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CEOs urged to ramp up their digital IQ as customer demand grows



Thai businesses must have a technologically aware CEO and develop firm-wide digital capabilities to stay ahead of the competition in this technological age, a PwC report says.

PwC's sixth Annual Digital IQ Survey, which polled nearly 1,500 business and IT executives across 36 countries, tracked how companies are able to understand, value and integrate technology into their organisations – which is defined as digital IQ.

CEOs with a low digital IQ, or those who invest less in new technology, will fail to keep pace with high performing companies that have a strong digital focus.

Only 20% of companies across the world believe they have a strong digital IQ, according to the survey.

CEOs in healthcare (82%) are the most active in using digital technology to boost their businesses. This is followed by the automotive (80%), energy and mining (78%), hospitality and leisure (78%), and technology (77%) industries. In contrast, the retail and consumer industry (59%) has the least proportional number of CEOs who are digital champions.

"It is now time for company leaders of all industries and business sectors to ramp up their digital IQ," said Vilaiporn Taweelapontong, partner at PwC Consulting (Thailand).

"With consumers always connected to technology, businesses need to redefine ways to interact seamlessly if they want to survive."

Citing Gartner Forecast, Vilaiporn said that worldwide IT spending is expected to grow by 3% to \$3.8 trillion in 2014.

"This underlines the importance for today's CEOs to raise their digital IQs and consider the 'digital dimension' of everything they do, whether it be launching new products and services, changing business models or capturing new markets."

The study found that a majority (74%) of business and IT leaders are most worried about digital technology challenges, but only a minority were directly addressing these concerns in their strategies.

On top of having digitally aware leaders, the study also outlines a range of behaviours that will allow companies to thrive in the path to digital transformation.

"Those who manage to excel in these actions are twice as likely to be top performers in revenue growth, profitability and innovation," Vilaiporn said.

CIO-CMO relationship matters

The report showed that there is an enhanced relationship among Chief Information Officers and Chief Executive Officers, Chief Financial Officers and Chief Marketing Officers, which is proving vital for understanding and analysing risks and opportunities while developing a technology strategy for organisations.

Companies with strong relationships between senior executives and 'digital conversations' between them were 2.4 times more likely to be top performers, it said.

"Many digital technology initiatives are now due to marketing needs, so strong relationships among senior executives are the key to success," Vilaiporn said, adding that 70% of top-performing companies have a strong CIO-CMO relationship compared with just 45% for non-top performers.

Business leaders must also embrace new ideas and experimentation that can come from unlikely sources and industries such as analysts, vendors, or even universities or labs to generate potential ideas.

According to the study, top-performing companies are more likely to look for innovation outside of the company. The 'outside-in' approach can also be applied inside the organisation, where hidden innovators or tech enthusiasts can complement work in operations or customer service.

IT platform investments

To meet fast-changing client demands in the digital age, it's critical that companies prioritise technology investment based on the data that matters most to the business, including proactively identifying potential threats and preparing an effective response to them.

Vilaiporn said that organisations across industries are ramping up investments in technologies like cloud, mobile, social, data mining and analytics, and considering the implications of other emerging technologies like 3D computing, robotics and sensors.

"All companies agree that mobile customer technology, private cloud, data mining and analysis, and cybersecurity would be of the most strategic importance over the next three to five years."

According to Vilaiporn, Thai companies are increasingly realising that it is essential to have a digital capability woven throughout the organisation rather than considering it as a centralised function operating in a silo.

Just as developing relevant technical skills and resources are critical to addressing this change, she said that a shared understanding of how a digital strategy works to accomplish the organisation's goals and who is responsible for each aspect is even more important.

Achieving this level of collaboration requires IT to fully understand all aspects of business and for business in turn to understand all aspects of IT.

"In the end, digital means different things to different organisations," Vilaiporn said.

"Businesses that will make it successfully to the other side are the ones that build their models around the customer. They will be able to build loyalty, increase retention and command price premiums."