

# Leading Through Connections

Insights from the  
Global Chief Executive  
Officer Study

## Industrial Products Insights

Give employees a strong global orientation for greater competitiveness

By Jeremy Koo and Abhishek Kaul

Our Industrial Products survey sample includes 149 CEOs from Energy; Engineering; Forest and Machinery; and Metals and Mining companies. Thirteen percent are based in Americas, 47 percent in Western Europe, 13 percent in Japan and 33 percent in Growth Markets.

### Introduction

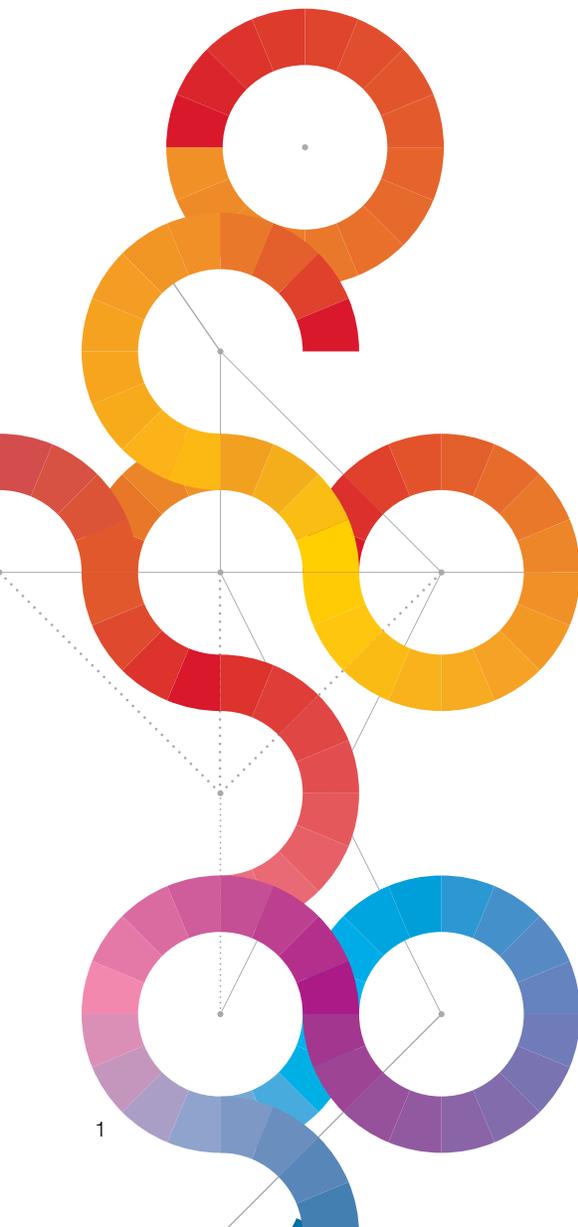
How do we lead through connections in future? We spoke with 1,709 chief executives, general managers, business leaders and public sector heads in the course of completing the research for “Leading Through Connections,” our fifth biennial Global CEO Study, which aims to answer that question.<sup>1</sup> For a large part of the study, views of the CEOs whom we interviewed were surprisingly similar, irrespective of the industries, countries or size of the organizations they represented. The study reveals three imperatives: Empower employees through values, engage customers as individuals and amplify innovation with partnerships.

We have taken a closer look here at the implications for Industrial Products (IP) companies, drawing on the responses of the 149 IP CEOs who participated in our study. Each section of our report concludes with ideas about how IP organizations can prepare to lead through connections.

### Embracing connectedness: External forces impacting organizations

Of the 149 IP CEOs interviewed for the CEO Study, 73 percent identify *people skills* as the most important external force that will impact their organization in coming three to five years (see Figure 1). Macro economic factors, market forces and environmental issues are also important external forces for IP CEOs.

These results follow the trends from IP CEOs participating in the 2008 Global CEO Study, where 76 percent identified *insufficient talent* as the top barrier to global integration. After the recessionary cycle of 2008, the vast majority of CEOs experienced the new economic environment as distinctly different. In the 2010 CEO Study, over 50 percent of IP CEOs found the new economic environment more volatile, uncertain, complex and structurally different.



“Attracting, developing, and retaining enough people with the right skills and experience to seize the market opportunity, and deliver services for clients are our key priorities.”

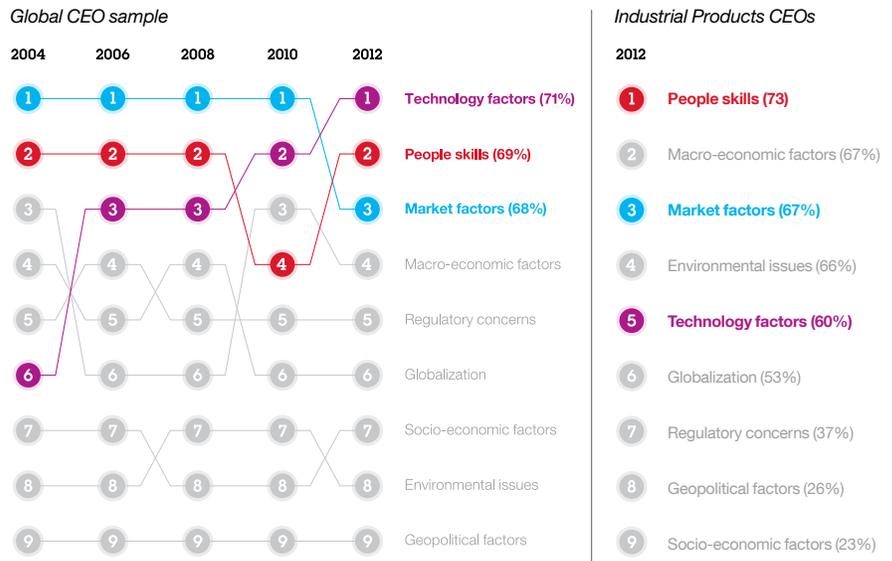
Industrial Products CEO, Hong Kong

“The biggest risk we face is technological. If we fail to anticipate a huge technology step, we might go out of business.”

Industrial Products CEO, France

“Fewer organizational layers, no silo mentality, more horizontal collaboration, decision decentralization. All of this is following recent geographical expansion. In order to respond to customers faster, you need decentralization.”

Industrial Products CEO, Mexico



Source: Q1 “What are the most important external forces that will impact your organization over the next 3 to 5 years?”(Global n=1709, Industrial Products n=149.)

Figure 1: External forces that will impact the organization.

In all CEO Studies, we see that IP industry CEOs are even more concerned about environmental issues than the global average. Internally, CEOs focus on technology which facilitates growth of this product based sector both for product and service innovation, and to overcome the shortage of people skills.

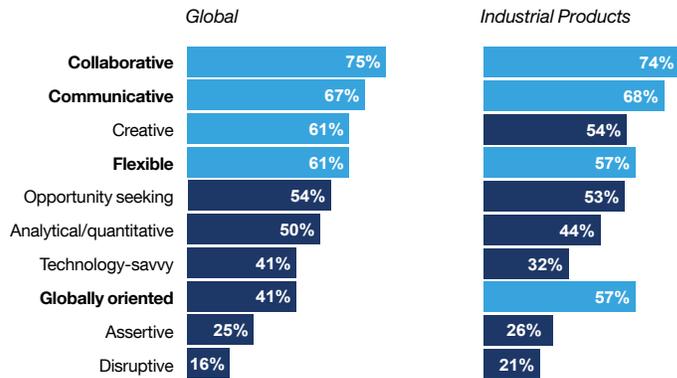
## Empowering employees through values

IP CEOs recognize people skills, customer relationships, product innovation and R&D as the key sources of sustained economic value within the organization. Also, when asked about key focus areas where they are likely to make changes in the organization in the coming three to five years, *improvement in internal and external organizational structure* came out as the top improvement area, with over 47 percent of IP CEOs planning changes in internal collaboration.

Collaboration requires organizational openness. What are key personal characteristics that help employees become more successful in a connected economy? IP CEOs named being *collaborative, communicative, flexible* and *globally oriented* as the most important characteristics (see Figure 2).

“We are moving from being a regional organization to a globally integrated enterprise.”

Industrial Products CEO, United States



Source: Q17 “What are key personal characteristics that help employees to be more successful in a connected economy?” (Global n=1709, Industrial Products n=149.)

**Figure 2: Personal characteristics for employee success.**

Having employees with a strong global orientation is more important for IP CEOs than the global sample. Since most IP companies compete in the global market, the increased scope of competition and growing global operations mean that global orientation is vital for IP sector employees.

IP CEOs recognize ethics and values, collaborative environment, encouraging innovations and giving personal autonomy to employees as organizational attributes that are important to engage and empower employees. Outperformers across the full CEO sample embrace greater openness in organizational culture and excel at executing tough change.

### Engaging customers as individuals

Long-term customer relationships remain highly valued in the IP industry. With the changing nature of competition, understanding the individual customer is critical to retain existing customers and acquire new customers.

In 2011, IP CMOs participating in the Global Chief Marketing Officer Study cited customer collaboration and influence as the most important factor impacting the marketing organization – and over 50 percent of CMOs said they were unprepared to deal with it.<sup>2</sup> For IP CEOs, the key areas targeted for substantial investment are investing in customer analytics (deriving insights from customer data), followed by supply chain and operations (see Figure 3).

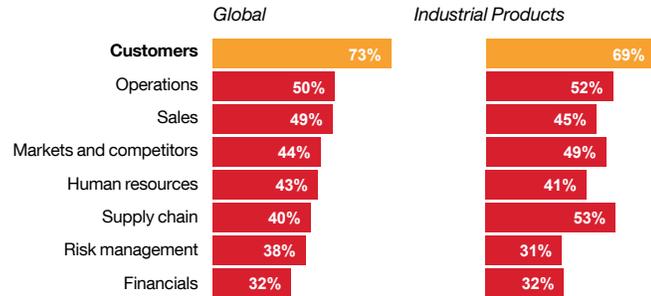
Looking back at the CMO study, IP CMOs are aware that they should focus on individual customers rather than overall markets. Yet it reveals that CMOs are overwhelmingly underprepared to take charge of the growing volume, velocity and variety of data. More than two-thirds said that they will need to invest in new tools and technologies, and develop new strategies for managing big data.

“The value of analytics to our business is huge and we need to do more. We need to get management to do, ‘Ready, Aim, Fire,’ versus ‘Ready, Fire, Aim.’”

Industrial Products CEO, United States

“For our company, face-to-face representation remains the most important. As we move into more market-tradable commodities, I expect we’ll see an increased use of websites, and potentially social media.”

Industrial Products CEO, Australia



Source: Q23 “In which areas do you plan to improve your ability to draw meaningful and executable insights from available information?” (Global n=1609 to 1658, Industrial Products n=142 to 145.)

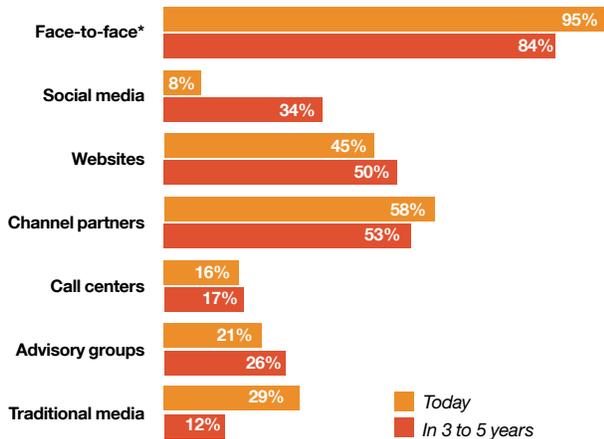
**Figure 3. Drawing insight from information – Areas of improvement.**

Two-thirds likewise expect that they will need to change the mix of skills within the marketing function and enhance its analytics capabilities. For IP CEOs, 68 percent interviewed noted that *improving understanding of individual customer needs* is one of the critical changes required to meet customer expectations in coming three to five years.

Outperformers strongly differentiate in how they access data, draw insights from data, and translate insights into action to engage customers as individuals. According to the CEO survey, 39 percent of IP organizations have access to data, 40 percent draw insights from data and 46 percent translate insights into actions.

Supply chain and operations is still recognized as an area of improvement for IP CEOs. Many IP organizations still do not have proper supply chain visibility and controls in place. With increased globalization that can include multiple international locations and types of operations, supply chain becomes the key lever for improving operational efficiency and response times.

Compared to the global average, today’s usage of social media as an interaction medium is still low in IP (8 percent for IP CEOs versus 16 percent of the global sample), given the limitations in engaging IP customers with social media (see Figure 4). To connect individually, CEOs plan a step-change from traditional customer channels to websites and social media while continuing face-to-face engagements and using channel partners. IP CEOs expect their usage of social media to jump from 8 percent today to 34 percent in coming three to five years.



\*Face-to-face / sales force / institutional representatives  
 Source: Q8 "What are the three most important mechanisms your organization will use with customers over the next 3 to 5 years?" (Industrial Products n=149)

**Figure 4. How Industrial Products organizations connect with customers now and how they expect to do so in the future.**

### Amplifying innovation with partnerships

In the 2008 CEO Study, 77 percent of the IP CEOs were classified as globalizers and this trend still holds true. Over the past few years, partnering has become increasingly prevalent – in the 2012 CEO Study, more than two-thirds of CEOs told us they intend to do so. Forty-five percent of IP CEOs report partnering specifically for innovation, and 46 percent of outperforming IP CEOs do so (see Figure 5).

IP CEOs cite the goal of a highly networked business, adopting a global approach to all elements of integration. To achieve this, they are focusing on their capabilities mix, markets and brands, and operational optimization.

“To address our clients’ increasingly complex needs, we have to leverage our global business partners.”

Industrial Products CEO, Hong Kong

To a very large extent



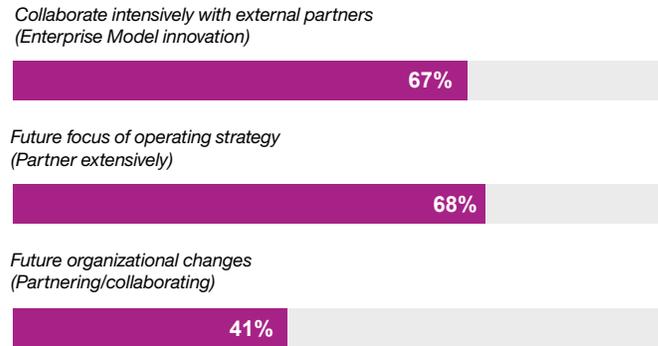
To a very large extent



Source: QD "To what extent does your organization collaborate and partner (externally) to innovate?" (Global n=627 to 1625, Industrial Products n=141)

**Figure 5. External partnering for innovation.**

External partnership is seen as the key requirement of a holistic view of overall organizational strategy; IP CEOs consider it part of their future focus on operating strategy, organizational changes and key initiatives to be implemented (see Figure 6).



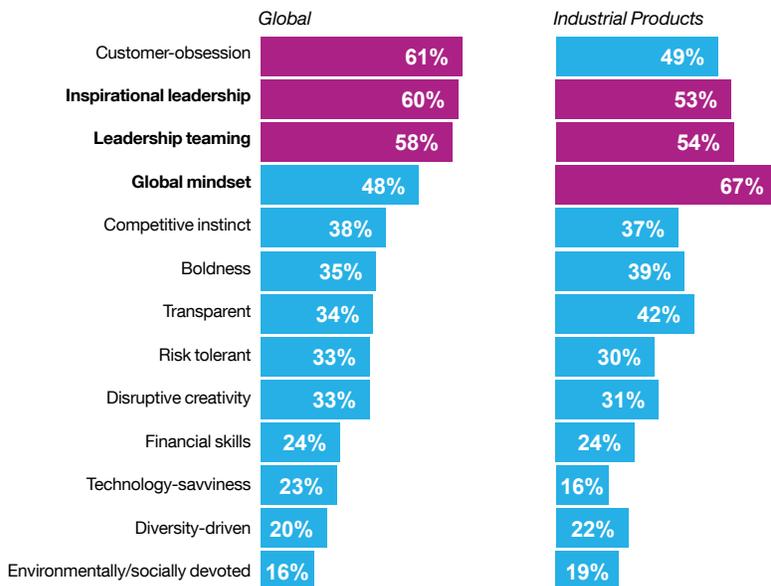
**Figure 6: Industrial Products respondents who expect to take these actions in three to five years.**

“To address our clients’ increasingly complex needs, we have to leverage our global business partners.”

Industrial Products CEO, Hong Kong

### Leading in a connected era

On a personal level, IP CEOs told us their beliefs about how to attain future success. When asked about the five most important characteristics of a CEO, 67 percent cited *global mindset*, followed by *leadership teaming*, *inspirational leadership* and *customer obsession* (see Figure 7).



Source: Q25 “What are the five most important characteristics that a CEO needs to be successful over the next 3-5 years?” (Global n=1,707, Industrial Products n=149)

**Figure 7: CEO characteristics for success.**

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In summary, CEOs will lead bold change by providing inspirational leadership to their people, customers and collaborators. They will drive new economic value through connections and outperform their peers by empowering employees through values, engaging customers as individuals and amplifying innovation with partnerships.

IP CEOs are also more globally oriented than their peers in other industries (57 percent versus 41 percent). Again, this stems from the need to manage increased global operations, changing nature and scope of competition. They want to exploit newer economies, geographies and markets to fuel new products, services and business models.

For more information about the IBM CEO Study, please visit [ibm.com/ceostudy](http://ibm.com/ceostudy).

## References

- 1 "Leading Through Connections: Insights from the Global Chief Executive Officer Study." IBM Institute for Business Value. May 2012. [www.ibm.com/ceostudy](http://www.ibm.com/ceostudy)
- 2 "From Stretched to Strengthened: Insights from the Global Chief Marketing Officer Study." IBM Institute for Business Value. October 2011. [www.ibm.com/cmmostudy](http://www.ibm.com/cmmostudy)



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