

# Management Next<sup>TM</sup>

Monthly for CEOs & Aspiring CEOs

jump out of the box

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## Get ready for radical change!

*Killer competition and wild market forces have finally shaken up lazy CEOs. CEOs all over the world are so stirred that they have vowed to change the way their companies look in just two years. That's a frightening prospect indeed*



In the IBM Business Consulting Services 2006 CEO survey, released on 1 March 2006, 65 percent of the world's top corporate CEOs declared that they plan to radically change their companies in the next two years due to pressures from competitive and market forces. They are, now, increasingly focused on innovation in their business models and operations as key mechanisms for driving change. This clearly shows that CEOs are looking beyond growth through new products and services in driving this change.

CEOs stated that approximately two-thirds of their efforts are now targeted at business model and operational innovation. Further, 61 percent of CEOs, who have a primary focus on business model innovation fear that changes in the business model of a competitor could result in a radical change in the entire landscape of their industry.

"It's very clear that CEOs today are looking at new kinds of innovation to drive

By Benedict Paramanand

substantial organizational change and business growth," said Ginni Rometty, Senior Vice President, IBM Enterprise Business Services, in a company release. "It's not just product innovation any more. It's about understanding how to innovate a business model, or an operational process, or management behavior — such as real-time risk management, collaborative pharmaceutical development, or digital film distribution." In making this point, one CEO commented: "The business model we choose will determine the success or failure of our strategy." Another stated, "Products and services can be copied, the business model is the differentiator."

The goal of IBM's research was to capture CEOs' current views on innovation and find out what they were doing to enable innovation. The survey report defined innovation as using new ideas, or applying current thinking in fundamentally different ways, to effect significant change.

### Collaboration is the key

In terms of how to drive innovation, the study found that 76 percent of CEOs ranked business partner and customer collaboration as top sources for new ideas. This greatly contrasted with internal R&D, which ranked eighth as a source for new ideas — cited by only 14 percent of CEOs.

Despite the value they place on collaboration, many CEOs were still in the planning stage.

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