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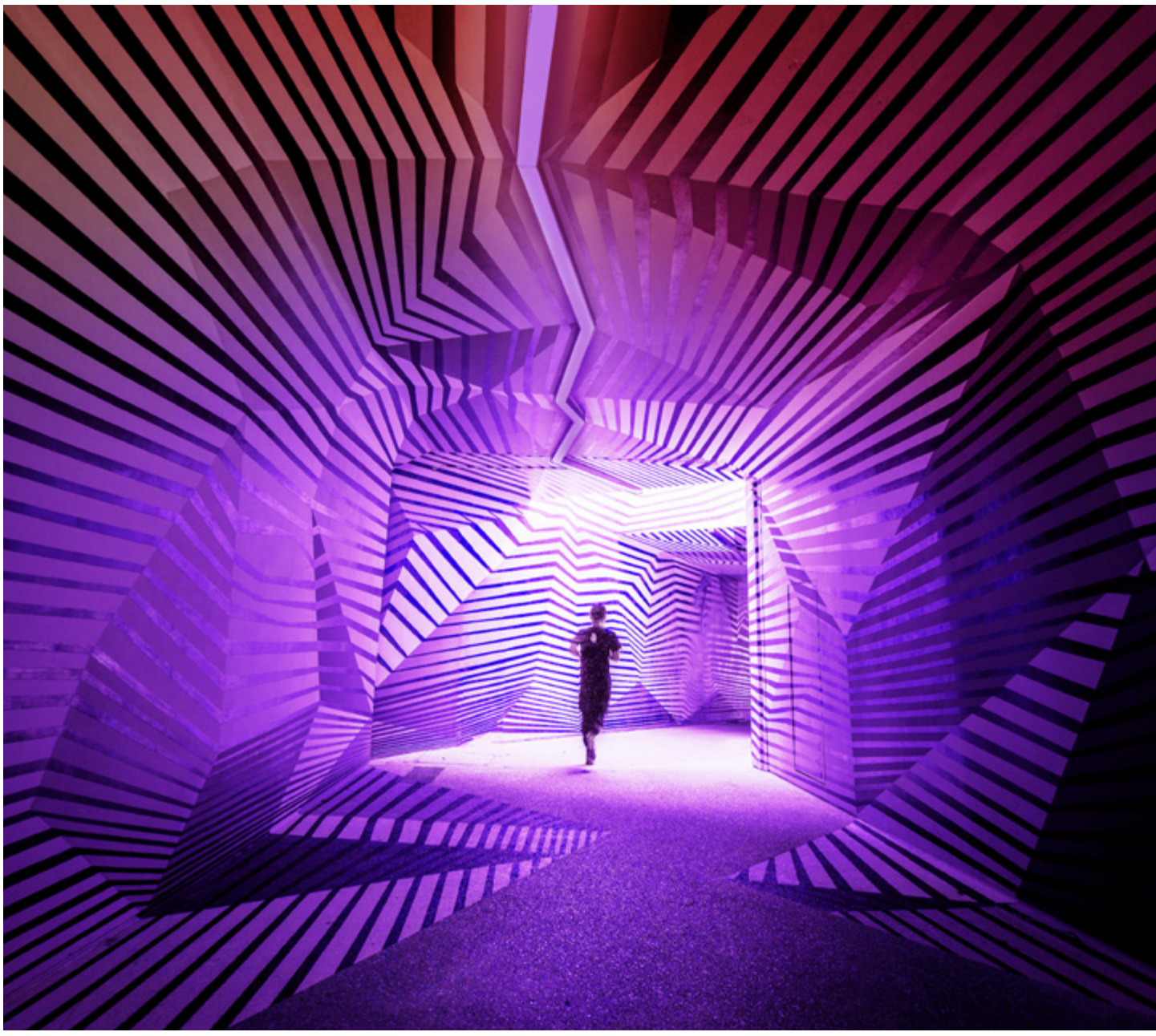
Reinvent Productivity to Lead in Change

Accenture China Digital Transformation Index 2024



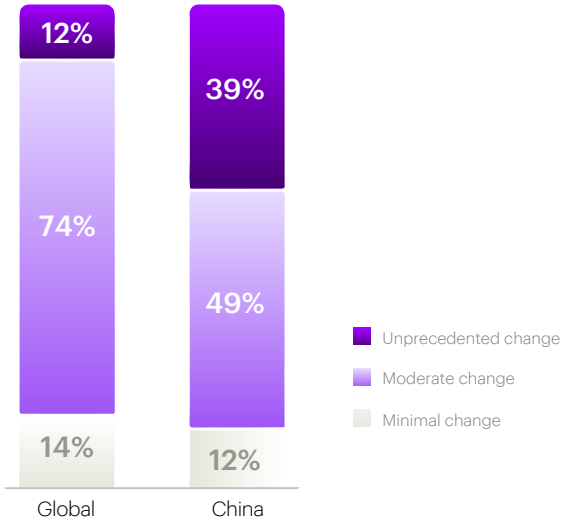
In recent years, geopolitical instability, low consumer confidence and severe economic losses from extreme weather events have destabilized many economies, and China's is no exception. Additionally, China faces unique challenges, such as being disproportionately affected by shifting global supply chains and managing a rapidly aging population on a massive scale. Together, these factors have made productivity growth a matter of national importance.

Navigating Turbulent Times

Chinese companies are under significant pressure. Nearly 40% of Chinese executives report experiencing unprecedented changes in their operating environment—far higher than the global average of 12%. This highlights their sensitivity to market dynamics and the considerable impact of the shifting external business environment (Figure 1).

Figure 1: A higher number of Chinese companies noticed unprecedented changes in today's business environment than their global peers

Executives' perception of the degree of change in the external business environment

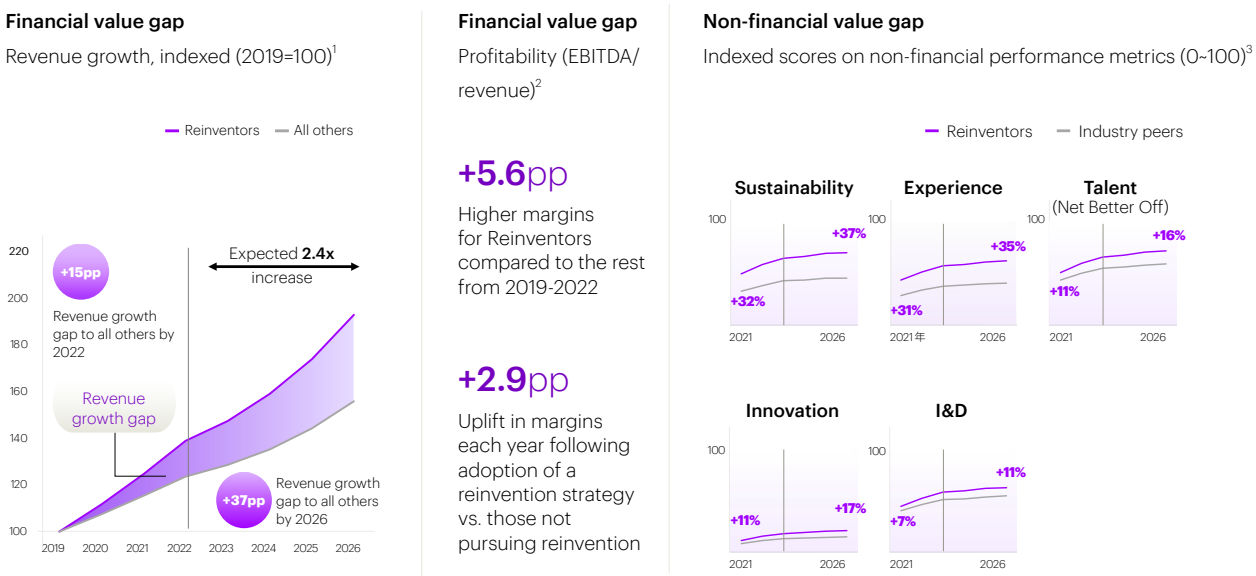


Q1: What is the level of change your organization is experiencing in the business operating environment today?
Q2: To what extent is your organization prepared to respond to any changes in your business environment heading into 2024?
Source: Accenture CxO Pulse Survey Wave 11 (Nov 2023), Global N= 3,450, China N=260

In the context of escalating disruption, reinvention has become increasingly essential for all companies, especially those in China. Our research identifies a group of "Reinventors"—companies that have built the ability to continuously reinvent—are thriving amid the change, making rapid progress in executing their transformation strategies by focusing on their digital core and redefining their industries' performance standards.

Based on their financial and non-financial performance, Reinventors are leading today and are poised to extend their advantage in the future (Figure 2). From 2019 to 2022, Reinventors achieved revenue growth and profit margins that were 15 and 5.6 percentage points higher, respectively, than those of other companies. Our modeling analysis predicts that by 2026, the revenue growth gap between Reinventors and other companies will widen 2.4 times to 37 percentage points, with annual profit margins 2.9 percentage points higher.

Figure 2: The value gap between Reinventors and the rest is expected to widen across both financial and non-financial indicators



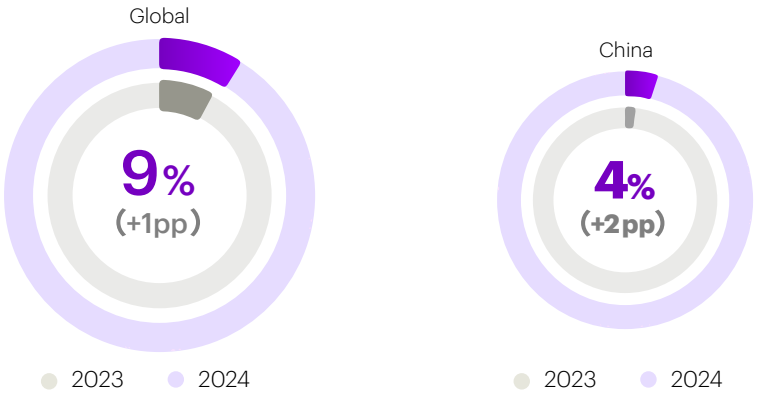
Note: 1) 2019-2022=CAGR based on actuals. 2023-2026=self-reported expectations stress-tested vs. analyst expectations. 2) Average profit margin (EBITDA/revenue) is based on actuals for 2019-2022. We further use a panel data model to test the relationship between the number of years of reinvention (starting from the year in which respondents report adopting their reinvention strategy) and EBITDA margin, controlling for industry, geography and company size. Financial services companies are excluded from this analysis. 3) 2021 is based on the TER 1.0 research. 2023-2026=self-reported expectations. Sustainability=ESG data from Capital IQ. Experience=measures of customer relationship management and supplier churn from S&P Global and FactSet Supply Chain. Talent and I&D=Net Better Off indicators from Glassdoor, ESG Book and S&P Global. Innovation=efficiency of tangible and intangible expenditure.
Source: Accenture Reinvention Surveys, Nov 2022 (N=1,516) and Oct-Nov 2023 (N=1,500)

In 2024, the percentage of global Reinventors grew by 1 percentage point to 9%. China's share improved by 2 percentage points to 4%, though it remains less than half the global average (Figure 3).

This suggests that many Chinese companies continue to miss out on the financial and non-financial benefits of reinvention.

Figure 3: The share of Reinventors

2024 vs. 2023

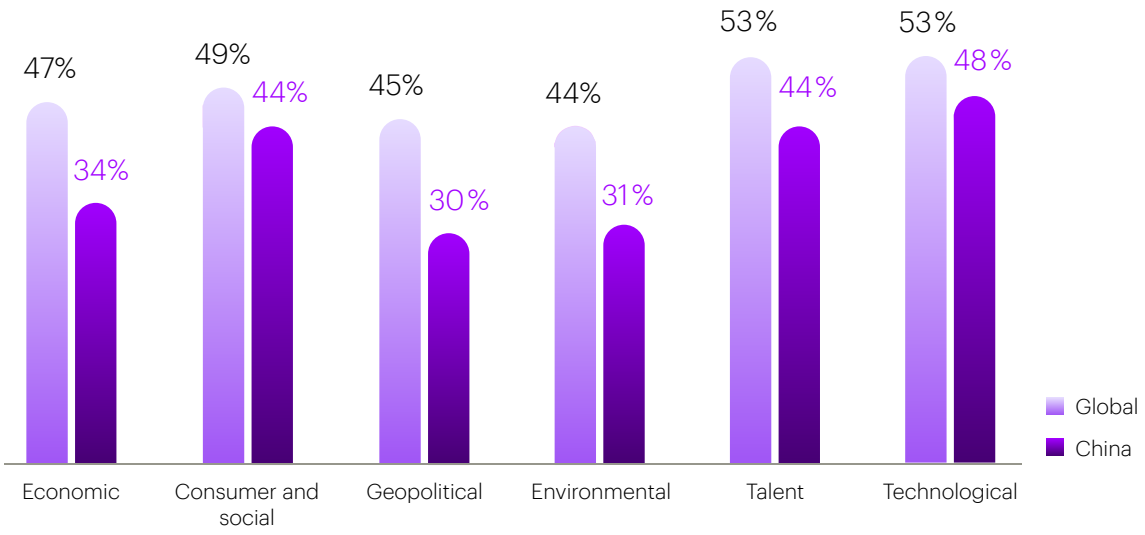


Note: Groups were identified using a set of criteria related to the characteristics of a reinvention strategy, tested through a series of questions. "Reinventors" meet all the criteria.
Source: Accenture Reinvention Surveys, Nov 2022 (N=1,516) and Oct-Nov 2023 (N=1,500)

Compared with their global peers, Chinese executives feel less prepared to navigate this challenging and evolving business environment. Only 30% of Chinese companies feel ready for geopolitical risks, and 34% are prepared for economic downturns, 15 and 13 percentage points lower than the global average respectively. Chinese companies feel relatively more comfortable on the technological front, with 48% reporting that they are ready for technological change, although this is still 5 points lower than the global average (Figure 4).

Figure 4: Chinese executives felt less prepared to deal with changes in the business environment than their global peers

Percentage of companies that felt fully prepared



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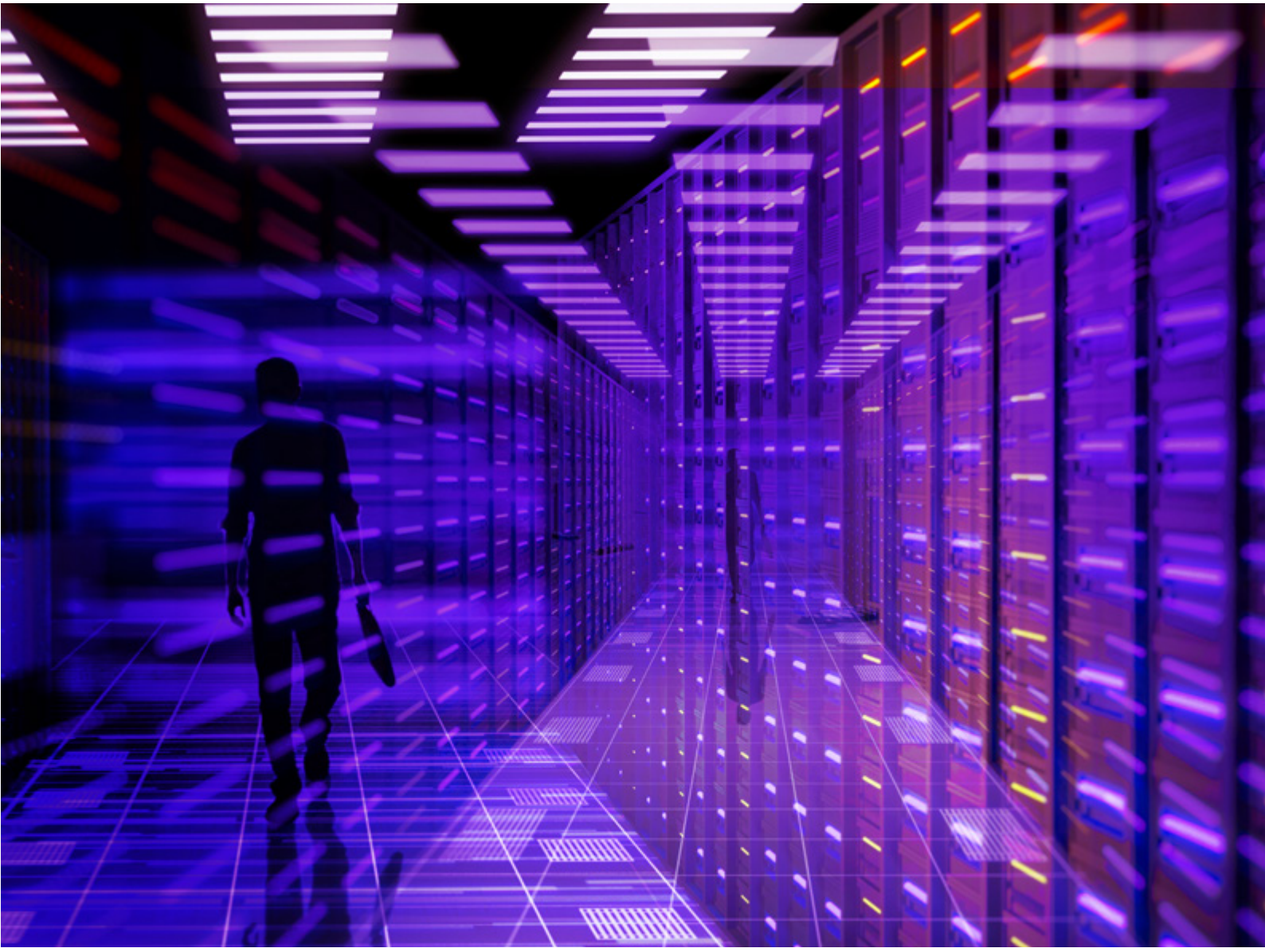
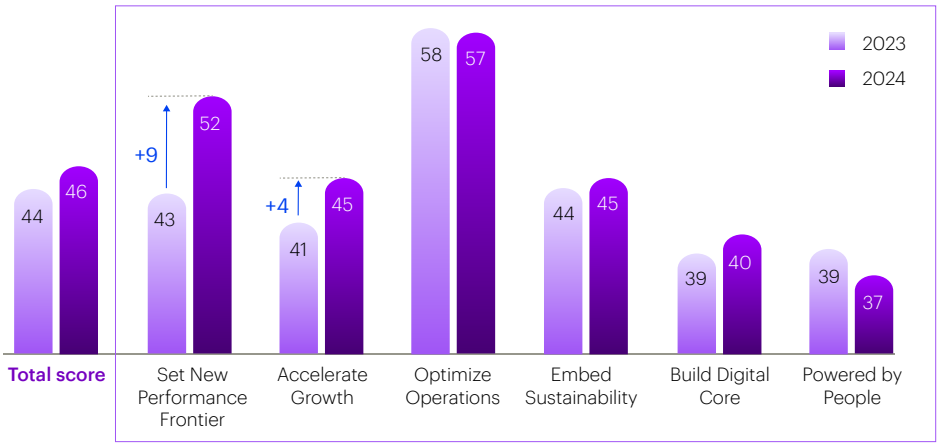
Meeting Change with AI-Powered Reinvention



In this rapidly evolving landscape, companies in China are refocusing on innovation and growth to achieve breakthroughs. This year's Digital Transformation Index reflects this shift, with the overall score increasing from 44 to 46, driven by strong improvements in establishing new competitive frontiers and accelerating growth. However, challenges persist, particularly in the areas of digital core development and talent capabilities, which continue to score the lowest (Figure 5).

Figure 5: Chinese companies improved their digital capabilities for innovation and growth during 2023-2024

Accenture China Digital Transformation Index (0~100)
2023 vs. 2024

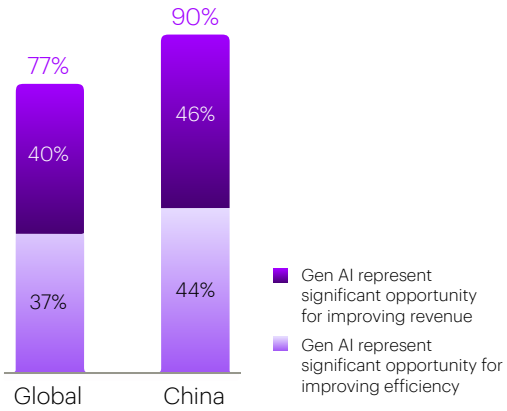


Source: Accenture China Digital Transformation CxO Survey 2024, N=450

As companies strive to stay ahead and adapt to fast-changing markets, they are increasingly turning to Artificial Intelligence (AI) to fuel their innovation efforts. In particular, generative AI (Gen AI) has captured the public's imagination, opening up unprecedented possibilities for creativity and efficiency. Chinese companies are optimistic about the technology's potential, with an overwhelming majority recognizing Gen AI as a significant opportunity to enhance both their top and bottom lines (Figure 6).

Figure 6: Most Chinese companies view Gen AI as an opportunity

Impact of Gen AI
(Percentage of agree to the statement)



Q: Thinking about the overall impact of Gen AI on your organization, which of the following statements do you most agree with?
Source: Accenture Reinvention Surveys, Nov 2022 (N=1,516) and Oct-Nov 2023 (N=1,500)

Over the past year, Chinese enterprises have actively explored AI use cases, demonstrating a broad and varied application of the technology across different industries. Analyzing media coverage of China's G3000 companies published from the first quarter of 2023 to the first quarter of 2024, we categorized sectors into four types based on the diversity of AI use cases and level of industry enthusiam level.

Pioneers: Industries such as software, platforms and communications, along with media and new retail, are at the forefront of AI adoption. They are using AI for content generation, personalized marketing and intelligent customer service, thus setting the pace for widespread AI integration.

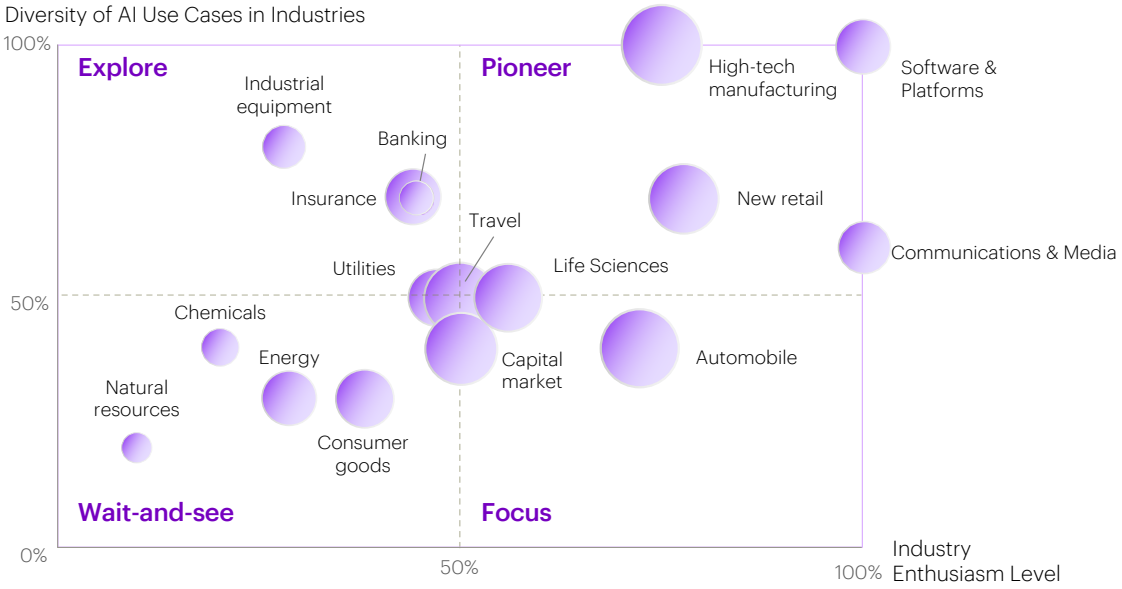
Focus: Industries like automotive and pharmaceuticals are deploying AI in a more targeted way, focusing on areas such as research and development, product innovation, and optimizing functionalities like autonomous driving and smart features.

Explorers: Sectors such as engineering machinery, insurance and banking are showcasing diversity in AI applications, ranging from smart manufacturing to customer interaction and risk management.

Wait-and-see: Traditional heavy industries such as resources, energy and chemicals have been more cautious, prioritizing AI applications in operational efficiency and supply chain management due to safety and compliance concerns (Figure 7).

Figure7: From 2023 to 2024, among Chinese large companies, the level of enthusiasm for Advanced AI applications and the diversity of use cases vary significantly across industries

Size of bubble: growth of industry enthusiasm level from the first quarter of 2023 to the first quarter of 2024

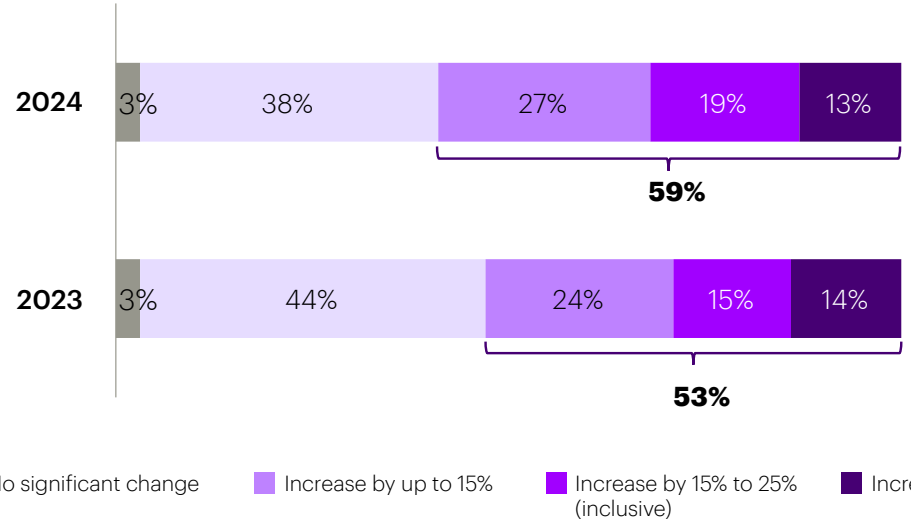


Note: Horizontal axis penetration refers to the proportion of companies in an industry that have identified AI/gen AI application cases; Vertical axis diversity refers to the proportion of gen AI/AI application types/total categories in the industry; The bubble size represents the growth of industry penetration between April 1, 2023 and April 1, 2024.
Source: Moody's News Edge data, Q1 2023 – Q1 2024, Accenture Research leverages generative AI analytics based on China's G3000

Looking ahead, six out of ten Chinese enterprises across all industries intend to increase their investment in digital transformation projects. Moreover, 13% of them plan to boost investments by over 25% (Figure 8). This desire to invest more is driven not only by a strong ambition to innovate but also by the pressing need to achieve growth in these turbulent times.

Figure 8: 59% of Chinese enterprises intend to boost investment in digital transformation projects, a 6% increase from last year

The willingness of Chinese enterprises to invest in digital transformation, % of respondents
2024 vs. 2023



Q1: How will your company's total investment in digital transformation projects change over the next year?
Q2: In the coming year, in which of the following business functions/areas are you fundamentally reinventing processes by applying new technologies (e.g., cloud, internet of things, robotics, blockchain), new ways of working, data, and AI? (There are no legal and sustainability options in the 2023 survey)
Source: Accenture China Digital Transformation CxO Survey 2024, N=450

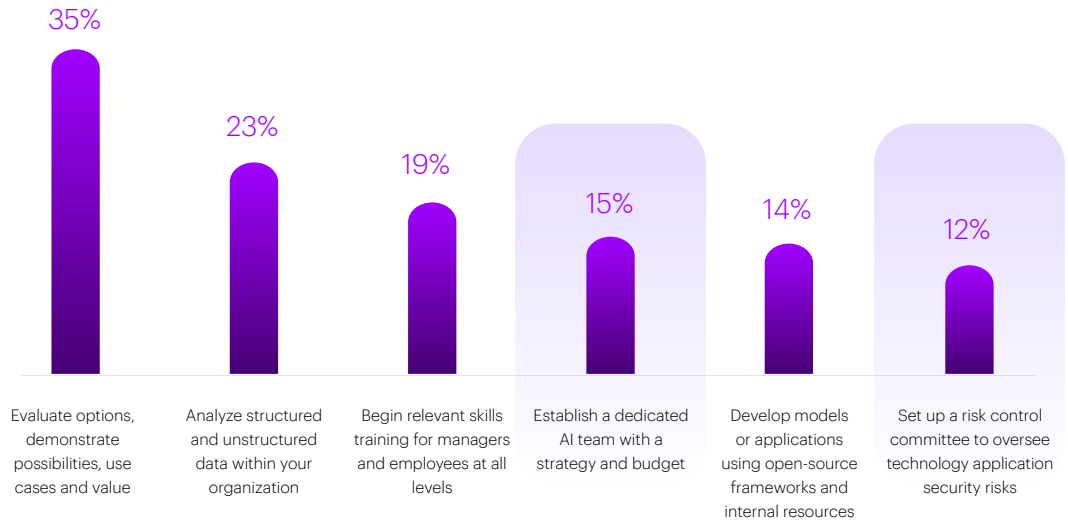
Challenges in Realizing the Full Value of AI

While Gen AI has undoubtedly unlocked new potential across the globe, three major challenges hinder Chinese enterprises from realizing their full promise.

First, instead of implementing a strategic approach, most companies are adopting AI in a piecemeal manner. This has led to scattered AI use cases with limited data access, resulting in inaccurate models and constrained potential. Although over a third of all Chinese companies have begun to explore AI use cases, only 15% have a dedicated AI team, and even fewer have set up risk control committees (Figure 9).

Figure 9: Most Chinese companies are still piloting AI use cases and are not ready for enterprise-wide deployment

Steps taken by Chinese companies applying AI (Percentage of enterprises)

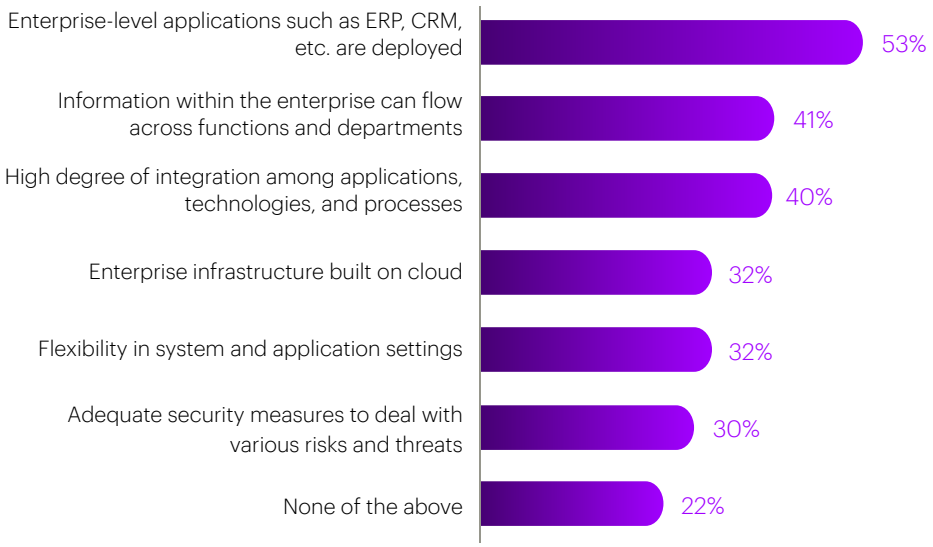


Q: What steps have your company taken regarding AI technology? (multiple choices)
Source: Accenture China Digital Transformation CxO Survey 2024, N=450

Second, the current state of digital readiness among Chinese companies poses limitations on what they can achieve with AI. Scaling AI across the organization requires high-quality data flows, modern IT architecture and robust security measures, but many Chinese companies lack competency in all three areas. Only 30% say they have adequate security measures and less than a third are built on cloud infrastructure (Figure 10). There is an urgent need for these companies to enhance their foundational technology requirements while simultaneously developing new capabilities.

Figure 10: Chinese enterprises urgently need to improve their cloud infrastructure, data governance and security measures to enable widespread AI adoption

Technology Deployment Achievements (Percentage of Enterprises)

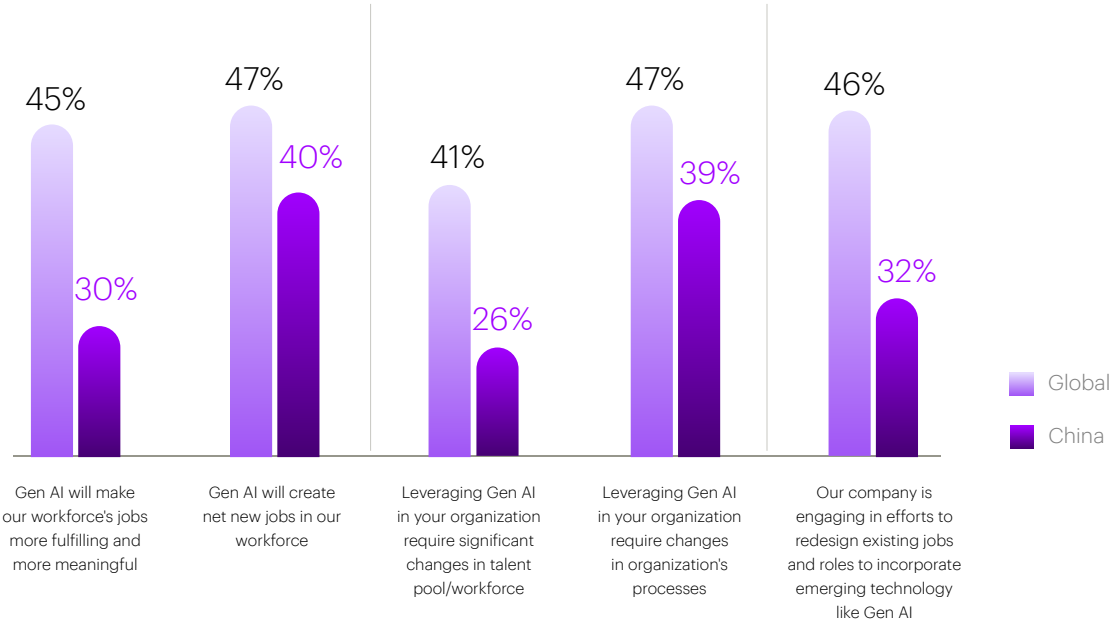


Q: Through digital deployments over the past two years, what achievements has your company realized in the field of technology?(multiple choices)
Source: Accenture China Digital Transformation CxO Survey 2024, N=450

Finally, many organizations are not sufficiently prepared for new ways of working that Gen AI demands. Compared with their global peers, Chinese executives are less likely to recognize the full value and impact of Gen AI, which has resulted in slower implementation. Only 32% of Chinese companies are redesigning their jobs to incorporate emerging technologies such as Gen AI—a number much lower than the global average of 46% (Figure 11).

Figure 11: Fewer Chinese executives fully appreciate AI's value and impact, resulting in slower implementation of necessary measures

Percentage of respondents strongly agree with the statement



Q1: Consider the impact of generative AI on skills. To what extent do you agree with or disagree with the following statements?
Q2: Does leveraging Gen AI in your organization require changes or actions in the following areas?
Source: Accenture Reinvention Survey, Oct-Nov 2023 (Global N=1,500, China N=110)

The Way Forward: Reinvent for Growth

AI, as the latest epoch-defining technology, has the potential to transform not only the way business is conducted but also society as a whole. Yet on its own, AI is not sufficient. To effectively use AI and drive reinvention, company leaders must focus on four key imperatives: lead with value; understand and develop an AI-enabled, secure digital core; reinvent talent and ways of working; and close the gap on responsible AI.

1. Lead with Value

To fully realize the value of AI, enterprises must move beyond traditional efficiency-focused applications and adopt a holistic approach that aligns AI initiatives with business objectives. This requires breaking down historical constraints and exploring the entire value chain for opportunities to redesign processes and enhance decision-making. Companies must identify tasks that can be fully automated, those that can be augmented by AI and those that require human expertise, then integrate these elements to create a seamless workflow.

Moreover, a comprehensive view of AI investments is crucial. Enterprises should leverage multiple value levers—such as automation, new workforce models, resource optimization and innovation—to reimagine work processes and achieve strategic goals. Strategic AI investments should be prioritized over conservative, short-term gains, with a focus on building differentiated capabilities that competitors cannot easily replicate, thereby creating long-term competitive advantage.

Lenovo: Becoming AI Native to Achieve "AI for all"

For multinational tech company Lenovo, AI is a key part of its strategy to deliver 360˚ value to customers, partners and employees. The company's ambitious "AI for all" vision extends beyond its traditional strengths in devices to reimagine the entire value chain from infrastructure to solutions and services.

Having successfully achieved its Digital Transformation 1.0 goal of driving decision-making through digital channels, Lenovo now aims to make being "AI Native" a core capability, embedding AI functionality in the majority of its devices. Specifically, the company has set three new performance frontiers as transformation goals:

- Personalized, seamless and full-lifecycle experiences
- AI Native-operations to improve productivity
- Incubating new digital business models to unlock new value

To achieve these goals, Lenovo is moving away from piecemeal pilot projects and toward an end-to-end approach with unified architectural design and budget management at the group level. Recognizing that value must be created responsibly, Lenovo has established a Responsible AI Committee. From the outset, considerations of responsible AI are integrated into the overall planning, architecture, control and investment of AI initiatives.

> "We always take a holistic view and adopt a globally consistent design philosophy. Lenovo has established a dedicated Responsible AI Committee, which is composed of the company's top executives. We enable AI-related strategic planning and execution through a unified decision-making process across departments."
>
> —— Robert Li, Chief Digital Transformation Officer, Lenovo Group

Anta: Undergoing Digital Transformation to Enable DTC Success

In 2020, Anta Sports, China's largest sportswear company, embarked on two significant transformations. The first was to drive the direct-to-consumer (DTC) transformation of its main brand, investing $277 million to repurchase store operating rights. Second, to align with the DTC model, Anta initiated a comprehensive digital transformation across the group.

Under the DTC model, Anta directly controls store operating standards and ensures product and service quality. However, without distributors as a buffer, the company became more susceptible to external shocks and faced higher demands on their ability to operate with precision. In response, Anta upgraded its digital strategy, centering on consumer experiences and efficiency improvements in three key areas: People, products and places.

People: By perfecting their membership system, accumulating consumer data assets, deeply researching consumer psychology and product needs, and conducting community operations, Anta can now support decision-making in product design, development and production, creating higher-quality products that better meet consumer needs.

Products: To achieve a "single pool of inventory" across all channels, Anta has launched an omnichannel inventory circulation project, connecting the inventory flow of all online and offline channels to maximize sales with minimal inventory. At the same time, by integrating logistics processes, Anta has reduced logistics warehousing and operating costs, minimized ineffective transfers and quickly responded to market demand.

Places: To improve store management, Anta launched the "Anta Worry-Free Diagnosis" system, which helps stores use data to identify problems, conduct root cause analysis, develop solutions and track follow-up in a closed loop. Using this system, the group has enhanced its control over stores, gaining a global perspective and facilitating the refinement and dissemination of best practices.

In 2021, Anta adjusted its ten-year strategy to "Single Focus, Multi-Brand, Globalization." For Anta, global leadership means quantifiable high standards across multiple dimensions. In addition to surpassing their competitors in market share, the company aims to achieve global leadership in brand value, technological innovation, employee development and social responsibility. These goals have now been broken down into specific strategies and phased action plans with detailed timelines and measurable indicators.

2. Understand and Develop an AI-enabled, Secure Digital Core

Building a robust digital core is essential for leveraging AI effectively and driving business transformation. Enterprises must assess their current digital maturity and ensure that technology investments are tightly coupled with business strategy. This involves adopting flexible, scalable architectures that can integrate physical, virtual and cloud environments.

Key components of a strong digital core include advanced cloud computing capabilities, comprehensive data management practices and robust cybersecurity measures. Companies should focus on eliminating data silos, enhancing data accuracy and enabling seamless data flow across the organization.

Managing technical debt is critical; enterprises need to continuously update their IT infrastructure to avoid the pitfalls of outdated systems that could impede innovation. Strategic planning for future technology needs and maintaining a balance between innovation and operational efficiency will help build a sustainable digital foundation.

TCL: Strengthening the Digital Core

When TCL, a leading player in global consumer electronics industry, implemented its "6+1 Strategy" to reinvent the six areas of R&D, manufacturing, supply chain, sales, big data and shared services through a unified technology platform, its strong digital core came to the fore.

From 2021 to 2023, TCL invested over $275 million to create a digital twin of its business activities in the virtual world, accumulating valuable proprietary data in the process.[1] Data, cloud and AI are managed at the company level by the Digital Transformation Center, where more than half of the KPIs are business indicators. To ensure the smooth implementation of the project, both the Digital Transformation Center and the business side each appoints a project manager with different roles but shared responsibilities, sharing the rewards and penalties as well.

Beyond technology, the Digital Transformation Center also facilitates collaborative teamwork. Spanning roles such as project managers and process and data architects working closely with business departments, the Digital Transformation Center brings together more than 500 people.[2]

But TCL's digital core is much more than its technology and processes; it also includes its culture and mindset. Between 2020 and 2024, the number of employees in the Digital Transformation Center doubled from 300 to about 600, with a clear trend toward a more diverse workforce. In fact, 36% of the management team at the Digital Transformation Center is women.[3] By attracting highly educated talent and establishing senior expert-level positions, TCL has enhanced its ability to manage and execute complex projects and strategic tasks.

Over two years, TCL Industry's operating income increased by 17.2%. As a result of efficiency improvements enabled by its strong digital core, inventory turnover days decreased by 15%, personnel efficiency improved by 33.9%, and net profit increased by an impressive 491%. At the same time, their Net Promoter Score (NPS), which measures customer satisfaction and loyalty, increased by 25.3%.[4]

> "There are two waves of digital transformation benefits. The first wave comes from utilizing computing power to replace repetitive human labor. The second wave comes from data driven business transformation. Without data integration, companies will never be able to enjoy the benefits from the second wave."
>
> —— Weiguo Shi, VP and GM of Process digital transformation, TCL Industries

[1, 2, 3, 4] Based on interview.

DingTalk: Accelerate AI Application by Harnessing the Power of the Ecosystem

As China's most popular professional communication app, Alibaba's DingTalk, has adopted an open ecosystem strategy since its launch. In recent years, it has strengthened its AI capabilities and promotes enterprise digitalization through its intelligent AI Platform-as-a-Service (PaaS) and AI assistants.

Observing that Chinese companies struggled with management complexity and a talent shortage, DingTalk introduced a low-code solution, enabling enterprises to rapidly deploy custom applications and reduce technology investments. Since 2023, DingTalk further extended its product features to include AI, making smaller, more manageable and operable modules so that companies can more easily adopt AI technology in their day-to-day operations.

AI PaaS: Lowering the Adoption Barriers for AI

DingTalk's data asset platform, dPaaS, allows enterprises to integrate data, optimize data structures and ensure that their data is easily processed by AI. Enterprises can develop their own AI applications based on DingTalk's intelligent platform AI PaaS, while independent software vendors can also utilize DingTalk's resources to develop intelligent applications, providing enterprises with a richer selection of applications. DingTalk also collaborates with leading model vendors to support enterprises in completing business processes in a one-stop solution.

AI Assistants: The New Digital Workforce

Through DingTalk's AI Assistant Marketplace, enterprises can create personalized AI assistants that serve as "digital employees" to improve efficiency. For example, China West Airport Group's AI assistant "Xiaoxi" is the first AI assistant to be deployed in China's civil aviation airports. Built on DingTalk's knowledge base and large language models, it can access the accumulated enterprise knowledge data of China West Airport Group. Since its launch, Xiaoxi has been used in various business scenarios such as administrative office tasks, knowledge Q&A and intelligent data queries.

By building AI PaaS and launching AI assistants, DingTalk lowered the adoption barriers for enterprises to acquire AI capabilities. Looking ahead, DingTalk plans to continuously expand its ecosystem partner network, promote the development and deployment of more intelligent applications and help enterprises more efficiently apply AI technology, thereby accelerating digital transformation.

> "A large AI model is an engine, not a complete car. It cannot solve all problems on its own. We need to implement it using a Technology Product Engineering approach, which includes fine-tuning the large model."
>
> —— Wang Ming, VP of DingTalk, GM of DingTalk Open Platform

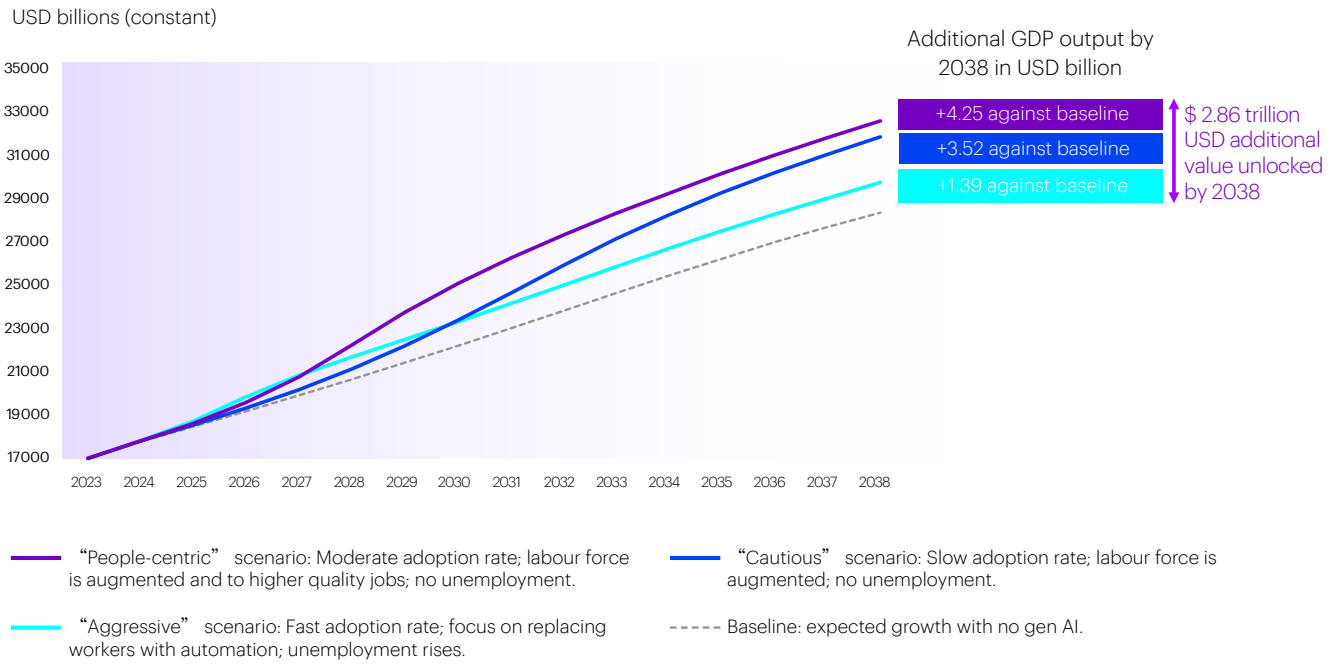
3. Reinvent Talent and Ways of Working

As AI reshapes work processes, enterprises must place people at the center of their transformation strategies. This requires updating talent strategies to align with new technologies and business models. Organizations should identify how job roles will evolve, assess the skills required, and develop tailored learning and development programs to equip employees with the necessary capabilities. Executive leadership must take an active role in driving AI adoption, enhancing their own technical literacy and championing the use of AI across the organization.

Outright automation by replacing workers with AI is expected to generate only short-term gains. However, adopting a people-centric approach to AI, where labor is augmented rather than replaced, is the most productive long-term strategy, unlocking an additional $2.86 trillion in value by 2038 (Figure 12).

Figure 12: A responsible, people-centric approach can unlock additional economic value for China

GDP growth forecast for China (2023-2038) under three Gen AI scenarios



Source: Accenture Research. Simulated GDP growth under three scenarios. Baseline GDP forecast from Oxford Economics

CLP: Enabling New Ways of Working through Tech

Established in Hong Kong in 1901, the CLP Group is one of the largest investor-owned power businesses in Asia Pacific. As a leading utility company, CLP strives to exceed customer expectations and stay at the forefront of sustainability and innovation.

To do so, CLP has implemented cloud-native solutions to drive process standardization and data-driven decision-making. By utilizing digital technology, CLP can better manage assets and enable employees to work more efficiently.

As traditional Enterprise Resource Planning (ERP) systems typically use on-premise architecture, new features are introduced at a relatively slow pace. Software upgrades are often time-consuming and may result in significant operational disruptions. In contrast, cloud-native ERP platforms that are based on cloud computing technology and multi-tenant architecture can be updated more frequently in an "evergreen" model.

The ability to refresh enterprise software systems more frequently enables CLP to regularly bring in new technologies, such as integrating Gen AI capabilities into various business processes including finance, procurement and human resources. The evergreen model enables CLP to stay current and innovative.

To promote innovation, CLP has organized competitions to encourage employees to explore new possibilities in a safe environment. Employees are invited to pitch their ideas for Gen AI deployment, and the winners get the opportunity to trial Gen AI tools. A cross-functional committee governs the process, ensuring that these innovative trials are managed effectively and align with CLP's strategic goals.

> "We don't implement technology for technology's sake. We aim for improved outcomes and a better future through enhanced ways of working, which leads to happier customers and employees."
>
> —— Andre Blumberg, Chief Digital Officer of CLP Holdings Limited

Li Auto: Building Digital Capabilities to Support Organizational Transformation

Founded in 2015, Li Auto is one of China's leading new energy vehicle start-ups. With the rapid growth in car sales and the expansion of its product lineup in 2021, Li Auto urgently needed to build an organization with high-quality operational capabilities.

Prior to a full-scale organizational transformation, Li Auto conducted a series of small-scale pilots, which were effective but did not fundamentally deliver a seamless connection between business strategy, product portfolio and commercial operations.

Between 2022 and 2023, Li Auto introduced a matrix organization structure, driving comprehensive organizational transformation across seven key areas: strategic planning, organizational structure, process optimization, talent development, performance evaluation, information technology and cultural development. In April 2024, Li Auto launched the Matrix Organization 2.0 upgrade, initiating a new round of organizational restructuring across multiple departments.

Developing industry-leading organizational management capabilities required a standardized and systematic governance framework. Li Auto's digital capability building focuses on two layers: Firstly, building platform capability by strengthening digital infrastructure and foundational capabilities including underlying data; and secondly, reinventing business and functional areas such as R&D, supply chain, manufacturing and commercial and financial domains. This systematic framework ensures end-to-end capability building and continuous optimization.

4. Close the Gap on Responsible AI

Implementing AI responsibly involves developing a comprehensive framework that encompasses ethical guidelines, risk management and compliance measures. Enterprises should establish clear principles for responsible AI use, including fairness, transparency, accountability and data privacy. This governance framework must ensure that AI applications align with these principles throughout their lifecycle.

Risk assessments should identify potential biases, security vulnerabilities and compliance issues, with robust controls to mitigate these risks. Technical measures such as bias detection, secure data handling and model explainability should be integrated into AI systems. Additionally, fostering a corporate culture that prioritizes ethical AI use and includes ongoing training for employees on responsible practices is crucial. By embedding these values into their AI strategies, companies can build trust with stakeholders and ensure sustainable, beneficial AI deployment.

Change is Constant, Reinvention Never Stops

To thrive in the face of perpetual change, enterprises need to develop the capability for continuous reinvention, ensuring resilience and long-term success in an ever-evolving environment. Reinvention should not be viewed as a one-off transformation effort but rather as a core competency embedded in the organization's DNA.

Disruptive technologies like AI not only drive the need for reinvention, but are also the means to achieve it. A reinvention strategy enables companies to flexibly adapt to inevitable changes, allowing them to quickly adopt new technologies, whether it's Gen AI today or the innovations of tomorrow.

Chinese companies now have a tremendous opportunity not only to catch up with their global peers, but to redefine what is possible with AI. By embracing emerging technologies and rapidly deploying them, Chinese companies are well-positioned to take the lead in AI application, driving unprecedented growth and innovation. Collectively, enterprise reinvention will not only transform industries, but also ignite productivity gains across the nation.

Methodology

01 Accenture Global Disruption Index

Accenture created an overall measure of disruption to assess the level of volatility and change in the external business environment. The index is based on the average of six sub-components, which cover the technological, talent, economic, geopolitical, climate, consumer and social spheres.

Each of the sub-components is based on a set of indexed scores for a range of indicators.

• Technology, which is based on indicators such as IT spending and VC funding on emerging technologies, reflects the pace and scale at which technologies, such as generative AI, are adopted and implemented.

• Talent, which includes indicators measuring the risk of labor shortages, level of employee engagement, wage costs and labor productivity, reflects the overall talent environment from a quantitative and qualitative perspective.

• Economic, which includes macroeconomic, financial and business indicators, reflects the overall economic disruption, financial volatility and business outlook.

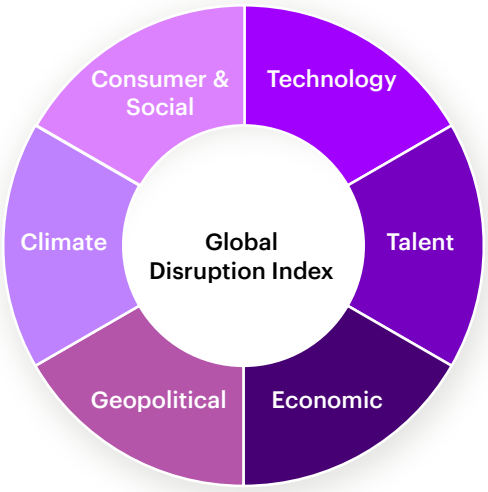
• Geopolitical, which includes indicators measuring geopolitical risk, number of economic sanctions and number of cyberattacks, reflects changes in war and conflicts, trade tensions and cybersecurity.

• Climate, which is based on indicators such as climate-related disasters and direct economic loss attributed to natural disasters, looks at the risks related to environmental issues, as well as the financial cost implications of climate-related regulations for businesses.

• Consumer & Social, which includes indicators assessing social unrest and household savings, reflects the overall social climate as well as consumer' confidence in the future.

To evaluate both the rate and nature of change, the Index computes, through AI-led data modeling, 40 proprietary and public data series covering 2019 to November 2023 from leading institutions such as the Organization for Economic Cooperation and Development (OECD), International Monetary Fund (IMF) and the United Nations Sustainable Development Goals (UN SDG).

It quantifies the change businesses are facing and determines the rankings of the top six causes of change by comparing their respective increases from 2022 to 2023. This approach identifies the specific change factors that had the most substantial impact on the overall rate of change in 2023.



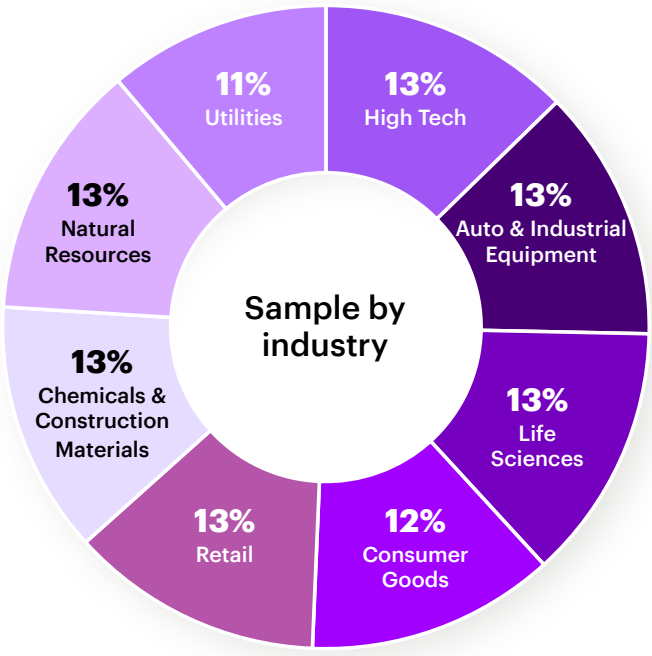
02 Survey

This study represents the seventh consecutive year of Accenture China Digital Transformation Index Research. It comprises two primary components: an executive survey and a corporate assessment. The objective is to conduct a comprehensive and multi-dimensional analysis of digital transformation among Chinese enterprises.

The research encompasses eight key industries: high-tech manufacturing, automotive and engineering machinery, pharmaceuticals and healthcare, consumer goods, traditional retail, chemicals and building materials, natural resources, and utilities.

Survey Methodology

The survey was conducted between March and April 2024, with a total of 450 companies providing valid responses.



Note: The percentages shown in the pie chart are rounded to the nearest whole number for simplicity. As a result, the total percentage may exceed 100% due to rounding.

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Accenture has been operating in Greater China for 37 years, servicing clients across the region with offices in cities including Beijing, Shanghai, Dalian, Chengdu, Guangzhou, Shenzhen, Hangzhou, Hong Kong and Taipei. As a trusted Partner of Choice for digital transformation, Accenture is bringing more innovation to business and technology ecosystems. We are committed to helping Chinese enterprises and the government embrace digitalization and enhance global competitiveness to succeed in the new era.

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