United Kingdom and Ireland
Incumbents Strike Back

Global C-suite Study
19th edition

IBM Institute for
Business Value

The IBM Institute for Business Value, in cooperation with Oxford Economics, interviewed 507 CxOs from the United Kingdom and Ireland. These conversations included both quantitative and qualitative responses. The analytical basis for this UK/Ireland report uses 502 valid responses from the total data sample collected.

More than 12,800 CxOs, representing six C-suite roles, 20 industries and 112 countries, contributed to our latest research. We used the IBM Watson Natural Language Classifier to analyze their contextual responses and ascertain overarching themes. We also used various statistical methods, including cluster analysis and discriminant analysis, to scrutinize the millions of data points we collected.

Which way to the future?

The signals are utterly bewildering. As digital technologies transform the world, monopolies are winning big-time. Yet collaborative systems are also flourishing, and even in industries where the competition is shrinking there's still plenty of creativity. Little wonder top executives are puzzled.

CxOs in the UK and Ireland are no exception. In 2015, they favoured open innovation and were largely convinced that new markets held more promise than established markets. Now, they anticipate more innovation developing internally than two years ago, and have balanced their focus between existing and new markets or territories. That said, there are two points on which they feel sure: 69 percent see customer experience growing in importance versus standalone products over the next few years, and 66 percent envisage that most enterprises will partner more widely and will continue to grow their ecosystems.

UK and Ireland CxOs also report that the external environment continues to be very challenging. They're particularly nervous about the impact of market pressures and technological advances, but people skills rank third on their list of concerns. Like their peers in other European regions, CxOs in the UK and Ireland fret about finding the right talent as digital technologies transform the way we live and work. Demand for tech-savvy employees is soaring, and firms in the UK and Ireland are among those who are very much in need of such people.

Reinventors race ahead

In the course of our research, we identified three distinct organizational "archetypes," each at a different stage on the road to Digital Reinvention™ (see Figure 1).

Reinventors focus on developing breakthrough products, services and business models; excel at extracting value from their ecosystems; and actively experiment. Their IT strategies are aligned with their commercial goals, and they're superb at managing change – all of which helps them stand out both financially and as innovators.

Practitioners are ambitious but haven't yet acquired the capabilities required to realize their ambitions. They're neither as focused nor as agile as Reinventors.

Aspirationals have even further to travel. They still need to devise a clear strategy, put the right processes and resources in place, and develop the agility to seize new opportunities.

Reading the road signs

So what's actually going on? Four topics stand out from our conversations with CxOs and our work with academics.

Dancing with disruption

The path to personalization

The pull of platform models

Innovation in motion.

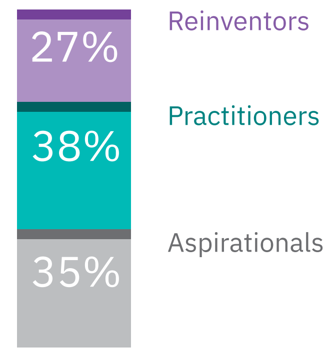
> "We have reinvented ourselves to become a truly customer-centric organisation."

Chief Marketing Officer, Financial Markets, Ireland

Figure 1

UK and Ireland split

Reinventors have distinct characteristics that result in differing vantage points



Dancing with disruption

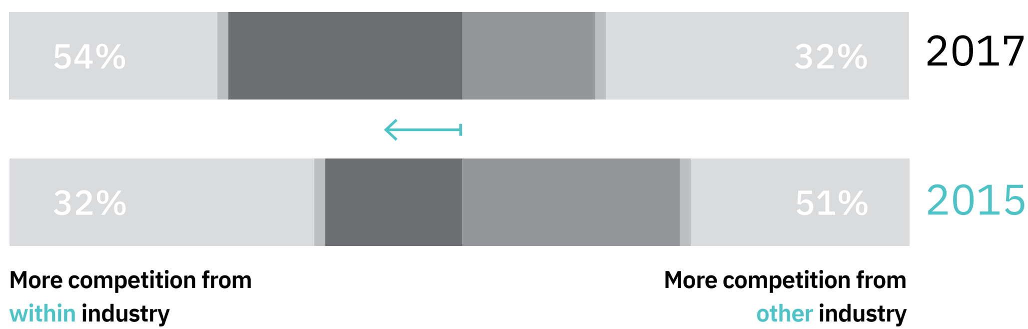
Two years ago, CxOs were deeply worried about digital giants and ankle-biters from other industries invading their territory. CxOs in the UK and Ireland remain somewhat anxious on this score: 31 percent say their sector is experiencing huge upheavals. And though 70 percent of respondents concur with their counterparts in other European regions that the real disruption is coming from innovative industry incumbents, 40 percent claim that digital giants are still a major threat.

In all, CxOs in the UK and Ireland expect competition in their industry to heat up (see Figure 2). Disruption hasn't gone underground; instead, it's emerging as a capability incumbents are ready to embrace. Yet many CxOs in the UK and Ireland seem a bit nonplussed by the situation: only 27 percent see an urgent need to transform their enterprises in response to the disruption they face.

Figure 2

Business landscape change

CxOs in the UK and Ireland expect competition in their industry to heat up



The Reinventors in our sample enjoy a head start: 83 percent of them have C-suites with a strong grasp of how their industry is evolving, compared with just 59 percent of Practitioners and 44 percent of Aspirationals. Moreover, 81 percent of these companies already have clearly defined formal strategies for dealing with disruption (versus 54 percent of Practitioners and 35 percent of Aspirationals).

But Reinventors in the UK and Ireland are not only better prepared for sudden upsets, they're more agile about altering course when it proves necessary: 75 percent reward fast failure and promote successful innovation to refine their strategies (versus 44 percent of Practitioners and 32 percent of Aspirationals).

Reinventors, likewise, have a much better track record of managing change. This wires them for success, as they are much more confident: 72 percent are ready to respond to emerging business trends (versus 49 percent of Practitioners and 27 percent of Aspirationals). Their organizations aren't locked in place. Having managed change successfully in the past, they're confident in their capacity to continuously adapt.

"Driving a cultural change requires the adoption of more agile and innovative approaches."

Chief Information Officer, Government, United Kingdom

The path to personalization

Connecting with the customer on a personal level is vital these days, but designing compelling personalised experiences is very difficult; it takes a profound understanding of what makes different people tick. Again, Reinventors in the UK and Ireland are ahead of the curve. They're particularly skilled at using data to identify unmet customer needs (see Figure 3).

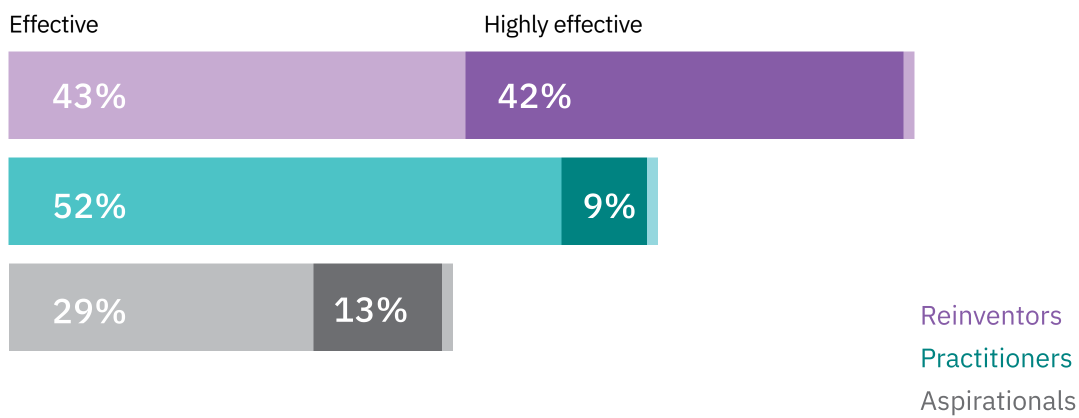
However, these Reinventors don't just trawl through yottabytes of data. They approach problems like design thinkers – by engaging directly with customers, and consulting their partners to get a clearer picture of the customer experience. In fact, 71 percent of Reinventors in the UK and Ireland state they are very effective at leveraging partnerships to better understand customers (versus 55 percent of Practitioners and 32 percent of Aspirationals).

The result? A full 74 percent of Reinventors in the UK and Ireland are very effective at creating personalised customer experiences, compared with 55 percent of Practitioners and 37 percent of Aspirationals. They engage with their customers more often, and create close connections to customers to garner their direct feedback.

Figure 3

Know how

Reinventors in the UK and Ireland excel at using data to unearth new customer opportunities



Q: How effective is your enterprise at using data to identify undefined and unmet customer needs?

The pull of platform business models

One of the most exciting recent trends is the emergence of the platform business model, which links producers directly with consumers, enabling organisations to grow faster and generate greater profits. CxOs in the UK and Ireland have been quick to spot its potential: 8 percent already operate platforms, while 49 percent are experimenting with the concept or considering to reallocate capital for this purpose.

So what makes a platform work? We identified three “rules” for success: creating value from reciprocity, capitalising on data and committing to innovation. Reinventors in the UK and Ireland fit this profile.

They collaborate more extensively than their industry counterparts. This includes selective cooperation with competitors (see Figure 4).

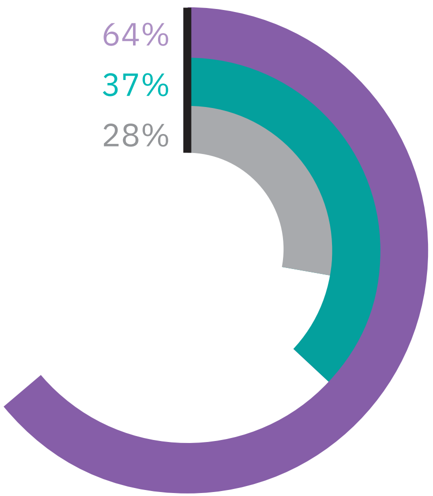
They also more often have the right network of partners, suppliers and distributors in place to execute their business strategy.

Figure 4

Selective collaboration

Reinventors in the UK and Ireland bring competitors into closed collaboration

Reinventors
Practitioners
Aspirationals



Q: To what extent does your organization collaborate selectively with competitors? (Percentage of respondents choosing “to a large extent.”)

And they leap ahead in investing in technology for innovation, investing more heavily in cloud computing and artificial intelligence (AI) – technologies needed to bridge the digital-physical divide (see Figure 5).

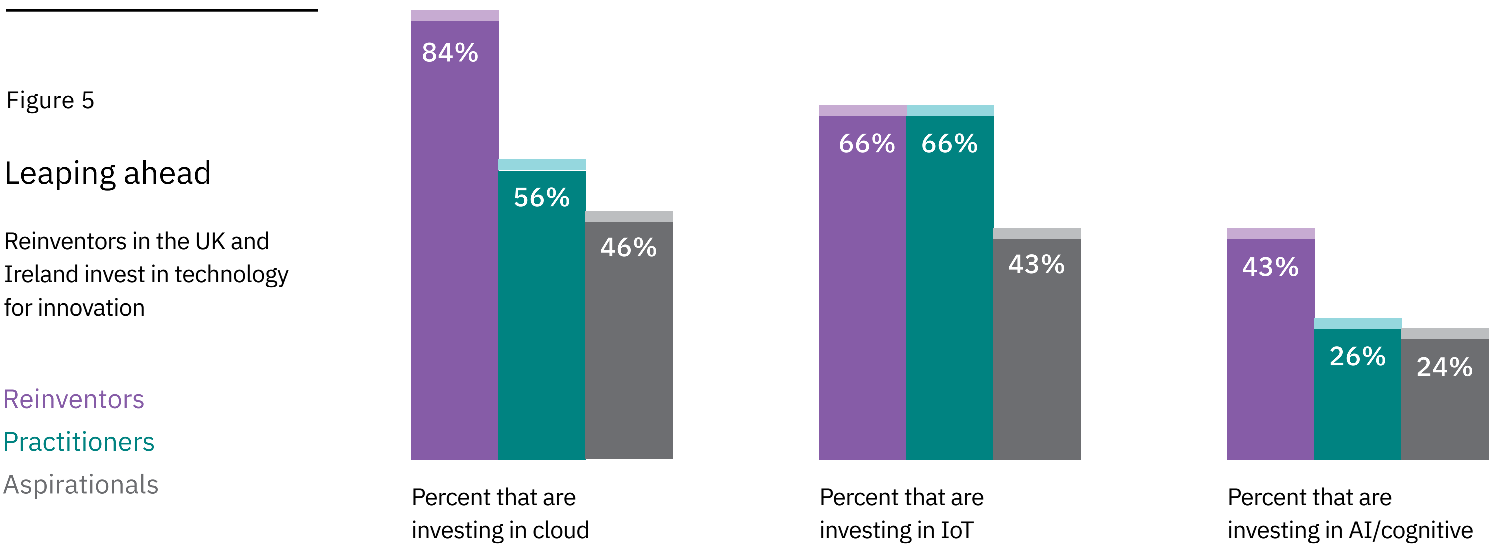
"We were successful in moving upstream by using constant innovation in technology and workflows that exceeded customer requirements."

Chief Information Officer, Media and Entertainment, United Kingdom

Figure 5

Leaping ahead

Reinventors in the UK and Ireland invest in technology for innovation



Innovation in motion

The organisation of work is altering dramatically as enterprises collaborate to innovate, and ecosystems replace go-it-alone entities. The majority of Reinventors in the UK and Ireland are gearing up for the future by creating teams that learn on the fly. They have C-suites that actively solicit new ideas from the workforce and promote the sharing of knowledge. But some Reinventors have gone further: 64 percent have established fluid, cross-functional teams to stimulate continuous learning (versus 47 percent of Practitioners and 37 percent of Aspirationals). In many cases, those teams are also empowered to decide on the best course of action (see Figure 6).

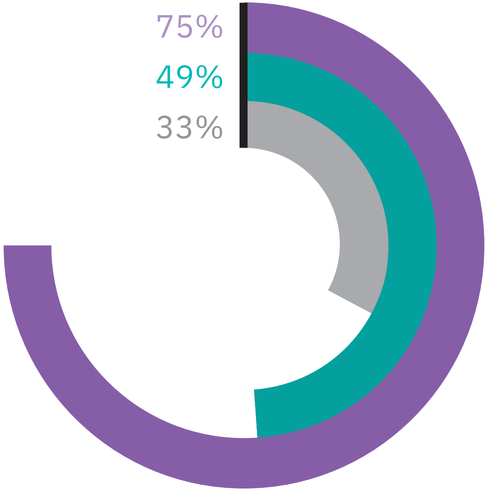
> "An employee-friendly environment and a well-planned business model are the key to success."

Chief Marketing Officer, Consumer products, United Kingdom

Figure 6

Autonomous teams

Reinventors in the UK and Ireland empower their teams to decide on the best course of action



Q: To what extent does your enterprise empower teams to decide on the best course of action? (Percentage of respondents choosing "to a large extent.")

Reinventors in the UK and Ireland lead from a position of trust: 73 percent actively solicit ideas from employees in order to develop new approaches, compared to 54 percent of Practitioners and 43 percent of Aspirationals. And they empower their teams to decide the best course of action. It shows that they aren't afraid to let their teams see that their views evolve, modelling a new way forward.

Reinvention never ends. Those organisations that remain open to change can orchestrate their advantage. To understand your future, consider these actions:

Strengthening advantage: Actions to take now

Interrogate your environment – objectively. Scan the business landscape for early signs of technology or business model innovation, either by industry incumbents or potential disruptors in other sectors. Test the boundaries of your organisation's capabilities. Partner with friends as well as foes to plug the missing gaps.

Get flat, not fat. Leverage the power of platforms to drive growth at scale. Use your platform to "rent" technical and other expertise, allowing you to focus on the core competencies where your enterprise adds greatest value. Encourage peer-to-peer networking to address tasks that fall outside your firm's scope.

Build a smarter infrastructure. Invest in cognitive capabilities that provide the intelligent backbone to optimise emerging technologies like IoT. Exploit cloud, mobile and AI solutions that enable a more flexible working environment, empower employees and enhance creativity.

Related IBM IBV C-suite Program executive reports

To read the full report, “Incumbents Strike Back,” please go to ibm.com/globalcsuitestudy. You can also find copies of our monthly insights and three related C-suite executive reports on IoT, AI and blockchain at the same location.

For more information

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