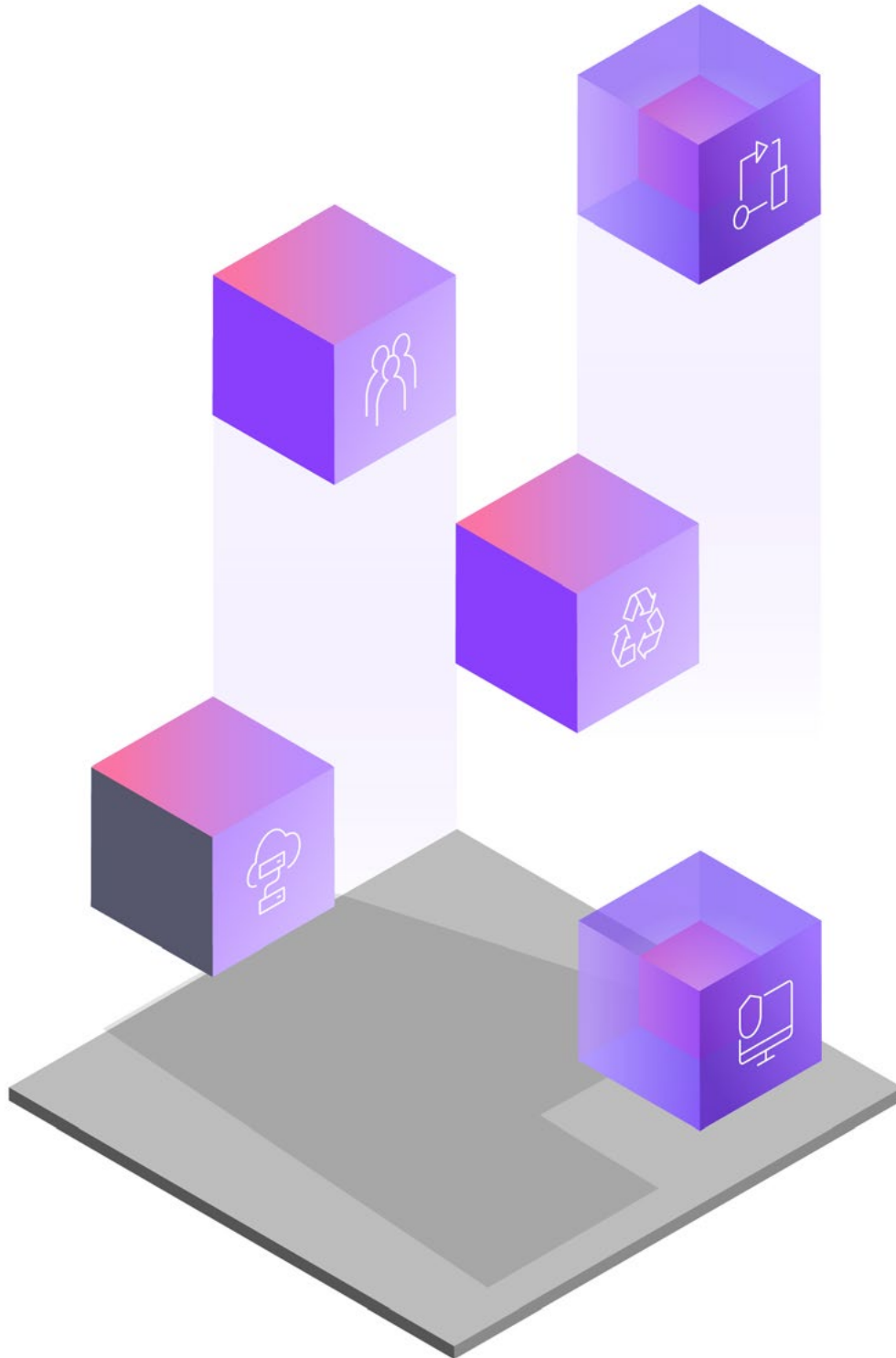


Research Brief

5 trends for 2022 and beyond

Building persistence,
resilience, and a sense
of purpose



5 trends for 2022 and beyond

The investments executives make today will define which doors are open to them tomorrow.

The road to post-COVID recovery is long—and for many, the journey will be uphill. Global inflation is rising. The talent market is tightening. And supply chain disruption abounds.

It's not an ideal environment for growth. Yet, these challenges have introduced a host of opportunities for companies that are prepared to pivot. Where old business models faltered, new ones are poised to take the reins.

Which approaches will be the most successful? Our research offers some valuable clues.

Over the past year, the IBM Institute for Business Value (IBV) surveyed and interviewed tens of thousands of executives, employees, and consumers around the world. We've learned how consumer, employee, and investor demands are shifting, what high-performing organizations are doing differently, and where executives are making the biggest bets. Taken together, these findings bring the business landscape of 2022 into focus—and highlight where it's been permanently altered.

Technology, talent, and trust are top priorities for the coming year. Executives are rethinking how they operate all along the value chain. They're finding ways to increase flexibility, strengthen cybersecurity, and reduce environmental impact each step of the way. They're also redefining how humans and technology work together—and creating organizational cultures that put people first.

As open innovation, ecosystem partnerships, and integrated customer experiences become increasingly important, leaders need to move strategically to stay relevant. The choices—and investments—they make today will define, in part, which doors are open to them tomorrow.

Our data-driven insights can help make those decisions easier. Here are 5 trends that executives can use to prepare for a future that is characterized—still—by disruption and change.

1

Digital transformation has become a way of life

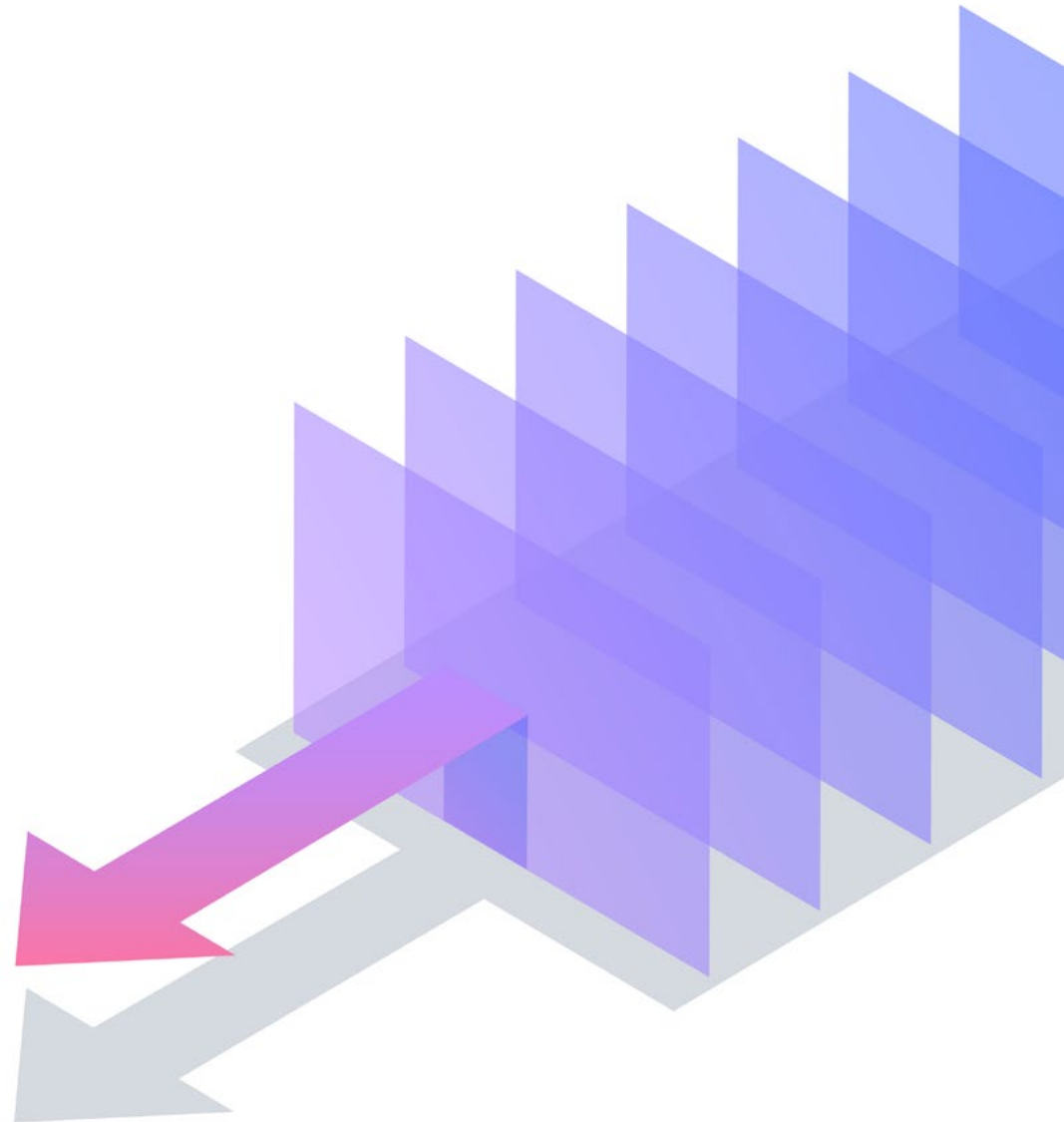
Transformation was taking place in fits and starts before the pandemic, but now digital initiatives are accelerating rapidly. Our research found that 60% of organizations sped up their investments in digital technologies due to COVID-19 and more than half (55%) permanently course-corrected their organizational strategies.¹

And many executives have realized that transformation is here to stay. Rather than working toward a perfect end state, they're focused on making their organizations more responsive. When asked about their priorities for the next 2 to 3 years, more CEOs said they needed to aggressively pursue operational agility and flexibility (56%) than any other action.²

They see technology playing a key role in building resilience and adaptability, ranking it the top external force that will impact their businesses in the near term, above regulatory concerns and market factors. Internet of Things (IoT, 79%), cloud computing (74%), and artificial intelligence (52%) are the top technologies they expect to deliver business results.

These technologies, especially cloud, will also enable faster, more effective collaboration, which will be another driving force for growth in the new year. Executives say they plan to participate in business ecosystems 332% more in 2022 than they did in 2018.³

To capitalize on ecosystem partnerships, however, companies need a strong technology core. They'll need to re-evaluate how they manage their assets, infrastructure, and talent. What's more, they must address critical measures that were deprioritized, overlooked, or ignored during the mad rush to adapt during the early days of COVID-19.



2

Human capital is precious and scarce

The “Great Resignation” is picking up pace. A record-breaking 4.4 million Americans quit their jobs in September 2021, surpassing the previous record of 4.3 million in August.⁴ And while the talent shortfall started in the US, it’s now being felt globally as well.

According to Korn Ferry, more than 85 million jobs could go unfilled globally by 2030 due to a lack of skilled talent—resulting in as much as \$8.5 trillion in unrealized revenues. In the US tech sector alone, the talent shortage could lead to \$162 billion in lost revenues each year.⁵

While the virtualization of work has given companies greater access to global talent, this extended reach can only take them so far. Ultimately, talent management is a zero-sum game. That means companies will need to look within and make changes that will attract potential employees. That starts with showing people their contributions are valued—and prioritizing their wellbeing.

Companies that don’t meet employee needs may find themselves with positions to fill. We found that nearly 1 in 3 (30%) employees have already changed employers in 2021 or plan to do so before the end of the year. Another 15% plan to voluntarily change employers in 2022.⁶

More than half (56%) of those who voluntarily changed companies this year cited the need for more flexibility as a key reason for making the switch, while nearly one-third said they wanted to work for a company that better fits their values. And those not planning to make moves are not necessarily content. Roughly 1 in 4 say they don’t believe their employer looks out for their mental and physical well-being and nearly 1 in 3 don’t believe their employer looks out for their financial well-being.⁷

COVID-19 reminded people what was important to them—and exposed whether they were important to their employers or not. After surviving the disruption caused by the pandemic, people now want to work on their own terms, bring their whole selves to work, and feel good about what they produce. In a tight market, top talent will reward the organizations that prove they put employees first.



3

Sustainability and transparency are urgent priorities

The traumatic events of the past 2 years have people rethinking their priorities and redefining responsibility. Regarding sustainability specifically, our research found the pandemic influenced 93% of global consumers' views.⁸

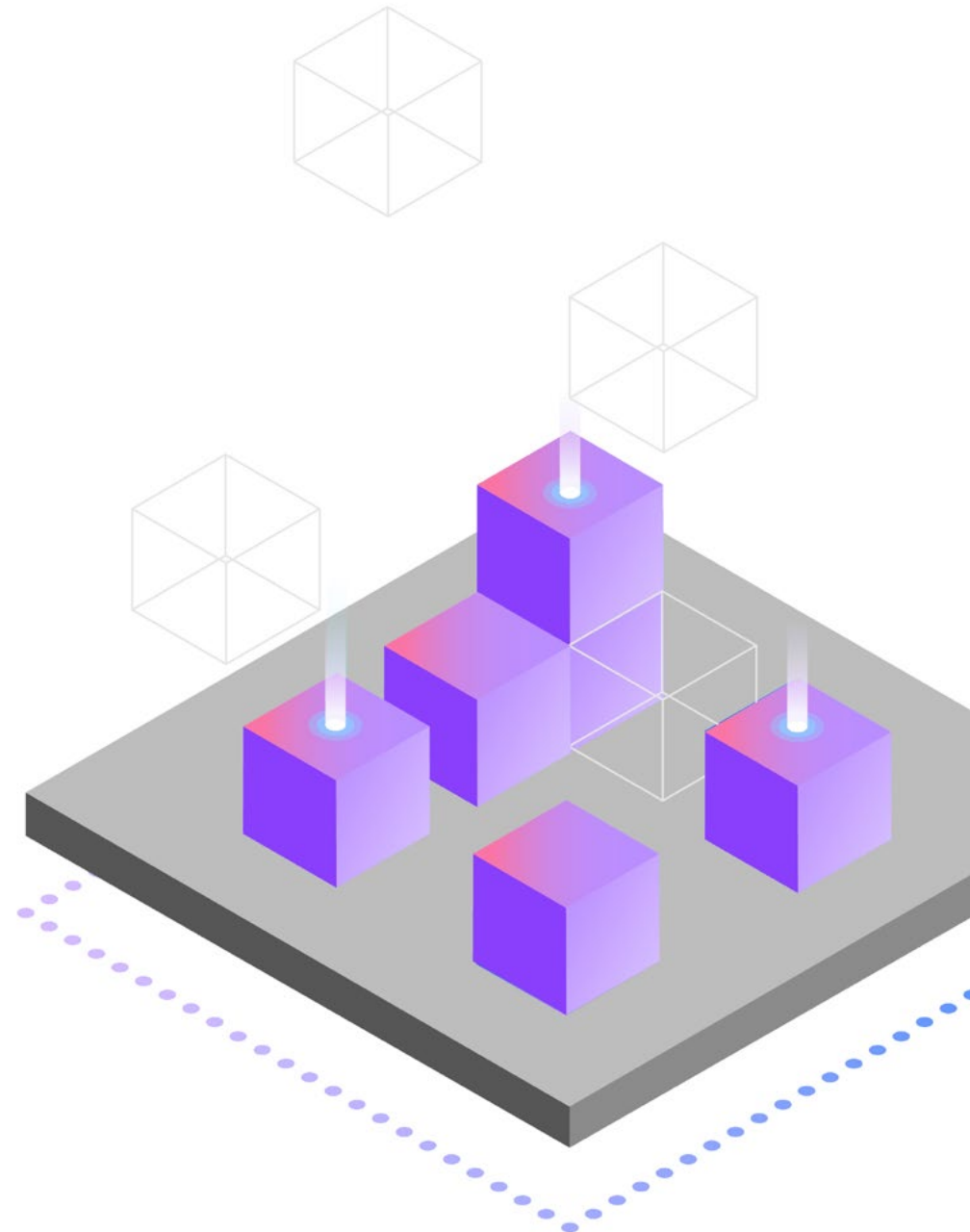
Consumers also see that sustainability and wellness go hand in hand. When choosing a brand, roughly 4 in 5 consumers told us that sustainability and health and wellness benefits are important to them—and they're willing to put a premium on protecting people and the planet.⁹

While sustainability has historically been seen as a luxury good, about half of our respondents say they're willing to pay higher prices (54%)—or even take a pay cut (48%)—for a sustainable future. And approximately 7 in 10 say they're more likely to apply for and accept jobs with organizations they consider to be environmentally sustainable and socially responsible.¹⁰

However, what consumers claim they're willing to do is largely aspirational. There's a significant gap between what they say they're willing to do and how they actually spend their money. Fewer than 1 in 3 consumers (31%) say that sustainable or environmentally responsible products made up most or all of their last purchase.¹¹ This means companies have a valuable opportunity to tap this unmet demand.

But first, companies will need to convince people they're getting the real deal. Just under half of consumers say they trust the statements companies make about environmental sustainability, and more than three-quarters of this group also do their own research before making a purchasing decision.¹² That means companies need to provide transparent and detailed information about their initiatives if they want to connect with purpose-driven consumers.

But many companies have a sizable information gap they need to bridge. While our 2021 research found that 9 out of 10 companies say they will be working on various sustainability initiatives across the enterprise, another study found that only 1 in 3 consumer companies are measuring their progress. This disconnect will need to be addressed in 2022.



4

Tech adoption should reshape business operations

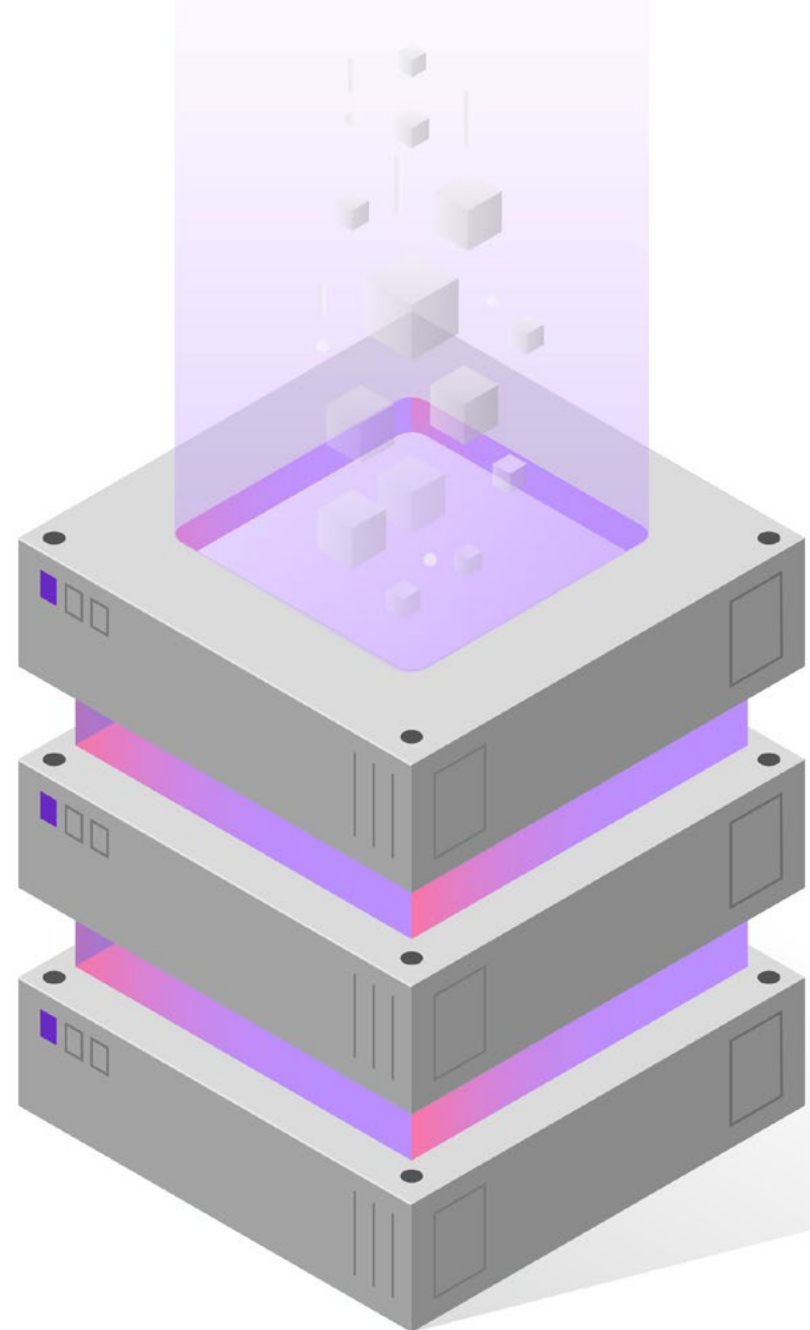
Taking a piecemeal approach to technology is no longer enough. Businesses need to holistically reinvent their operations to realize the full benefits of digital transformation.

Rather than rolling out isolated innovations that streamline individual workflows, executives must focus on building integrated systems that revolutionize business models in 2022. And they can't be afraid to "fail forward," as taking risks is what leads to tech-driven rewards. In fact, our research found that companies that don't penalize failure see a 10% revenue growth bump in the context of tech adoption and digital transformation.¹³

Grocery giant Kroger has painted a clear picture of what this could look like in retail. It's introduced exponential technology across its operations to respond to shifts in shopping behavior—and compete with the efficiency of Amazon. In early 2021, the company piloted a smart grocery cart program called KroGO, which is similar to the Dash Carts Amazon introduced in 2020. The smart carts use computer vision technology to add items to customers' bills as they're placed in the cart—no scanning required.¹⁴ In October 2021, the grocer also announced it would open two automated customer fulfillment centers to boost its capacity for on-demand delivery.¹⁵

Kroger's not alone. Our research shows that companies across sectors are building the tech capabilities needed to support these types of integrated digital plays. In response to COVID-19, almost 2 in 3 (64%) organizations shifted to more cloud-based business activities.¹⁶ Now, 97% are employing cloud and 78% have at least piloted AI.¹⁷ Our 2021 CIO Study also found that, since 2019, there have been monumental increases in the number of CIOs whose organizations have advanced hybrid cloud operations (700%) and intelligent workflows (560%).¹⁸

We're also seeing these investments start to pay big dividends. One study found that high adopters of technology across 13 industries benefit from a revenue premium of 7 percentage points, with the Internet of Things (IoT), artificial intelligence (AI), and cloud yielding the greatest benefit. And those that invested in ecosystems and open innovation saw an average revenue premium of 40%.¹⁹



5

Trust and security underpin sustained innovation

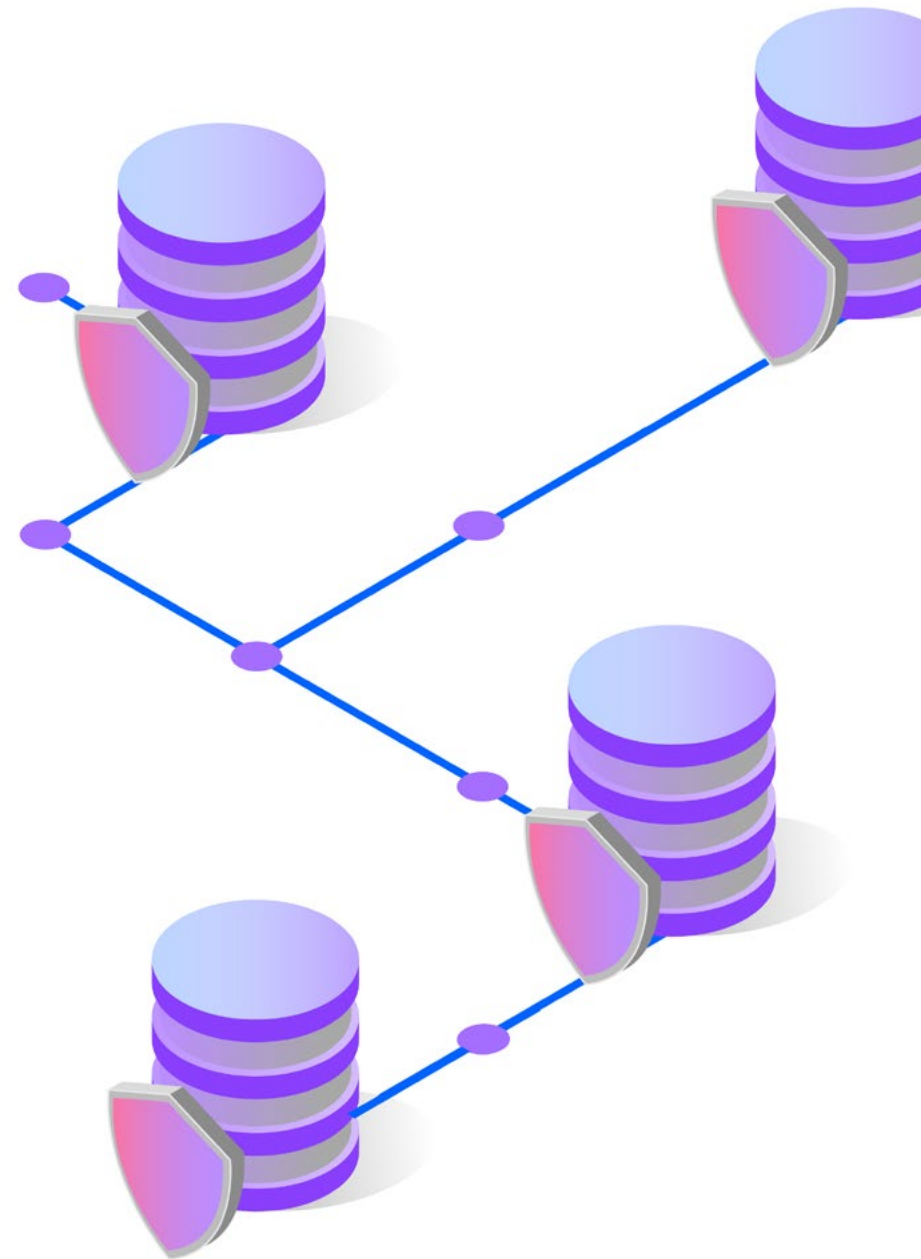
While cloud-based technologies, platforms, and ecosystems expand an organization's reach and create new opportunities for innovation, they also introduce new threats. In fact, our research revealed that 7 in 10 organizations are unable to secure data that moves across multiple cloud and on-premises environments.²⁰

It's no surprise then, that the same report found that more than 90% of cyber-related incidents originated in cloud environments. This vulnerability is borne from an inability to adapt security practices to a more open environment, as a full 92% of organizations lack the ability to securely enable and extend new cloud-native capabilities to their internal and external partners.²¹

As companies expand their cloud footprint to enable remote work, integrate supply chains, and streamline customer experiences, they must also evolve their approach to cybersecurity. "Zero trust" is a preventative approach to security that assumes malicious actors are everywhere. It requires authentication and verification for every exchange of value, which allows companies to open their boundaries more securely.

Open, secure cloud networks can create a virtuous cycle that drives innovation and collaboration. For example, 3 in 5 zero trust leaders say their security approach has enabled digital transformation, compared to 35% of all others. And more than half (54%) say they've increased trust and secure connections to external partners, compared to roughly 1 in 3 other companies.²²

Evolving security practices for the cloud era also positions organizations to deliver better business results. Organizations with the most mature cloud security practices—those that integrate their cloud and security strategies more intentionally—outperformed peers by more than 2x, both in terms of revenue growth and profitability.²³



Action guide

The path forward

Focus on purpose

Live a defined set of values. Build trust and transparency to maintain strong relationships with employees, customers, and ecosystem partners.

Chart a clear course. Set specific targets around environmental sustainability and social responsibility and regularly measure progress.

Put people first. Prioritize employees' financial, mental, and physical wellbeing by providing flexibility and encouraging authenticity.

Invest

Enable tech investments by upskilling talent. Strengthening human-technology collaboration is key to getting the most from digital transformation.

Bridge integration gaps. Take a more holistic approach to cloud adoption and address any areas that are lagging in transformation.

Don't sleep on security. Adopt a zero-trust approach that will enable partnerships across ecosystems and drive innovation.

Persist

Transformation is a continual process. Companies must push through failure to find the technology mix that will take them to the next level.

Disruption is around every corner. Building agility today can help companies prepare to tackle the problems they will face tomorrow.

Make innovation a team sport. Collaborating with ecosystem partners—including the competition—will be necessary as industries continue to transform.

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