

## CEO Care-about

### Insights and Observations from Customer CEOs

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Cisco has deep, sustaining relationships with CEOs of the world's largest companies. In particular, Cisco's global consultancy, the Internet Business Solutions Group (IBSG), has nurtured a trusted opportunity to continuously and intently listen to customer executives, understand their business challenges and industry transitions, and offer suggestions on how to address them.

The purpose of this document is to provide an aggregated view of recently observed CEO concerns, serving as a point of reference to help frame discussions in customer engagements around business problems that can be solved by technology.

IBSG Communications Strategy Practice (CSP) is uniquely positioned to provide cross-industry insight gathered during CEO peer-to-peer forums, CEO Exchange meetings, and select Executive Briefing Center customer meetings. For instance, for the past 10 years, CSP has driven the Cisco® CEO.CIO Leadership Council—a hallmark Cisco forum that brings together CEOs and senior IT strategists from Global Fortune 500 companies for three days of interactive discussion. Additionally, CSP prepares materials and participates in CEO Exchanges and readouts, enabling us to draw from and communicate insights from these key briefings between Cisco's CEO and our customers' CEOs.

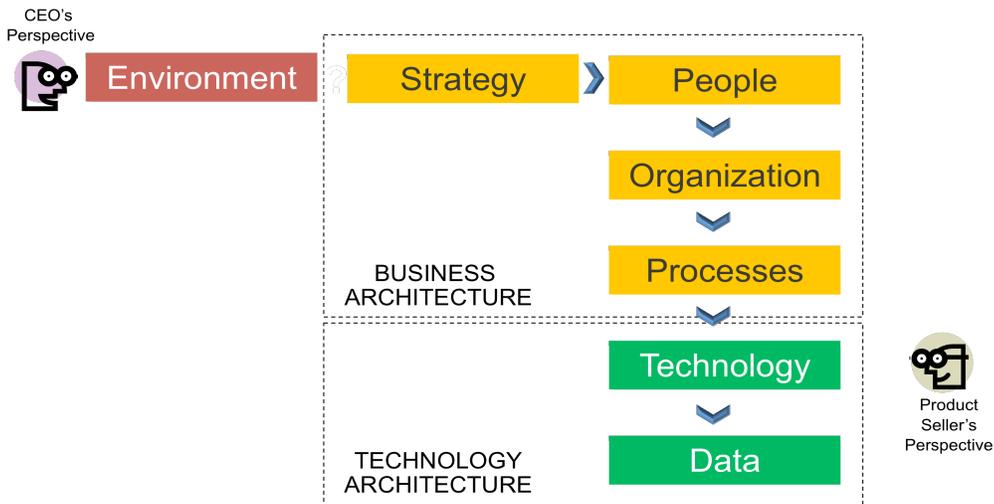
As illustrated below, CEOs' assessment of business problems starts with what they are sensing in the external business environment. They ask, "What is going on in the market, and do I have the right strategy to compete?" They then formulate and sustain business architectures that coalesce strategy, people, organization, and processes to execute the organization's long-term vision.

The opportunity for Cisco is to understand what the customer is trying to achieve, using a business architecture, and to help identify (and match) the required underlying technology architecture—integrated sets of Cisco products—that will address the needs of the business (see Figure 1).



Cisco Internet Business Solutions Group (IBSG)

Figure 1. Components of Business and Technology Architectures.



The following qualitative insight is based on dialogue during the 2011 CEO-CIO Leadership Council and recent IBSG-led CEO Exchange engagements. This synopsis captures several business environment concerns of CEOs, including:

- Customer relationships
- Energy
- Globalization
- Growth
- Innovation
- Operational excellence
- Security

While Cisco priorities and technology architectures are highly relevant to these topics, this synopsis is written from the perspective of a CEO to provide an unfiltered view into his or her concerns.

## Customer Relationships

- **More one-to-one contextual messaging, differentiation**
- **Collaboration, access to experts anywhere, anytime**
- **Social media, mobility, media / video**

Many CEOs view differentiation as a top priority. Value-added services, social networking, video interaction, and more-contextual, one-to-one relationship activities are seen as ways to differentiate the customer experience. Social networking, in particular, is understood by companies with high brand equity as the new way to immediately understand customer feedback. Legacy branding that worked with an older generation simply will not attract the Millennial Generation, which is influenced in a new way.

Along the chain of business processes on which the customer experience depends, companies continuously seek ways to improve how they manage the customer relationship to gain an edge on the competition. Social media, video-based remote expert interactions, and mining of customer data provide critical data that can help realize this goal.

Customer relationship management and the movement toward an enterprise view of the customer are not new. However, companies are now taking customer relationship management to the next level by focusing on total customer equity and value. CEOs from data-savvy organizations are applying analytics to customer experience, service, and social media influence, and turning it into informational insights. These same organizations, looking for shorter cycles to realize value from these insights, are modifying organizational governance to drive a growing depth of knowledge about their customers.

## Energy

- **Intelligent consumption**
- **Sustainability**
- **Energy management**

Noted economist Nouriel Roubini recently stated that a new global energy plan would be one of the building blocks for a robust economic future. The problem is that not much attention is being paid to the macro issues involving energy. At a recent meeting, one CEO observed that while most people know their IT budget, few know their energy budget, even though the latter is typically higher than the former. He cautioned that corporate energy consumption was quickly approaching levels that would produce unfortunate natural consequences. He suggested that with China's staggering growth, there would be a convergence of intelligent consumption, a logical deployment of nuclear energy, and an overall rethinking of the energy model. He also said that price would be a catalyst for change.

At the same time, others believe that corporations will drive energy efficiencies through an optimized supply chain. Fundamentally, organizations are designing efficiency into their core components—an essential approach for anyone building new data centers or expanding compute capacity today.

Innovation is happening around extended material use, with a move toward sustainable materials that are 100 percent recyclable or environmentally beneficial. Many organizational leaders are making public commitments to reducing their carbon footprint.

## Globalization

- **Data center**
- **Virtualization**
- **Cloud**

Although not a new topic, globalization is now ready to provide a much greater impact for large corporations and multinational organizations. Solutions and pay-as-you-go private/public cloud infrastructures now offer various options and allow flexibility in configuring solutions to specific needs. A more collaborative world is accelerating the need for globalization because the source of innovation can be anywhere. CEOs are determined to take full advantage of

globalization through the ability to communicate in real time, with common tools and rich video experiences.

Executive leaders are ready to integrate services to enable globalization and create an environment in which IT can handle large amounts of data and simultaneously synthesize that data into knowledge.

Globalization goes beyond communications to mission-critical situations in which information must be in the right place, at the right time. Examples include a field engineer who requires real-time access to schematics to keep a gas turbine running, or an oil-rig engineer who uses a mobile device to review sensitive process steps moments before implementation. Another example is the need to optimize the entire supply chain to achieve aggregate value and productivity for customers and the workforce.

Fundamental to growth is effectively using and applying new technology to every business problem that may occur as people interact. Whether organizations are ready or not for new technology, they need to explore the value. Technologies give organizations the ability to expand and operate globally because they allow customers, partners, suppliers, and shareholders to interact better and work more productively.

## Growth

- **Job loss**
- **Job creation**
- **China, India**

There is guarded optimism among CEOs concerning global economic growth. Many economists see existing Western markets growing in the low single digits while emerging markets are still seeing low double-digit growth. The biggest concern is over continued job loss. Some global leaders see job creation as the biggest issue facing the global economy. President Clinton has made job creation a cornerstone of his next gathering of global leaders and luminaries at the Clinton Global Initiative.

Few global growth opportunities can match the potential of India and China. The debate on how to compete in India and, especially, in China creates emotional and sometimes heated exchanges among business and political leaders on the best next steps to take toward achieving prosperity.

India is the largest democracy in the world but also boasts the biggest middle class and greatest number of people living in poverty. Like China, India has to find a way to link these two populations in a way that will bring stability.

China is eager to develop its own brand identity. The country is changing and looking inward to stabilize its domestic markets. In 2010, for example, the largest single source of IPOs came from China; there is tremendous entrepreneurial, innovative activity in the Chinese economy.

Doing business in India and China requires the time to create a local presence. As in the United States, where the go-to-market approach for businesses in Florida might be different from that of California, China encompasses many different provinces, each of which requires a region-specific approach to market. Those intricacies in cultural aspects are key, and organizations

wanting to succeed must have local leadership (not just employees) that understands this dynamic.

Regulators are aware of CEOs' concern about the evolution of competition policy in India and China, and the potential for competition policy to be used as a tool to protect markets.

Global CEOs agree that India and China are too large to ignore. How companies grow in these two markets will vary from industry to industry. On one level, all organizations will need to work with regulators and politicians to create positive platforms for trade. At the same time, entrepreneurs will have wide swaths in which to create unique business plans to accelerate growth.

## Innovation

- **Collaboration**
- **Talent pools**
- **Time to market**

When assessing the company's ability to innovate, CEOs need to consider three stages of innovation:

- **Invention**—creating new concepts and ways of doing things
- **Adoption**—finding the best choice
- **Execution**—making it happen

The challenge CEOs face with innovation is that their organizations are not culturally equipped to manage all three stages well. Adoption is generally the most difficult for companies because more resources are focused on execution (delivering products and services) or invention (exploring new ideas and creating new products and services). Organizational silos and company cultures, which often lack the ability to be open and collaborative, typically inhibit companies' ability to achieve effective follow-through, from invention to execution.

CEOs are challenged with prioritizing how best to build, buy, and or/acquire assets that will help the organization effectively compete over the long term. Companies today accept the notion that innovative ideas will come from outside the company, possibly from customers through social media tools. However, they struggle with legacy cultures not generally open to external ideas. With creative talent pools spread across the globe, companies require technology that promotes improved collaboration so that they can compete effectively and tap external sources for new ideas. Companies fail at innovation when they fail to collaborate effectively. CEOs are interested in understanding how their organizations can innovate and bring new products and services to customers faster and more distinctively than the competition. Technologies that enable better collaboration can advance innovation cycles.

## Operational Excellence

- **Productivity**
- **Profitability**
- **Communications**

Companies rise and fall through operational excellence—one of the most critical factors by which CEOs are measured and remembered. Organizational structure, processes,

management functions, and supporting technology need to evolve continuously at a pace slightly ahead of market transitions and customer business needs. This is often difficult to achieve because legacy models, which may have proven successful for one time period, may not necessarily apply to the next. People can become too comfortable with “what works” without sensing imminent and subtle inflections. The practice of healthy (rational) paranoia, based on facts and rigorous analysis, can prevent such behavioral pitfalls and help companies operate precise sensing mechanisms.

How well organizations process information, make decisions aligned with their customers’ needs, and manage costs determines how profitable they can be. And profitability is the signpost to operational excellence because it means people are focused, processes are optimized, and costs are under control. People also need to know where best to prioritize. This orchestration requires people to communicate effectively with each other—not just anywhere, anytime, but at the right time. That is productivity. Management can best align people to execute on the company’s mission through effective communications. A large organization can feel smaller and flatter if management teams are more visible and accessible. This is progressive and strategic executive communications at work. Video and web collaboration tools, combined with executives who believe in the value of continuous and relevant communications, can make this happen.

Operational excellence is achieved by many factors working in concert: organizational culture, sensing mechanisms, technology, and management discipline, to name just a few. Technology, however, is often the underlying foundation required for success, and it is the IT department that essentially manages the critical determinants.

## Security

- “WikiLeaks”
- Data protection
- Vulnerabilities

Can a “WikiLeaks” scenario happen in your company? A prominent corporation recently went through a discovery process and found that 13 people had access to everybody’s data—and a few of them did not work for the company.

In a recent meeting with Global 500 CEOs, Cisco Chairman and CEO John Chambers suggested that most CEOs are probably unaware of how aggressively their company information is coming under attack, and that data security is the biggest issue they must address. There might be structured attacks from rogue nation states, or attempts made by loosely organized hackers. CEOs are realizing that security must be developed along the entire network, from individual devices to the core.

One corporate executive added that the number of malicious attacks on his company’s environment in 2010 was double that of 2009. Now, the game is all about how quickly you can identify the attack, contain it, and then recover, because attacks are going to happen. Education of employees remains a hugely valuable tool; in a typical attack, upwards of thousands of employees can click on a file that they never should have opened. There’s a lot of great technology for battling cyberattacks, and it will continue to evolve. But if companies don’t couple the technology with a solid business process, and align employee behavior with that process, they will always remain vulnerable.

Organizational leaders are faced with a stark reality that security threats will only increase. A holistic and unified security approach will ensure that the IT and security strategies are consistent with the organization's overall vision and goals— regardless of the implementation strategy.

The opportunity is to fundamentally strengthen the overall approach to security, and to embed more resilience into core operations. At the same time, there is a need to develop an all-encompassing, unified risk-management vision that is aligned with all functional areas to accomplish core organizational objectives and preserve the confidentiality, integrity, and availability of critical resources.

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### More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

For further information about IBSG, visit <http://www.cisco.com/go/ibsg>.

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### Cisco IBSG Communications Strategy Practice

The Internet Business Solutions Group (IBSG) Communication Strategy Practice (CSP) develops and scales visionary, innovative thought leadership that positions Cisco as a trusted business adviser with CXO executives across the enterprise, public sector, and service provider markets. With Cisco's customers at the core, CSP drives integrated campaigns across the entire communications and marketing lifecycle—from strategic planning, to content creation, to storytelling, to delivery. Knowledgeable about evolving communication strategies, CSP has created competitive advantage for global organizations through the innovative application of those standards in customer engagements and beyond. The seasoned professionals in this group understand the unique characteristics of CXO-level communications and value drivers that are necessary to influence senior executives as well as to package and deliver content in a crisp, precise, and relevant manner.

For further information about IBSG CSP, visit <http://www.cisco.com/web/about/ac79/custprog/overview.html>



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