

The Customer-activated Enterprise

Insights from the
Global C-suite Study

Midmarket Insights

Forming deeper levels of collaboration

Global C-suite Study
uncovers three major
business shifts across
midmarket firms

- Open up to customer influence
- Pioneer digital-physical innovation
- Craft engaging customer experiences



The 2013 IBM Global C-suite Study, “The Customer-activated Enterprise,” is a result of face-to-face conversations with more than 4,000 C-suite executives worldwide, including 312 from Midmarket organizations, businesses with 100-1000 employees. For the first time, the IBM Institute for Business Value is providing unified insights into perspectives and priorities from a wide range of organizational leaders.

This year’s C-suite Study provides a view of the market forces, opportunities and challenges that leaders believe are transforming their organizations.

The C-suite Study reveals an environment where technology has become the dominant driver of business change, and leaders are moving quickly to open up their organizations. As a result, business leaders are confronting an urgent need for deeper and more meaningful types of collaboration.

While the study reveals some differences in opinions about C-suite priorities, Midmarket leaders are no different from their peers at larger companies in seeing technology as one of the most powerful external forces that will impact their businesses over the next three to five years. The challenge is how to harness technology to foster that much needed collaboration.

In an era of abundant connectivity and information, and ubiquitous digitization, study participants recognize that the new economic environment favors transparency. Six out of 10 Midmarket leaders told us they now look to partners who will have an equal hand in creating business value.

Nearly 60% of those Midmarket leaders also recognize the shift to social and digital interaction as an increasingly important way to engage across external networks. And in search of innovation, nearly half of Midmarket leaders expect to open up their businesses — bringing down barriers to extend collaboration inside and outside.

63% of Midmarket leaders say customers have a major influence on their business

89% of Midmarket leaders plan to collaborate more extensively with customers

Outperformers are 54% more likely to collaborate with customers

“[We have] to get closer to the customer with a solid foundation that allows us to innovate. Because we are a small institution in our market, we are more nimble and able to innovate much more quickly than our larger competitors.”

CEO, Midmarket Bank, Australia

Only **43% of Midmarket leaders** report having a fully integrated digital and physical strategy in place

65% of Midmarket leaders report that the lack of a cohesive social media plan is the biggest barrier to doing more in the digital space

Outperformers are 26% more likely to have fused the digital and physical to achieve transformation

“[We need] digital collaboration throughout the entire value chain - from supplier to end customer.”

CIO, Electric Equipment Manufacturer, Norway

Open up to customer influence

The most radical of the three shifts requires a new view on what it means to collaborate with customers. In an era where abundant connectivity favors transparency, business leaders increasingly believe customer influence should extend beyond activities such as new product development to areas that were once considered their domain, such as business strategy development.

The cultural and organizational implications are huge. Relationships must be fully reciprocal and once that relationship is established, companies of all sizes need to be prepared to act based on the influence of the customer. In this way, organizations are shifting from being merely customer-centric to becoming customer-activated.

As a result, new ways will be needed to get customer input in key decisions – and create a deep foundation of trust between customers wary of being targeted and C-suite leaders asked to give up autonomy and control.

Pioneer digital-physical innovation

The emergence of social, mobile and digital networks has played a major part in democratizing the relationship between organizations and their customers. Competitors are crossing into new industries, increasing the pressure on all to innovate. And the intersection of digital and physical experience is fast becoming the leading edge of innovation.

CMOs in particular want to put all the components of a strong digital strategy in place. That includes supply chain, analytics tools and workforce skills required for collaboration. And they aren't alone. The majority of CIOs surveyed say they aim to digitize their front offices within the next few years to sync with customers more effectively. The use of mobile devices, such as smartphones and tablets, plays a key role in doing that.

Despite this focus, less than half of Midmarket organizations have a fully integrated physical and digital strategy. Their biggest hurdle isn't technology or security. Their challenge is to understand how social media fits into the mix, and its return on investment. To achieve full value, social media, as well as social business, needs to inspire entirely new ways of working, learning and orchestrating processes across the organization and beyond.

Midmarket leaders plan to increase use of digital channels by **45% to engage with customers**

85% of Midmarket leaders hope to understand their customers much better in the future

Outperformers are 29% more likely to focus on next-gen customer experiences

“[We need to] enable electronic channels, improve the customer experience in these channels, [and] reduce the operation cost through the use of these channels.”

CxO, Midmarket Regional Bank, Mexico

Craft engaging customer experiences

Every member of the C-suite wants to become far more involved in managing the customer experience and intends to use digital channels much more. Midmarket leaders are following suit. They are adjusting their priorities accordingly in a subtle rebalancing act – with plans to spend less of their time on IT systems and operations, and more time improving the customer experience.

Surprisingly, however, organizations of all sizes are lagging in social initiatives. A social approach starts with giving customers opportunities to air their views. The most advanced enterprises go even further. They analyze data to understand people holistically – what’s happening at the moment, what their core values are. These insights provide the foundation for a customer experience tailored to the individual.

Opening up to customers and pioneering innovation at the nexus between the digital and physical to create engaging new customer experiences aren’t things any organization can do alone. Midmarket leaders tell us they want to collaborate far more extensively across internal and external borders in the next few years to foster the engaging experience customers crave.

Deeper levels of collaboration

The C-suite Study shows many convincing reasons for business leaders to intensify internal and external collaboration, and why the most flourishing enterprises are those that break from tradition to form reciprocal relationships with customers, employees, partners, and suppliers.

For further information

To learn more about the C-suite Study and to access expert resources, new videos, and customer perspectives, please visit **ibm.com/midmarket/csuitestudy**

Study Note: Outperforming enterprises surpass their industry peers in terms of revenue growth and profitability, while underperforming enterprises do worse on both counts, in the opinion of the CxO concerned. Some 8 percent of the organizations in our sample are outperformers, and 25 percent are underperformers.



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