







# Digital Vortex

In a way, WhatsApp's success (or potential failure) in these ventures is beside the point.

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## Disruptive Dynamics

The number of digital disruptors that have amassed millions of users—and billions of dollars in value—has grown tremendously over the past three years. In venture capital vernacular, a “unicorn” is a start-up that has a valuation of at least \$1 billion. Unicorns received their name because they have been historically rare, although they are becoming more common as venture funding seeks disruptive companies with the potential to become the next Alibaba,

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seen as worthy of board-level attention in about 45 percent of companies (on average across industries; see [Figure 4](#)). [✍️]

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1. A vortex pulls objects relentlessly toward its center. As objects el ia vort9 0.37Dje

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translated into a ranking that shows the extent of digital disruption by industry.

An industry's ranking (and its position in the Digital Vortex) represents the extent of potential competitive disruption within five years as a result of digital technologies and business models. Industries poised for greatest disruption are those in which the most digitization is taking place; those



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which markets stabilize around new competi-

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Digital business mod-

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Incumbents now face the “innovator’s dilemma.” As Clayton Christensen of Harvard Business School has observed, “The rolem







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have been rapidly and forcefully pulled into the digital center, obliged to compete with digital competitors such as Uber and Lyft that blend cost value, experience value, and platform value in a potent business model.

Let's take a closer look at the utilities industry, recalling that our analysis ranked the sector No. 10 out of 12, and on a relative basis among the least susceptible to disruption. Utilities require major capital investment to generate and distribute electricity. However, the value utilities ulti-

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markets that seemingly have little in common. For this reason, it can be





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The 44 percent of executives in our study who dismiss digital disrupt-

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changing the organization itself, including its operations, culture, revenue model, and more—in fundamental ways, and perpetually. This is digital business transformation.

As executives navigate their firms through the Digital Vortex, the following areas have been identified as crucial areas of self-assessment:





## Industry Ranking Methodology

The DBT Center industry ranking methodology is based on a combination of third-party and survey data. In order to assess the relative potential for digital disruption by industry, the following methodology was employed.

## Step 2: Quantify Indicators of Digital Disruption Potential

After defining indicators of the potential for digital disruption, the next step was to identify the specific metrics used to quantify these indicators. Based on examination of dozens of potential

## Step 3: Calculate Industry Ranking for Digital Disruption Potential

For each industry, the cumulative z-scores for each indicator were

Notes

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- 1. Bloomberg, October 29, 2014.
  - 2. "Short Messaging Services Versus Instant Messaging," Deloitte, 2014.
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