



# How to Build a Smarter Business

A new global research survey into the unique traits of successful businesses

The future is exciting.

**Ready?**



**Thank you for taking the time to download and read How to Build a Smarter Business, which reveals the findings and analysis of a 2017 Vodafone study of global businesses.**

As a Cloud Evangelist, I'm constantly having conversations with our customers' IT and business leaders around the world – and I've found that digital transformation is frequently one of the first topics that they want to discuss. CEOs, CIOs and CMOs alike are grappling with digital disruption and the challenge and opportunities it brings. It's no longer an afterthought, a bolt-on or purely the domain of IT, the digital agenda is being driven from the very top and is affecting every part of the business. But not everyone is having the same experience of digital, some businesses are notably gaining an upper hand on the rest.

We at Vodafone wanted to find out why that is. So we spoke to over 1,000 senior IT professionals and business leaders about their organisational culture, how they use technology (with a particular focus on cloud as an enabler of digital) and their approach to IT skills resourcing. In doing so, we found a small subset of high growth, highly profitable businesses who do things a little differently, and who are gaining a competitive edge as a result. They are the top 15% and we call them smarter businesses.

In the following pages you'll learn more about them and how their approach can be a beacon for others to follow. You'll see why cloud is so integral to the smarter business digital journey – providing a platform to grow, differentiate and compete. And, perhaps most importantly, you'll discover that the smarter business approach to culture, technology and skills drive their companies' forwards – with smarter businesses twice as likely to expand into new markets and launch new products. Thereby demonstrating that aspiring to be a smarter business is not just about wanting new technology in order to do new things. It's about bottom line business success.

Vodafone believes that every business has the potential to be smarter. To be a business that's able to draw on its capabilities to tackle change and seize opportunities.

Please enjoy reading **How to Build a Smarter Business**. I look forward to talking to you about it soon.

**James Griffin**  
**Vodafone Cloud Evangelist**

Vodafone worked with Loudhouse, an independent research consultancy headquartered in London, to undertake the Smarter Business Survey in 2017. The survey covered 1,100 IT decision makers and explored the intersection of people, technology and business culture. The research covered 10 countries (US, UK, Germany, Spain, Italy, Ireland, India, Japan, Singapore, South Africa) across a variety of sectors and industries.

## Executive summary

Every business is striving to put digital at the heart of what they do, using technology to gain a competitive advantage in their market.

However, not every business is able to achieve this ideal state. Standing between it and them are two main challenges: how to find the right IT skills, and how to find the time to a) take advantage of new technologies, and b) escape the day-to-day for long enough to undertake strategic change programmes.

Meanwhile, other businesses are much further along in their digital transformation journeys.

Our research identified a set of high-growth, highly profitable businesses who are turning change fuelled by the digital revolution to their advantage and gaining a competitive edge as a result.

We call them **smarter businesses**.

This report investigates what it takes to build a smarter business, the traits they share, and their attitudes towards organisational risk and growth, technology and people – with a particular

focus on cloud as an enabler of digital transformation. Of the 1,000+ companies surveyed across the world, only **15%** shared all three of the following traits:

- ✔ Confident Culture
- ✔ Technology Advantage
- ✔ Skilled IT People

### These are the building blocks of a smarter business.

#### Confident Culture

Smarter businesses are defined as being confident, accepting of risk and willing to invest to grow and thrive in different markets with different partners. They are also braver in their culture:

- ✔ **72%** say innovation is central to how they operate and that they are not afraid to fail
- ✔ **69%** say they expanded into a new geographic market in the last year
- ✔ **74%** say that they have a multi-tiered supply chain, with suppliers based around the world

#### Technology Advantage

Smarter businesses are defined as those who see technology as a strategic tool, and they take full advantage of modern technology. To realise the possibilities enabled by innovations like the IoT and AI on a global level, they know they need to be agile and able to facilitate digital transformation. This in turn informs their approach to cloud:

- ✔ **49%** said that their key reason for adopting cloud was to give them a competitive edge
- ✔ **66%** said they think cloud can deliver a strong advantage for their business in using AI

#### Skilled IT People

Smarter businesses are defined as those who recognise that they need to be more focused on where they apply skills and look to IT people to provide innovation. They often value IT skills over and above technology to solve issues and create differentiation, seeing skills as an accelerator:

- ✔ **68%** focus their IT people on where they can make the biggest impact on the business
- ✔ **64%** think IT skills improvement is the route to creating the best digital customer experience
- ✔ **64%** believe that the success of their business depends on being able to recruit the right people

# Defining a smarter business

Our 2017 global survey interviewed 1,100 IT and business decision-makers. Respondents worked for businesses of all sizes across a number of regions.

We spoke to them about culture, technology and their IT people, with the aim of understanding the qualities that the most successful businesses in the world share – particularly with regard to their use of IT and cloud.

The research identified a subset – **15%** of the sample – who consistently demonstrate above average growth and profitability, as well as a set of common attitudes towards organisational growth and risk, technology and people.

These businesses all have a confident culture that encourages calculated risk and demonstrates a willingness to invest in growth. They view technology as a strategic tool for carving out a competitive edge. And they recognise the need for a new breed of IT professional, who can innovate

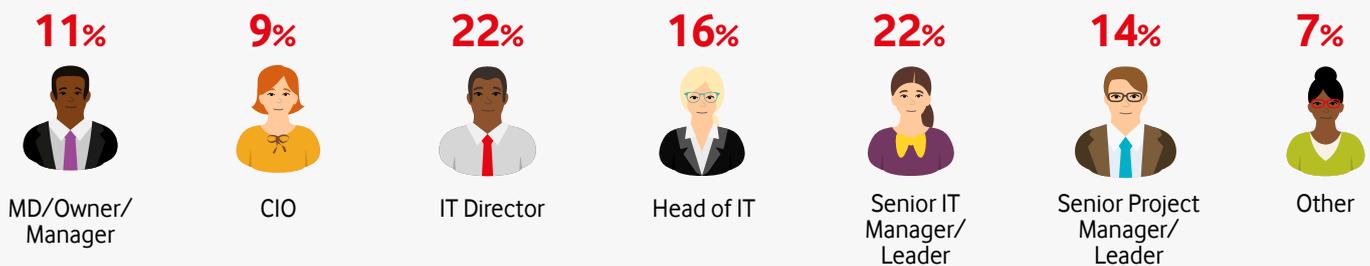
and capitalise on the untapped potential of modern technologies.

The mindset shared by these businesses relies on having the agility to realise fast-growth ambitions. Which is why they put cloud first, using it as an enabler of change and growth.

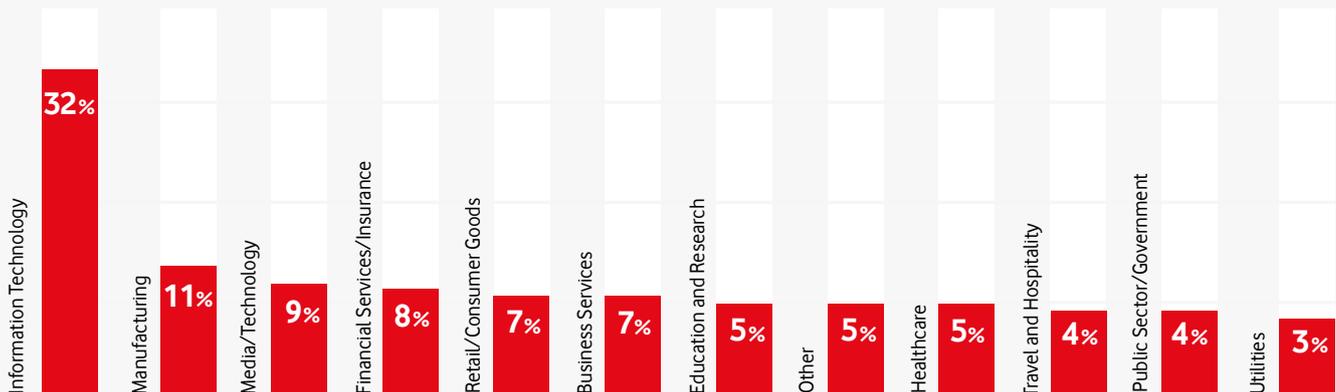
By virtue of their outlook, success and bravery, these businesses are defined as being smarter businesses. Although comparatively few can currently claim to be smarter, we believe that with the right culture, technology and IT skills – with the three building blocks in place – any business can be a smarter business and take on change with confidence.

## Breakdown of respondents

### Job role



### Sector



# The building blocks of a smarter business

There is no greater priority for today's businesses than digital transformation. But change of that scope and scale is never easy.

Businesses have to navigate transformation while simultaneously striving to outperform competitors. And, for many businesses, transformation and change programmes are liable to becoming siloed and only relevant to certain operational functions.

Transformation puts a high level of demand on businesses and CIOs. Indeed, two thirds, **66%** of the businesses we surveyed agree or strongly agree that their skills and IT resources cannot scale fast enough to meet demand, while **93%** say that the skills they need are changing fast. In other words, some businesses will become more successful as a result of transformation, and others won't.

For a business to give itself the best chance of success, it's essential to put digital at the heart of the organisation. In practice this means creating the conditions for the business to become agile, adopting a bimodal approach. It means ensuring that each operating function is running efficiently enough for the business to evolve to changing customer demands, innovate with new ideas and stay ahead of the competition. And it means evolving the IT at the core of the business, underpinning it with cloud, so that agility becomes a reality and it's easier to adopt and utilise the technology of tomorrow, as well as making the most of the solutions of today. To do this requires hard to source cloud skills.

But smarter businesses find ways to make this happen. They do it by putting cloud first, because they understand how it can help them on their **transformation journey**. As well as by fostering a brave culture of innovation, and ensuring that they have the right skills in the right places to make the best use of technology and information.

Incorporating any one of these building blocks will make a business more successful. Having all three makes it truly smarter.

## Smarter across sectors



Smarter businesses exist across sectors. The following sectors index higher, or alongside, the overall average of **15%**.

 **20%**  
Financial Services

 **17%**  
Healthcare

 **20%**  
IT

 **15%**  
Manufacturing

# Building Block One: Confident Culture

There is no greater priority for today’s businesses than digital transformation. But change of that scope and scale is never easy.

Smarter businesses in particular are notable for being bold and unafraid of taking risks. They don’t accept the status quo, and their drive for innovation underpins their entire approach to technology acquisition and usage.

## Smarter businesses embrace innovation and risk

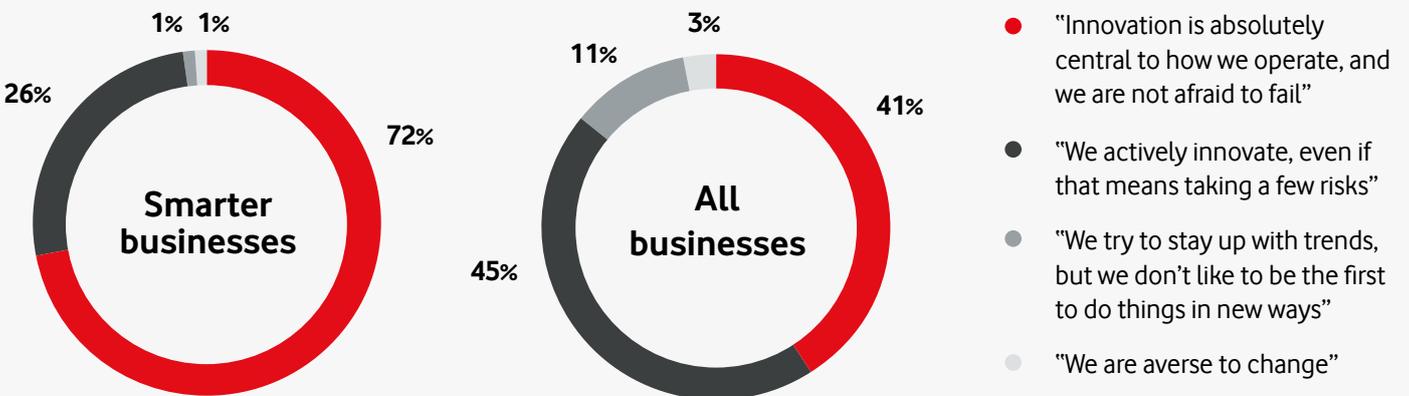
For **72%** of smarter businesses, innovation is vital, against **41%** of all businesses. As Fig. 1 shows, innovation

– and even with the possibility of failure – is embedded in their culture. While two thirds of all businesses strive to innovate but are stymied by the need to balance risk, or by not being the first to adopt new trends, smarter businesses put innovation first and are not afraid of the occasional failure.

The impact of the spirit of innovation and adventure that exists within smarter businesses is realised in their growth and development. The research shows that over two thirds (**69%**) of smarter businesses have

developed into new geographic markets in the last year, compared to just under half (**47%**) of all businesses. Similarly, **59%** of smarter businesses have launched a new flagship product, compared to **39%** of all businesses. It demonstrates that an innovative and risk-taking culture drives change and leads directly to success.

**Fig. 1 Attitudes to innovation**



## Smarter businesses make the complex simple

Smarter businesses embrace innovation, partly because they are more complex. Three quarters (**74%**) of smarter business IT leaders state that they have a multi-tiered supply chain, with suppliers based around the world. Similarly, **57%** have a tiered customer strategy, dealing via distributors and directly.

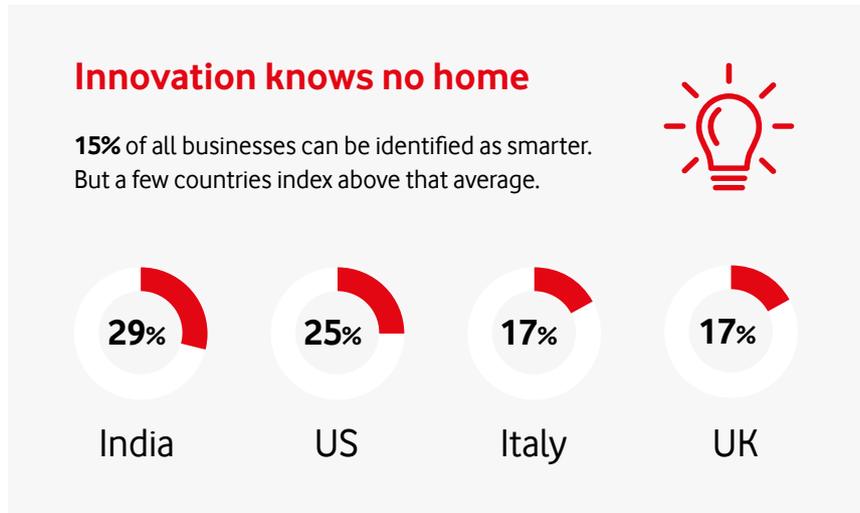
It shows that instead of fearing the complex supply chains and customer relationships that a culture of fearless innovation and growth can create, smarter businesses back themselves, confident that – with the right attitude, skills and technology – they can handle anything. Complexity is part of the cultural make up of a smarter business, but they have the attitude and ability to make the complex simple.

## Culture matters to smarter businesses

Smarter businesses don't shy away from risk, because they know the value of bravery to their business. Even complexity doesn't faze them. The benefit of this confidence is realised in results, with smarter businesses far more likely to expand, grow and deploy new products into new markets.

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“When the average organization is no longer surprised by disruption but instead uses it as a weapon of normal competition, it changes organizational dynamics. It changes the nature of strategic planning. It changes investment priorities. And it changes the technologies used to drive the future of business.” Gartner\*



## Building Block Two: Technology Advantage

Central to the smarter business technology approach is cloud. They see it as a key building block, an enabler of change and a way to unlock the power of truly future-ready tools to gain a competitive edge.

In many businesses, cloud technology is used and valued for delivering operational efficiencies and better cost control first, and for strategic differentiation second. Smarter businesses, however, see things the other way around. For them, technology is a means through which to realise their strategic objectives and give them a competitive edge. In fact, almost all smarter businesses (99%) agree that technology plays a pivotal role in making their people smarter.

### Smarter businesses use the cloud to accomplish more

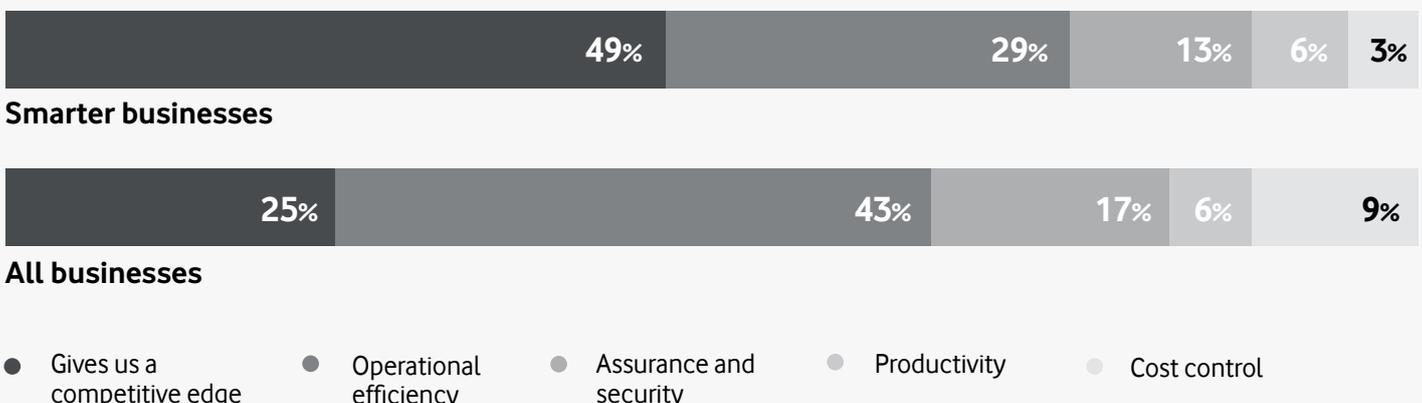
A smarter business' reasons for adopting cloud solutions goes beyond operational matters like flexible data storage and access. As Fig. 2 shows, while 43% of all businesses are likely to see operational efficiency as the most important business goal cloud enables, smarter businesses say it's gaining a competitive edge (49%) that drives them to use cloud.

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New applications and networks give us a better overall advantage on our competitors. The cloud enables us to take advantage of these.

**How to Build a Smarter Business respondent when asked how cloud would create an advantage for their business specifically**

**Fig. 2 Which of the following is the most important business goal that cloud services enable you to achieve?**



Likewise, smarter businesses differ from most others in where they see the primary advantages of cloud (see Fig. 3). Many businesses do use cloud. However, their approach is to take specific cloud technologies, services and solutions for tactical or operational purposes.

Smarter businesses, on the other hand, take a holistic approach. Indeed, the research shows us that **79%** of smarter businesses agree that cloud can deliver an advantage when used to host their core IT, against just **39%** of all businesses. But they also see how it can deliver an advantage when combined with emerging technologies. For example, **66%** of smarter businesses see an advantage in AI (against **34%** of all businesses), which is crucial in the drive to better capitalise on analytics and automation.

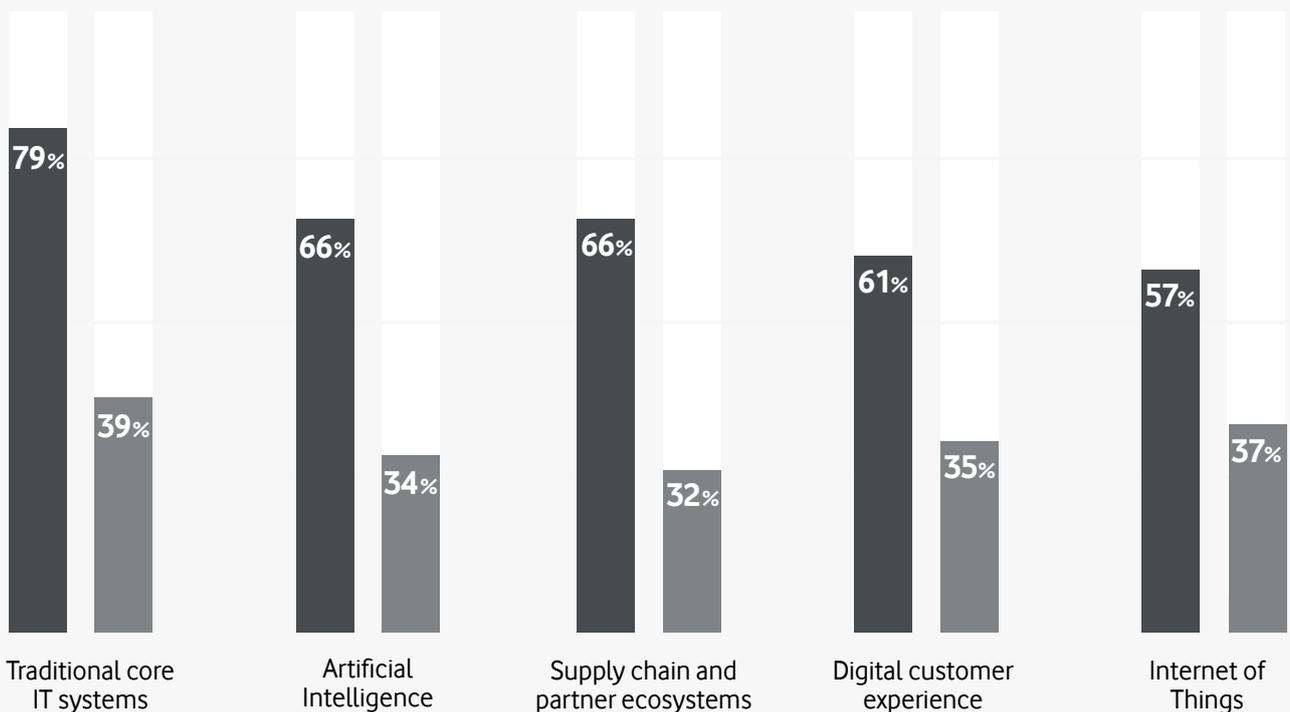
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Smarter businesses have the vision to use the cloud to their advantage across their IT estate. They go beyond saving money and boosting efficiencies. Instead they’re drawing on the power of cloud to enable their use of AI and the Internet of Things to further their use of analytics and automation, and improve the digital customer experience.

**James Griffin**  
Vodafone Cloud Evangelist

**Fig. 3** How strong an advantage do you believe cloud services can, or could, offer your business in the following areas?

● Smarter businesses ● All businesses



## Cloud going beyond efficiency

While most businesses believe cloud can help unlock greater efficiency in their day-to-day operations, smarter businesses realise that it can improve everything – from decision making, to customer experience, to new ways of working. This kind of focused cloud adoption is the foundation for true digital transformation, of the kind that can enable the realisation of high-level, strategic business goals.

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Preparing for the upcoming General Data Protection Regulation (GDPR) is top of every CIO’s priority list. A secure cloud will allay many data protection and compliance concerns, and allow for greater focus on innovation rather than fearing fines.

**James Griffin**  
Vodafone Cloud Evangelist

## Smarter relies on security and simplicity

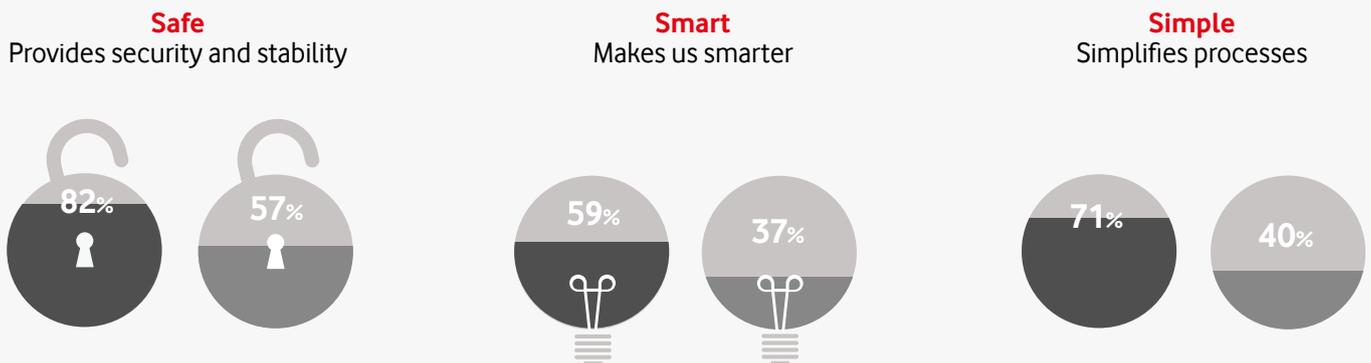
Being smarter is an attacking business mindset. It prioritises being on the front foot, getting ahead of the competition and being more proactive when it comes to technology adoption or new ideas. However, smarter businesses can only afford to be brave and forward-looking in their approach to technology because they have a robust, solid defence.

Accordingly, our research shows us that smarter businesses rate security and simplicity as ‘extremely important’ aspects of their chosen cloud solutions (Fig. 4). In part this may be because ‘smart’ is already an integral part of their business culture, so they don’t seek it in provider solutions, whereas other businesses might be turning to partners

and suppliers for their insight. However, perhaps more importantly, security and simplicity mean that these businesses can have the confidence they need to push ahead and take calculated risks.

**Fig. 4 Thinking about your company’s use of cloud technology, how important are the following in your choice of solution?**

● Smarter businesses ● All businesses



## Building Block Three: Skilled IT People

Businesses have more tools, data and solutions at their fingertips than ever before. To truly exploit them, they need skilled people.

To make the best use of technology, organisations need to understand not just how it operates, but how it can be deployed to transform the business and gain a competitive advantage. Making that happen relies on having skilled IT people who make technology work on a tactical level, and who think about what it can do on a strategic level.

Acknowledging this is a key building block of a smarter business. So while they face the same sourcing challenges as all businesses, they take a different approach to deployment, development and outsourcing.

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Over three quarters of IT leaders say that they are exploiting only a small amount of the intelligence their current systems provide. Smarter businesses have the vision and insight to know that acquiring skills is the best way to make more of their current IT estate.

**James Griffin**  
Vodafone Cloud Evangelist

## A smarter skills mindset

Although technology is vital, part of building a smarter business means understanding that technology alone is not the answer to strategic transformation needs.

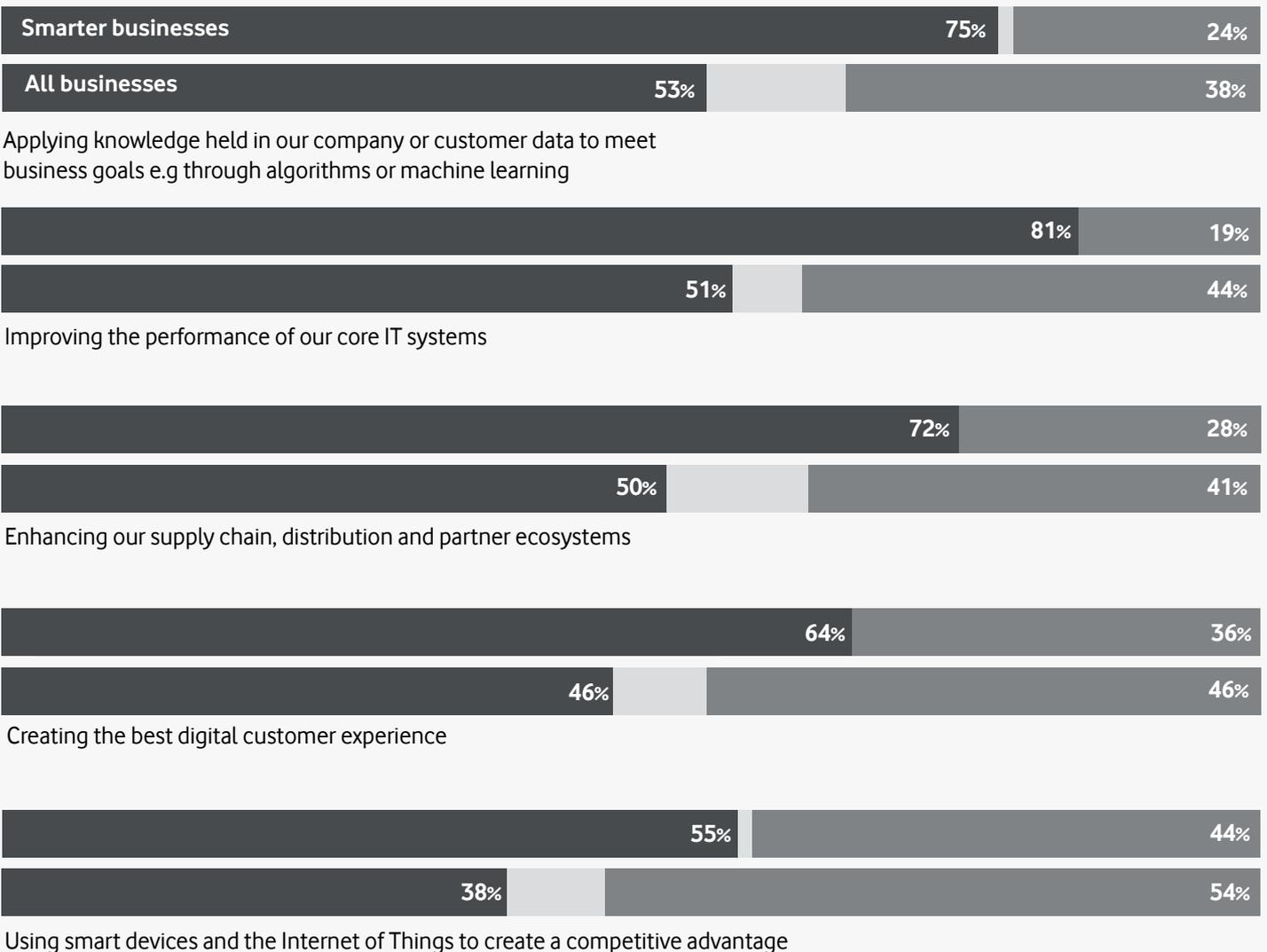
Two thirds (**66%**) of all businesses agree that they are at risk of relying too much on the acquisition of technology as a means by which to solve business challenges. However, despite this, many still instinctively view technology as the answer to a range of problems (see Fig. 5).

In contrast, **76%** of smarter businesses recognise that smart technology has no value without smart people. Potentially due to their inherently innovative nature, smarter businesses may already be further along the technology adoption curve and are now focused on getting the right people and knowhow to better capitalise on their systems and information.

As Fig. 5 shows, smarter businesses are far more likely to look to solve their business challenges by finding and applying the right skills, rather than relying on technology acquisition.

**Fig. 5 Meeting business challenges: a skills or technology issue?**

● Skills issue   ● Technology issue   ● Don't know



## The IT skills challenge

Understanding the importance of skills is only half the issue. Actually finding people with the new and changing skills required in the market is a sizeable challenge for all businesses (as Fig. 6 shows), with most respondents suggesting that they struggle to recruit the right people and cannot scale their resources fast enough to meet their goals.

This is actually a bigger problem for smarter businesses than it is for others, with **63%** struggling to recruit the right skills. However, unlike most businesses, they are approximately twice as likely to mitigate the effect of skills challenges by outsourcing generic tasks (day-to-day jobs such as maintenance and server management) and focusing their IT people in areas where they can use their skills and knowledge to make the biggest impact.

### Skills sourcing and application is crucial

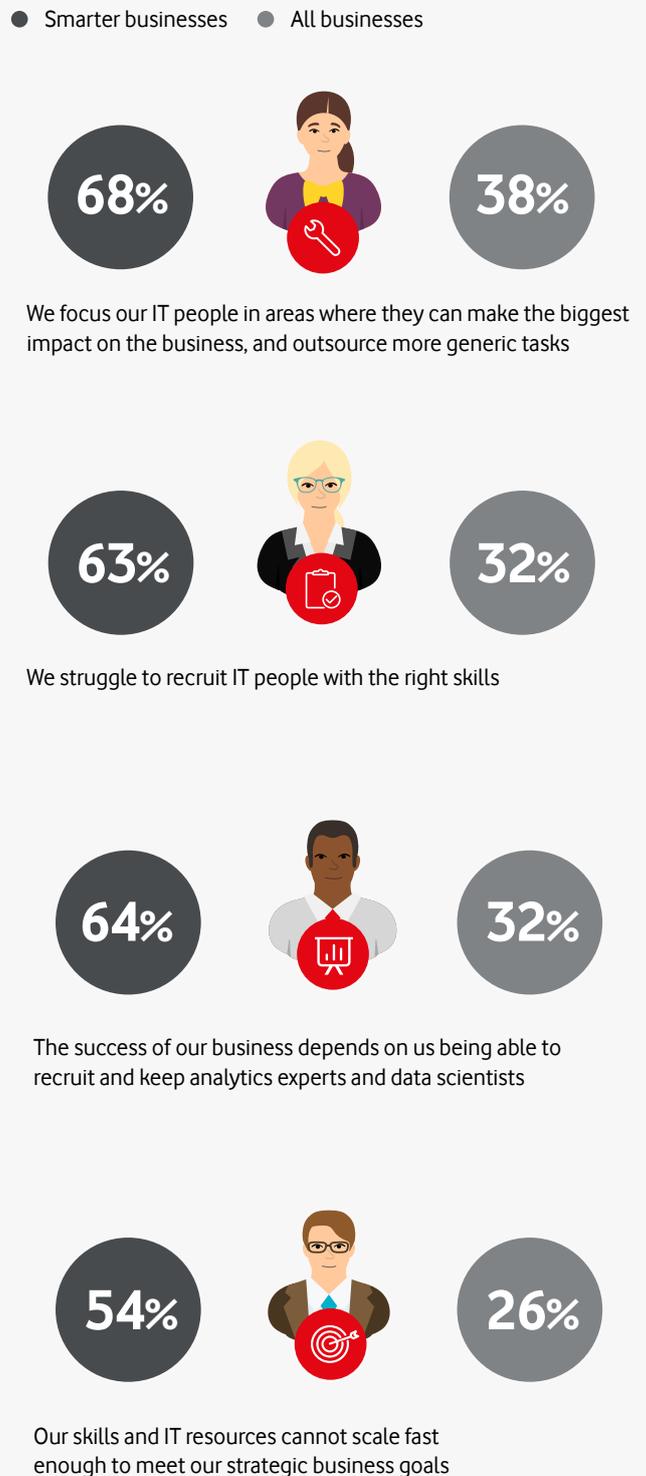
Smarter businesses know that they have huge potential in their IT, and that cloud can help them to achieve true transformation, fast growth and a competitive edge. But they also understand that if they're not placing their brightest minds in the best places to exploit that technology, they'll never realise their ambitions. This explains why **76%** of the IT leaders we surveyed believe that they only harness a fraction of the intelligence their current systems offer.

With that in mind, smarter businesses approach skills resourcing and talent allocation in the same way they do innovation: it's all about a culture of development, keeping the best IT minds in house, and turning ideas into realities to gain a competitive edge.

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“Digital disruption is a catalyst for innovation and business transformation, yet recognizing disruption and knowing what to do about it is an underdeveloped skill within enterprises.” Gartner\*

**Fig. 6 To what extent would you agree or disagree with the following statements about IT and business?**



## Conclusion: Ever Smarter

At the very start of this report, we said that the nature of business is ever changing, and that to succeed in such a ruthlessly competitive and innovative environment it's essential to draw on technology, skills and a brave business culture to become smarter.

But even if a business incorporates those three building blocks, the job won't be done. The pace of technological change means there are always new problems to solve and new ideas to make real.

Successful, smarter businesses remember that. They know that transformation has no start or end, and instead rightly view it as an iterative, living process that is defined by ambition, vision and aspiration.

The smarter businesses of today will never stop innovating. For the rest, there is a choice: lose that crucial competitive edge, or join the smarter businesses on their journey by adopting a confident culture, embracing a cloud that will offer a technology advantage, and finding the skilled IT people to unlock its strategic benefits.

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Businesses have more challenges to contend with than ever before. Sometimes the answer is not always more intelligence or solutions. It's about better exploiting data, boosting the systems already in place and preparing the ground for the future. That's why I think it all starts with cloud at the foundation of the business.

**James Griffin**  
Vodafone Cloud Evangelist

Read our Insight Papers on cultivating an innovative business culture, embracing cloud and identifying the right modern IT skills to learn how your business can become smarter.



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