



CLABBY ANALYTICS

Trip Report

IBM's Surprising CEO Survey Conference: Atlantis Hotel, Dubai, UAE

Introduction

Close to 500 business executives from all over the GCC (Gulf Cooperative Council - the six Arab states along the Persian Gulf) gathered in Dubai, UAE last week to listen to IBM explain the results of an in-depth survey conducted over the past year and a half with 1,130 mid-sized business CEOs worldwide. Or, at least, that's what the press said about this event...

In fact, IBM did review the results of its survey but the real story wasn't really about that. The real story was about the messages that IBM delivered that provided solid guidance for how CEOs should manage their businesses through these turbulent economic times. What news reporters at this event saw was a series of lectures about a survey that IBM had conducted with over a thousand global mid-market CEOs. And these reporters surmised that IBM's key messages were around the need for organizational and business model change, adaptability, and innovation. But, in essence, the news stories covering the event discussed only the top-level view of the conference. Had reporters mixed in a little more effectively with the conference's CEO attendees, they would have picked up on another big theme: C-Level executives' deep concerns about the impact of failing worldwide financial systems on their respective regional enterprises. Below the surface, chief executive officers, chief information officers, chief financial officers and IBM business partners from around the region were busy networking with each other – trying to determine how the financial crisis might affect one and other's business and growth plans.

These executives, huddled in small groups, quietly discussed many of the challenges they expected to face should the flow of capital into the region subside, or should government spending drop, or a host of other "what-ifs". Sure the CEO attendees wanted to learn the results of the survey – but they also wanted to walk away with some guidance and advice on how to apply the survey results in such a way that they would be better able to cope with the spiraling challenges of failing capital markets.

Fortunately, IBM did not disappoint this audience. The company did discuss the results of the CEO survey – and delivered important findings regarding executives' needs and challenges. But IBM also discussed what happened to cause the current worldwide economic downturn – and provided insights that should help GCC CEOs rethink their respective business strategies in that context.

The CEO Survey Findings

On one hand, it might have been beneficial if the audience had seen the results of this CEO survey after stock/bank/financial markets had receded. A post-collapse survey might have provided more insight into how other CEOs are planning to navigate the current financial

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malaise. On the other hand, the survey did examine what was “top of mind” on CEO agendas before the economic collapse – and what levers and buttons CEOs were using to grow their companies in highly competitive global markets (in other words, the survey data and information is still useful for strategic planning purposes).

The key findings of CEO survey were:

- Organizations are bombarded by change, and many are struggling to keep up;
- CEOs view increasingly demanding customers not as a threat, but as an opportunity to differentiate;
- Nearly all CEOs are adapting their business models—*two-thirds are implementing extensive innovations*; and,
- CEOs are moving aggressively toward global business designs, deeply changing capabilities and partnering more extensively.

What do these findings mean? From IBM's perspective, they mean that CEOs recognize that customer profiles are changing – and that enterprises need to examine and potentially make changes to their respective value chains if they want to keep existing customers while capturing new ones. Global integration (sometimes referred to as “globalization”) is becoming more important – and again, that means enterprises need to figure out where to make changes that yield efficiencies within their value chains. And finally, CEOs are constantly seeking to innovate within their business models in order to expand operations and grow their respective companies.

IBM translated all of these findings into the following themes. Organizations should be:

1. Hungry for change;
2. Innovative beyond customers' imaginations;
3. Globally integrated;
4. Disruptive by nature; and,
5. Genuine, not generous.

IBM's argument on the “hungry for change” point is that organizations that readily adapt to changing market conditions perform significantly better than those that don't. In fact, CEOs who embrace change and managed it effectively were 22% more likely to outperform financially. As for advice, IBM suggested that CEOs continue to build the expectations of continuous and disruptive “damage” into the culture of the organization; hire, recognize and retain visionary challengers; develop processes to ensure viable new ideas that can be quickly exploited; and develop process internally – and across partner channels – that can adapt to frequently changing business models. From a technology perspective, IBM recommended that CEOs leverage technologies that create new and disrupt current industry structures; and that they develop adaptive IT infrastructures to support changing business models.

The guidance that CEOs should be innovative beyond customer imagination recognized that executives are pursuing new relationships and bolstering operational capabilities in order to penetrate new markets (this is especially important when it comes to opening new

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markets in emerging economies). The findings also indicate that CEOs recognize that there is a new type of customer out there – an informed, collaborative customer (thanks to the Internet) who buys differently and wants information about products and services presented in different ways. IBM's key observation on this point: successful CEOs plan to out-invest their underperforming counterparts to serve these customers. IBM's advice for innovating beyond customer imagination included:

- Build collaborative relationships with key external partners and key customers for open innovation;
- Proactively approach customers to co-develop ideas for mutual benefit;
- Develop and integrate processes and guidelines for external partner management;
- Enable open innovation;
- Leverage collaborative tools to support co-development; and
- Deliver technology platforms that support open innovation.

The “globally integrated” and the “disruptive by nature” findings speak for themselves – although perhaps a little more loudly now that both significantly impact business survival. Enterprises will need to rely heavily on global integration and partnerships, as well as regular disruptive change, in order to expand market share and ensure growth. Finally, the “genuine, not disruptive” category examined corporate social responsibility and considered regulatory compliance, philanthropy, value-based self-regulation, and corporate social responsibility. IBM's advice was essentially “do the right things for the right reasons”.

IBM's World Economy Perspectives

To address concerns about the impact of the worldwide economic crisis on regional CEO agendas, IBM introduced Peter Korsten, an IBM partner and vice president, and global leader from IBM's Institute for Business Value. Speaking with a slight Irish brogue, Mr. Korsten quickly focused his attention on questions that were of paramount importance to the audience. He explained the market forces that have contributed to the worldwide recession; he indicated that evolving economies would fare better than the U.S. and Western Europe as this recessionary drama unfolds; and he addressed how emerging economies (such as those in the GCC) will ultimately become major contributors to future worldwide growth.

Mr. Korsten explained the causes of the worldwide recession using a simple formula:

$$AD = C + I + G + E - I.$$

Stated as a sentence, what Mr. Korsten indicated was that aggregate demand (AD – the factor that drives business and economic growth) results from consumption (C – buyer demand) plus investment, plus government expenditures (G), plus exports (E), minus imports. When this formula is out of balance, aggregate demand drops and economies slow.

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He also indicated that emerging growth countries (such as those found in the GCC as well as in Asia Pac, Africa, and South America) should fare better in these times than more established but over capitalized countries.

The Composite Picture

Reporters at this event failed to see the composite picture that resulted from blending a pre-recession CEO survey with solid financial analysis. Some of the key messages that regional CEOs should have taken away from this event included:

- The need to change the way businesses operate in the region is essential to future growth;
- Build change and constant disruption into your business plan.
- The time is now for rebuilding supply chain and customer relationships.
- Emerging growth economies are better positioned than developed economies to weather this recessionary storm.
- Investing now in growing operations could provide big payback in terms of enterprise growth in the near term. Opportunity is knocking.
- Think beyond the box about how to expand your enterprise through globalization.
- You can't do everything by yourself – but with the right partners, anything is possible...

Takreem El Tohamy, IBM's GM for the Middle East and North Africa, the first speaker at this event, succinctly summarized the key conference message at the outset of this conference. "Coming out of this changing time" he proclaimed, "there will be winners and losers. The trick to being one of the winners", he intimated, "will be to organize globally and prepare for rapid and constant change. Innovation will play a key role in enterprise survival. Only those enterprises that understand and prepare to address the new realities of the evolving, integrated market will be able to harvest its full potential".

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