

**Think**  
**different**  
**in a digital**  
**world**



BOARDROOM  
CLUB



# Content

---

04 Backstory – A Catalyst for Change

07 Dealing with Digital Natives

09 Rapid Decision-Making

12 Coping with Covid-19

13 Think Different in Three Areas

14 Conclusion

## Contributors

---



Somesh Chandra  
Chief Health Officer,  
AXA



Milton Fernandes  
CFO, Infracapital  
M&G



Conrad Hobbs  
COO, IT Group  
Société Générale



Mark Inskip  
CEO, UK&I  
Kantar Media



Marc Leaver  
COO, Europe  
Standard Chartered



Andy McClure  
CMO, International  
Marsh



Michael Marth  
Chief Operating Officer,  
URBN



Laurie Miles  
Senior Director,  
SAS Software



Michael Rouse  
VP - Global Customer  
Solutions,  
Flight Centre



Emma Sergeant  
President EU, DAS  
Omnicom



Joel Tortolero  
Director, Global  
SaaS Delivery  
Experian



Mike Warriner  
VP Engineering,  
Skyscanner



Chris Wren-Kirkham  
CFO, L&G Insurance  
LV=



Shengke Zhi  
Director of Strategy &  
Transformation,  
Wood

# Synopsis

Research by McKinsey suggests the “superstar” digital natives continue to widen the gap against the incumbents. The top 10 percent of \$1B+ companies now capture 80% of the profit pool and are 23 times more likely to acquire customers. At their core is a data-driven culture – one that accepts human judgement is no longer good or fast enough. Making the right decision at the right time using the right data – at speed – is a new competitive battleground. It’s David and Goliath once again, only David’s a tech guru with a stun gun, not a sling.

With 2020 being the most disruptive year for several generations, the pressure for organisations to respond at speed and to transform is intense. As if changing consumer demands, geopolitical instability and rising cyber-security threats wasn’t enough, we’re also responding to the dramatic ‘new world’ Covid-19 is enforcing upon us all. So whether your goal right now is to survive or thrive, making the right decisions at the right speed will be more crucial than ever before.

*“A lot of executives think a big part of their job is making the tough calls; relying on the experience, industry knowledge, and judgment that they’ve built up. While I value those things, I value them a lot less than I used to. **Machine learning will change the way executives do their jobs”***

Andrew McAfee  
Cofounder of the MIT Initiative on the Digital Economy

# Backstory: a catalyst for change

At the final meeting of the Boardroom in 2019, we looked towards the new decade with optimism and reflected on a very disruptive year behind us. Global protectionism, cybercrime, Brexit, a general election... 2020 was when we had a clear picture of the way forward. We may not like it, but some big questions had been answered.

And then came US-Iran tensions. Oil arguments. Australian bush fires. Kobe Bryant and even Megxit. All these things saw us taking a deep breath as we prepared for another disruptive year. But these headlines were the amuse bouche before the main course - COVID-19. Easily the most impactful global event for decades.

Far from being an easier year, 2020 will be remembered for being a pivotal one. One in which we have had to adopt new ways of living, working and socialising. Indeed, the theme of this report could not be more relevant. We have been forced to Think Different in this new digital world.

The theme Think Different was actually decided many months before COVID-19 reared its head. When we cancelled the March meeting many of our members contacted us to say just how relevant the topic was. So rather than cancel it entirely we decided to interview our members and produce this report instead.

We conducted 45-minute phone interviews with senior executives of FTSE350 companies. Those who were happy to be named are featured in this report, others contributed anonymously. Our interviews, and this report, covered three key areas:

**Dealing  
with digital  
natives.**

**Rapid  
decision-  
making.**

**Responding  
to COVID-19.**

## **Backstory: a catalyst for change**

What was interesting about these interviews is the strong sense of opportunity across the contributors and the conviction of these incumbent firms. Whilst everybody recognises the potential of the digital natives, they see them as a catalyst for change, not an immediate threat. These executives feel data-rich as well, looking for ways to use their knowledge in innovative and valuable ways. And it was clear that these executives, only days into the lockdown, were already thinking about their firm's competitiveness in a post-Corona world.


When compared to the last seven years and more than 7,000 interviews we've conducted, this is the greatest difference we've ever seen in the perspective between senior executives and middle management. The senior executives have taken the punch and are already on their way to recovery. It gave us genuine confidence in the resilience of these firms to bounce back from adversity in 2020.

## **Key highlights**

**Digital natives are a catalyst for change and (mostly) not an existential threat to incumbents.**

**Data and decisioning culture, management and technology will determine the winners and losers.**

**Senior executives are already thinking about the medium term response to CV-19.**



The top 10% of \$1B+ companies now capture 80% of the profit pool & are 23 times more likely to acquire customers [McKinsey, 2019]

# Dealing with digital natives

The oldest companies today – the likes of General Electric, Exxon Mobil, Procter & Gamble and DuPont - are not the largest by market capitalisation.

That honour rests with new names such as Apple, Alphabet, Microsoft or Amazon. By 2027, McKinsey believes that 75% of the companies currently quoted on the S&P 500 today will have disappeared. They will be bought, merged or go bankrupt.

Often the headlines focus on fears surrounding the GAFAs (Google, Amazon, Facebook, Apple) threat. Their ability to leverage well-organised and detailed data that covers a global customer base - including addresses, order history, location data and even your Alexa records - provide an excellent starting point to enter new markets by undercutting and removing market share from incumbents. As one interviewee put it, “they can literally do whatever they like”. But will they?

*“Digital natives are not a threat, they are a catalyst; aggressive competition moving the industry forward”*

However, it is important to look beyond the headlines generated by the very largest players and look at the plethora of digital native companies that offer an opportunity for the incumbents rather than a threat. Speaking to our contributors, there was an emphatic accord on this point. Indeed, on average our contributors scored their companies 8.6 out of 10 for their ability to manage digital native firms.

A digital native [company] is one that's only existed in the digital world, meaning they are rarely encumbered by manual systems and legacy thinking.

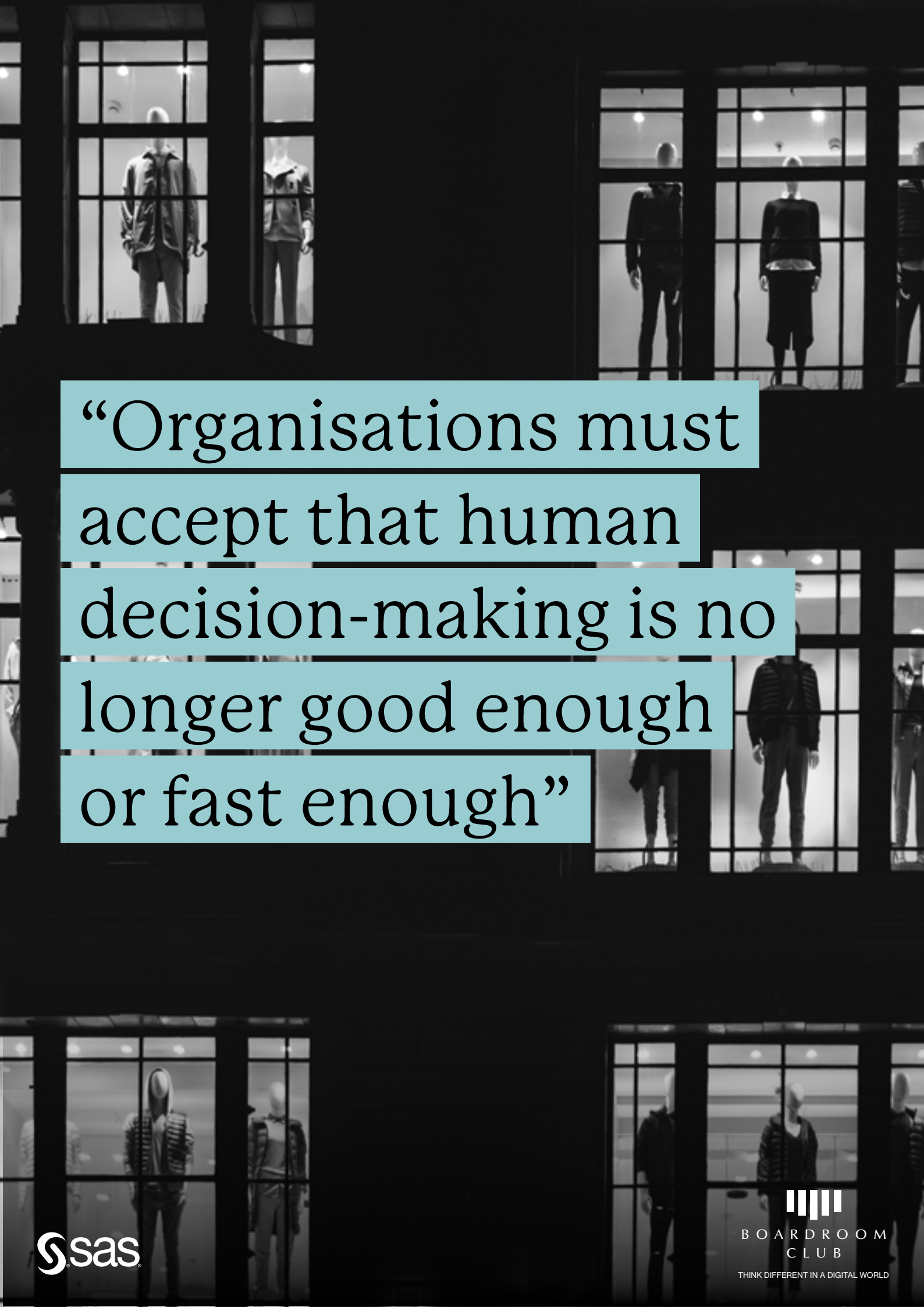
# The opportunity

Digital natives offer consumers better solutions via low-cost wrappers and digital platforms, typically competing on price and customer experience. Their size, cost-base and insight-driven culture make them both more reactive and faster growing than the established competition. Yet in most cases, they are not viewed by our members as a viable threat.

As long as the incumbents can copy, learn and implement within the window it takes the customer to change platform, they will remain competitive. A good example is Legal & General who were able to do just this by focusing on one element of the disruptor's platform; underwriting quote speed. Implementing a 5-question online form they simply replicated the disruptor's quote speed.

*“To effectively compete, digital natives must act together as a single organism rather than as individual cells”*

The power of the disruptors is their combined ability to collect, catalogue and use data, in conjunction with technology, to inform and make decisions faster than incumbents. It is not ‘digital’ that is the defining competitive factor, but the comparative agility that effective data management affords. By organising their data around one or few functions very well, it places pressure on specific parts of incumbents' operations thereby stimulating change.



“Organisations must accept that human decision-making is no longer good enough or fast enough”

## Rapid decision-making

1. Decisioning making speed is critical to success during recovery from Covid-19.

2. Mapping the pace of change to culture is key – too fast has the same impact as too slow.

3. Tracking customer needs and responding quickly is more important than ever.

*“We have an excellent bookcase with many great books that we do not read, and know not how to read”*

*“What’s driving us is the customer. Making decisions at the speed of the customer is our primary objective”*

There isn’t consensus though. As one member reasons “as the digital world moves faster and faster, it makes little sense to focus on complete integration. Too much is happening too quickly to keep up”. Instead, organisations should focus on removing silos of information through better integration or middleware with the goal of putting new functionalities into apps or delivering insights to the point of need.

One of the incumbents’ advantages highlighted by the report’s contributors is their deep pockets. Very few of the disruptors are sufficiently monetised, opening the opportunity for incumbents to use the same or similar ideas to grow profits within an existing profit-making structure. Members’ strategies are varied: acquire the company with the technology; develop it themselves; or partner with the disruptors to solve a shared problem. Common amongst all approaches is for companies to “embrace and not stomp on the digital innovation unit”. However, many also highlighted that a strategy of acquisition and partnerships worked against the concept of having a single, unified data platform.

*“Right now it’s crucial that we look deep into the customer’s needs. Understanding the customer now is very important as the Covid-19 era customer is different to before”*

# Rapid decision-making

It is clear from our interviews with our members that decision-making accuracy and speed is becoming more and more important to their organisations. Fast decision-making enables them to experiment more, fail faster and win bigger. It also enables them to act at the speed of the customer, a crucial battleground that digital natives dominate.

However, rapid decision-making is the area responders scored themselves lowest at 7.1 out of 10, suggesting there is room for improvement.

Members made it clear that transforming both their decision-making structures and capabilities remained a top priority to drive growth in 2020, yet most were unclear on the best way to achieve this. Two main battlegrounds emerged; the role of technology and the role of culture.

## Technology

During the interviews, it became apparent the jury is out on the best approach for implementing the digital systems that enable agility. However, there is no doubt in the importance of data. Yet it is not the collection of data that is the greatest problem, instead it is the ordering and subsequent use. The most common strategy expressed by our members is to pare down legacy systems toward one, unified system before introducing additional tools to extract the information from the data.

# Rapid decision -making

*“We’ve implemented a system called PFD [Poor First Draft] which is designed to remove the initial desire for perfection in favour of moving more quickly”*

## Culture

Technology alone is not enough to make an organisation faster at decision-making, more agile and more responsive to customers. It must be implemented alongside cultural change.

Most obvious is flattening the company by removing unnecessary hierarchical structures, increasing accountabilities at the lower levels and accepting failure. Yet the more digitally advanced members warned of moving too quickly.

*“While technology enables speed, culture determines it”*

The heart of the issue is accountability; who should make what decision. This is not simply a question of delegation and realigning teams. In order to become truly agile, organisations must accept that human decision-making is no longer good enough or fast enough to drive certain functions. Companies need to move from people using technology to drive growth, to a network of people and a network of machines that collaborate at all levels as a data-driven business.

**Managers at a typical Fortune 500 company may waste more than 500,000 days a year on ineffective decision making**

McKinsey, 2019

Accountabilities inform the hierarchy, hence enshrining autonomy at the lowest levels of the organisation avoids a bloated middle-management structure where necessary sign-offs are required. However, too much accountability at all levels can cause organisations to overstretch their agility. As a result, increasing numbers of decisions will be made without due consideration.

The spectrum of agility is much like a horseshoe. Too fast leads to the same result as too slow. No common language, fragmentation and delayed results. In conjunction with clearer accountabilities must also come an acceptance of failure, without which experimentation is fundamentally stifled.

*“We can move too quickly and end up with poor standardisation... it is hard to move standards from team-to-team”*

“Covid-19 is a once-in-a-generation crisis. And also a once-in-a-generation opportunity to seize the Darwinian reset and evolve faster than your competitors”

# Coping with Covid-19

The salience of making decisions at speed has been made clear by Covid-19. Overnight, companies have had to Think Different as they prepared for a new normal outside of the office.

Many firms were writing their business continuity plans as they went. Indeed, EY's 2019 Global Risk Survey found that 79% of board members believed their organisations were not prepared for a crisis event. And yet, Boardroom members have rated their companies' Covid-19 response an average of 9.6 out of 10. This high score may reflect how we feel about adversity generally, but what is crucial now is how companies move from short term crisis management, to medium term recovery and long term opportunity capitalisation.

## Short term : crisis management

In the short term, Boardroom members accept that agility has been forced. A quick reaction is a symptom of necessity rather than truly fast decision-making. Moreover it largely only tests a company's ability to limit exposure; an exercise in paying forensic attention to cashflow. The reality is that in the immediate realisation of the new normal it is rare for organisations not to be agile as boards seek to mitigate risks as quickly as possible. However, the pack starts to stratify as the medium term approaches.

## Medium term : speed of recovery / re-operation

In the medium term, our interviewees see firms being differentiated by ingenuity and core capability rather than simply financial muscle. This intermediate term is where organisations seek to restart operations, albeit not at fully capacity, which reintroduces traditional competitive advantage. Moving from a standstill to a walking pace, the pack will begin to stratify being led by those who are able to operate as close to full speed as possible as the playing field is reset and the saliency of first-mover advantage is heightened. Most crucially this is where firms must leverage both their abilities to Think Different and their capabilities to implement at speed. The pack is further separated as the long term quantifies the actions of the medium term.

## Long term : opportunity capitalisation

In the long term, Boardroom members believe firms will fall into two broad categories: those assessing the long term benefits of their actions; and those assessing the missed opportunities. The key differentiator will be the underlying technology that enabled firms to act quickly. The crisis will increasingly magnify the importance of being as digitally native as possible, which for some boards will mean calculating ROI, whilst for others it will mean investing on the back of the largest economic shock since WWII.

# Think different in three areas

## Think Speed

# 1.85x

Late responders ultimately spend 1.85x more than their early responder counterparts and make bigger, single bets.

[BCG, 2019]

# ∞

Disruption is getting faster and faster. By 2027, 75% of the S&P 500 today will have disappeared. They will be bought, merged or go bankrupt.

[McKinsey]

# 90%

Disruption creates volatility for incumbents

Churn of companies in/out of the Fortune 500 after the last global recession was 90% higher than in the previous ten years.

[BCG 2020]

## Think Customer

# 3x

CX Leaders grow 3X faster post-disruption than the average based on Forrester analysis of the 2007/8 recession.

# 2.6x

UK customers value digital interactions 2.6X more than traditional communication channels in a Covid-19 world.

[McKinsey]

# 18x

Digital natives ace CX

New entrants like Monzo acquire 18X more customers for every one lost than even the best of the Big 4 banks.

[Statista research 2020]

## Think Invest

# \$£€

The world goes on sale

Incumbents need to use their deep pockets as a competitive advantage. Post-crisis is the ideal time to start investing in innovation & acquisitions.

# 24x

Tale of Two Watch Makers

Bulova invested in new initiatives, acquisitions and innovations. Waltham cut costs. Bulova's value increased by 24X. Waltham went bust.

# Conclusion

---

During the early stages of the Covid-19 global pandemic, we encountered conviction – even optimism – from the senior executives we interviewed. Despite the disruption, our members were clearly aligned on three areas:

---

## Digital Natives

Digital natives are not the omnipresent threat that they are so often painted to be. They are a catalyst for change and a source innovation.

---

## Covid-19

Covid-19 has done more for digitalisation in a matter of weeks than many organisations have achieved in years of planning, trialling and implementation.

---

## Rapid Decisioning

Rapid decision-making is a critical capability for large organisations to survive or thrive as they navigate an unprecedented levels of global volatility.

---

Being able to harness knowledge and make fast, accurate decisions will be increasingly important as 2020 unfolds. Board-level senior executives are already planning how to drive competitive advantage in the recovery phase of Covid-19. Fast responsiveness to customer demands, market forces and other systemic changes will mark out the leaders. Senior executives need to work quickly to instil the culture and technology to Think Different in this new, digital world.

# Think different in a digital world

## The Boardroom Club

The Boardroom Club is a private community of board-level Executives of FTSE350-sized organisations. Our mission is to our members make faster, better, more profitable strategic decisions by surfacing the right topic at the right time with the right question. We bring experts with opinion and surround our members with peers in order to bench test thinking and validate your plans. The community is a peer level environment, exclusively limited to end user board-level executives and our partner, SAS, to maintain an open and collaborative environment.

## Authors



James Harris  
Founder



Joe Scothern  
Club Director

The Boardroom Club  
18-20 Huntsworth Mews  
Marylebone, London NW1 6DD  
[www.theboardroom.club](http://www.theboardroom.club)

## SAS – Partnering with knowledge

We would like to thank our Club partner, SAS Software for their support of The Boardroom Club and their contribution to this report. SAS is the world leader in AI and Advanced Analytics. As well as being our long-term, commercial partner they contribute their knowledge to the discussion and understand the importance of discussing business issues at a peer-level. Our members value their advice and insights, often leading to further engagement. You can read more about SAS Software at [www.sas.com](http://www.sas.com).