

THE ENTERPRISE OF THE FUTURE



GLOBAL CEO STUDY
EXECUTIVE SUMMARY

This is a summary of the
IBM Global CEO Study:
The Enterprise of the Future.

The full study is available at:
ibm.com/enterpriseofthefuture

EXECUTIVE SUMMARY

What will the Enterprise of the Future look like? To answer that question, we spoke with more than 1,000 CEOs from around the world. These conversations, together with our statistical and financial analysis, provide a unique perspective on the future of the enterprise.

CEOs are rapidly positioning their businesses to capture the growth opportunities they see. Our discussions about their plans and challenges revealed several striking findings:

Organisations are bombarded by change, and many are struggling to keep up. Eight out of ten CEOs see significant change ahead, and yet the gap between expected change and the ability to manage it has almost tripled since our last Global CEO Study in 2006.

CEOs view more demanding customers not as a threat, but as an opportunity to differentiate. CEOs are spending more to attract and retain increasingly prosperous, informed and socially aware customers.

Nearly all CEOs are adapting their business models, two-thirds are implementing extensive innovations. More than 40 percent are changing their enterprise models to be more collaborative.

CEOs are moving aggressively toward global business designs, deeply changing capabilities and partnering more extensively. CEOs have moved beyond the cliché of globalisation, and organisations of all sizes are reconfiguring to take advantage of global integration opportunities.

Financial outperformers are making bolder plays. These companies anticipate more change, and manage it better. They are also more global in their business designs, partner more extensively and choose more disruptive forms of business model innovation.

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“Simply put, we want significant share in markets growing faster than others, which for us is more than 25 percent.”

Ron Logue, Chairman and CEO, State Street
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INTRODUCING THE ENTERPRISE OF THE FUTURE

These findings - across industries, geographies and organisations of different sizes - paint a surprisingly similar view of the traits that we believe will be needed for future success. At its core, **the Enterprise of the Future is...**



HUNGRY
FOR
CHANGE

INNOVATIVE
BEYOND
CUSTOMER
IMAGINATION

GLOBALLY
INTEGRATED

DISRUPTIVE
BY
NATURE

GENUINE,
NOT JUST
GENEROUS

HUNGRY FOR CHANGE

“We have seen more change in the last ten years than in the previous 90.”

Ad J. Scheepbouwer, CEO, KPN Telecom

The Enterprise of the Future is capable of changing quickly and successfully. Instead of merely responding to trends, it shapes and leads them. Market and industry shifts are a chance to move ahead of the competition.

DOES YOUR ORGANISATION HAVE A HEALTHY APPETITE FOR CHANGE?

Have you seeded your organisation with visionary challengers and provided them with the freedom to effect meaningful change?

Do you manage change as a structured programme and measure change management effectiveness?

Do you have robust processes in place to incubate new product, service and business model concepts - and redirect investment when required?

INNOVATIVE BEYOND CUSTOMER IMAGINATION

“In the future, we will be talking more and more about the ‘prosumer’ - a consumer/producer who is even more extensively integrated into the value chain. As a consequence, production processes will be customised more precisely and individually.”

Hartmut Jenner, CEO, Alfred Kärcher GmbH

The Enterprise of the Future surpasses the expectations of increasingly demanding customers. Deep collaborative relationships allow it to surprise customers with innovations that make both its customers and its own business more successful.

ARE YOU AIMING BEYOND?

Which of your offerings are breaking new ground, opening entirely new segments or markets? What can you learn from them?

Are you systematically evaluating potential geographic markets? How do you achieve the efficiencies of global brands, products and services while remaining locally relevant?

When customer preferences shift, are you the first to understand and act on this or do your competitors react more quickly?

Are you effectively integrating disparate data and systems to gain new customer insights?

● GLOBALLY INTEGRATED

The Enterprise of the Future is integrating to take advantage of today’s global economy. Its business is strategically designed to access the best capabilities, knowledge and assets from wherever they reside in the world and apply them wherever required in the world.

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“We must move to global coordination, but with local sensitivity. Even the back office requires balance.”

Martin Sorrell, CEO, WPP
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ARE YOU CAPITALISING ON GLOBAL INTEGRATION OPPORTUNITIES?

Are you effectively integrating differentiating capabilities, knowledge and assets from around the world into networked centres of excellence?

Does your organisation have a globally integrated business design (even if it does not have a global footprint)?

Do you have a detailed plan for global partnering and M&A?

Are you developing leaders that think and act globally?

Do you nurture and support social connections to improve integration and innovation?

● DISRUPTIVE BY NATURE

The Enterprise of the Future radically challenges its business model, disrupting the basis of competition. It shifts the value proposition, overturns traditional delivery approaches and, as soon as opportunities arise, reinvents itself and its entire industry.

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“For us, enterprise model innovation is primarily about having the right business model to enter other markets and secure new capabilities.”

Andrew Brandler, CEO, China Light and Power
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ARE YOU DEVELOPING A DISRUPTIVE MIND-SET?

Is a disruptive business model about to transform your industry? Is it more likely to come from you or your competitors?

Do you spend time thinking about where the next disruption will come from?

Are you watching other industries for concepts and business models that could transform your market?

Are you able to create space for entrepreneurs and innovative business models while continuing to drive performance today?

● GENUINE, NOT JUST GENEROUS

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 “I see corporate responsibility going through three phases. People start to consider issues like the environment because they are compelled to do so. Then they realise that it actually makes business sense. Eventually they move beyond compulsion and selfish motives to become passionate because it is the right thing to do.”

*Vinod Mittal, Managing Director,
 ISPAT Industries*

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The Enterprise of the Future goes beyond philanthropy and compliance and reflects genuine concern for society in all actions and decisions.

ARE YOU APPROACHING CORPORATE SOCIAL RESPONSIBILITY HOLISTICALLY?

Do you understand your customers' corporate social responsibility (CSR) expectations? How are you involving them in solutions?

Do you know which nongovernmental organisations your customers listen to and are you collaborating with those groups?

Have you gained insights from current green initiatives that can be applied to your broader CSR strategy?

Are you offering employees the opportunity to personally make a difference?

How do you ensure that actions taken throughout the enterprise - and the extended value chain - are consistent with your CSR values and stated policies?

BUILDING YOUR ENTERPRISE OF THE FUTURE

Thoughts and views on the future of business - or the Enterprise of the Future, as we call it - are evolving quickly. We feel privileged to bring together the emerging thinking of so many CEOs worldwide. This latest Global CEO Study should not be considered the end, but rather as a catalyst for ongoing discussions about where business and enterprises are headed. We look forward to working with you as you build your Enterprise of the Future.

For further information, please send an e-mail to the IBM Institute for Business Value at iibv@us.ibm.com, or to download the complete IBM Global CEO Study, visit our Web site:

ibm.com/enterpriseofthefuture

HOW OUR RESEARCH WAS CONDUCTED

This study is the third edition of our biennial Global CEO Study series. This year's research is based on in-person interviews with 1,130 CEOs, general managers and senior public sector and business leaders from around the world.¹ As part of our research, we sought to understand differences between the responses of financial outperformers and those of underperformers. For companies with publicly available financial information, we compared revenue and profit track records with the averages for those in the same industry across our sample.² Companies that performed above average on a particular financial benchmark were tagged as outperformers, and those below the average were labelled as underperformers.

ABOUT IBM GLOBAL BUSINESS SERVICES

With business experts in more than 170 countries, IBM Global Business Services provides clients with deep business process and industry expertise across 17 industries, using innovation to identify, create and deliver value faster. It offers one of the largest Strategy & Change practices in the world, with over 3,250 strategy professionals. The IBM Institute for Business Value, part of IBM Global Business Services, develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues.



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- 1 IBM leaders conducted more than 95 percent of these interviews face to face; the Economist intelligence unit administered the remainder by telephone. For readability, we refer to this collective group of interviewees as 'CEOs' throughout this report.
- 2 Based on availability of financial information, we were able to include 530 companies in our financial analysis. For analytical and statistical reasons, we compared performance on three financial benchmarks: 1) revenue compound annual growth rate (caGr) 2003 to 2006, 2) net profit margin caGr 2003 to 2006 and 3) absolute profit margin average for 2003 and 2006.

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