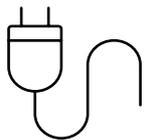


# Electronics

## Incumbents Strike Back

Global C-suite Study  
19th edition

IBM Institute for  
Business Value



---

## 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.

Electronics CxOs are no exception. They're divided as to whether the focus will be on new or established markets (48 versus 38 percent). And where, previously, they believed that open innovation would predominate, a growing number now anticipate more internal innovation. But there are two points on which Electronics CxOs broadly agree: how both value propositions and value chains are altering. A full 71 percent expect more emphasis on customer experiences than products. Similarly, 71 percent think most organizations will continue to expand their network of partners.

Electronics CxOs also say there's been a major shift in the external factors most likely to affect their companies in the near future. Market forces have overtaken technological advances for the first time since 2010. Technology still drives the industry, but customers are paramount. People skills have also risen in importance – recognition, perhaps, of how automation, artificial intelligence (AI) and analytics are redefining the workplace. And regulatory concerns have soared from the bottom of the list to fourth place, as the Internet of Things (IoT), together with tighter rules on data protection and privacy, increases the burden of compliance.

The IBM Institute for Business Value, in cooperation with Oxford Economics, interviewed 557 CxOs from the Electronics industry. These conversations included both quantitative and qualitative responses. The analytical basis for this Electronics industry report uses 527 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.

## 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:

Reinvention’s reckoning

From insight to advantage

The pull of platform models

Innovation in motion.

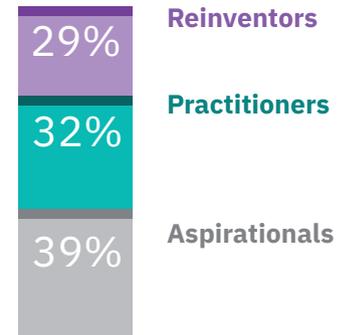
“We need to expand into other sectors to increase revenues and change our business model so that we can respond on demand.”

Chief Operating Officer, Electronics, Japan

Figure 1

### Electronics split

Industry archetypes have distinct characteristics that lead to differing vantage points



## Reinvention's reckoning

Two years ago, CxOs told us they were deeply worried about digital giants and ankle-biters from other industries invading their territory. Now, they're more focused and proactive. Only 21 percent of Electronics CxOs say their sector is experiencing huge upheavals, and only 24 percent recognize an urgent need to transform their enterprises in response. Moreover, it's not outsiders they're most concerned about: 73 percent of Electronics CxOs report that the *real* disruption is coming from innovative industry incumbents – once unwieldy enterprises that have reinvented themselves to thrive in a disruptive digital era.

That's not surprising, since the electronics industry has long been in the business of reinventing other industries. Breaking into the sector can also be very expensive. So Electronics CxOs aren't discounting the danger from digital giants with deep pockets: 41 percent think such firms still pose a danger. However, they're more nervous about existing competitors developing more innovative offerings and commoditization eroding their margins than they are about new entrants encroaching on their patch.

Hence the fact that many Electronics CxOs have big plans: 48 percent intend to alter elements of their company's existing business model over the next few years, while 44 percent intend to launch completely new business models. And here the Reinventors have an advantage over their less successful industry rivals; they're getting better at experimenting, failing fast and moving on.

## From insight to advantage

Connecting with the customer on a personal level is essential these days, but designing compelling personalized experiences takes a profound understanding of what makes different people tick. Again, Electronics Reinventors lead the way. They're more skilled than other firms at using data to identify unmet customer needs (see Figure 2). They also draw on a wider range of data sources.

In addition, Electronics Reinventors engage directly with their customers and consult their partners to get a better picture of the customer experience. Moreover, they're quick to apply the insights they've gleaned: 74 percent have empowered their teams to decide on the best course of action. The result? A full 74 percent of Reinventors are very effective at creating personalized customer experiences, compared with just 50 percent of Practitioners and 37 percent of Aspirationalists.

“The most important initiative our organization will undertake in the near future is creating new business models in partnership with other companies and then replicating and scaling them.”

Chief Financial Officer, Electronics, Brazil

## The pull of platform business models

One of the most exciting recent trends is the emergence of the platform business model, which connects producers directly with consumers, enabling organizations to grow faster and generate higher profits. While only 4 percent of Electronics CxOs already have platforms, 24 percent are experimenting with the concept and 16 percent are planning to reallocate capital for this purpose.

But what makes a platform work? We identified three “rules” for success: creating value from reciprocity, capitalizing on data, and committing to innovation. Electronics Reinventors fit this profile

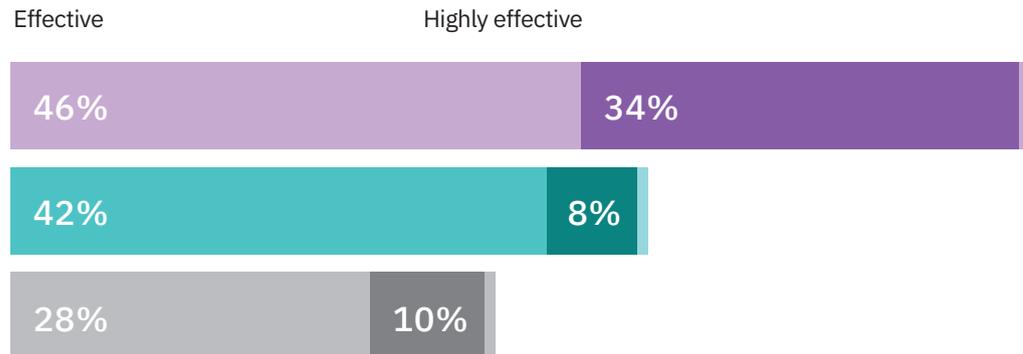
particularly well. They’re better than Practitioners and Aspirationals at collaborating with customers to develop new offerings and more proficient at integrating customer feedback into their planning and design processes. Electronics Reinventors are also smarter at using data to innovate continuously (74 percent versus 58 percent and 28 percent), and they’re more skilled at acting on analytic insights to fulfill customers’ expectations (69 percent versus 59 percent and 35 percent). Lastly, they invest more in cloud computing, one of the key technologies required to bridge the digital-physical divide, although they have high hopes for AI, too.

Figure 2

### Know now

Reinventors excel at using data to understand their customers’ unmet needs

**Reinventors**  
**Practitioners**  
**Aspirationals**



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

## Innovation in motion

The organization of work is altering dramatically, as enterprises collaborate to innovate and ecosystems replace go-it-alone entities. The most forward-thinking C-suites are preparing for the future by creating teams that learn on the fly. Four-fifths of the Reinventors in our electronics sample already solicit input from employees to develop new approaches, but many have gone much further. They've established fluid, cross-functional teams to stimulate continuous learning (see Figure 3). And 73 percent actively encourage knowledge sharing, compared with just 50 percent of Practitioners and 36 percent of Aspirationals. The executives who run these companies lead through trust.

“We adapted our business to cooperate with multiple ecosystem partners. That’s enabled us to establish an open platform, generate new content and services, and find new revenue streams, while sharing the necessary investment.”

Chief Executive Officer, Electronics, United States

Figure 3

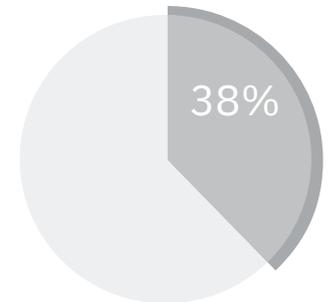
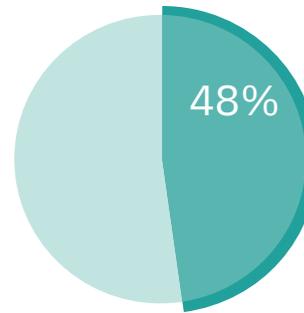
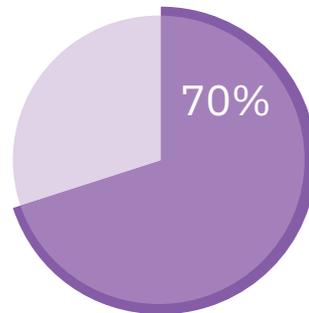
### The broad view

Reinventors cultivate continuous learning by promoting cross-functional teams

**Reinventors**

**Practitioners**

**Aspirationals**



Q: To what extent does your enterprise have a fluid work structure built around cross-functional teams? (Percentage of respondents choosing “to a large extent.”)

There's more. Reinventors have C-suites with a much stronger grasp of how the electronics industry is evolving than those heading less successful organizations (80 percent versus 62 percent and 47 percent). They're also consistently better at articulating a clear corporate strategy and promoting a culture of transparency and ongoing dialogue among employees. They're, likewise, more skilled at creating the right network of partners, suppliers and distributors, and putting in place the right resources, including people with the right skills, to execute their strategies. In other words, they combine a dynamic vision with an open culture and increasingly agile operations – and these, as our research shows, are the three stepping stones to organizational dexterity.

## Strengthening advantage: Actions to take now

*Define and design with data.* Ask more questions and tap more sources. Use data from your company, your ecosystem, your customers' connected devices and the public domain. Interact with customers, partners and competitors wherever possible, and collect the data from every interaction.

*Examine your platform potential.* Look for opportunities to create value through networks and scale. Adopt a fluid approach to capital reallocation. Develop a strategy for managing production and distribution while shifting from manufacturing to service provision and an opex model.

*Future-proof your organization.* Invest in advancing your employees' skills in collaboration, robotics and data-driven decision making. Harness AI to access and expand your organization's knowledge. Remember, too, that it's vital to align your IoT, data management and security practices across your ecosystem.

### **Related IBM IBV C-suite Program executive reports**

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

### **For more information**

To learn more about this IBM Institute for Business Value study, please contact us at [iibv@us.ibm.com](mailto:iibv@us.ibm.com). Follow @IBMIBV on Twitter, and for a full catalog of our research or to subscribe to our monthly newsletter, visit: [ibm.com/iibv](http://ibm.com/iibv)

Access IBM Institute for Business Value executive reports on your mobile device by downloading the free “IBM IBV” apps for phone or tablet from your app store.

### **The right partner for a changing world**

At IBM, we collaborate with our clients, bringing together business insight, advanced research and technology to give them a distinct advantage in today's rapidly changing environment.

### **IBM Institute for Business Value**

The IBM Institute for Business Value, part of IBM Services, develops fact-based strategic insights for senior business executives around critical public and private sector issues.

© Copyright IBM Corporation 2018

New Orchard Road  
Armonk, NY 10504  
Produced in the United States of America  
March 2018

IBM, the IBM logo and [ibm.com](http://ibm.com) are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. Other product and service names might be trademarks of IBM or other companies. A current list of IBM trademarks is available on the Web at "Copyright and trademark information" at [www.ibm.com/legal/copytrade.shtml](http://www.ibm.com/legal/copytrade.shtml).

This document is current as of the initial date of publication and may be changed by IBM at any time. Not all offerings are available in every country in which IBM operates.

THE INFORMATION IN THIS DOCUMENT IS PROVIDED "AS IS" WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTY OR CONDITION OF NON-INFRINGEMENT. IBM products are warranted according to the terms and conditions of the agreements under which they are provided.

This report is intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. IBM shall not be responsible for any loss whatsoever sustained by any organization or person who relies on this publication.

The data used in this report may be derived from third-party sources and IBM does not independently verify, validate or audit such data. The results from the use of such data are provided on an "as is" basis and IBM makes no representations or warranties, express or implied.

41014041USEN-00

