momentum.

Social technologies and data and analytics are part of the new foundation for competitiveness; global data volumes are doubling faster than every two years. Navigating the cybersecurity issues that arise from this while still managing privacy will need to be at the top of companies' agendas.

are changing, too, of course, and as we've been updating this list, we've also been conducting new research on the most disruptive technologies of *all* types. Four of the trends described here reflect IT disruptions elaborated in that separate but related research, which encompasses fields as wide-ranging as genomics and energy and materials science.<sup>2</sup> The *Internet of All Things*, the linking of physical objects with embedded sensors, is being exploited at a breakneck pace, simultaneously creating massive network effects and opportunities. The cloud, with its ability to deliver digital power at low cost and in small increments, is not only changing the profile of corporate IT departments but also helping to spawn a range of new business models by shifting the economics of "rent versus buy" trade-offs for companies and consumers. The result is an acceleration of a trend we identified in 2010: the delivery of *anything as a service*. The creeping *automation of knowledge work*, which affects the fastest-growing employee segment worldwide, promises a new phase of corporate productivity. And up to *three billion new consumers*, mostly in emerging markets, could soon become fully digital players, thanks chiefly to mobile technologies. Our research suggests that the collective economic impact (in the applications that we examined) of information technologies underlying these four trends could range from \$10 trillion to \$20 trillion annually in 2025.<sup>3</sup>

The next three trends will be most familiar to digital marketers, but their relevance is expanding across the enterprise, starting with customer-experience, product, and channel management. The *integration of digital and physical experiences* is creating new ways for businesses to interact with customers, by using digital information to augment individual

experiences with products and services. Consumer demand is rising for *products that are free, intuitive, and radically user oriented*. And the rapid *evolution of IT-enabled commerce* is reducing entry barriers and opening new revenue streams to a range of individuals and companies.

Finally, consider the extent to which *government, education, and health care*—which often seem outside the purview of business leaders—could benefit from adopting digital technologies at the same level as many industries have. Productivity gains could help address the imperative (created by aging populations) to do more with less, while technological innovation could improve the quality and reach of many services. The embrace of digital technologies by these sectors is thus a trend of immense importance to business, which indirectly finances many services and would benefit greatly from the rising skills and improved health of citizens everywhere.

## 1. Joining the social matrix

Social technologies are much more than a consumer phenomenon: they connect many organizations internally and increasingly reach outside their borders. The social matrix also extends beyond the cocreation of products and the organizational networks we examined in our 2010 article. Now it has become the environment in which more and more business is conducted. Many organizations rely on distributed problem solving, tapping the brainpower of customers and experts from within and outside the company for breakthrough thinking. Pharmaceutical player Boehringer Ingelheim sponsored a competition on Kaggle (a platform for data-analysis contests) to predict

<sup>2</sup>For more, see *Disruptive technologies: Advances that will transform life, business, and the global economy*, McKinsey Global Institute, May 2013, on mckinsey.com.

<sup>3</sup>Ibid. That \$10 trillion to \$20 trillion figure represents a substantial share of the aggregate economic impact (between \$14 trillion and \$33 trillion) associated with all the disruptive technologies (including those not directly related to information technology) scrutinized in our separate research. As the (continued on page 60)

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McKinsey Global Institute report explains, the estimated potential economic impact of these IT-related disruptive technologies represents value resulting from their use in a limited set of highly significant applications. Impact estimates include approximations of the consumer surplus associated with the use of the technologies, so these estimates differ from traditional measures of potential market size or GDP contribution. Estimated potential economic impact is not directly additive across trends, since some applications overlap; for example, both cloud computing and mobile technology contribute to the value created by greater Internet use. The \$10 trillion to \$20 trillion range cited above adjusts for overlapping applications. The other six trends also will generate significant economic impact, of course, but they were not explicitly sized as part of our separate research effort on disruptive technologies.

<sup>4</sup>Jacques Bughin, Michael Chui, and James Manyika, "Capturing business value with social technologies," *McKinsey Quarterly*, November 2012, mckinsey.com.

<sup>5</sup>"Evolution of the networked enterprise: McKinsey Global Survey results," March 2013, mckinsey.com.

<sup>6</sup>For more, see *The social economy: Unlocking value and productivity through social technologies*, McKinsey Global Institute, July 2012, on mckinsey.com.

the likelihood that a new drug molecule would cause genetic mutations. The winning team, from among nearly 9,000 competitors, combined experience in insurance, physics, and neuroscience, and its analysis beat existing predictive methods by more than 25 percent.

In other research, we have described how searching for information, reading and responding to e-mails, and collaborating with colleagues take up about 60 percent of typical knowledge workers' time—and how they could become up to 25 percent more productive through the use of social technologies.<sup>4</sup> Global IT-services supplier Atos has pledged to become a "zero e-mail" company by 2014, aiming to boost employee productivity by replacing internal e-mail with a collaborative social-networking platform.

Companies also are becoming more porous, able to reach across units speedily and to assemble teams with specialized knowledge. Kraft Foods, for example, has invested in a more powerful social-technology platform that supports microblogging, content tagging, and the creation and maintenance of communities of practice (such as pricing experts). Benefits include accelerated knowledge sharing, shorter product-development cycles, and faster competitive response times. Companies still have ample running room, though: just 10 percent of the executives we surveyed in 2012 said their organizations were realizing substantial value from the use of social technologies to connect all stakeholders: customers, employees, and business partners.<sup>5</sup>

Social features, meanwhile, can become part of any digital communication or transaction—embedded in products, markets, and business systems. Users can "like" things and may soon be able to register what they "want," facilitating new levels of commercial engagement. Department-store chain Macy's has used Facebook likes to decide on colors for upcoming apparel lines, while Wal-Mart Stores chooses its weekly toy specials through input from user panels. In broadcasting, Europe's RTL Group is using social media to create viewer feedback loops for popular shows such as the *X Factor*. A steady stream of reactions from avid fans allows RTL to fine-tune episode plots.

Indeed, our research suggests that when social perceptions and user experiences (both individual and collective) matter in product selection and satisfaction, the potential impact of social technologies on revenue streams can be pronounced.<sup>6</sup> We are starting to see these effects in sectors ranging from automobiles to retailing as innovative companies mine social experiences to shape their products and services.

## 2. Competing using big data and advanced analytics

A few years ago, we described new opportunities to experiment with and segment consumer markets using big data. As with the social matrix, we now see data and analytics as part of a new foundation for competitiveness. Global data volumes—surging from social websites, sensors, smartphones, and more—are doubling

faster than every two years.<sup>7</sup> The power of analytics is rising while costs are falling. Data visualization, wireless communications, and cloud infrastructure are extending the power and reach of information.

With abundant data from multiple touchpoints and new analytics tools, companies are getting better and better at customizing products and services through the creation of ever-finer consumer microsegments. US-based Acxiom offers clients, from banks to auto companies, profiles of 500 million customers—each profile enriched by more than 1,500 data points gleaned from the analysis of up to 50 trillion transactions. Companies are learning to test and experiment using this type of data. They are borrowing from the pioneering efforts of companies such as Amazon.com or Google, continuously using what's known as A/B testing not only to improve website designs and experiences but also to raise real-world corporate performance. Many advanced marketing organizations are assembling data from real-time monitoring of blogs, news reports, and tweets to detect subtle shifts in sentiment that can affect product and pricing strategy.

Advanced analytics software allows machines to identify patterns hidden in massive data flows or documents. This machine “intelligence” means that a wider range of knowledge tasks may be automated at lower cost (see the fifth trend for details). And as companies collect more data from operations, they may gain additional new revenue streams by selling sanitized information on spending patterns or physical activities to third parties ranging from economic forecasters to health-care companies.

Despite the widespread recognition of big data's potential, organizational and technological

complexities, as well as the desire for perfection, often slow progress. Gaps between leaders and laggards are opening up as the former find new ways to test, learn, organize, and compete. For companies trying to keep pace, developing a big data plan is becoming a critical new priority—one whose importance our colleagues likened, in a recent article, to the birth of strategic planning 40 years ago.<sup>8</sup>

Planning must extend beyond data strategy to encompass needed changes in organization and culture, the design of analytics and visualization tools that frontline managers can use effectively, and the recruitment of scarce data scientists (which may require creative approaches such as partnering with universities). Decisions about where corporate capabilities should reside, how external data will be merged with propriety information, and how to instill a culture of data-driven experimentation are becoming major leadership issues.

### 3. Deploying the Internet of All Things

Tiny sensors and actuators, proliferating at astounding rates, are expected to explode in



<sup>7</sup>For more, see *Big data: The next frontier for innovation, competition, and productivity*, McKinsey Global Institute, May 2011, on mckinsey.com.

<sup>8</sup>Stefan Biesdorf, David Court, and Paul Willmott, “Big data: What’s your plan?,” *McKinsey Quarterly*, March 2013, mckinsey.com.

An understanding of what's most amenable to being delivered as a service is still evolving—as are the attitudes and appetites of buyers. Much of the disruption lies ahead.

number over the next decade, potentially linking over 50 billion physical entities as costs plummet and networks become more pervasive. What we described as nascent a few years ago is fast becoming ubiquitous, which gives managers unimagined possibilities to fine-tune processes and manage operations.<sup>9</sup>

Through FedEx's SenseAware program, for example, customers place a small device the size of a mobile phone into packages. The device includes a global positioning system, as well as sensors to monitor temperature, light, humidity, barometric pressure, and more—critical to some biological products and sensitive electronics. The customer knows continuously not only where a product is but also whether ambient conditions have changed. These new data-rich renditions of radio-frequency-identification tags have major implications for companies managing complex supply chains.

Companies are starting to use such technologies to run—not just monitor—complex operations, so that systems make autonomous decisions based on data the sensors report. Smart networks now use sensors to monitor vehicle flows and reprogram traffic signals accordingly or to confirm whether repairs have been made effectively in electric-power grids. New technologies are leading to what's

known as the “quantified self” movement, allowing people to become highly involved with their health care by using devices that monitor blood pressure and activity—even sleep patterns. Leading-edge ingestible sensors take this approach further, relaying information via smartphones to physicians, thereby providing new opportunities to manage health and disease.

#### 4. Offering anything as a service

The buying and selling of services derived from physical products is a business-model shift that's gaining steam. An attraction for buyers is the opportunity to replace big blocks of capital investment with more flexible and granular operating expenditures. A prominent example of this shift is the embrace of cloud-based IT services. Cosmetics maker Revlon, for example, now operates more than 500 of its IT applications in a private cloud built and operated by its IT team. It saved \$70 million over two years, and when an entire factory, including a data center in Venezuela, was destroyed by a fire, the company was able to shift operations to New Jersey in under two hours. Moves like this, which suggest that cloud-delivered IT can be reliable and resilient, create new possibilities for the provision of mission-critical IT through internal or external assets and suppliers.

This model is spreading beyond IT as a range of companies test ways to monetize underused assets by transforming them into services, benefiting corporate buyers that can sidestep owning them. Companies with trucking fleets, for instance, are creating new B2B businesses by renting out idle vehicles by the day or the

<sup>9</sup>Michael Chui, Markus Löffler, and Roger Roberts, “The Internet of Things,” *McKinsey Quarterly*, March 2010, mckinsey.com.



hour. And a growing number of companies with excess office space are finding that they can generate revenue by offering space for short-term uses. The *Los Angeles Times* has rented space to film crews, for example. Cloud-based online services are feeding the trend both by facilitating remote-work patterns that free up space and by connecting that space with organizations that need it.

Other companies are seizing opportunities in consumer markets. Online services now allow rentals of everything from designer clothing and handbags to college textbooks. Home Depot rents out products from household tools to trucks. IT that can track usage and bill for services is what makes these models possible.

While we and others have written about the importance of cloud-based IT services for some time, this trend is in its early stages, and potential impact could grow. Companies have much to discover about the efficiencies and flexibility possible through reenvisioning their assets, whether that entails shifting from capital ownership to “expensed” services or assembling assets to play in this arena, as Amazon.com has done by offering server capacity to a range of businesses. Moreover, an understanding of what’s most amenable to being delivered as a service is still evolving—as are the attitudes and appetites of buyers. Thus, much of the disruption lies ahead.

## 5. Automating knowledge work

Physical labor and transactional tasks have been widely automated over the last three decades. Now advances in data analytics, low-cost computer power, machine learning, and interfaces that “understand” humans are moving the automation frontier rapidly toward the world’s more than 200 million knowledge workers.

Powerful productivity-enhancing technologies already are taking root. Developments in how machines process language and understand context are allowing computers to search for information and find patterns of meaning at superhuman speed. At Clearwell Systems, a Silicon Valley company that analyzes legal documents for pretrial discovery, machines recently scanned more than a half million documents and pinpointed the 0.5 percent of them that were relevant for an upcoming trial. What would have taken a large team of lawyers several weeks took only three days. Machines also are becoming adept at structuring basic content for reports, automatically generating marketing and financial materials by scanning documents and data.

Signaling a new milepost in the quest for artificial intelligence, IBM's *Jeopardy!*-winning computer Watson has turned its attention to





Several emerging markets have experienced double-digit growth in Internet adoption, but enormous potential remains: India's digital penetration is only 10 percent and China's is around 40 percent.

### **7. Charting experiences where digital meets physical**

The borders of the digital and physical world have been blurring for many years as consumers learned to shop in virtual stores and to meet in virtual spaces. In those cases, the online world mirrors experiences of the physical world. Increasingly, we're seeing an inversion as real-life activities, from shopping to factory work, become rich with digital information and as the mobile Internet and advances in natural user interfaces give the physical world digital characteristics.

Today's clever apps use smartphone technology to sense our locations and those of our friends or even allow us to point to foreign street signs for quick translations. Augmented reality will go further with next-generation wearable devices such as Google Glass, which deploys cameras and wireless connections to project information, on demand, through eyeglasses. Other wearable technologies are also gathering steam, from "intelligent textiles" to wristwatch computers that can not only display e-mails and texts but also run mobile apps. Technologies pioneered in game consoles allow us to use physical movements and gestures to interact with digital devices.

Companies are applying these technologies to experiences that have remained resolutely physical, creating a new domain of customer

interaction. Food retailers Tesco and Delhaize have deployed life-size store displays at South Korean and Belgian subway stations, respectively. The screens allow commuters waiting for trains to use smartphones to order groceries, which are then shipped to their homes or available for pickup at a physical location. Other retailers are using similar displays in their physical stores so consumers can easily order out-of-stock products. Macy's has installed "magic mirrors" in store dressing rooms: a 72-inch display that allows shoppers to "try on" clothes virtually to help them make their selection.

Businesses are also integrating the digital world into physical work, thereby boosting their productivity and effectiveness. Boeing uses virtual-reality glasses so that factory workers assembling its 747 aircraft need to consult manuals less frequently. Annotated pop-ups point to drilling locations and display proper wire connections.

Executives need to examine their businesses to find areas where immersive experiences or interactive touchpoints can stimulate engagement with "always on" customers. And they should reflect on the potential for interactive digital platforms to play roles in product design and marketing or in gathering customer feedback. These possibilities will grow in importance as customers and employees come to expect interaction between heightened digital and physical offerings.





## 8. 'Freeing' your business model through Internet-inspired personalization and simplification

After nearly two decades of shopping, reading, watching, seeking information, and interacting on the Internet, customers expect services to be free, personalized, and easy to use without instructions. This ethos presents a challenge for business, since customers expect instant results, as well as superb and transparent customer service, for all interactions—from websites to brick-and-mortar stores. Fail to deliver, and competitors' offerings are only an app download away.<sup>11</sup>

A number of businesses have battled in the free-services arena against tough digital competitors such as Craigslist, peer-to-peer music services, and Wikipedia. In 2012, Electronic Arts lost 400,000 players when it began charging for its online *Star Wars* game. Players came back when the company designed a "freemium" offer: users paid only after the first 50 levels. Additional challenges to traditional pricing power appear each day with price-comparison apps that allow consumers to "showroom" at physical stores and then buy online at lower prices.

Indeed, users will probably never pay for many valuable technology-enabled services, such as search—and the list seems to be growing rapidly. Providers of these "free" services will need to

innovate with alternative business models.

The most successful are likely to be multisided ones, which tap large profit pools that can be generated from information gathered by an adjacent free activity that's commercially relevant. A familiar example is Google's policy of offering its search services free of charge while garnering revenues at the other side of the platform by selling advertising or insights into customer behavior. In a world of free, the hunt is on for such monetization ideas. More and more companies, for example, are exploring opportunities to sell to third parties or to create new services based on sanitized information ("exhaust data").

Consumers, meanwhile, expect to be valued by companies and treated as individuals. In the online world, Spotify and Netflix analyze their customers' histories to create "for me" experiences when recommending music and movies. Services are becoming even more hassle free online: new web and mobile apps are designed to be so easy to use that instructions are no longer needed. The demand for "quick and easy" is compelling companies to modify how they deliver real-world offerings—for example, by allowing customers to photograph checks and deposit them using smartphone apps.

A world of digitized instant gratification and low switching costs could force many businesses to seek innovative business models that provide

<sup>11</sup>See Peter Dahlström and David Edelman, "The coming era of 'on-demand' marketing," *McKinsey Quarterly*, April 2013, mckinsey.com.

more products and services free of charge or at lower cost. They'll also have to think about offering more personalization in their products and services: customization at a mass level. This approach could require changes to back-end systems, which are often designed for mass production. Businesses will need new ways to collect information that furthers personalization, to embed experimentation into product-development efforts, and to ensure that offerings are easy to use—and even fun.

## 9. Buying and selling as digital commerce leaps ahead

The rise of the mobile Internet and the evolution of core technologies that cut costs and vastly simplify the process of completing transactions online are reducing barriers to entry across a wide swath of economic activity. Amped-up technology platforms are enabling peer-to-peer commerce to replace activities traditionally carried out by companies and giving birth to new kinds of payment systems and monetization models.

Entry costs have fallen to the point where people who knit sweaters, for example, can tap into a global market of customers. Airbnb brokers deals between travelers and people with spare rooms to rent in their homes or apartments. It booked more than ten million overnight stays in 2012 and could soon be selling more room nights than major international hotel chains do. Similar marketplaces are springing up for bicycles, cars,<sup>12</sup> labor,<sup>13</sup> and more.

Mobile-payment networks, sometimes augmented with services that extend beyond pure transactions, are a second area of evolution for e-commerce as costs fall. Starbucks envisions

extending its pioneering use of smartphones for payments to include instant photo verification of buyers. New mobile-commerce platforms that manage transactions can offer customers the option of paying with credit credentials they have established for other merchants. The mobile-payment provider Square offers customers using its service access to their sales data from any transaction and allows them to set up customer-loyalty programs easily.

This trend will become more striking over the next decade or so: 600 cities, most in emerging markets, will account for roughly two-thirds of the world's GDP growth. One likely consequence for fast-growing cities will be the rapid development of dense, digitally enabled commerce—new, highly evolved ecosystems combining devices, payment systems, digital and technology infrastructure, and logistics.<sup>14</sup>

## 10. Transforming government, health care, and education

The private sector has a big stake in the successful transformation of government, health care, and education, which together account for a third of global GDP. They have lagged behind in productivity growth in part because they have been slow to adopt web-based platforms, big data analytics, and other IT innovations. Technology-enabled productivity growth could help reduce the cost burden while improving the quality of services and outcomes, as well as boosting long-term global growth prospects.

Many governments already use the web to improve services and reduce waste. India has enrolled hundreds of millions of citizens in the world's largest biometric-identification

<sup>12</sup> Daimler launched the car2go service, which rents out small electric cars by the minute in European, Canadian, and US cities.

<sup>13</sup> Amazon.com's Mechanical Turk and TaskRabbit host peer-to-peer marketplaces where independent contractors bid for tasks such as proofreading documents, pet sitting, or housecleaning.

<sup>14</sup> Richard Dobbs, Jaana Remes, and Fabian Schaer, "Unlocking the potential of emerging-market cities," *McKinsey Quarterly*, September 2012, mckinsey.com.

program, Aadhaar, and plans to use the system to make over \$50 billion in cash transfers to poor citizens, saving \$6 billion in fraudulent payments. In 2011, the US government introduced a Cloud First policy, which laid out a vision to shift a quarter of the \$80 billion in annual federal spending to the cloud from in-house data centers, thus saving 20 to 30 percent on the cost of the shifted work. Governments can also use IT to better engage citizens, as South Korea has done with its e-People site, which helps citizens send online civil petitions for policy changes or reports of corruption.

Technology also is opening new opportunities to contain rising health-care costs and improve access. In rural Bangladesh, 90 percent of births occur outside hospitals. A mobile-notification system alerts clinics to dispatch nurse-midwife teams, which are now present for 89 percent of births. In China, a public-private partnership created a cardiovascular-monitoring system that allows patients to self-administer electrocardiograms and transmit data to specialists in Beijing, who can suggest treatments by phone. At New York's Mount Sinai Hospital, a venture with General Electric uses smart tags to track the flow of hundreds of patients, treatments, and medical assets in real time. The hospital estimates it could potentially treat 10,000 more patients each year as a result and generate \$120 million in savings and revenues over several years.

Finally, there's education, which represents 4.5 percent of global GDP. Technology is starting to change the equation. Using game technologies and immersive math courseware, DreamBox makes learning more fun, while algorithms adapt the learning experience to each student's needs. Brilliant.org allows talented mathematicians and physics students around the world to learn at their own pace.

Global massive open online courses (MOOCs) offer university-level "classes" using social networks, videos, and community interactions.

Smartphones and tablets are entering classrooms en masse to deliver personalized content. India is running trials of the sub-\$50 Aakash tablet to link more than 25,000 colleges in an e-learning program. Other technologies are improving teachers' skills and performance through online collaboration, access to best-in-class pedagogies, and better tracking of student achievement, which facilitates targeted interventions.



What does all this mean for busy senior executives—beyond the obvious that there's no escaping these trends, that they will continue to evolve, and that their implications, which will vary for different types of organizations, merit serious attention? We'd suggest that the era of pervasive connectedness underlying these trends also implies a need for more focused attention on issues such as the following.

**Transparent and innovative business models.** Real-time information, instant price discovery, and quick problem resolution are becoming basic expectations of consumers, citizens, and business customers in the digital realm. Collectively, they will force many companies to rethink elements of their business models. Leaders will need to make their companies more transparent and elevate rapid responsiveness to the level of a core competency. Business models built on transparency and responsiveness will not only satisfy customers but also help companies become more nimble, innovative, and credible with all their stakeholders.

**Talent.** The rising economic and business impact of information technology means that competition will heat up for graduates in science, technology, engineering, and mathematics—the STEM fields, where job growth is likely to be about 1.7 times faster than it will be in other areas. As the automation of knowledge work gains momentum and computers start handling a growing number of tasks now performed by knowledge workers, some midlevel ones will probably be displaced and people with higher-level skills will become more important. Providing new forms of training to upgrade knowledge workers' capabilities and rethinking the nature of public education will be critical priorities for business and government leaders.

**Organization.** The Internet's model and values, particularly connectivity and nonhierarchical interactions, have significant organizational implications. The flowering of many of these trends could imply decentralization, along with changing relationships among managers, employees, suppliers, and customers. These shifts aren't always comfortable for leaders, but they hold potential for boosting innovation, loyalty, business reach, productivity, and marketing effectiveness, while reducing costs.

**Privacy and security.** Billions of people will soon be socializing, sharing information, and conducting transactions on the Internet.

As businesses and governments use the web to monitor assets, manage payments, and store data, they will be tracking moves individuals make on the Internet. Navigating the issues associated with generating economic utility while managing privacy will require organizations to examine trade-offs and address tensions in a clear, thoughtful way as rules of the road are established. Meanwhile, the value of the massive stores of digital information will only increase, giving criminals, terrorists, and even rogue states bigger incentives to breach firewalls and making the protection of data an imperative for top management. Keeping up with state-of-the-art encryption standards and security-management practices, for example, is moving from an arcane corner of data management to a core customer expectation, which, if not met, could severely damage a business's reputation.

In short, as these trends take hold, leaders must prepare for the disruption of long-standing commercial and social relationships, as well as the emergence of unforeseen business priorities. The difficulty of embracing those realities while addressing related risks and concerns may give some leaders pause. But it's worth keeping in mind that if the future traces past experience, these technology-enabled business trends will not only be a boon for consumers but also stimulate growth, innovation, and a new wave of pace-setting companies. ○

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