Redefining Boundaries

Insights from the Global C-suite Study

Mehmet Dilek | Head of IBM Analytics, Turkey
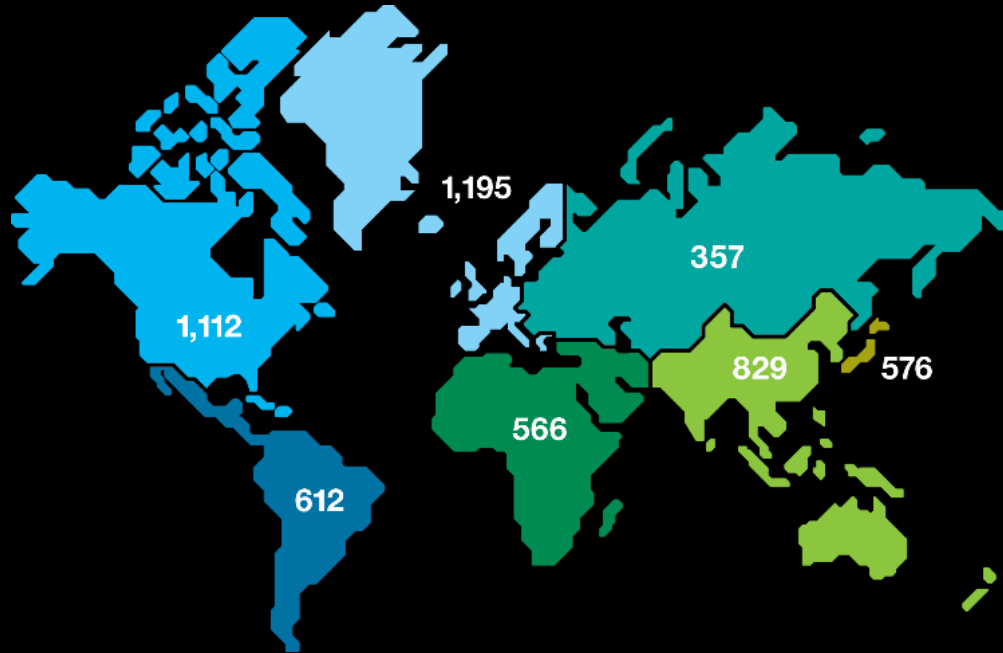
IBM Institute for Business Value

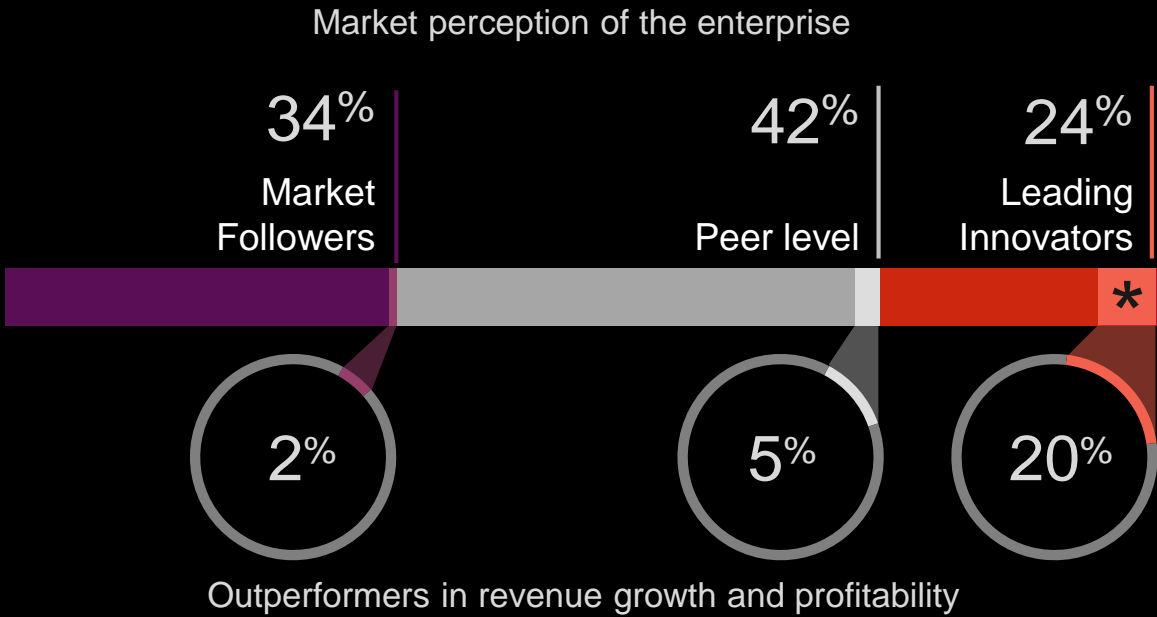# For this study we surveyed
5,247 business leaders…

818	Chief Executive Officers (CEOs)
643	Chief Financial Officers (CFOs)
601	Chief Human Resources Officers (CHROs)
1,805	Chief Information Officers (CIOs)
723	Chief Marketing Officers (CMOs)
657	Chief Operating Officers (COOs)

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We identified a small group of leading innovators that financially outperform: Torchbearers

Market perception of the enterprise

34%	42%	24%
Market Followers	Peer level	Leading Innovators

2%   5%   20%

Outperformers in revenue growth and profitability

* Torchbearers

24% of the total population are Leading Innovators

20% of Leading Innovators are Outperformers; thus

5% of the total population are Torchbearers

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What's putting the world's top executives on edge?

What is coming is a new business model, not a new product you can act on.

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"The 'Uber syndrome' – where a competitor with a completely different business model enters your industry and flattens you."

CIO, Transportation, United States

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Agenda

Can you see the competition coming?

Prepare for the digital invaders

Create a panoramic perspective
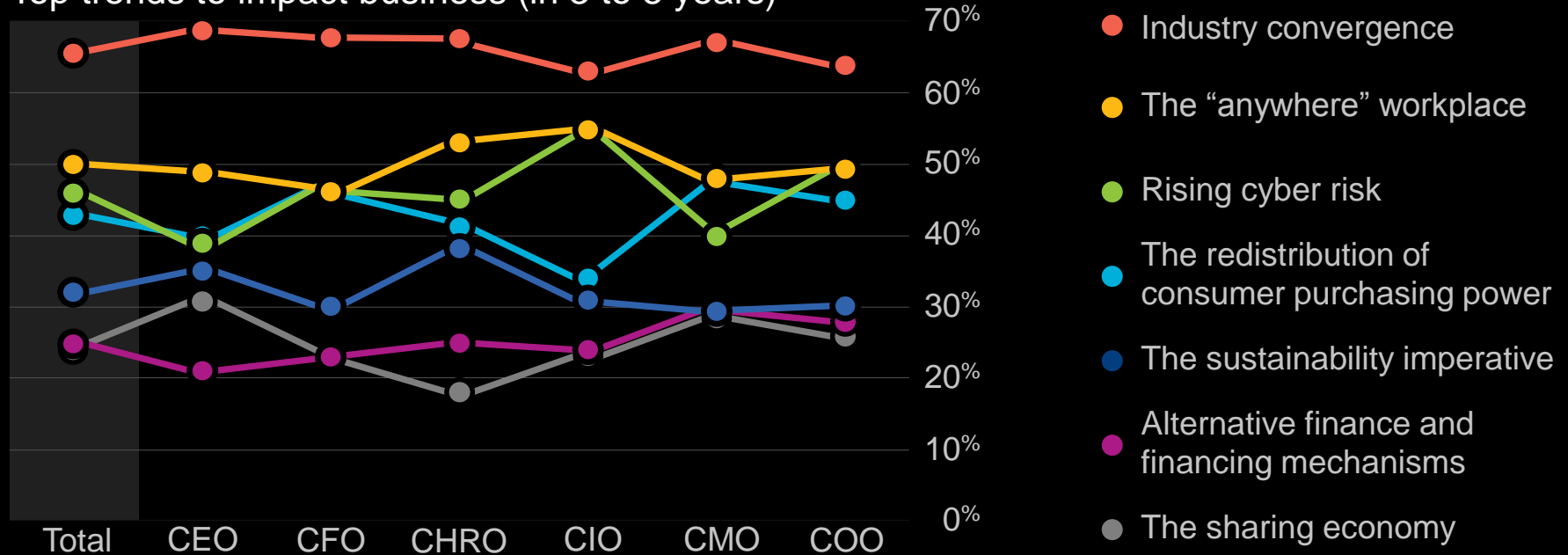
Be first, be best, or be nowhere

Scope, scale, and speed

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"The boundaries of competition are becoming ambiguous."

Yong Eum Ban, CFO, JoongAng Media Network, South Korea

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CxOs expect *industry convergence* to have the biggest impact on their business

Top trends to impact business (in 3 to 5 years)

Legend:
- Industry convergence
- The "anywhere" workplace
- Rising cyber risk
- The redistribution of consumer purchasing power
- The sustainability imperative
- Alternative finance and financing mechanisms
- The sharing economy

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New permutations are emerging out of "old" industries

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New permutations are emerging out of "old" industries

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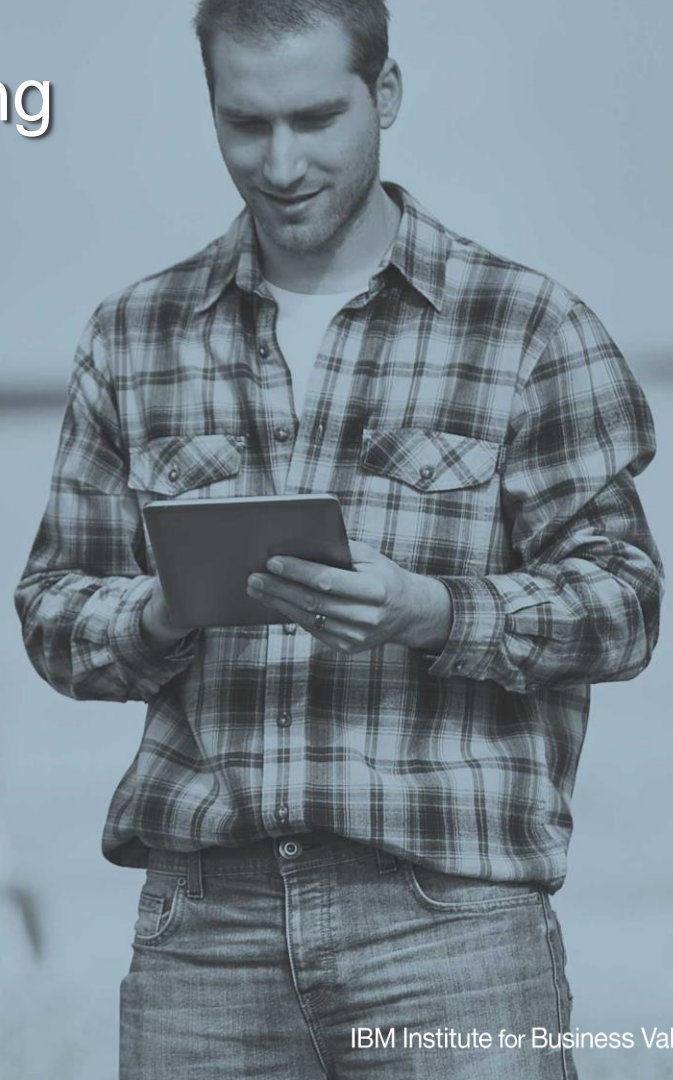
"We know expectations are rising but what, exactly, will customers expect?

We don't know that yet.

And those expectations aren't set by us or by our competitors; they're set outside our industry by Apple or Amazon.

That's who we're competing against, really."

Scott C. Campbell, Executive Vice President and CMO – Multiple Line
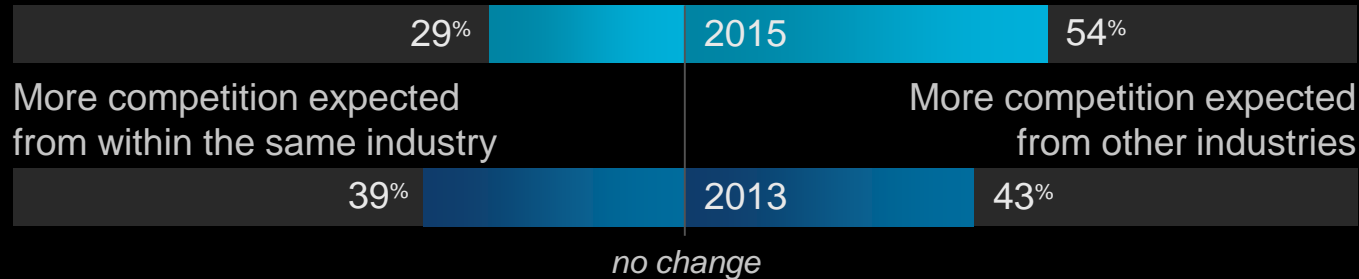American National Insurance Company, United States

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"The biggest threat is new competitors that aren't yet classified as competitors."

Piotr Ruszowski, CMO, Mondial Assistance, Poland

3 March 2016

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CxOs are terrified of outsiders making a land grab

Business landscape change (in 3 to 5 years)

29%	2015	54%

More competition expected
from within the same industry

More competition expected
from other industries

39%	2013	43%

no change

+26%

"We used to look at the Four Seasons as a competitor.
Now we look at disruptors like Airbnb."

CMO, Travel, United Arab Emirates

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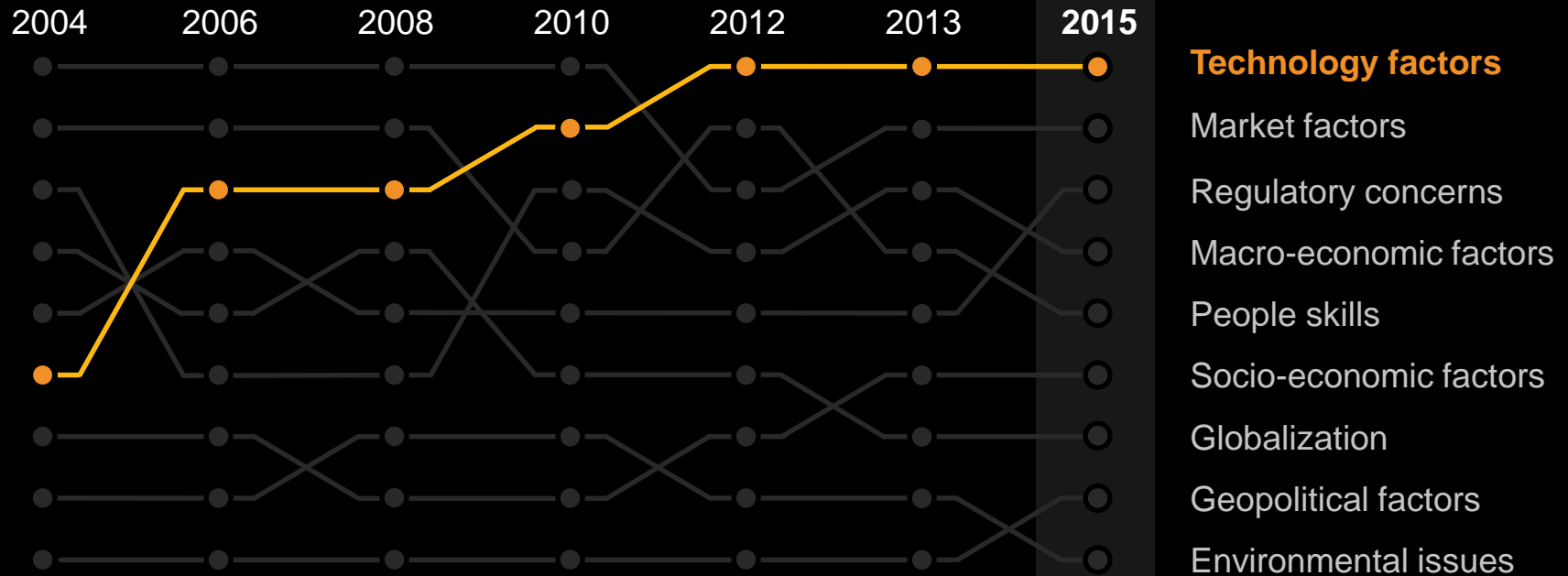
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CEOs again selected technology as the most important external force that will affect their enterprise

External forces impacting the enterprise (in 3 to 5 years)

2004	2006	2008	2010	2012	2013	**2015**	

Technology factors

Market factors

Regulatory concerns

Macro-economic factors

People skills

Socio-economic factors

Globalization

Geopolitical factors

Environmental issues

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CxOs increasingly leverage new technologies to focus on customers as individuals

Business landscape change (in 3 to 5 years)

| 8% | 2015 | 81% |

More face-to-face interaction

More digital, virtual interaction

+19%

| 20% | 2013 | 68% |

no change

| 21% | 2015 | 66% |
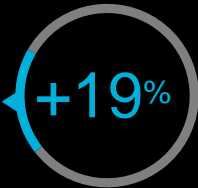
More focus on customers as segments

More focus on customers as individuals

+22%

| 33% | 2013 | 54% |

no change

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CxOs see a need to collaborate more, with more external parties, for innovation

Business landscape change (in 3 to 5 years)

24%	2015	54%

More internal innovation   More external innovation

38%	2013	47%

no change

+15%

"We anticipate relying more heavily on partnerships and adjacencies, and on innovating by listening to clients and developing solutions together."

David Mills, CEO, Ricoh Europe, United Kingdom

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70%

of CxOs plan to expand their partner network

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Many organizations acknowledge the need to get closer to the action

Start-up culture
Power of the crowd

Business landscape change (in 3 to 5 years)

30%   48%

More centralized   *no change*   More *de*centralized
decision making   decision making

"We need to change the way we make decisions. If we empower our employees more and more, we'll be able to accelerate the speed at which we do business."

Shogo Ikeuchi, CHRO, Recruit Holdings, Japan

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Torchbearers are better placed to take on the disrupters

Business landscape change (in 3 to 5 years)

59%
52%
13% more

69%
57%
21% more

62%
45%
38% more
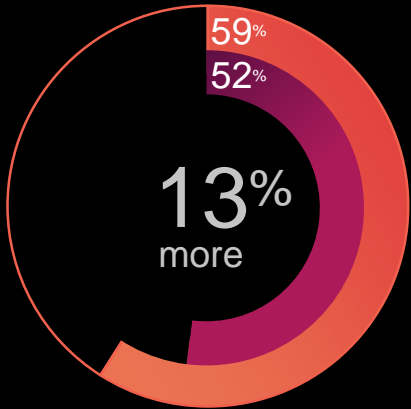
More competition expected from other industries
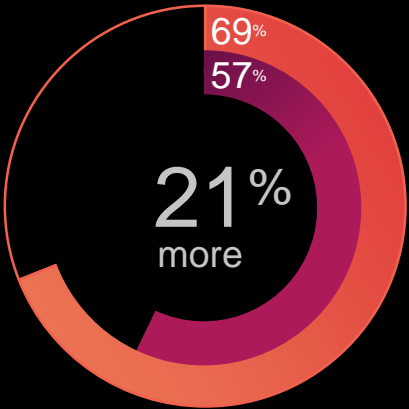
Greater focus on new markets
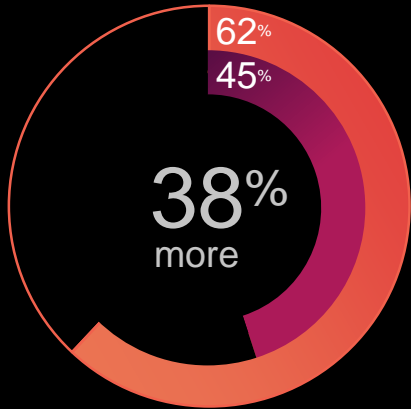
More decentralized decision-making

● Torchbearers ● Market Followers

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How to prepare for the digital invaders

Put more scouts on the front line to see what is coming

Share to shine by making new partnerships

Seize the middle space by creating networks

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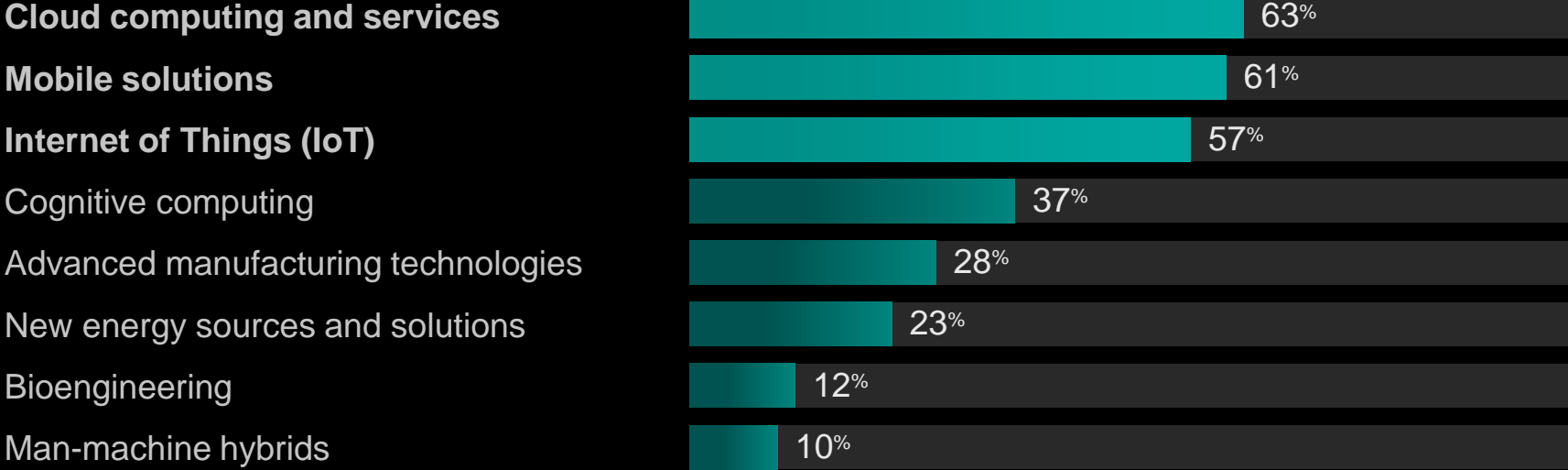
Be first, be best, or be nowhere

Scope, scale, and speed

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"The hardest thing is working out whether what's happening is hype, trend or tsunami."

Faik Açıkalın, CEO, Yapı Kredi Bankası, Turkey

The technologies that CxOs expect to revolutionize business tomorrow are already in play today

## Technologies revolutionizing business (in 3 to 5 years)

Cloud computing and services — 63%

Mobile solutions — 61%

Internet of Things (IoT) — 57%

Cognitive computing — 37%

Advanced manufacturing technologies — 28%

New energy sources and solutions — 23%

Bioengineering — 12%

Man-machine hybrids — 10%

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"There's no one technology that matters most. It's connecting the dots between them all that's important."

Mike Mancuso, Executive Vice President & CEO, Philips Healthcare, United States

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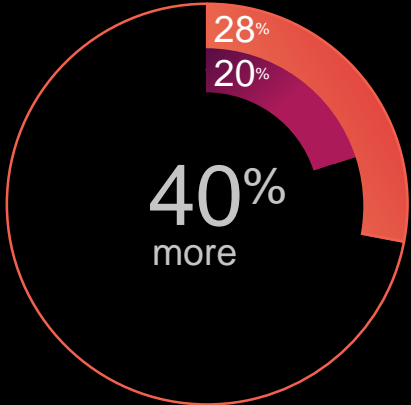# Torchbearers also place more weight on "big-bet" technologies

Technologies revolutionizing business (in 3 to 5 years)
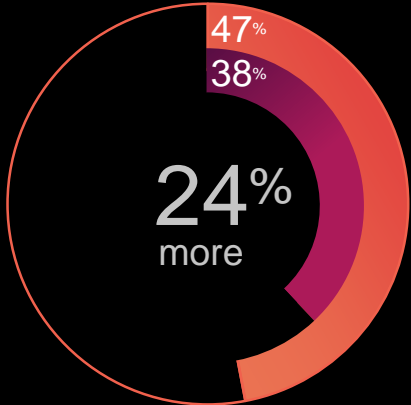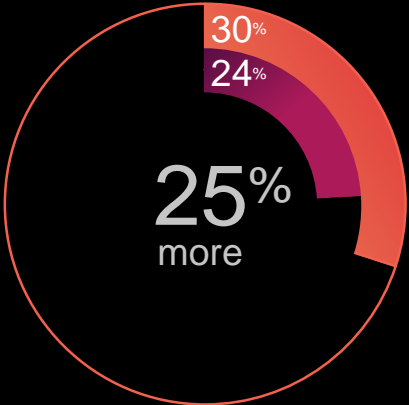
Cognitive computing	Advanced manufacturing technologies	New energy sources and solutions
47% / 38%	30% / 24%	28% / 20%
24% more	**25%** more	**40%** more

● Torchbearers ● Market Followers

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How to create a panoramic perspective

Cultivate your cognitive capabilities (Turkey case S.)

Form your own futures squad (Build your analytics team)

Take an ecocentric view of the world (Assess your ecosys.)

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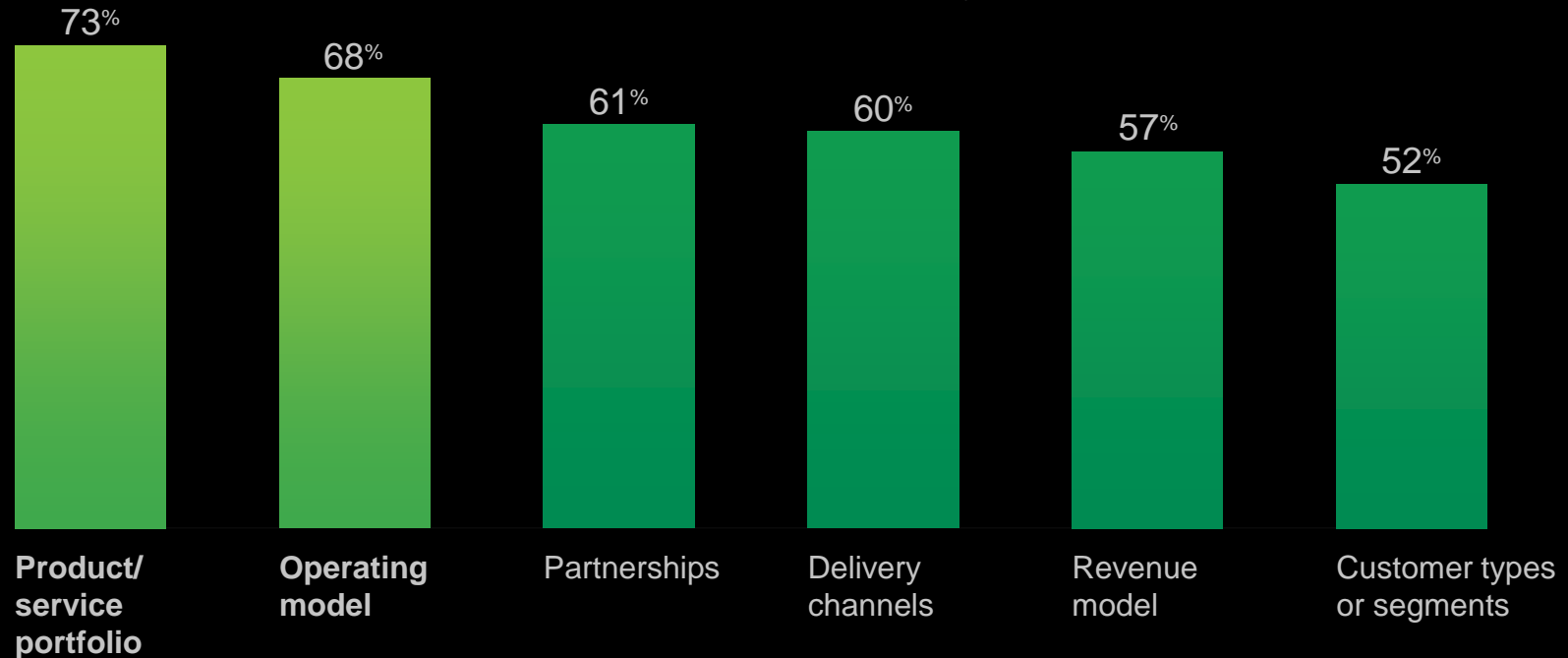Scope, scale, and speed

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"Disruptive technologies could change the fundamentals of our business."

Kazuo Hirai, CEO, Sony Corporation, Japan
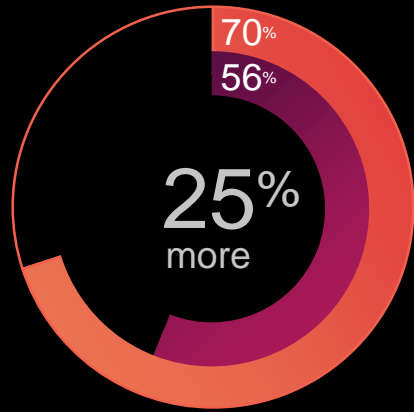
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Most CxOs believe technology will cause them to reassess the way they run their business
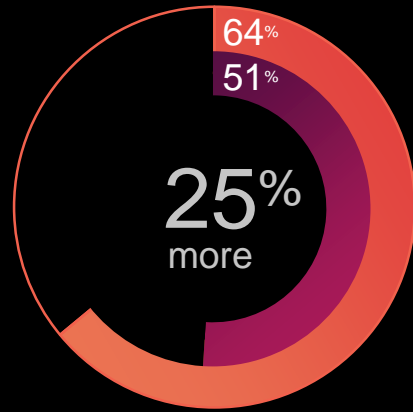
Parts of the business most impacted by the next wave

Product/service portfolio	Operating model	Partnerships	Delivery channels	Revenue model	Customer types or segments
73%	68%	61%	60%	57%	52%

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Torchbearers, by contrast, are far more concerned with preparing to change how they go to market

Parts of the business most impacted by the next wave

Revenue model

70%
56%

25% more

Customer segments

64%
51%

25% more

● Torchbearers ● Market Followers

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"Uber has a market cap that exceeds the market cap of all the car rental companies combined, and it's only an app."
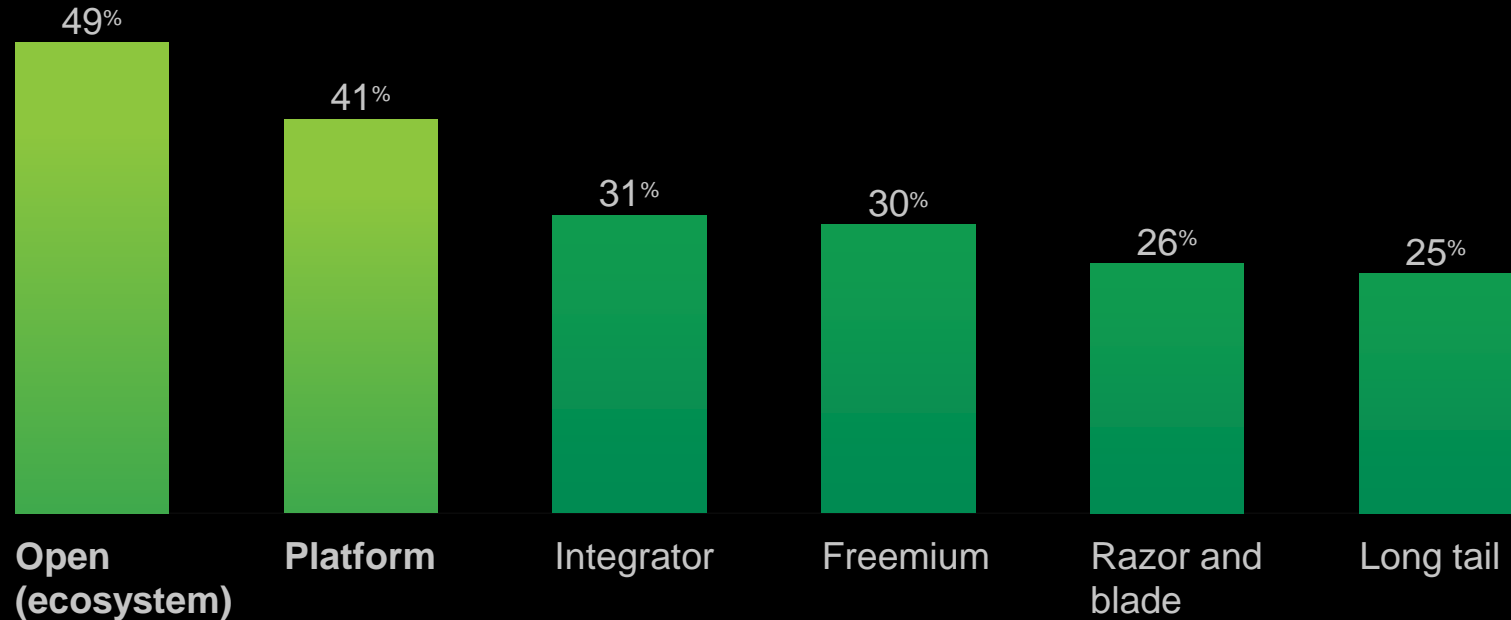
CMO, Transportation, United States

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80%

of CxOs are experimenting with different business models or thinking of doing so

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When CxOs explore new business models, the "open" and "platform" types are the top choices

Business model types (experimenting with or considering)

49%	41%	31%	30%	26%	25%
Open (ecosystem)	**Platform**	Integrator	Freemium	Razor and blade	Long tail

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Torchbearers are more likely to have deployed a more future-oriented business model

Business model types (currently using)
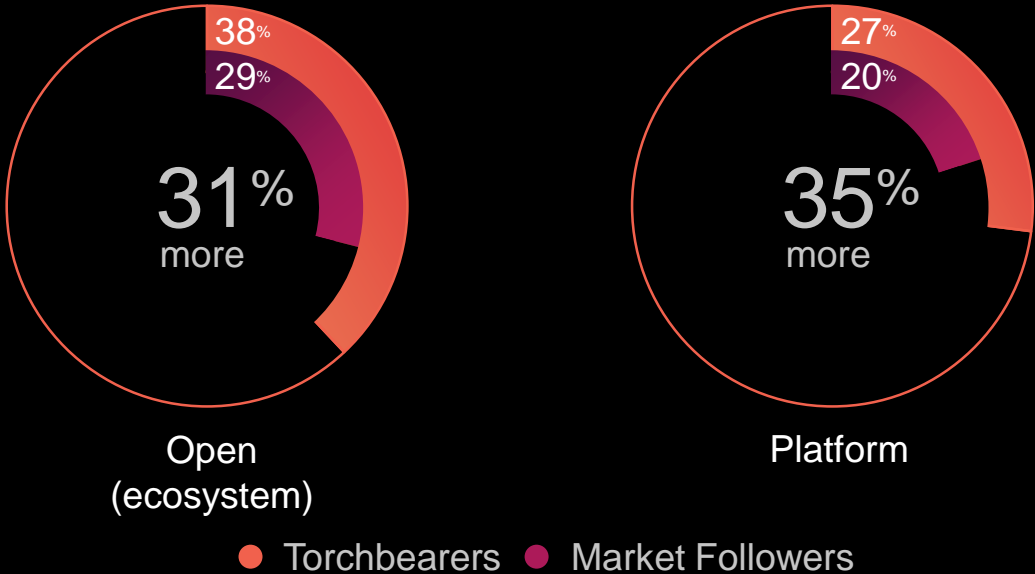
Open (ecosystem) — 31% more — 38% Torchbearers, 29% Market Followers

Platform — 35% more — 27% Torchbearers, 20% Market Followers

● Torchbearers   ● Market Followers

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▶ Scope, scale, and speed

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Scope

Industry Convergence, partnerships (IOT S.)
Ecosystem, power of the crowd

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Scale

Emerging technologies (Cognitive)
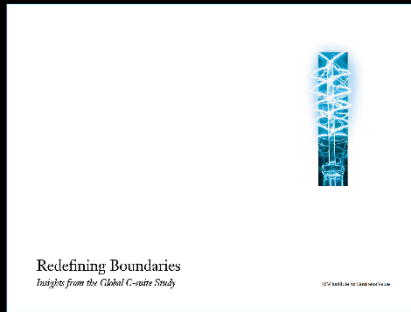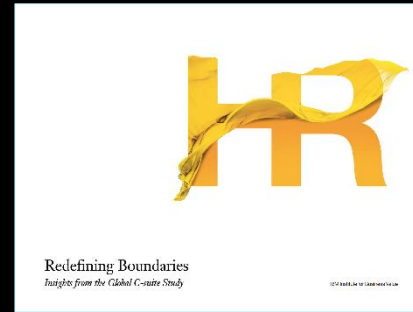Key capabilities (Analytics)

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Speed

Experiment extensively and aggressively
Agile innovation
Act fast

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What's next?

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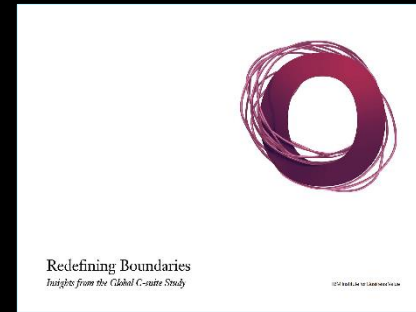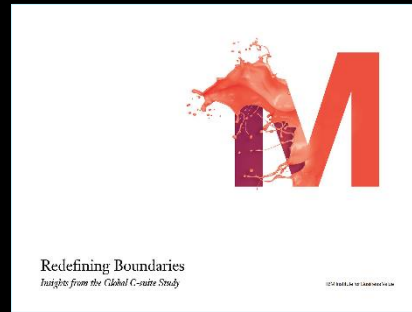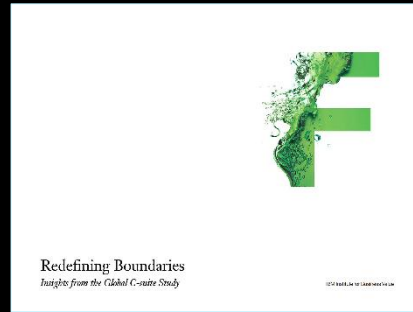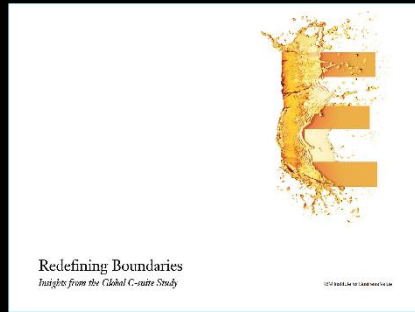
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Redefining Boundaries

We invite you to continue the conversation

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Our respondents represent a wide range of public and private enterprises

COMMUNICATIONS SECTOR
- Energy and Utilities
- Media and Entertainment
- Telecommunications

DISTRIBUTION SECTOR
- Consumer Products
- Life Sciences and Pharma
- Professional and Computer Services
- Retail
- Travel and Transportation

FINANCIAL SERVICES SECTOR
- Banking and Financial Markets
- Insurance

INDUSTRIAL SECTOR
- Aerospace and Defense
- Automotive
- Chemicals and Petroleum
- Electronics
- Industrial Products

PUBLIC SECTOR
- Education and Research
- Healthcare
- Government, Public Services and NGOs

5,247 interviews

5% 4% 6% 8% 3% 5% 8% 6% 18% 6% 2% 3% 3% 4% 8% 2% 3% 7%

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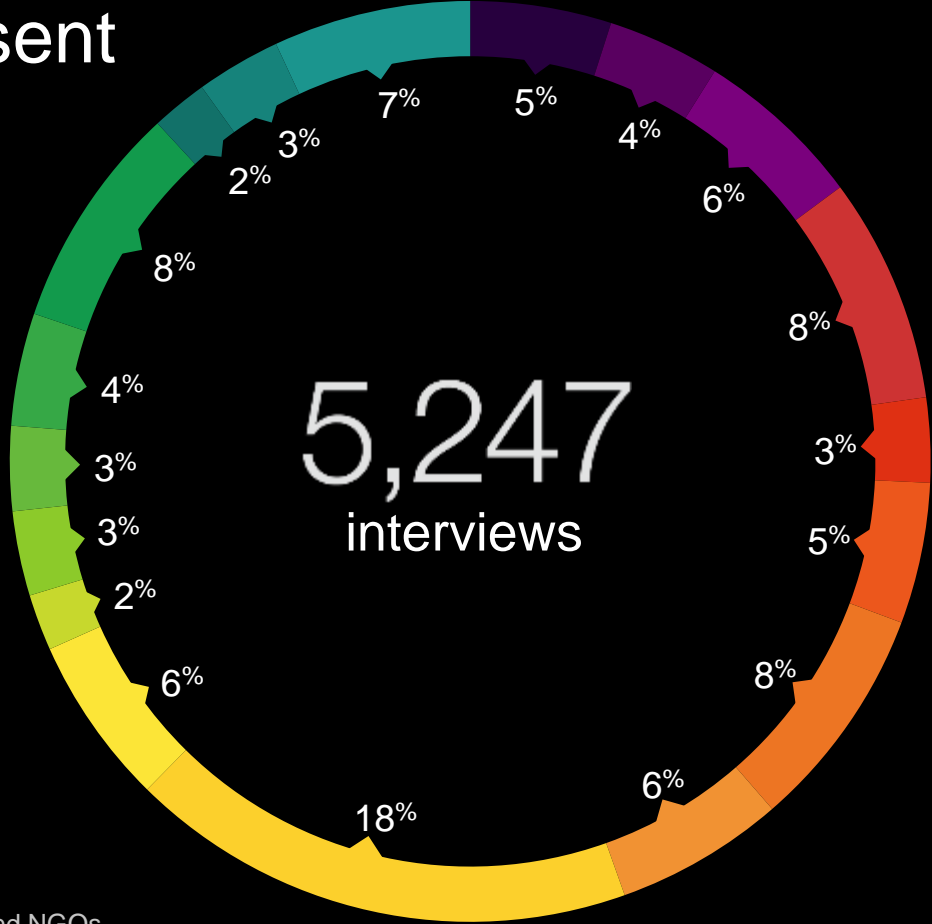
CxOs expect these technologies to deliver significant benefits in the near term

Technology	Benefits
Cloud computing and services	More speed and ability; lower capital and operating costs; more productive use of IT resources; easier collaboration
Mobile solutions	Access to real-time data; opportunities to improve customer service
Internet of Things (IoT)	Better utilization of assets; scope to convert products into services, add wrap-around services and personalize offerings
Cognitive computing	Better understanding and engagement of customers; improved asset utilization; most advanced analytical and predictive skills

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Other emerging technologies could produce profound ripple effects

Technology	Benefits
Advanced manufacturing technologies	Greater efficiency; cost savings; potential for mass customization; easier experimentation
New energy sources and solutions	Greater efficiency; new sources of business; environmental advantages
Bioengineering	Opportunities to develop better crops, processed foods, medicines and medical devices
Man-machine hybrids	Potential for medical and complex mechanical advances; cost savings

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