THE BIG SHIFT

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The Big Shift

- John Hagel III, John Seely Brown & Lang Davidson
- Concept describing shift in the society development.
- Direction = digital society
- Changes in society are measured through:
  - The Shift Index
The Shift Index

- 3 Waves Theory
  1. Building the Foundations
  2. Unleashing Richer Flows of Knowledge
  3. Effectively Addressing the Performance Challenge

- Each Wave has its own Index
  - Foundation Index
  - Flow Index
  - Impact Index
# The Shift Index

<table>
<thead>
<tr>
<th>Impact Index</th>
<th>Flow Index</th>
<th>Foundation Index</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Markets</strong></td>
<td><strong>Virtual Flows</strong></td>
<td><strong>Technology Performance</strong></td>
</tr>
<tr>
<td>Competitive Intensity: Herfindahl-Hirschman Index</td>
<td>Inter-firm Knowledge Flows: Extent of employee participation in knowledge flows across firms</td>
<td>Computing: Computing power per unit of cost</td>
</tr>
<tr>
<td>Labor Productivity: Index of labor productivity as defined by the Bureau of Labor Statistics</td>
<td>Wireless Activity: Total annual volume of mobile minutes and SMS messages</td>
<td>Digital Storage: Digital storage capacity per unit of cost</td>
</tr>
<tr>
<td>Stock Price Volatility: Average standard deviation of daily stock price returns over one year</td>
<td>Internet Activity: Internet traffic between top 20 US cities with the most domestic bandwidth</td>
<td>Bandwidth: Bandwidth capacity per unit of cost</td>
</tr>
<tr>
<td><strong>Firms</strong></td>
<td><strong>Physical Flows</strong></td>
<td><strong>Infrastructure Penetration</strong></td>
</tr>
<tr>
<td>Asset Profitability: Total ROA for all US firms</td>
<td>Migration of People to Creative Cities: Population gap between top and bottom creative cities</td>
<td>Internet Users: Number of people actively using the Internet as compared to the US population</td>
</tr>
<tr>
<td>ROA Performance Gap: Gap in ROA between firms in the top and the bottom quartiles</td>
<td>Travel Volume: Total volume of local commuter transit and passenger air transportation</td>
<td>Wireless Subscriptions: Percentage of active wireless subscriptions as compared to the US population</td>
</tr>
<tr>
<td>Firm Topple Rate: Annual rank shuffling amongst US firms</td>
<td>Movement of Capital: Value of US Foreign Direct Investment inflows and outflows</td>
<td><strong>Public Policy</strong></td>
</tr>
<tr>
<td>Shareholder Value Gap: Gap in the TRS(^1) between firm in the top and the bottom quartiles</td>
<td></td>
<td>Economic Freedom: Index of 10 freedom components as defined by the Heritage Foundation</td>
</tr>
<tr>
<td><strong>People</strong></td>
<td><strong>Amplifiers</strong></td>
<td></td>
</tr>
<tr>
<td>Consumer Power: Index of 6 consumer power measures</td>
<td>Worker Passion: Percentage of employees most passionate about their jobs</td>
<td></td>
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<tr>
<td>Brand Disloyalty: Index of 6 consumer disloyalty measures</td>
<td>Social Media Activity: Time spent on Social Media as a percentage of total Internet time</td>
<td></td>
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<tr>
<td>Returns to Talent: Compensation gap between more and less creative occupational groupings(^2)</td>
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<tr>
<td>Executive Turnover: Number of Top Management terminated, retired or otherwise leaving companies</td>
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</tr>
</tbody>
</table>

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1. TRS – Total Return to Shareholders
3. Measured by the Bureau of Transportation Statistics Transportation Services Index

Source: Deloitte analysis
Technology Performance
- Computing (Costs of new technologies)
- Digital Storage (Costs of storing information)
- Bandwidth (Costs and Speed of data transfer)

Infrastructure Penetration (Geographical Limits)
- Internet Users (Number of connected users)
- Wireless Subscriptions (Number of connected users)

Public Policy
- Economic Freedom
Foundation Index CR x USA

Exhibit 11: Foundation Index drivers (1993-2008)

Source: Deloitte analysis
Flow Index

- Virtual Flows
  - Intern-firm knowledge flows (Ways to share information)
  - Wireless Activity (Usage of Mobile)
  - Internet Activity (Usage of Internet, new possibilities)

- Physical Flows
  - Migration of People to Creative Cities (better possibilities)
  - Travel Volume (no longer a problem)
  - Movement of Capital (Foreign investments)

- Amplifiers
  - Worker Passion (passionated worker is better worker)
  - Social Media Activity (new ways of connection and sharing information)
Flow Index CR x USA

Exhibit 26: Flow Index drivers (1993-2008)

Source: Deloitte analysis
Impact Index

- **Markets**
  - Competitive Intensity (less barriers to enter the market)
  - Labor Productivity
  - Stock Price Volatility

- **Firms**
  - Asset Profitability (ROA)
  - ROA Performance Gap
  - Firm Topple Rate
  - Shareholder Value Gap

- **People**
  - Consumer Power
  - Brand Disloyalty
  - Returns to talent
  - Executive turnover (Top Management HR)
ČR vs. USA - srovnání

**The Shift Index ČR**

**The Shift Index USA**
## The Shift Index - % srovnání ČR x USA

<table>
<thead>
<tr>
<th>Index</th>
<th>ČR</th>
<th>USA</th>
<th>ČR</th>
<th>USA</th>
<th>ČR</th>
<th>USA</th>
<th>ČR</th>
<th>USA</th>
<th>ČR</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation Index</td>
<td>35,87%</td>
<td>83,00%</td>
<td>83,64%</td>
<td>137,19%</td>
<td>151,52%</td>
<td>198,60%</td>
<td>239,22%</td>
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</tr>
<tr>
<td>Flow Index</td>
<td>66,27%</td>
<td>80,90%</td>
<td>76,29%</td>
<td>79,81%</td>
<td>83,76%</td>
<td>81,25%</td>
<td>85,61%</td>
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</tr>
<tr>
<td>Impact Index</td>
<td>59,41%</td>
<td>78,00%</td>
<td>85,71%</td>
<td>91,84%</td>
<td>90,00%</td>
<td>83,65%</td>
<td>77,48%</td>
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</tbody>
</table>
Questions?