Leading from the front

CEO perspectives on business transformation in the digital age

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Foreword

Digital transformation has the potential to deliver enormous benefits. Digitalisation is already transforming the cost base of companies and industries, improving customer experiences, enabling seamless employee collaboration and creating whole new business models. It is also contributing to a better quality of life for millions of people and economically, it is predicted to create $100 trillion of value over the next decade, according to the World Economic Forum.

But what does digital transformation mean for those of us responsible for multinational companies? Where are the opportunities and how do we steer round the obstacles? In this research, we commissioned the Economist Intelligence Unit (EIU) to ask CEOs around the world how they are rising to the challenge of digital transformation. How is it impacting their customers and employees? And what demands is it making on their organisation and its underlying technology infrastructure?

Let's remember, however, that digital transformation as a strategy is rarely an end in itself. Rather, it is the way to meet other strategic objectives – business growth and innovation, a more agile operating model, a great customer experience, and connected and collaborative employees.

Most of the CEOs we interviewed are confident about their digital transformation plans and positive about the impact to date. I wholeheartedly welcome and share their enthusiasm. Digital transformation needs leadership from the very top and this is a thrilling time to be a CEO. Whatever your 'digital possible', and wherever you are in your transformation, companies need the agility to compete with the digital challengers, using cloud-based services to build and scale your digital business.

Digital transformation is not a destination, but an evolving journey. One that needs innovation, agility and skills. Wherever you are on the road, we are ready to help you navigate your way to the digital future.

Bas Burger, CEO, Global Services

"Digital transformation as a strategy is rarely an end in itself, but rather, a way to meet other strategic objectives – business growth and innovation; a more agile operating model; a great customer experience; and connected and collaborative employees."
– Bas Burger

Executive summary

This research, based on a survey commissioned by BT and conducted by the EIU, sought the views of more than 400 global CEOs and reveals the importance of digital transformation to multinational organisations today.

Nearly two-fifths of CEOs have digital transformation at the top of their boardroom agenda and nearly a quarter are personally leading transformation programmes.

There is a high level of confidence from CEOs that their specific programmes can help them achieve their strategic objectives, which include making operational efficiencies, improving customer service and innovating for the future.

...some CEOs consider cyber security measures a necessary evil, while others take a more constructive view that security is an opportunity to create differentiation...

Customer service – and specifically the digital customer experience – is of high importance. CEOs say they are highly confident in the digital customer experience they are delivering today.

However, some barriers remain in the form of insight into what customers want and the technology skills to deliver this. CEOs display a similar level of confidence in the digital experience their employees enjoy, where their focus is retaining employees, increasing productivity and reducing costs.

One of the biggest concerns for many CEOs is the infrastructure on which their digital programmes rely. CEOs see Internet of Things, cloud computing and mobile computing as the technology trends that will have the most significant impact on their organisation over the next two to three years. They identify inflexible technology as the main obstacle to delivering a better digital infrastructure; there is clearly work to be done to establish the integrated, cost effective and secure infrastructure which will support the digital business of the future.

When it comes to digital ambition, some CEOs consider cybersecurity measures a necessary evil, while others take a more constructive view that security is an opportunity to create differentiation.

Nearly two fifths of CEOs have digital transformation at the top of their boardroom agenda.

This view is especially prevalent in consumer-facing sectors. The research suggests CEOs feel that security should not hold back any digital transformation progress, although when asked about specific barriers and concerns, security does feature highly.

In summary, there is sustained focus on digital transformation at the very top of global organisations. While confidence is good, there are also areas for improvement within multinational organisations, primarily around security, technology skills and insight. The opportunity to evolve businesses through digital continues to grow and many organisations are looking equally at various methods by which they can gain competitive advantage.
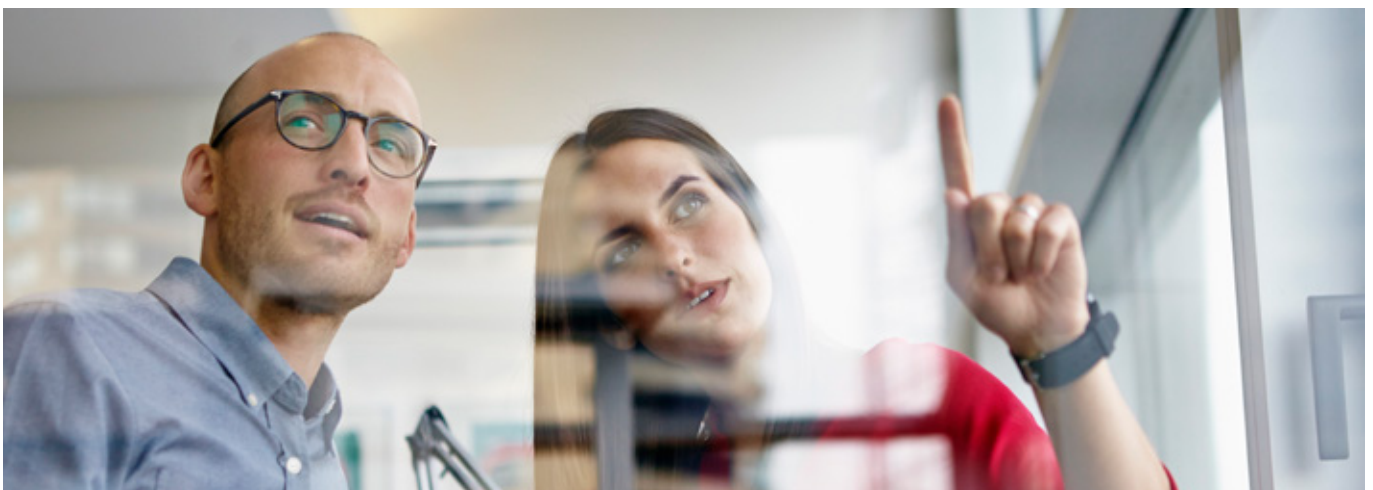
'Chief Everything Officer'

CEOs' increasing engagement with digital transformation is reflected in the finding that nearly one in four take the lead in their company. It is easy to understand why. Digital transformation is much broader than IT and needs to occur at pace, across the organisation. As 'Chief Everything Officer', the CEO can decide on competing priorities for investment, and ensure the digital programme underpins the organisation's strategic ambitions.
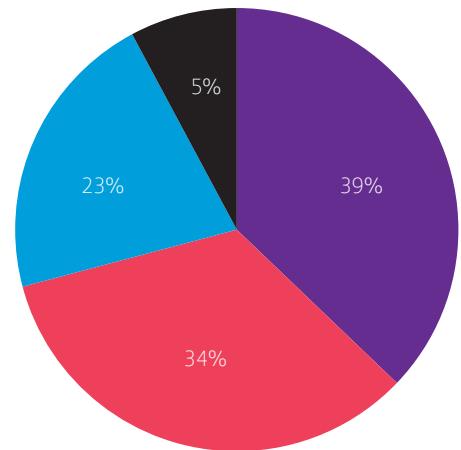
Responsibility for digital transformation still primarily sits with the CIO (47 per cent). However, our CEOs appear to have more confidence that their digital transformation programmes are on track to deliver their strategic objectives when responsibility lies with the CDO (40 per cent) compared to the CIO (25 per cent).

The research found that 39 per cent of CEOs put digital transformation at the top of the boardroom agenda; 34 per cent said it was important but not a top priority, and 23 per cent said it was a way to support other strategic priorities.
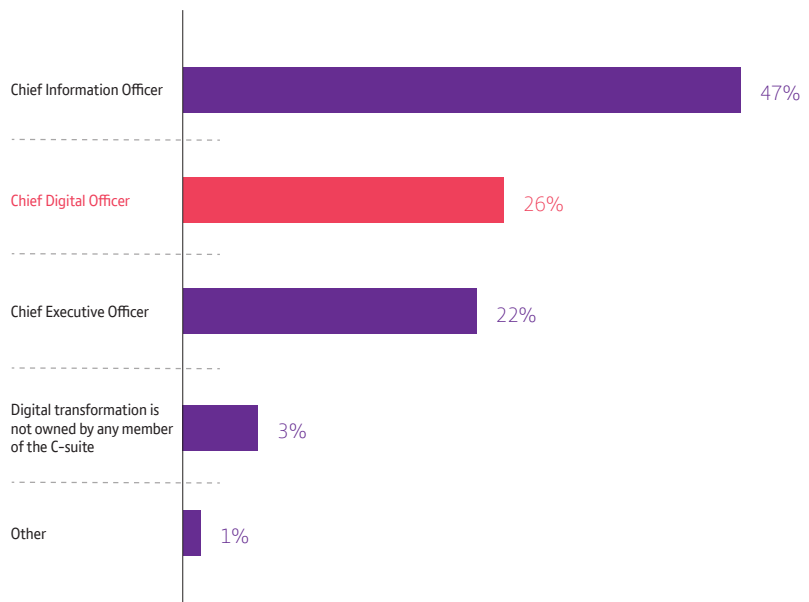
However, there are clear geographical and cultural differences in their perspectives here. Over 50 per cent of CEOs in the Americas put digital transformation at the top of the agenda, versus less than 20 per cent in Asia Pacific who see it more as a way to support other strategic priorities.

As a Chief Executive Officer, how important is digital transformation to you?

- At the top of our boardroom agenda
- Important but not our top priority
- A way to support other strategic priorities
- A way to be more efficient in our operations

Who is responsible for driving digital transformation?

Chief Information Officer	47%
Chief Digital Officer	26%
Chief Executive Officer	22%
Digital transformation is not owned by any member of the C-suite	3%
Other	1%

No digital transformation can succeed without the right infrastructure

However ambitious the CEO's plans are for a more digital business, they will come to nothing without the right technology infrastructure. Few (if any) established businesses have the luxury of a greenfield IT site; all are faced with the challenges of legacy systems and services. No wonder CEOs identify inflexible technology as one of the barriers to digital transformation.
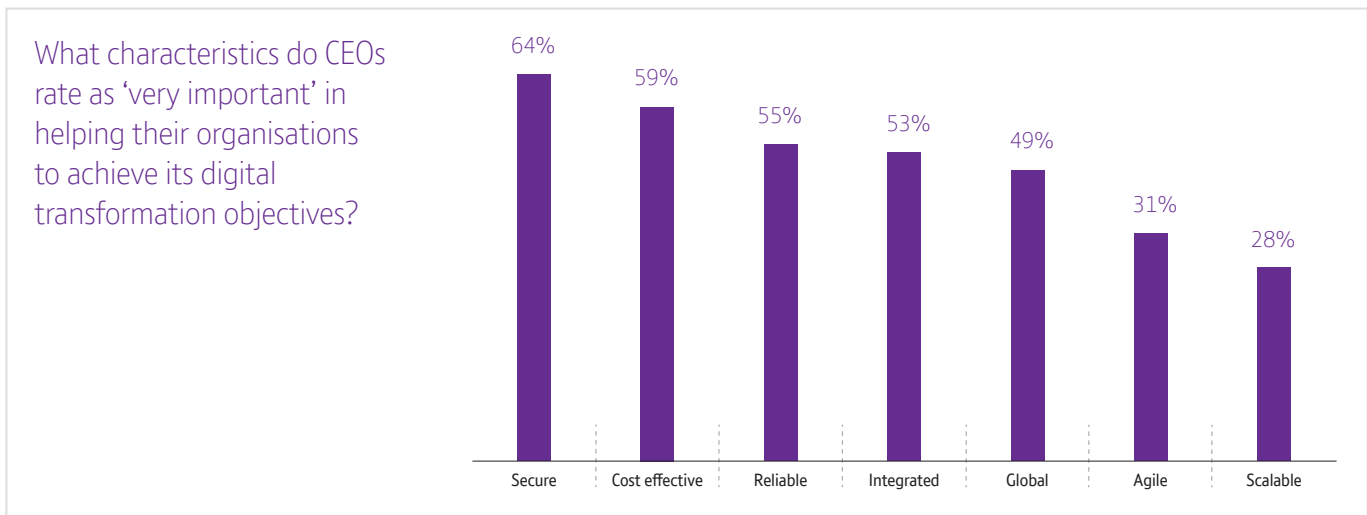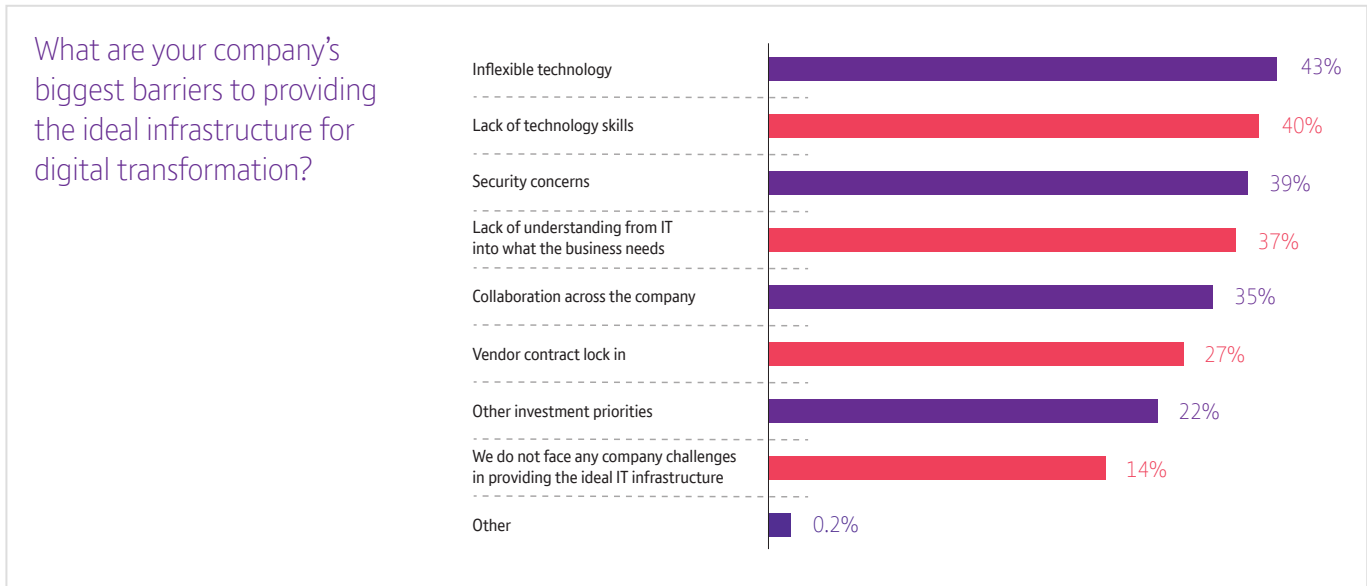
So, what do CEOs look for from their IT infrastructure to help achieve their digital objectives? The most important characteristics are security, reliability, integration and cost effectiveness.

Agility and scalability come lower on the list, even though the ability to flex, respond and scale rapidly could be said to be core competences of successful digital businesses.

Barriers to delivering such an infrastructure include: inflexible technology, lack of skills, lack of understanding of what is needed, and security.

A significant minority of CEOs (14 per cent) say they face no challenges in delivering the ideal infrastructure.

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What are your company's biggest barriers to providing the ideal infrastructure for digital transformation?

Barrier	%
Inflexible technology	43%
Lack of technology skills	40%
Security concerns	39%
Lack of understanding from IT into what the business needs	37%
Collaboration across the company	35%
Vendor contract lock in	27%
Other investment priorities	22%
We do not face any company challenges in providing the ideal IT infrastructure	14%
Other	0.2%

What characteristics do CEOs rate as 'very important' in helping their organisations to achieve its digital transformation objectives?

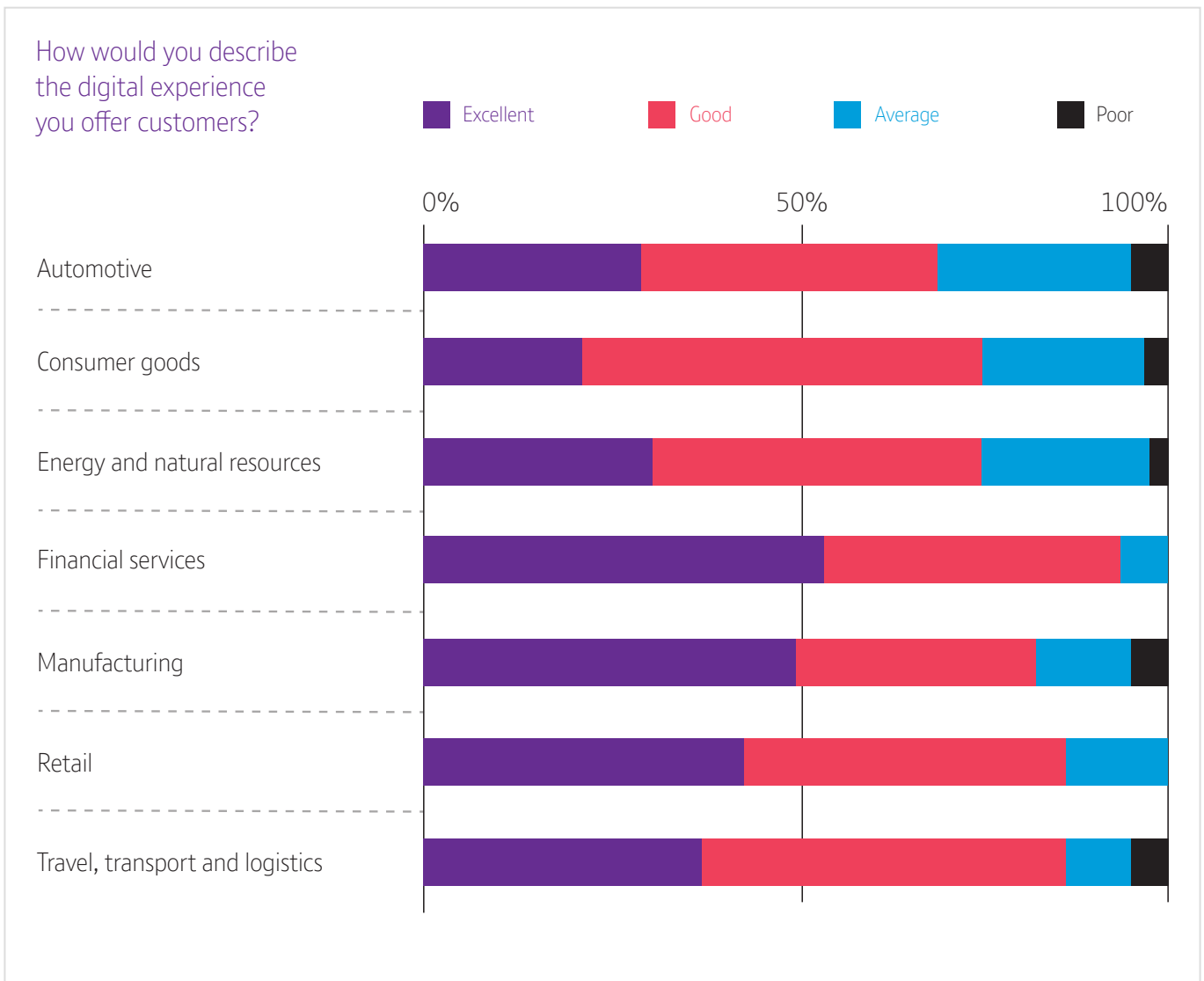| Characteristic	%
Secure	64%
Cost effective	59%
Reliable	55%
Integrated	53%
Global	49%
Agile	31%
Scalable	28%

Customer experience is key

Improving customer experience is a big driver for digital transformation. Nearly eight out of ten CEOs (79 per cent) describe the digital experience they offer customers as 'good' or 'excellent'.

Across industries, it is CEOs from financial services who are most confident in their digital customer experience, with just short of 100 per cent rating it 'good' or 'excellent'.

They may be over-optimistic. Specifically, CEOs say the digital customer experience has a role to play in improving customer satisfaction (a primary driver for 37 per cent of CEOs), competitive differentiation and customer acquisition.

How would you describe the digital experience you offer customers?

■ Excellent ■ Good ■ Average ■ Poor

0% 50% 100%

Automotive

Consumer goods

Energy and natural resources

Financial services

Manufacturing

Retail

Travel, transport and logistics

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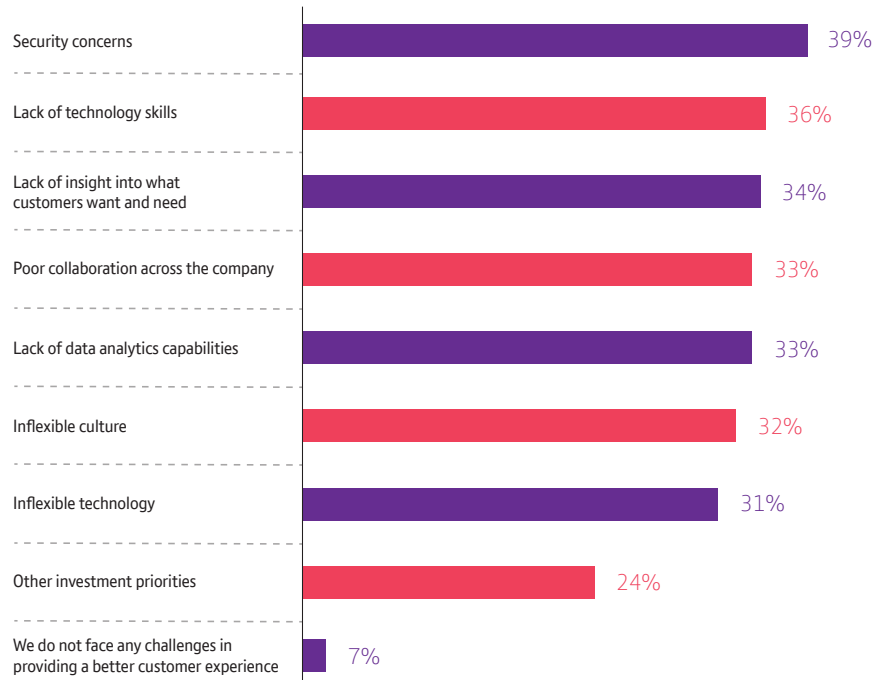
Overall security concerns are the biggest barrier to a better digital customer experience (39 per cent). Finding the right security solutions will be a major enabler of a better digital customer experience. The other main obstacles are softer factors: a lack of technology skills (36 per cent) and insufficient understanding of what customers actually want or need (34 per cent). The UK, Ireland and the Americas did not choose security as a big barrier, instead citing lack of technology skills (UK and Ireland) and other investment priorities (Americas). In fact security didn't feature in the top three obstacles at all for CEOs in the Americas.

This is perhaps a reflection that US businesses have been found to be better prepared to deal with cyber breaches than their European counterparts.

What are your company's biggest barriers to providing a better digital customer experience?

Barrier	Percentage
Security concerns	39%
Lack of technology skills	36%
Lack of insight into what customers want and need	34%
Poor collaboration across the company	33%
Lack of data analytics capabilities	33%
Inflexible culture	32%
Inflexible technology	31%
Other investment priorities	24%
We do not face any challenges in providing a better customer experience	7%

Overall, security concerns are the biggest barrier to a better digital customer experience (39 per cent), and finding the right security solutions will be a major enabler.
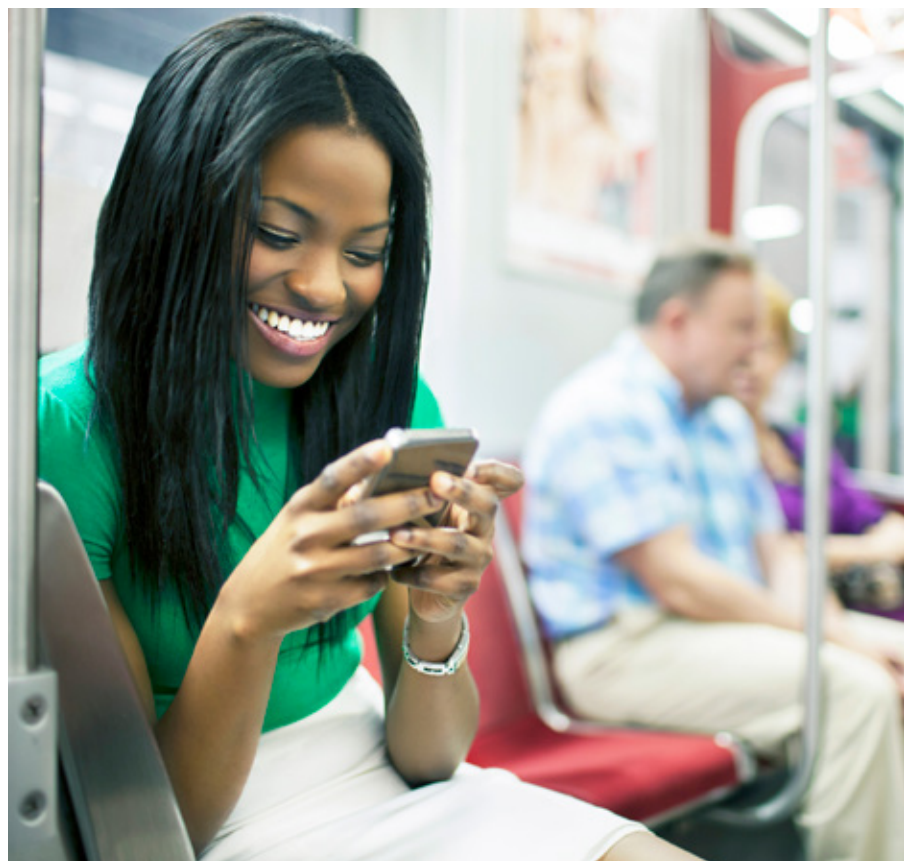
Can a great digital employee experience reduce cost and increase retention?

CEOs again display a great deal of confidence in the digital experience they provide for employees. More than three quarters describe it as 'good' or 'excellent'.
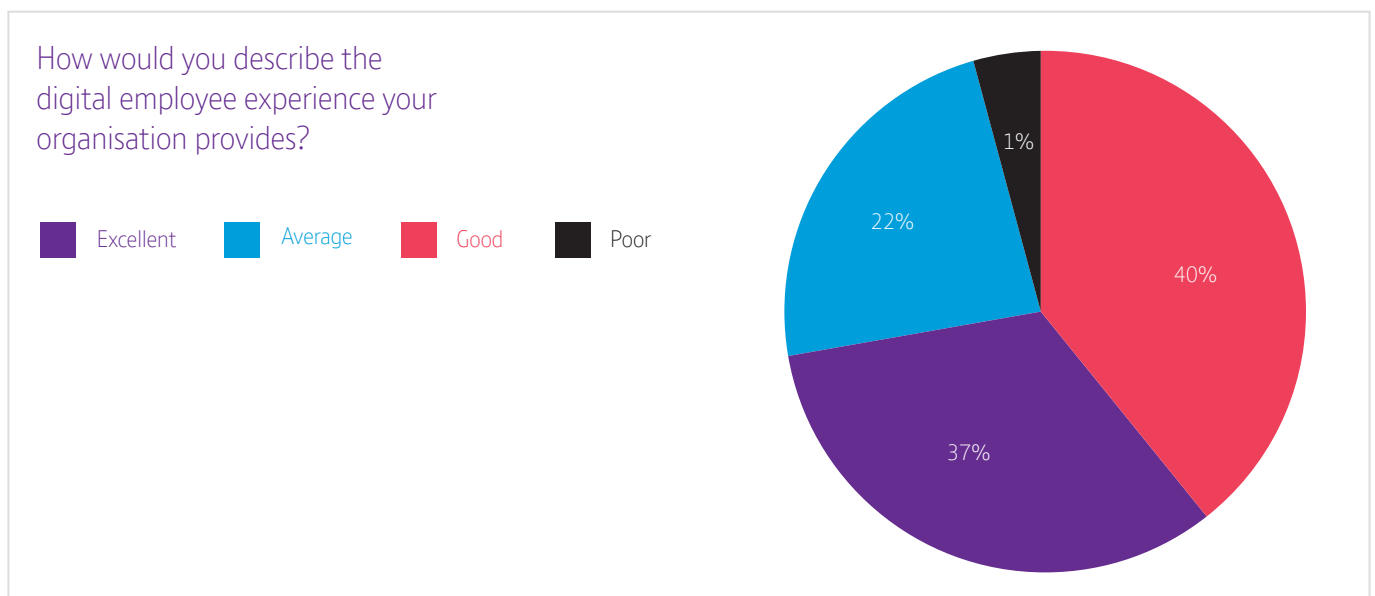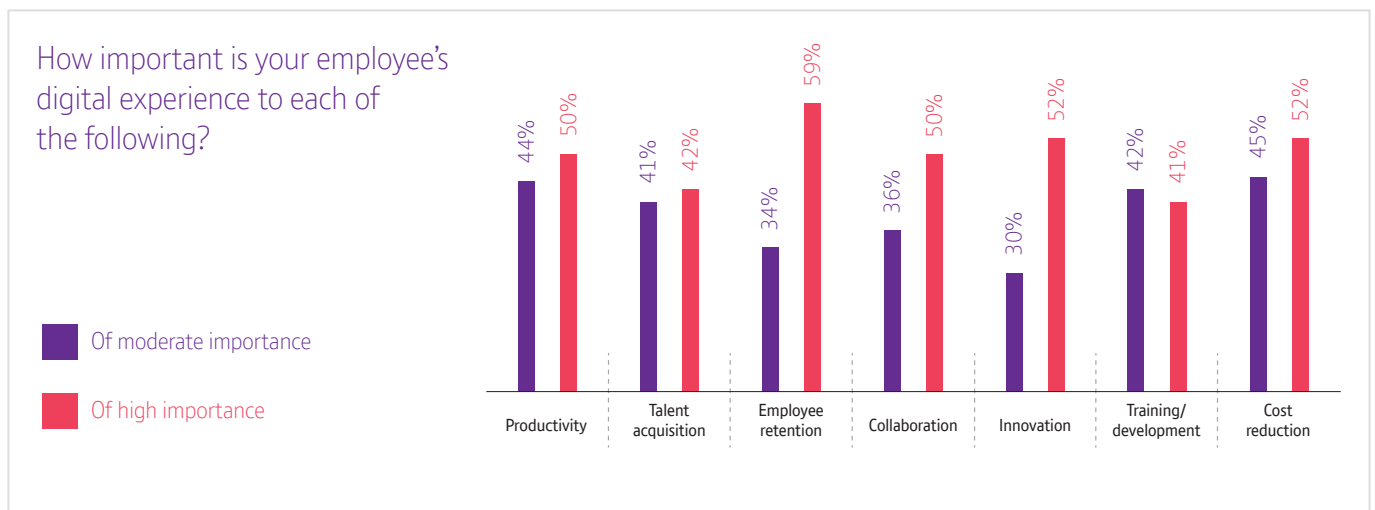
When asked what the digital employee experience contributes to the business, cost reduction and staff retention are the top responses, although this is very closely followed by productivity, collaboration (particularly identified in Europe) and innovation. A significant contrast to over 60 per cent of employees who believe better communication would make a big improvement to their organisation's success[1].

For financial services innovation is the biggest benefit, an indication perhaps that banks, insurers and other players understand the need to tap into the ideas and talents of their employees as they seek to differentiate themselves in an increasingly commodifying market.

The barriers to a great digital employee experience are the same as for customers: lack of technology skills, poor insight into

end user needs, and security. It is striking that nearly nine per cent of CEOs report no challenges to providing a better digital experience to their employees. Are some CEOs perhaps out of step with the actual experience on offer to their employees or are they already offering the right tools and support to the right people?

1. The mobile multiplier – Five trends in mobile working to help you fast track effectiveness, BT research conducted by Davies Hickman, 2016

How important is your employee's digital experience to each of the following?

- Of moderate importance
- Of high importance

	Productivity	Talent acquisition	Employee retention	Collaboration	Innovation	Training/ development	Cost reduction
Of moderate importance	44%	41%	34%	36%	30%	42%	45%
Of high importance	50%	42%	59%	50%	52%	41%	52%

How would you describe the digital employee experience your organisation provides?

- Excellent
- Average
- Good
- Poor

40%
37%
22%
1%

Security concerns should not hold back digital transformation

CEOs clearly appreciate the importance of security and over a quarter see its potential as a business differentiator, rising to nearly 50 per cent in financial services. In sectors such as retail banking, perceived competence in cybersecurity is an important and attractive proposition for consumers. In addition, many organisations are using cyber-related marketing both to educate their customers to be safer online (e.g. reduce fraud and loss if people are more vigilant) and to communicate to their customers how seriously they take cybersecurity.
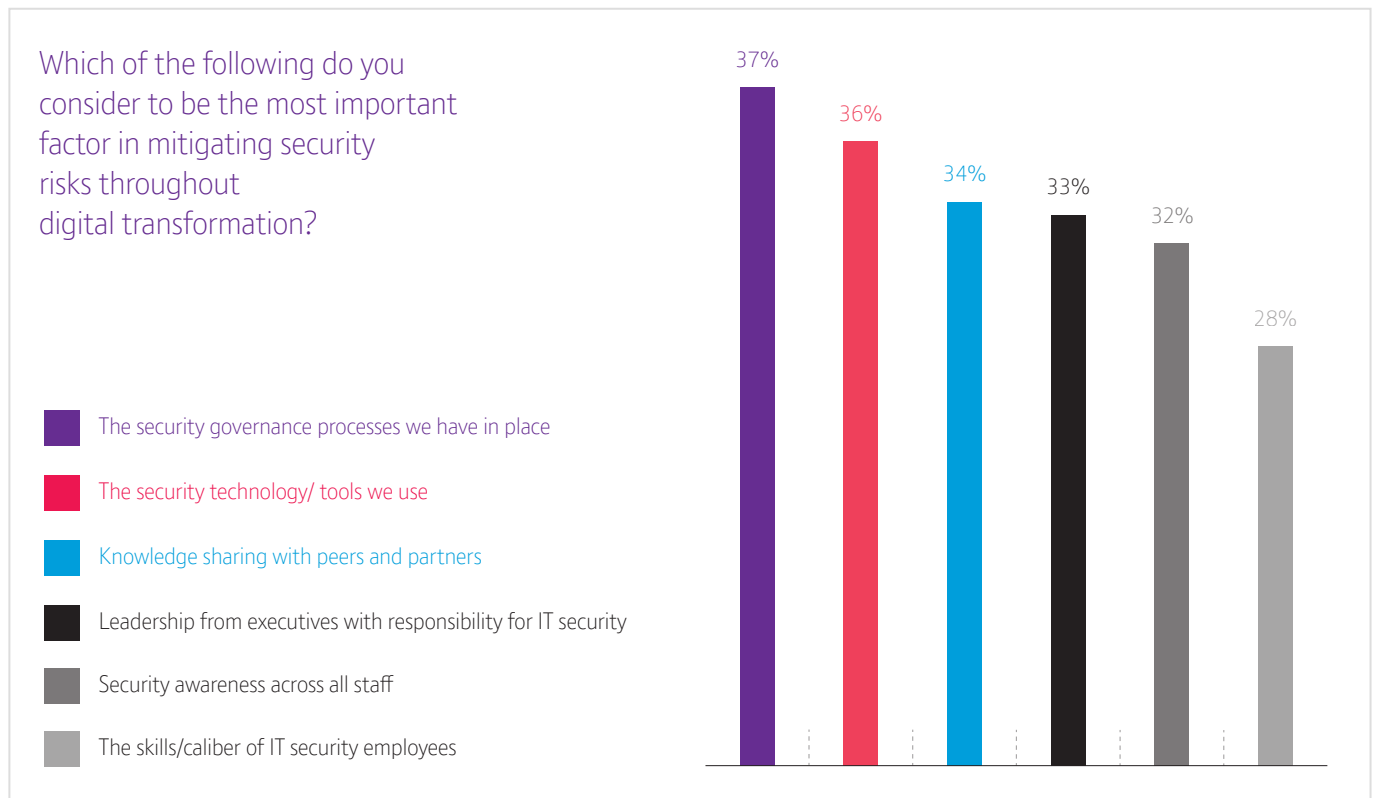
CEOs understand how the role of employees, internal processes and knowledge sharing with peers and partners can help protect them against cyber crime and disruption.

The company's own security governance processes are the most important factor (37 per cent) in mitigating security risks. This is particularly high in manufacturing where over 50 per cent of CEOs cited it.

Many organisations use risk and compliance as key performance metrics to demonstrate success in security. However, this approach fails to show how well a company is performing, or that controls are effective and in the right place – only that they are being adhered to.

The manufacturing sector's use of governance can perhaps be explained by its inherent nature as a highly process orientated industry, which is accustomed to tracking the effectiveness of processes.

Many organisations are using cyber-related marketing both to educate their customers to be safer online and to communicate to customers how seriously they take cyber security.

Which of the following do you consider to be the most important factor in mitigating security risks throughout digital transformation?

37%
36%
34%
33%
32%
28%

█ The security governance processes we have in place

█ The security technology/ tools we use

█ Knowledge sharing with peers and partners

█ Leadership from executives with responsibility for IT security

█ Security awareness across all staff

█ The skills/caliber of IT security employees

In an increasingly digital world, successful businesses will be those that consumers trust to look after personal data.

From a regional perspective, CEOs in both the Americas and Asia Pacific see security governance and process as most important, whereas in Europe they highlight the security awareness of staff. UK and Ireland CEOs value the security technology and tools they use. In most cyber security breaches a human (knowingly or unknowingly) opens the door for the attacker.

In this respect, governance and oversight can be useful to ensure employees comply with security practices and that any shortcomings are addressed. And with people often the weakest link, education can help significantly with prevention.

However, the most effective risk mitigation combines all three: technology, process and people.

In an increasingly digital world, successful businesses will be those that consumers most trust to look after personal data. Again, with the growth of sophisticated security tools and services in the cloud, incumbent businesses now have access to the same measures as disruptive newcomers. Two-thirds (68 per cent) of CEOs are 'mostly' or 'entirely' confident they can pursue digital transformation without compromising security.

The role of security in digital transformation

- Security is a consideration
- Security is a key differentiator
- Security is a necessary evil
- Security is slowing us down
- Security is stopping us

(1%)

9%

22%

42%

26%
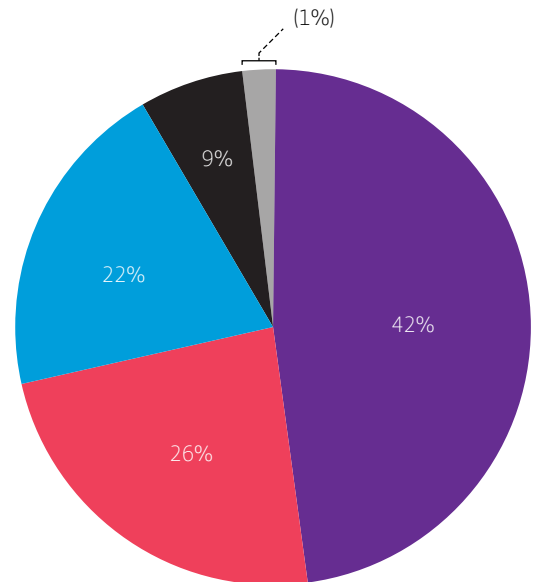
Over a quarter of CEOs see the potential of security as a business differentiator, rising to 50 per cent in financial services... perceived competence in cyber security is an important and attractive proposition for consumers.

Last word

CEOs have highlighted the importance of digital transformation to their multinational organisations today. While their confidence is high, there are also areas of weakness, primarily around security, technology skills and insight. The opportunity to evolve through digital continues to grow and many organisations are looking equally at various models by which they can gain competitive advantage.

Getting digital transformation right means having core elements built in upfront, balancing the right security measures with cost and opportunity, implementing an infrastructure that is flexible and ready to deal with the requirements of the next strategic move. Whether you are looking at brand new business models or modifying existing ones, companies need to be ready for the digital future.

No one can have all the answers – and many will be unique to an industry, to each individual enterprise. But there is help out there for CEOs and their boardroom colleagues to navigate their own path.

Questions to ask your CIO:

What can we do to make our digital infrastructure more flexible?

Are we being over optimistic about our digital customer experience? How are we tracking performance and what are our competitors doing?

Are we measuring employee retention, productivity and costs as part of the performance of our digital employee experience?

How can we use security as a differentiator? And are we confident it is strong enough?

Report methodology

This global report is based on research conducted with more than 400 CEOs from multinational corporations, and insight from BT's technology and advisory experts.

The survey was conducted in April 2017 across 13 countries: Australia, Brazil, France, Germany, India, the Netherlands, Singapore, South Africa, Spain, Switzerland, the UK, Ireland and the USA.

The survey spans manufacturing, energy and resources, financial services, travel, transport and logistics, retail, consumer goods, and automotive industries.

The survey was conducted on behalf of BT by the Economist Intelligence Unit.

Find out more at: www.bt.com/digital-possible