



THE EXECUTION CHALLENGE FOR A NEW DECADE

HLB INAUGURAL SURVEY
OF BUSINESS LEADERS



TOGETHER WE
MAKE IT HAPPEN



CONTENTS

FOREWORD FROM THE CEO	4
KEY FINDINGS	5
REASONS TO BE CONFIDENT, REASONS TO BE WARY	6
NEW BUSINESS MODELS FOR A NEW DECADE	10
READINESS TO ADAPT AND THRIVE IN TURBULENT TIMES	14
HARNESSING TECHNOLOGIES TO SUCCEED IN THE 2020S	16
THE EXECUTION CHALLENGE AND HOW TO BRIDGE THE GAPS	20
HERE ARE FOUR QUESTIONS YOU SHOULD BE ASKING YOURSELF:	22
RESEARCH METHODOLOGY	24
HLB CONTACTS	27

FOREWORD FROM THE CEO

HOW DO YOU PREPARE YOUR BUSINESS WHEN YOU'RE OPERATING IN A TIME OF PROFOUND CONTINUING UNCERTAINTY AND AN ACCELERATING SPEED OF CHANGE?

In HLB's Inaugural Global Survey of Business Leaders, we explore the effects of today's business issues on C-suite executives and their view on the international marketplace as we enter a new decade.

We put ten questions to 368 business leaders in five continents to learn what worries them and what gives them reason for optimism. We found alarming levels of pessimism when we asked about the global economy, contrasted by surprising amounts of confidence in business leaders' own ability to generate growth. Today's risks to business are complex and interrelated, with economic uncertainty considered the top concern by 68% of those we surveyed. Yet, some optimism seems to come from the opportunities economic, geopolitical and trade disruption bring. And as the world continues to transform through tech innovation, 57% of respondents trust technological advancements to help overcome future cross-border business challenges.

So, what will success look like in the 2020's? We found that business leaders are well aware of the characteristics of successful business models of the future. They expect them to be on the Cloud, mobile with a flexible workforce and have shared ownership, among other things. However, our findings suggest leaders are not yet making the adjustments needed to adapt their own business models. This begs the question, as we enter the new decade, are business leaders facing an execution challenge to future success?

We would like to thank all the business leaders who gave their time to respond to our questionnaire. We hope this report brings you insight and new ideas on tackling your business challenges in 2020. If you would like to discuss any of the findings or issues raised in our report, we welcome the opportunity to do so.



Marco Donzelli
Global Chief Executive Officer, HLB



10

QUESTIONS

368

BUSINESS LEADERS

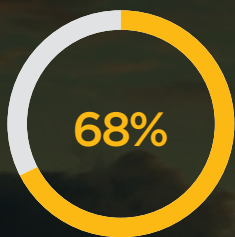
5

CONTINENTS

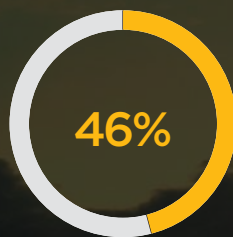


KEY FINDINGS

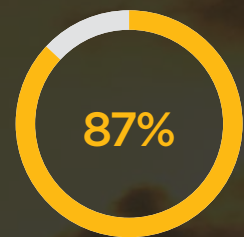
BUSINESS LEADERS ARE OPERATING IN TIMES OF PROFOUND UNCERTAINTY



68%
rank economic uncertainty as a top risk to their business

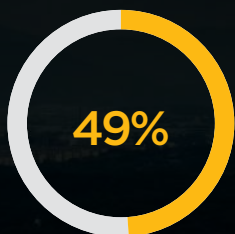


46%
expect global economic growth to decline in 2020

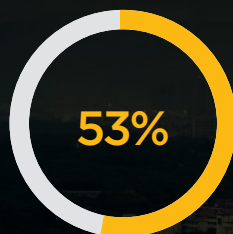


87%
remain confident about own ability to grow revenue over the next 12 months

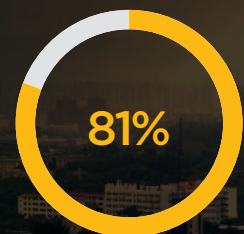
ADAPTING TO NEW REALITIES IS KEY TO SUCCESS IN THE 2020'S



49%
agree that changes in long-standing trade agreements will create new opportunities

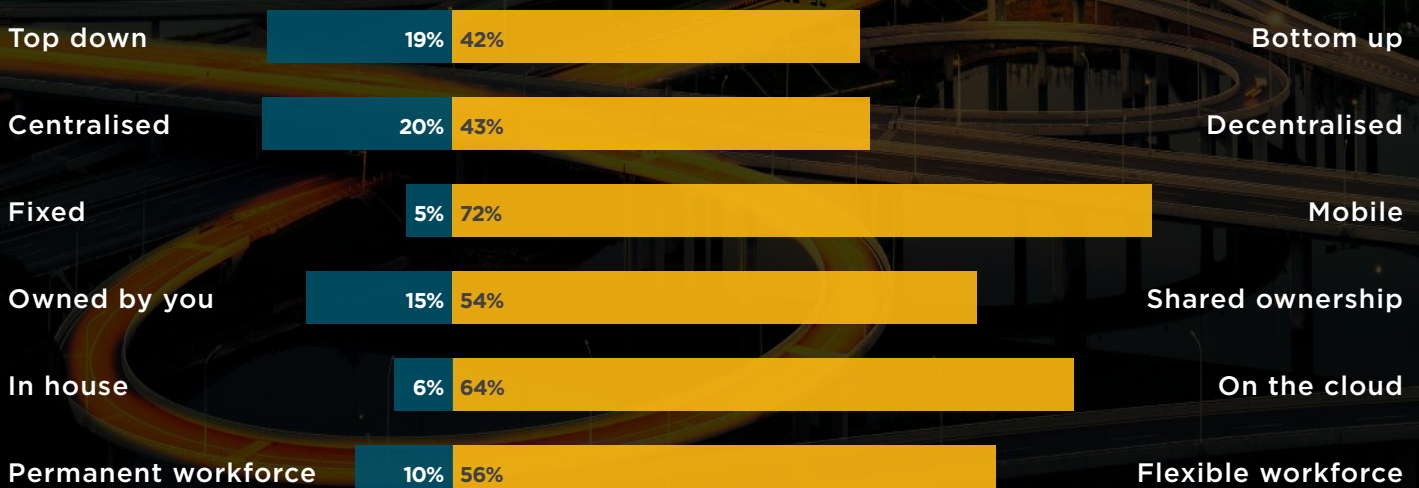


53%
are using market research to stay abreast of rapidly changing consumer behaviour



81%
are exploring more flexible work arrangements to attract and retain future talent

CHARACTERISTICS OF SUCCESSFUL BUSINESS MODELS OF THE NEW DECADE



REASONS TO BE CONFIDENT, REASONS TO BE WARY

THIS IS A TIME OF PROFOUND ECONOMIC AND POLITICAL UNCERTAINTY.

In recent years, business has been troubled by unforeseen political developments, and unsettled by rapid technological change. Strikingly, while most feel confident in their own companies' ability to grow revenue in the next twelve months (58% somewhat confident, 29% very confident), business leaders display a remarkable lack of confidence in the strength of the world economy. 46% expect global economic growth to decline over the next twelve months, with barely 16% optimistic that the world economic growth rate will increase. 2020 growth forecasts from The Economist support this pessimism, and the view that this coming year will be little better.¹

So, why such pessimism?

The risks identified by business leaders are complex and interrelated. They range from macroeconomic and geopolitical trends, such as slowing economic growth and social instability, to the disruptive potential of new technology.

When asked to identify the risks that most concern them, nearly 68% of respondents cite 'economic uncertainty', with 23% stating that they are 'very concerned'. This is not surprising. Ten years since the global economic crisis, many institutions report that instability still persists. The IMF's forecast for the last quarter of the decade remains at the lowest level since 2008-09.²

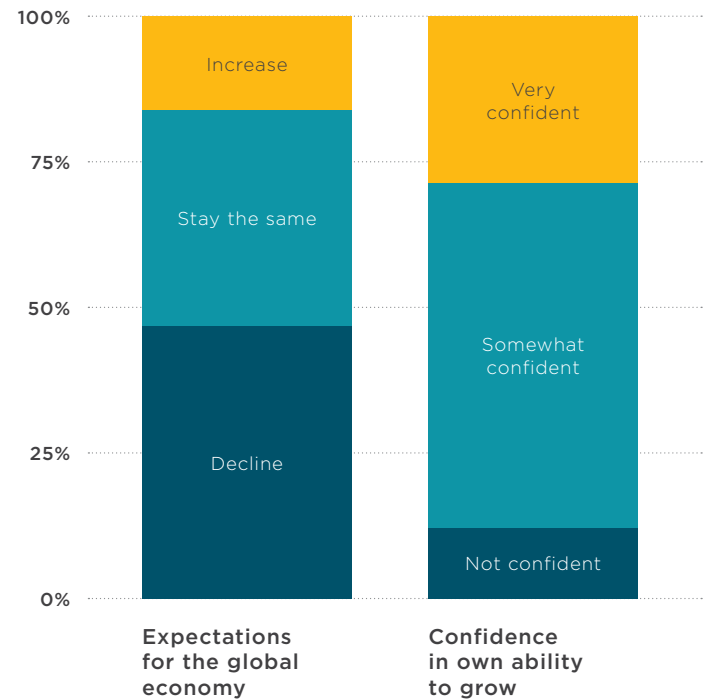
In addition to being troubled by the state of the economy, 49% of business leaders cite geopolitical uncertainty as a worry, with 15% stating that they are 'very concerned'. Political and trade development in recent years, for example Brexit and the USA's trade disputes with China, will continue to affect the world economy in the 2020s. The possibility of trade flow disruption, an inevitable consequence of geopolitical instability, troubled nearly 48% of respondents. According to Political Risk Advisors, Eurasia Group, "2020 will prove a tipping point moment in international politics", as China and the US move further apart from each other on technology and developed world countries become more polarized.³

Business leaders are also concerned about the future impacts of regulatory change (54%) which, as markets continue to fragment, will create further complexity for those operating in more than one jurisdiction. Worldwide, there is a trend away from global decision-making and cross-border regimes. We can expect to see a greater regulatory divergence in the decade ahead, as individual markets and regions tailor regulations to their needs.

So far however, the majority of business leaders said they are currently able to access the skills they require - despite recent economic, geopolitical and trade challenges - access to talent remains a key concern for business leaders, with 52% citing issues regarding access to talent as a potential risk to their business. This is understandable, given today's competitive labour market and unpredictable political situations, which threaten to further restrict the free movement of people between countries.

Figure 1: The global economy is rocky, but we'll be fine

Q. Do you believe the rate of global economic growth will change in the next 12 months
Q. How confident are you about your company's ability to grow revenue over the next 12 months?



There is a risk that, as trading blocs such as the TPP and EU fragment, governments may adopt increasingly protectionist stances, making it more difficult for companies to hire internationally. 37% of respondents state that they are concerned by the prospect of protectionism.

Additionally, over half of business leaders are troubled by cyber security issues. As companies grow ever more reliant on tech, the need for businesses to ensure that their security regimes are watertight becomes ever more important.

Surprisingly, only 28% of respondents stated that they were concerned by environmental and climate issues – this despite the inevitable impact of decarbonisation in the automotive and energy industries. Treating climate change as a ‘far-off’ risk is a mistake, according to McKinsey & Company, who see its economic impact as real and growth prompting immediate action.⁴

ADAPTING TO SURVIVE

Business leaders understand that, if businesses are to thrive, they must adapt to changing circumstances.

The political and economic worlds remain in flux, and there is much for businesses to adapt to. As we shall see later, the advent of new technologies demands that companies find new ways of doing business.

Increasingly, companies are faced with a choice - to integrate new tech into existing models or rethink their business processes entirely. The application of digital technology throughout the value chain has the potential to completely transform a business; improving efficiency, making better use data for business intelligence purposes and ultimately increase customer satisfaction. There is no area of business that is not affected by the digital revolution. As we will see below, companies that are able to optimise cutting-edge technology will have an inevitable advantage over businesses wedded to outmoded systems.

44%

OF BUSINESS LEADERS
PLANS TO LAUNCH NEW
PRODUCTS OR SERVICES
IN THE NEXT 12 MONTHS



LOOKING INWARD

As noted, despite foreseeing a rocky year for international markets, the business leaders we surveyed are largely optimistic when it came to their own companies. 58% state that they are somewhat confident in their company’s ability to grow revenue over the next twelve months, with 29% stating that they are very confident.

Perhaps unsurprisingly, the survey found a common focus on improving operational effectiveness – with 59% of business leaders stating that they are focussed on improving their company’s operational efficiency in the next year.

In a time of uncertainty, should it be a surprise that business leaders are more likely to be looking inward, with a focus on improving service, and maintaining existing customers, than outward, to new business and new markets?

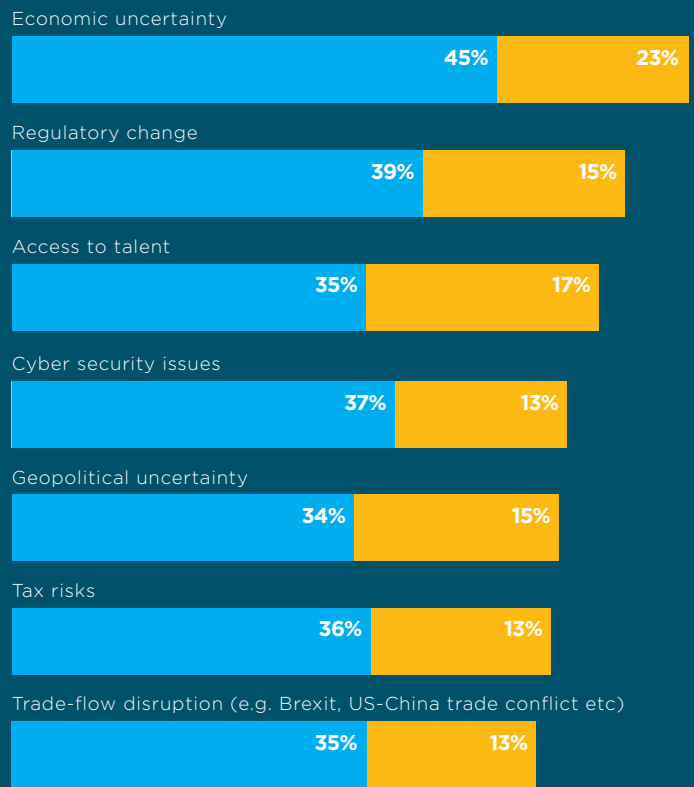
As the COO of a large capital projects and infrastructure company told us, his priorities included:

“(looking) for improvements and operational savings, (and) continuous improvement of service with current customers.”

Yet, we have to ask: given current market turbulence, and the rate of technological change, are business leaders focused on the right things? In short, are companies doing enough to deliver the changes they need, and the growth they want?

Figure 2: Economic uncertainty trumps trade as the risk of highest concern

Q. To what extent do the following risks to your business concern you?



SIMPLE AND STEADY

We can infer from our survey that most business leaders intend to focus on maintaining stability, doing their best to minimise disruption to their businesses, despite the economic and political uncertainties we have described.

As the CEO of an Indian financial services company put it: “We are keeping it simple and steady (...) Evolving on product and customer experiences and reading the clients’ mind-set is (a) top priority for us. We are going all out to collect client testimonials with good or not so good reviews. That is going to be the key for our future.”

Business leaders are not necessarily averse to change. Almost 42% of all respondents state that they are focused on innovation, and around a third state that they plan to adopt emerging technology within the next twelve months.

Business leaders understand that operating models are evolving, and that they cannot afford to continue doing business in the same way indefinitely.

Though we do not pretend to see the future with any clarity, we can make educated guesses about the forms businesses will take in this new decade.

“(WE ARE) IMPROVING OPERATIONAL EFFECTIVENESS, DEVELOPING DIGITAL MARKETING AND FORMING CLOSE RELATIONSHIPS WITH STRATEGIC CUSTOMERS.”

CFO, UK, MANUFACTURING INDUSTRY



NEW BUSINESS MODELS FOR A NEW DECADE

THE BUSINESS LEADERS IN OUR SURVEY CLEARLY IDENTIFIED THE CHARACTERISTICS OF THE SUCCESSFUL BUSINESS MODELS OF THE FUTURE.

They are aware of new ways of working, and the challenge of adopting models better suited to today's business environment.

There exists a degree of consensus as to the new shape businesses will take. Across all sectors, business leaders see organisations becoming more flexible, less rigid and less hierarchical. These evolving changes are enabled, to a large degree, by ongoing advances in digital technology.

Business leaders understand that the international business environment is evolving rapidly, but on the whole they feel optimistic about their ability to weather the storm. Business leaders tend to believe that this upheaval in world markets will create new opportunities. 49% of respondents believe that changes in long-standing trade agreements will create new opportunities for business. Notably, only 12% disagree with this statement. Similarly, 43% of respondents believe that changing trade arrangements are exposing new investment opportunities not available previously.

So, why do business leaders feel so optimistic? 57% agree that technological advancements will help overcome any future cross-border business challenges. Most business leaders are investigating new operating models, and understand that technology has rendered old ways of doing business obsolete. Inevitably this will entail a certain degree of trial and error.

Technological advance will allow for the development of lighter and more efficient operating models, continuing a trend that began with the advent of the internet. 43% of business leaders believe that businesses of the future will be less centralised, and 42% believe that companies will become less top-heavy.

In addition, Cloud technologies will allow for greater decentralisation of resources, allowing businesses to adopt more flexible models. This will enable greater opportunities to outsource, and allow employees greater professional flexibility.

Increasingly, businesses are deploying independent workers on more short-term engagements to complete specific projects, "adapting more flexible working practices that are far more reactive", as the CEO of a family-owned real estate company put it. Nearly 3 in 4 respondents state that they are seeking out talent with broader skillsets. Perhaps this is indicative of a movement toward the hiring of those with broader skillsets in-house, and the use of specialists on a contract basis.

Consistent with the trend toward more-flexible operating models, employers foresee their companies becoming more resource-light, making extensive use of opportunities afforded by Cloud technologies.

The Cloud is no respecter of international borders, and increased potential for international cooperation will hasten the development of a new, pan-national business environment, where companies - rather than operate different offices in different countries - may simply straddle borders, operating as a single entity in different jurisdictions.

81%

OF BUSINESS LEADERS ARE EXPLORING MORE FLEXIBLE WORKING ARRANGEMENTS

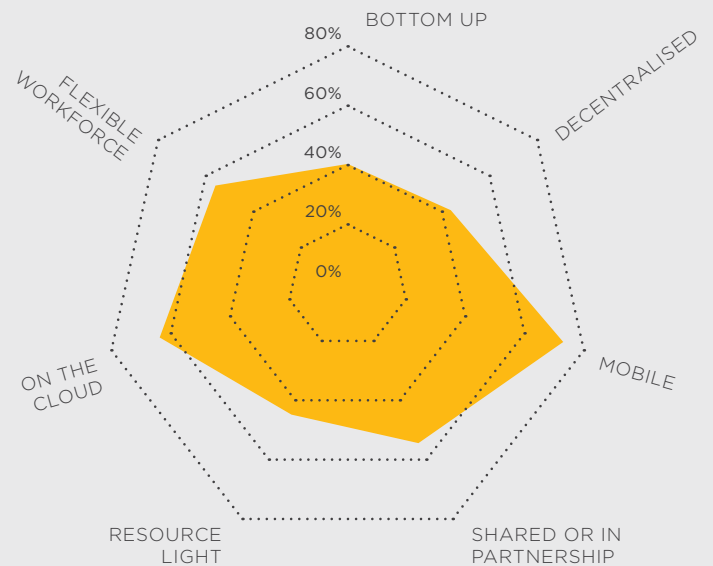
It is clear from our survey that businesses are evolving toward a more bottom-up model, where initiative is increasingly taken at lower levels of an organisation. 56% of those surveyed believe that the workforce of the future will be more flexible, as opposed to a mere 10% who see workforce in successful companies becoming more permanent.

Leading adapters are ahead of the pack in terms of employment practices. 81% of business leaders state that they are exploring more flexible working arrangements in order to attract and retain talent – just over one in four ‘strongly agree’ with this statement. Remarkably, only 4% state that they are not exploring such arrangements. The trend toward flexible working is cited repeatedly by business leaders.

Describing how he foresees his business being organised, the CEO of an Australian manufacturing company states that there will be: “more emphasis on supervisors and outsourcing...(especially) trades and unskilled.” He also foresees increasing “informal partnership(s) with key sub-contractors”.

Figure 3: Characteristics of the successful business model of the future

Q. What will be the characteristics of the successful business models of the future?



INCREMENTAL IMPROVEMENT

Implementing change takes time, so we asked business leaders about their areas of focus in the upcoming 12 months. As we have seen, our survey reveals that business leaders are primarily focused on improving operational efficiency

Business leaders are more concerned with improving existing processes than preparing their companies for the revolution ahead.

While business leaders recognise that operating models are changing, the survey gives little sense that they are seeking to implement any large-scale changes in their current modes of business.

It is clear that business leaders prioritise awareness, but their responses indicate a cautious attitude toward the implementation of new processes. We might infer a 'wait and see' attitude from the business leaders we surveyed, as the implications of current trends - and the most effective ways to implement revolutionary new technologies - are worked out.

In short, it seems that companies are focused on optimising - or fixing - existing processes, rather than adopting models more consistent with the demands of the contemporary economy.

As we have seen, there exists a consensus that successful business models of the future will be more 'resource light' and 'bottom-up'. Departments will employ fewer staff and become increasingly reliant on input from the bottom-up to inform company strategies ('smaller and more focused' as one respondent put it).

MOVING TOWARD THE FUTURE - SLOWLY

Unsurprisingly, reducing operating costs is a bigger priority for CFOs than CEOs. As companies evolve toward more flexible and resource-light models, we are likely to see businesses contract naturally.

How are businesses to maintain competitiveness and profitability while ensuring they are ready to face the challenges of the future?

59%

OF BUSINESS LEADERS
AIMS TO IMPROVE
OPERATIONAL EFFICIENCY
IN ORDER TO GROW



In addition to improving operational efficiencies, CEOs differ slightly in their intentions, as their focus for future growth is on launching new products or services, building organic growth and investing in the human capital for the business.

The CRO of a transport and logistics business states that they hope to anticipate changes, and thereby: "... be a change agent and not a follower."

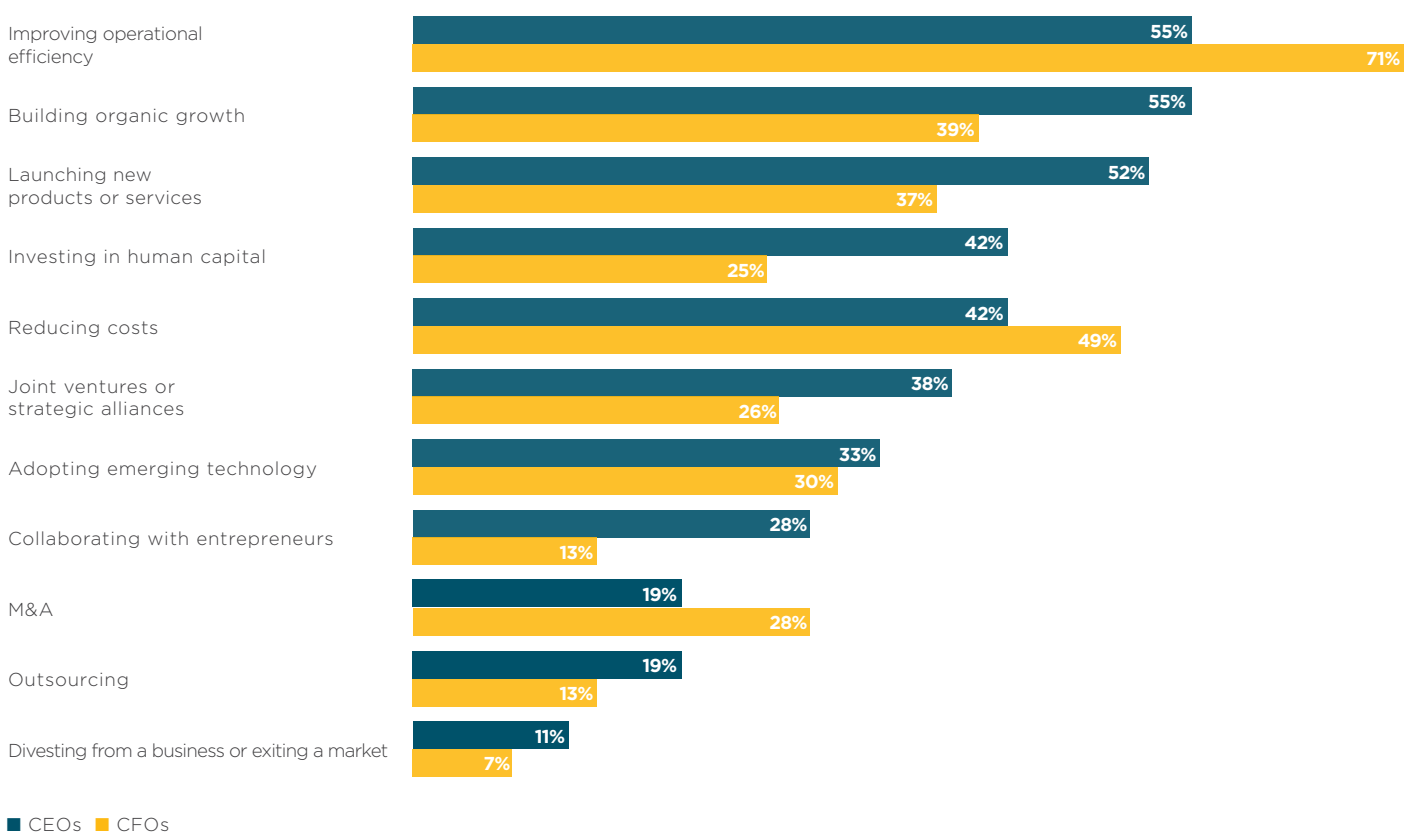
The CEO of a Chinese energy company, states that their priorities are to: "(i)ncrease market research, focus on talent collection, adapt to policy changes, improve investment strategies, and strengthen customer contacts and services" Perhaps this reflects a general focus on

information-gathering in the immediate future. Business leaders sense that the market and technology are in a state of flux, and are more-concerned about discovering the full implications of current trends, rather than actually implementing change, at least, for the time being.

Intriguingly, despite awareness of the increasing importance of outsourcing – and decentralised operating models generally - only 15% are seeking to utilise outsourcing in the coming year.

Figure 4: Actions business leaders are taking to grow in 2020

Q. Which of the following actions are you planning to take in the next 12 months, in order to grow?



READINESS TO ADAPT AND THRIVE IN TURBULENT TIMES

BUSINESS LEADERS ARE CONFIDENT THAT THEY CAN ADAPT TO ACCELERATING CHANGE IN BUSINESS CONDITIONS TO THRIVE IN TURBULENT TIMES.

Turbulence can bring opportunities, as companies are forced to reassess priorities and their ways of doing business. Business leaders recognise this and understand that companies who are ahead of the curve will be able to take advantage of evolving circumstances, and seize opportunities.

Supply, in particular, is sensitive to turbulence. Turbulence can cause supply issues, but can also create new supply opportunities as new sources compete to fill gaps.

Companies need to ensure that chains of supply are flexible and can be maintained when unexpected events occur. If business leaders have learnt anything in recent years, it's to expect the unexpected.

It's clear that many business leaders trust technological advancements to help them through this period of uncertainty.

One CFO went so far as to say that he trusted in his company's "ability to change course via technology". Tech is cited as a means to adapt to accelerating change, with around 57% of respondents believing that technological advancements will help overcome any future cross-border business challenges.

Business leaders are thinking strategically about countries they conduct business in. Of the business leaders we surveyed, nearly 41% cite the USA as the most important foreign market for their business, ahead of Germany (23%) and China (17%). The changing regulatory landscape and the effect of geopolitics will perhaps leave CEOs wary of investigating new markets in years ahead.

EXECUTING CHANGE

In the year ahead, business leaders are focused on launching new products and services, innovation and organic growth. Notably, CEOs are more focused on tech than CFOs.

As we have seen, just under 60% of respondents are seeking to improve operational efficiency in the year ahead. Launching new products and services is business leaders' second most important priority, cited by just under 44% of respondents.

When it comes to investing in new markets, 43% of respondents believe that changing trade arrangements are exposing new investment opportunities not available previously, narrowly ahead of the 42% who are 'focusing closer to home, as consumers are prompting us to change our sourcing strategies'.

Despite this careful attitude towards foreign investment, leaders are paying close attention to developments in international markets. Only 9% are aiming to divest from an existing market, perhaps reflecting business leaders' unwillingness to deviate from their current operating models.

Business leaders are keen to boost customer acumen - "to increase communication with the consumer", as one CEO put it. 53% conducts market research in order to stay abreast of changing consumer behaviour, while 45% use social listening and 43% use improved Client Relationship Management (CRM).

Consistent with their intentions to improve efficiency, business leaders will also be relying on building organic growth. 41% of business leaders state that this is a priority. Perhaps not surprising, given their remit, the percentage of CEOs who are focused on organic growth is considerably higher than the percentage of CFOs (55% compared to 39%).

Figure 5: What are business leaders doing to execute change?

Q. How are you staying abreast of rapidly changing consumer behaviour?

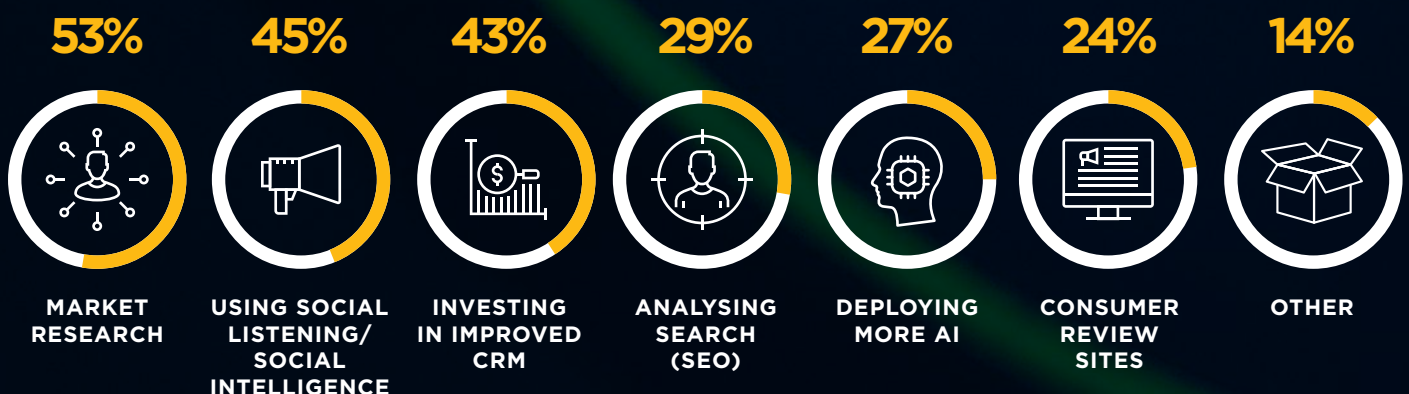


Figure 6: Business leaders are adapting to new complexities

Q. In times of economic, geopolitical and trade uncertainty, how do you view the international business environment?

Changes in long-standing trade agreements will create new opportunities for our business



Changes to our supply chain will offset any trade disruptions which might arise



Technological advancements will help us overcome any future cross-border business challenges



We're focusing closer to home, as consumers are prompting us to change our sourcing strategies



We have found new greener energy sources to overcome political or trade challenges



Changing trade arrangements are exposing new investment opportunities not available previously



We are able to access resources with the skills we require, despite recent economic, geopolitical and trade challenges



0% 20% 40% 60% 80% 100%

Strongly agree Agree Neutral Disagree Strongly disagree

HARNESSING TECHNOLOGIES TO SUCCEED IN THE 2020s

2020 MARKS THE 25TH BIRTHDAY OF THE INTERNET.

Business leaders have had time to adjust to the demands of the digital revolution, and increasingly tech is seen as business as usual rather than a source of disruption.

In one of their first articles of the new year, the Forbes Technology Council have suggested that the focus is shifting in how enterprises are leveraging new technologies, from disruption to transformation.⁵ This supports the views business leaders' in our survey have regarding Cloud and 5G technologies, seeing their productive over their disruptive potential.

Business leaders are not scared to embrace new digital technologies across their businesses, which will be necessary to drive future growth opportunities.

The digital revolution has transformed the way companies do business. And the advent of new technologies, in particular Cloud technologies and AI, rated most highly by our respondents, promise to revolutionise the economy further in the new decades, bringing new opportunities, and new challenges.

As we have seen, 56% of business leaders state that they are deploying technology to overcome any challenges caused by economic, geopolitical and trade disruption.

Business leaders also recognise that technology will create new opportunities to boost efficiency. This approach is exemplified by the CMO of a UK tech company, who states that: "[we are] investing in digital platforms to streamline our services and build internal efficiencies. We are also providing increased flexibility for our staff."

Indeed, digital technology in the workplace has transformed the way we work. It has enabled connectivity and instant access, allowing employees to work from any space outside the physical office.

AI AND THE CLOUD

Notably, while AI is seen as potentially disruptive, the Cloud is generally considered 'Business as Usual' - a tech that complements existing models, and gives businesses enhanced flexibility. Cloud technologies allow for the massive storage of data and the integration of resources, providing efficient access to information and facilitating the use of remote working.

41% of respondents state that they are concerned or very concerned by the disruptive potential of new technologies and 46% of respondents state that AI is the technological innovation most likely to disrupt their business (ahead of robotics and automation, cited by 29%).

AI has the potential to boost production exponentially, but at the risk of transforming the jobs market. There's a good reason why experts are talking of a Fourth Industrial Revolution. In particular, AI is most likely to disrupt businesses dependant on processes which can be most easily automated.

The potential applications of AI are vast and will impact automotive to healthcare. In customer-facing roles, AI is already being used to respond to customer queries and assist with troubleshooting.

The widespread introduction of AI will undoubtedly boost business efficiency, especially in data heavy tasks. AI, with its superhuman ability to spot patterns, can be trusted to handle big data more reliably than any team of human beings.

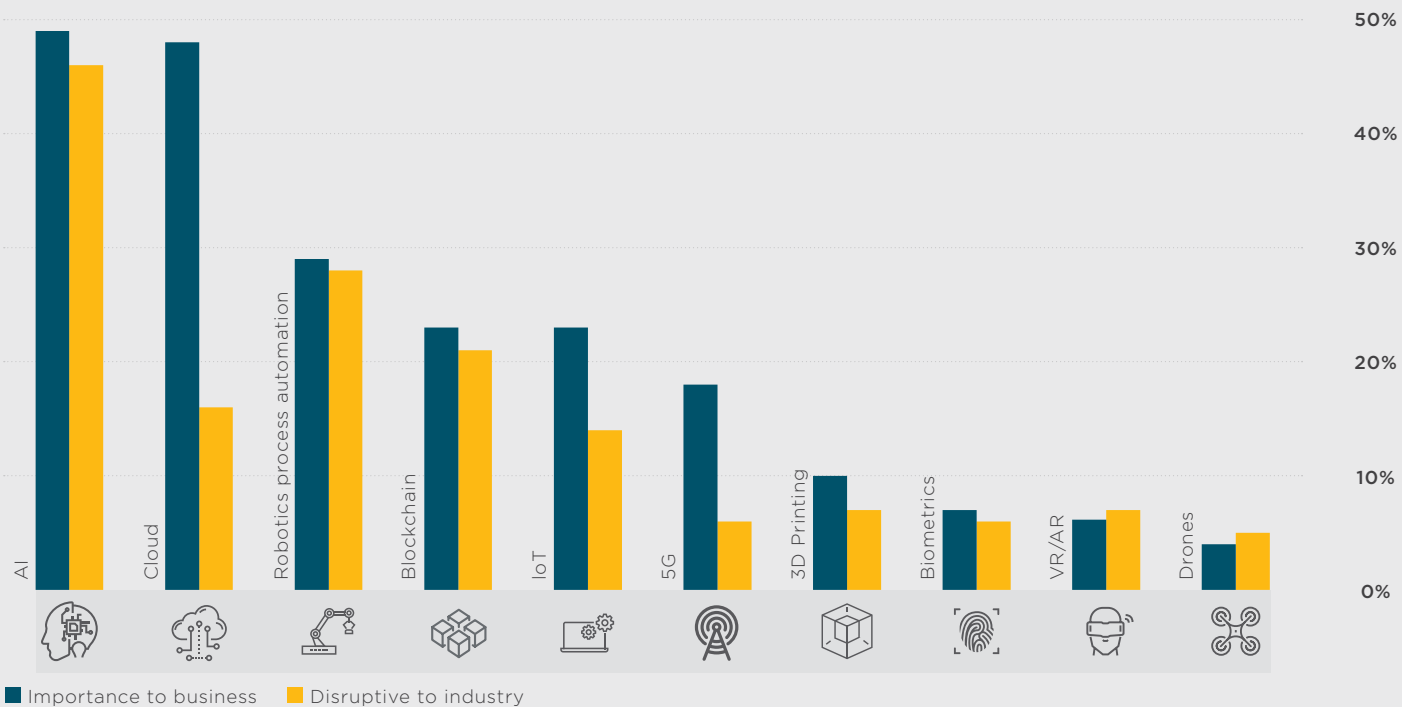


57%

OF BUSINESS LEADERS ARE DEPLOYING TECHNOLOGY TO OVERCOME ANY CHALLENGES CAUSED BY ECONOMIC, GEOPOLITICAL AND TRADE DISRUPTION

Figure 7: Business leaders are embracing AI and Cloud technologies

Q. Which technological advancement is the most important to your business's future success?
Q. Which technological advancement is having the greatest disruptive impact on your industry?



DAY-TO-DAY AREAS OF FOCUS

Business leaders are looking to innovate and invest in more digital capabilities. However, success will depend on their ability to execute. Effective implementation of tech depends largely on timing.

As we have seen, our survey found that business leaders are focusing primarily on operational effectiveness (46%) and innovation (42%). Only 31% of respondents stating that they are focusing on their digital capabilities in the year to come.

While business leaders understand the revolutionary potential of new technologies, are they doing enough to ensure that they are prepared for the seismic changes ahead of them? Are businesses sufficiently prioritising the digital aspects of their business? The demands of a rapidly evolving digital arena will force businesses to innovate or be left out.

SO, WHERE ARE THE GAPS?

The business leaders we surveyed have a clear vision of the characteristics of successful business models of the future. They understand the corporate trends and the technological changes that promise to revolutionise business in the decade ahead.

But are they actually focusing on the right areas in order to achieve success? Or are they directing their investment in too cautiously? Above all, do they risk being left behind by the pace of technological progress?

The implications of these changes will be transformational but it will be down to their ability to execute which will determine whether they will lead to future business success.

ADAPTING TO NEW REALITIES

This is a time of flux.

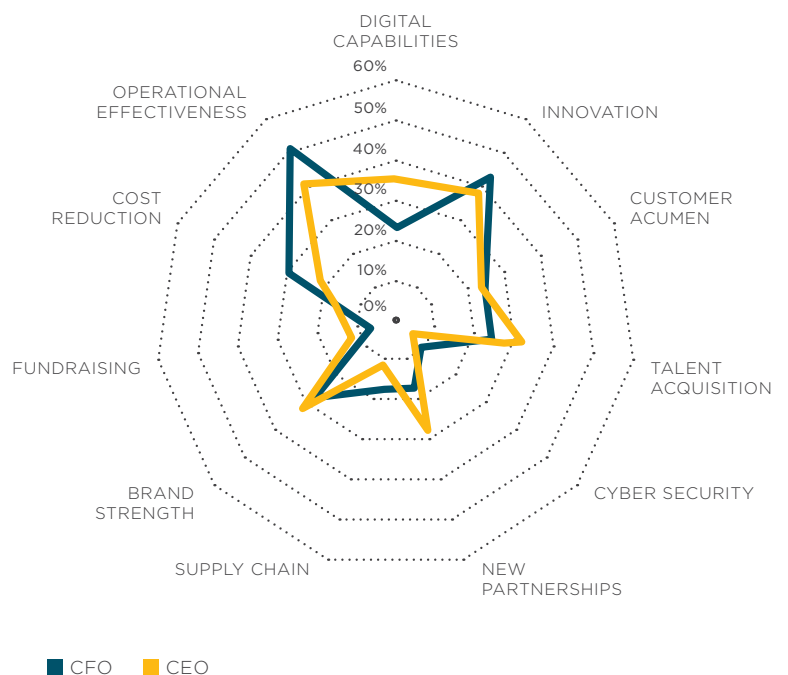
Advancements in tech have initiated a paradigm shift. The World Economic Forum has estimated that 70% of new value created in the global economy over the next decade will be based on digitally enabled platforms.⁶ On a microlevel, the digital revolution has transformed operating models - improving efficiency and allowing companies to become lighter and more decentralised. On a macrolevel the revolution has promoted interconnectivity, facilitating trade and business.

The revolution continues apace. The advent of new technologies will require businesses to adopt forms that would have been unrecognisable to business leaders even a decade ago.

Do business leaders have their priorities right? Though business leaders recognise the revolutionary potential of new technology, 'digital capabilities' only ranks third in business leaders' list of areas to strengthen. Is their investment in emerging technology sufficient considering its importance for future success?

Figure 8: Business are focusing on operational efficiency and innovation to strengthen their businesses

Q. Which areas are you focusing on, in order to strengthen your business?





“(WE) INCREASE MARKET RESEARCH,
FOCUS ON TALENT COLLECTION,
ADAPT TO POLICY CHANGES, IMPROVE
INVESTMENT STRATEGIES, AND
STRENGTHEN CUSTOMER CONTACTS
AND SERVICES.”

CEO, CHINA, ENERGY SECTOR

THE EXECUTION CHALLENGE AND HOW TO BRIDGE THE GAPS

IF COMPANIES ARE TO FLOURISH IN TIMES OF UNPRECEDENTED CHANGE, THEY MUST BE HONEST WITH THEMSELVES AS TO HOW THEIR BUSINESS PROCESSES MEASURE UP AGAINST PREDICTED NEW MODELS.

They are setting their sights on a more mobile, flexible, cloud-enabled business model fit for the future. These are the characteristics they believe will be the secret to successful models in the decade to come.

Yet, at present, companies seem content to let this happen organically - allowing CFOs to slice away at inefficient or underperforming parts of their organisations. Are business leaders doing the right things to transition to the business model of the future they aspire to?

WHAT ARE BUSINESS LEADERS DOING TO BRIDGE THE EXECUTION GAP?

We looked at the divide between the aspiration business leaders have for their future business success and the activities they are currently undertaking and identified gaps in four principal areas: business models, innovation, technology and customer acumen.

Business leaders need to adopt a forward-thinking attitude, with an emphasis on strategic planning. This means not merely acknowledging the advent of new technologies, but asking how (or if) they can be integrated into existing models.

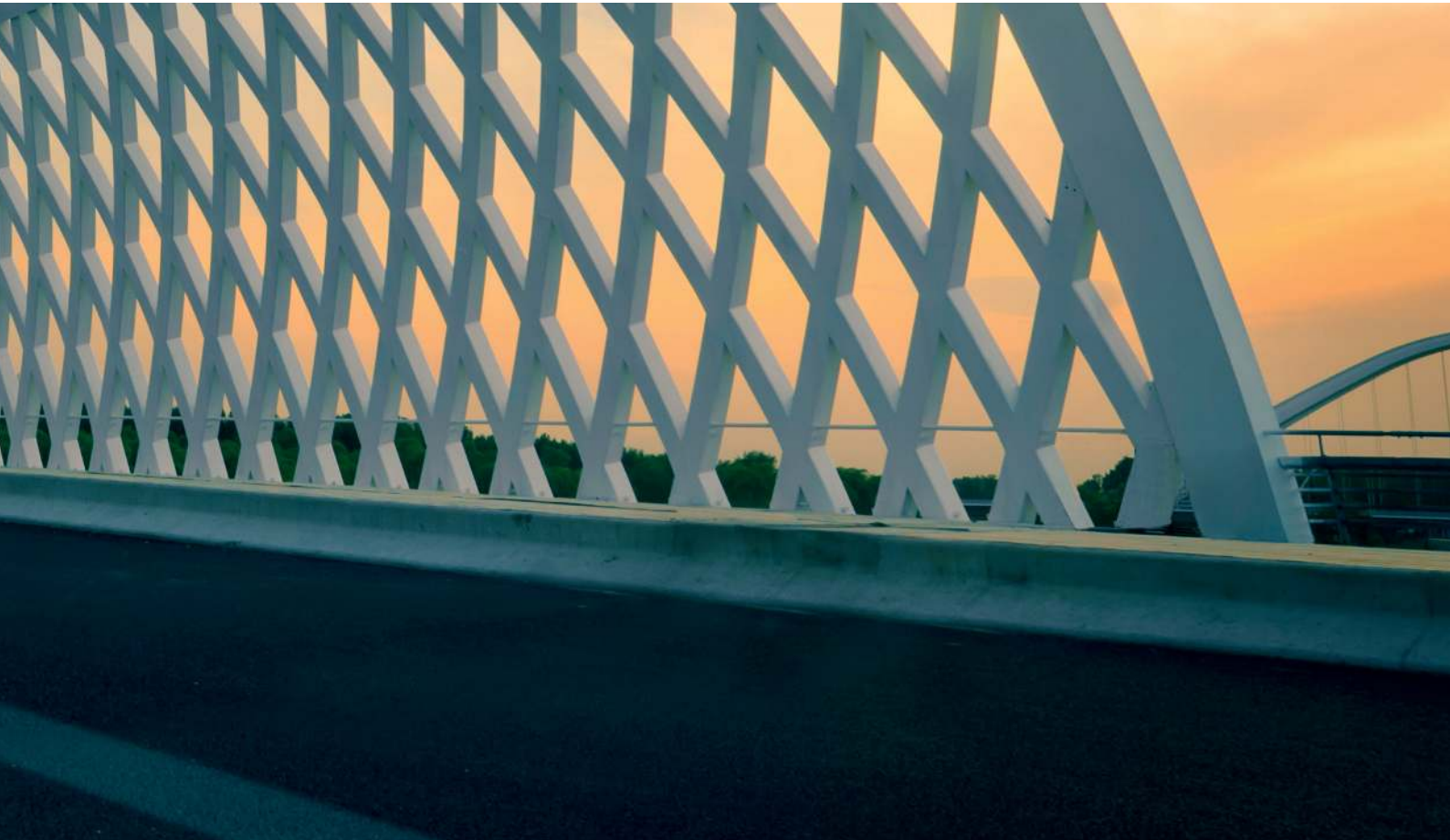


“THE MOST IMPORTANT THING IS TO STAY RELEVANT FOR YOUR CUSTOMERS. THEREFORE, WE CONTINUE TO INVEST IN RESEARCH TO ENSURE WE UNDERSTAND CUSTOMER NEEDS AND PREFERENCES.”

CEO, UK, FINANCIAL SERVICES SECTOR

Figure 9: Business leaders recognise the importance of new business models

Q. In your view, what will be the characteristics of the successful business models of the future?



HERE ARE FOUR QUESTIONS YOU SHOULD BE ASKING YOURSELF:



1 ARE YOU MAKING THE MOST OF NEW BUSINESS MODELS?

When was the last time you reviewed how your business works? And what was your focus? Honing existing processes, or preparing your company for future challenges?

An overly cautious approach, one that is focused more on perfecting existing models, will cost your business in the long-term. Sound business models are based on two things: an understanding of your organisational objectives, and how the business environment you are working in is likely to evolve.

Are you teaming people with the latest technology to attract and retain a more inventive and adaptive workforce at all levels?

Have you embraced the full potential of cloud technologies to enable a leaner, more mobile, and more flexible resourcing model.

2 ARE YOU SCALING YOUR INNOVATION TO ACCELERATE GROWTH?

Continuous innovation, informed by finely-tuned customer insight, will be critical to ensure competitiveness and profitability in the 2020s.

Ask yourself - can you commit to being innovative at all levels of enterprise and incorporate innovation into your performance model? Are the right mechanisms in place to look forward and be ready to find new ideas for your customers? Are you ready to leverage these quickly and at scale?

When it comes to staying ahead of the curve, we suggest creating cross-functional teams to work on new ideas for your business and customers. It's vital to continuing to fund the team, even if some ideas miss the mark.

Finally, have you considered changing how you treat spending on new products and services, as well as more fundamental business model innovation? Such expenditure should be considered an investment in future strategic assets.

Business leaders are used to the idea that they must innovate - often and quickly - if they are not to be left behind by their competitors.



3 ARE YOU EMBRACING THE FULL POTENTIAL OF NEW TECHNOLOGIES?

How will investments in technology support your strategy? How can you be sure that you're investing in the right technology? Think strategically. Start with your company's business goals, then invest in platforms that complement your strategies. Invest in the digital platforms your customers prefer and build to scale.

With the implementation of digital technology, current operating models are likely to become outmoded quickly. As we have seen, it is clear that one of the most pressing issues will be the integration of Cloud and AI technologies into existing models.

The evolution toward more agile, less top-heavy operating models will be driven largely by the application of digital technologies. The Cloud will bring greater efficiency, mobility and data security – and free businesses from the capital expenditure of upgrades. Similarly, AI has the potential to boost production exponentially and work hand-in-hand with employees.

Are you investing in the digital platform technologies your customers are most prevalent on? And how are you using this platform to build scale?

And, not to forget, about the critical partnership between your technology and your people; are you investing in training your people on the latest systems to make the most of new technologies and to enhance their effectiveness?

Finally, what are the disruptive technologies likely to transform my industry? By staying well informed about the impact on your industry, you are better positioned to anticipate disruption and use it to your advantage.

4 DO YOU UNDERSTAND THE CUSTOMER OF THE FUTURE?

Is your customer at the core of your business? How can you be sure? What are you doing to keep track of your customer preferences and purchasing habits? Are the right mechanisms in place to track externalities, particularly customer insights, for opportunities (and risks) to your business model? Could it be that you have too much data, or that you've never really taken the time to properly organise your data? And, are you managing customer data sufficiently to ensure good governance and data compliance in the digital age.

How can you be certain that you are providing the service your customer expects? Can you be certain that you will still be providing that service next year? Are you investing in the latest techniques, from market forecasting to social listening, to capture consumer insights to best inform future strategy and innovations? Are you investing in your customers' preferred platforms?

How dynamic is your supply chain? Is it responsive to the changing demands of your customer base?

Consumers' ethical concerns, particularly increased concern over climate change, are likely to drive consumer choice in the decade ahead, particularly in the Business to Consumer sphere



HOW HLB CAN HELP

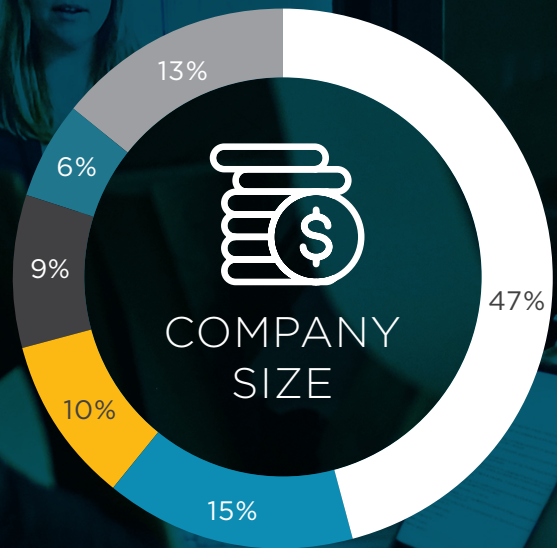
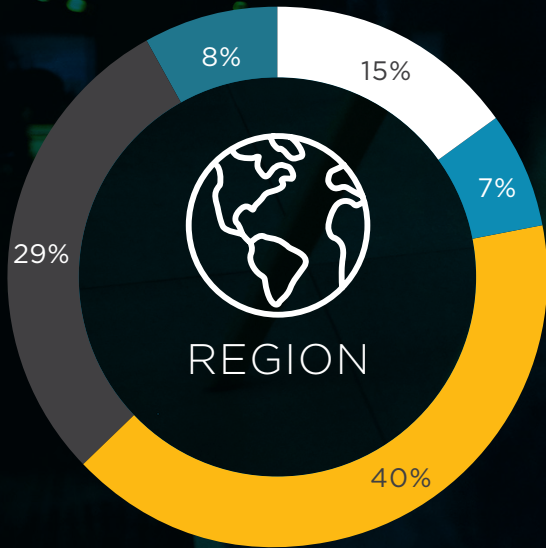
The business world is evolving rapidly, and companies who do not keep pace risk being left behind. While the changes we have identified above will unfold over the coming decade, businesses need to act now to ensure they are able to bridge the execution gap.

If you would like to discuss the gaps identified in this report, and how they may apply to your business, we would welcome to opportunity to discuss these with you.

RESEARCH METHODOLOGY

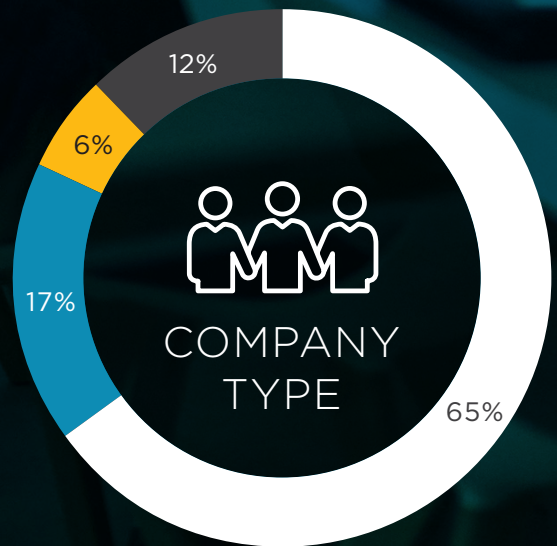
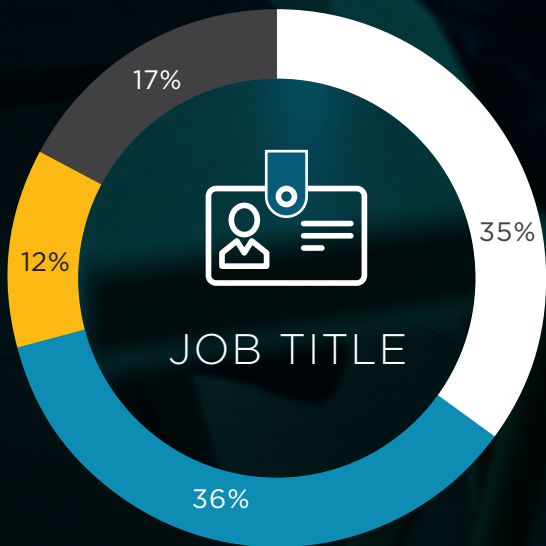
Between September and November 2019, HLB has collected 368 survey responses from business leaders across 55 countries and a range of industry backgrounds. Responses were collected via an online survey tool or telephone interview. The research sample was selected and controlled via HLB firms their CRM data.

Note that not all figures in this report sum up to 100% as a result of rounding percentages, excluding neutral responses or when respondents could choose more than one answer. The base for all figures is 368 (all respondents) unless otherwise indicated. More data and information about the survey is available upon request.



■ North America & Caribbean
 ■ Latin America
 ■ Europe
 ■ Asia Pacific
 ■ Africa & Middle East

■ <\$25M
 ■ \$25M - 50M
 ■ \$50M - 100M
 ■ \$100M - 250M
 ■ \$250M - 500M
 ■ >\$500M



■ CEO
 ■ CFO
 ■ COO
 ■ Other C-Suite titles

■ Private
 ■ Family owned
 ■ Community owned
 ■ Publicly listed

ACKNOWLEDGEMENTS AND THANKS

WE'D LIKE TO THANK THE
FOLLOWING HLB INDIVIDUALS FOR
THEIR INSIGHT AND COMMITMENT
TO THIS PIECE OF RESEARCH:

Abu Bakkar
Andrea Moseley
Clensy Appavoo
Coco Liu
Corney Verstedden
Dave Springsteen
Jason Mariarathanam
Jean-Charles Mahler
Jim Bourke
Kai Wulff
Lesley Hornung
Marco Donzelli
Mari-Anne Kehler
Nikola Verespejova
Ralph Mitchison
Susanna Spada

ENDNOTES

- 1 Another lacklustre year of economic growth lies ahead, [online] The Economist. Available at: www.economist.com/graphic-detail/2020/01/01/another-lacklustre-year-of-economic-growth-lies-ahead [Accessed 1 January 2020]
- 2 International Monetary Fund, (2019) World Economic Outlook, October 2019, Global Manufacturing Downturn, Rising Trade Barriers Available at: <https://www.imf.org/en/Publications/WEO/Issues/2019/10/01/world-economic-outlook-october-2019>
- 3 Top 10 risks for 2020, [online] Eurasia Group, Available at: <https://www.eurasiagroup.net/issues/Top-Risks-2020> [Accessed on 6 January 2020]
- 4 Earth to CEO: Your company is already at risk from climate change, [Online], McKinsey, <https://www.mckinsey.com/business-functions/sustainability/our-insights/earth-to-ceo-your-company-is-already-at-risk-from-climate-change> [Accessed on 6 January 2020]
- 5 Tech Trends 2020: Moving from Disruption to Transformation, Forbes, [online], <https://www.forbes.com/sites/forbestechcouncil/2019/12/09/tech-trends-2020-moving-from-disruption-to-transformation/#6450facd3663> [Accessed on 9 December 2019]
- 6 Shaping the Future of Digital Economy and New Value Creation, [online], World Economic Forum, <https://www.weforum.org/platforms/shaping-the-future-of-digital-economy-and-new-value-creation> [Accessed on 9 January 2020]

HLB CONTACTS



MARCO DONZELLI
Global CEO
m.donzelli@hlb.global



JIM BOURKE
Global Advisory Leader
j.bourke@hlb.global



DAVE SPRINGSTEEN
Global Tax Leader
d.springsteen@hlb.global



BETTINA CASSEGRAIN
Global Assurance Leader
b.cassegrain@hlb.global



COCO LIU
Chief Regional Officer
Asia Pacific
c.k.liu@hlb.global



LISA BENSON
Chief Regional Officer
Western Markets
l.benson@hlb.global



LESLEY HORNUNG
Head of Marketing
and Digital
l.hornung@hlb.global



**THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK**

© 2020 HLB International Limited. All rights reserved.

HLB International is a global network of independent advisory and accounting firms, each of which is a separate and independent legal entity, and as such HLB International Limited has no liability for the acts and omissions of any other member. HLB International Limited is registered in England No. 2181222 Limited by Guarantee, which co-ordinates the international activities of the HLB International network but does not provide, supervise or manage professional services to clients. Accordingly, HLB International Limited has no liability for the acts and omissions of any member of the HLB International network, and vice versa and expressly disclaims all warranties, including but not limited to fitness for particular purposes and warranties of satisfactory quality.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, HLB International does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

In no event will HLB International Limited be liable for the acts and/or omissions of any member of the HLB International network, or for any direct, special, incidental, or consequential damages (including, without limitation, damages for loss of business profits, business interruption, loss of business information or other pecuniary loss) arising directly or indirectly from the use of (or failure to use) or reliance on the content of this Website or any third party website, or from your use of any member's services and/or products. Any reference to a member's services or products should not be taken as an endorsement.

HLB refers to the HLB International network and/or one or more of its member firms, each of which is a separate legal entity.