

2015 UK Digital IQ Survey

UK companies lag global competitors on digital investment

December 2015

Our research reveals UK firms are under investing in digital because they are struggling to correlate digital investment with improved financial performance. In addition, the majority of respondents point to a skills shortage and lack of clarity of roles in digital expertise as the main barrier to progress.



Digital spend

UK firms appear to be under investing in digital when compared to their global peers, with only 10% of UK companies spending more than 15% of their revenues on digital investments, compared with 31% of companies globally.

- Nearly all UK businesses are struggling to correlate digital investment with improved financial performance; only a minority believes digital will have a positive impact on revenue growth (4%), in sharp contrast to respondents globally at 45%.
- UK digital spend appears to be departmentally focused. IT is no longer the main area of digital investment, as spend allocation now cuts across IT (31%), marketing (25%), sales (13%) and customer service functions (11%).

Organisational gap

Lack of clarity and alignment around digital roles and responsibilities also appears to be holding back UK business: Similar to Germany (36%) and Australia (49%), 42% of UK respondents see this as an emerging barrier to progress, whereas the majority of respondents from China (67%) and the USA (56%) no longer see it as a barrier.

- 49% of UK businesses attribute ultimate digital responsibility to the CEO while 18% indicate the CFO as being responsible. Only 10% of UK firms have a Chief Digital Officer (CDO) who is responsible for digital.
- The majority of UK businesses indicated that their CIO's responsibilities are mainly focused around leading internal IT efforts, with limited to no ownership or influence over innovation or market-facing digital efforts.
- On the other hand, collaboration between IT and business leaders is seen as far less of an issue in the UK (49%), when compared globally (58%).

Followers not innovators

UK firms appear to be exhibiting a follower's mentality, adopting traditional and reactive competitor analysis, rather than looking to innovative global leaders outside their company and industry.

- Less than 10% of UK firms are actively engaging their vendor ecosystem, leaders from other companies/ industries or an open source community, in comparison to the USA (28%), Australia (37%), China (61%) and Germany (60%).
- In the UK, companies are relying mostly on industry analysts (88%) and customer advisory groups or surveys (84%) as sources for applying emerging technologies in new ways to solve business problems (globally 63% and 52% respectively).

Digital skills

UK firms are suffering from a digital skills shortage, particularly in the areas of creative strategy and user experience design, and less so in technical architecture and data analytics.

- A lack of properly skilled teams is the top barrier to progress in the UK (78% of respondents), not just to deliver and execute but also roadmap digital initiatives and understand the return on investment.
- 70% of UK respondents see the recruitment and retention of the appropriate talent as a further barrier to achieving their vision.
- Only 45% of UK firms believe they have a creative strategy and design skills in comparison to USA (68%) and China (69%).

Barriers to digital success

In the UK, the top four barriers to achieving expected results from digital enterprise initiatives are as follows:

1. Integration of new and existing technologies and data (82%).
2. A lack of properly skilled teams (78%) – not just to deliver and execute but also roadmap digital initiatives and understand the return on investment.
3. Digital talent recruitment and retention (70%).
4. Ineffective third party partners (65%).

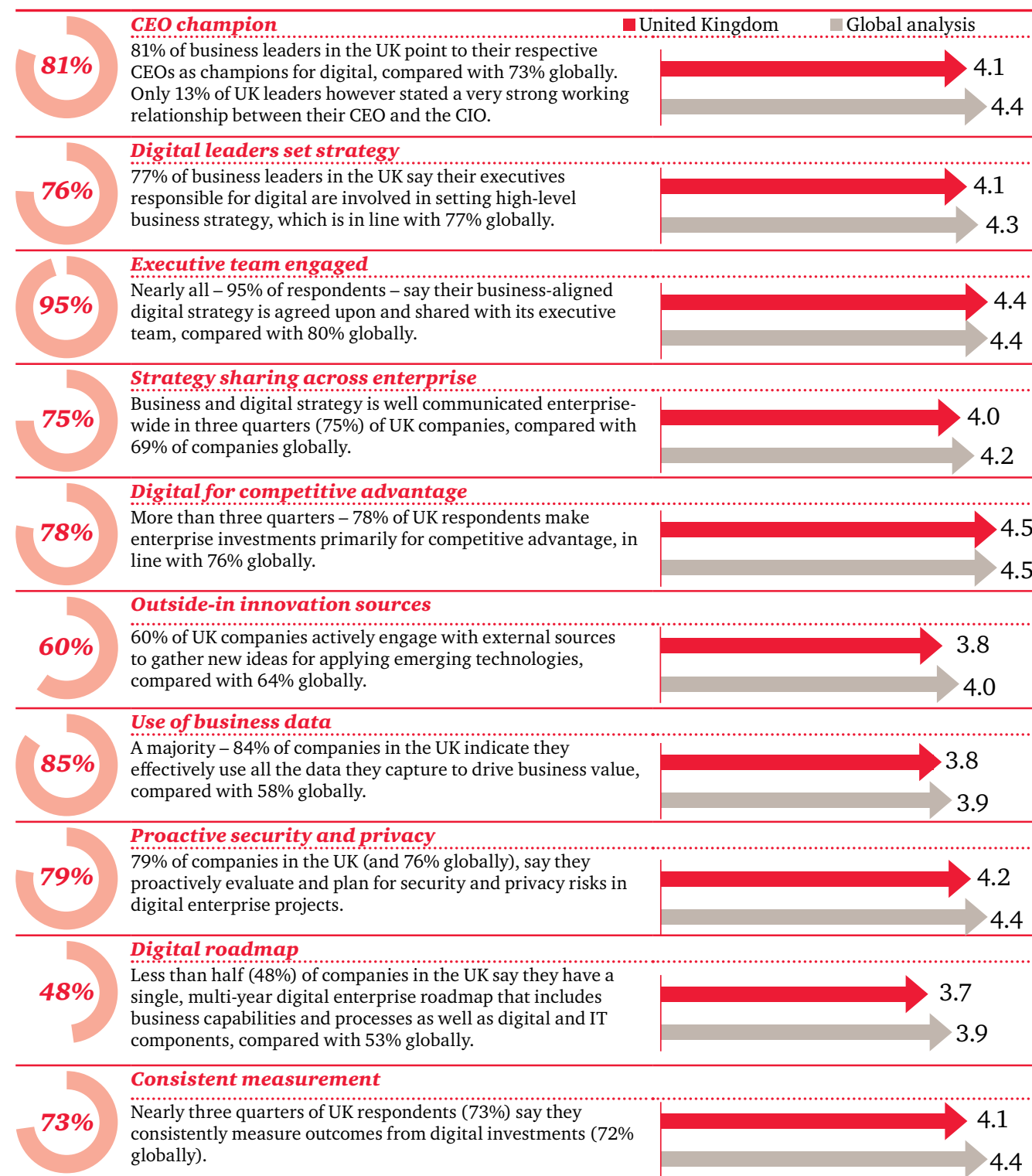
Additional barriers to successful digital outcomes include:

- The lack of accessible guidance and support in relation to programme governance and quality assurance, delivery methodology choice, IT project management, comprehensive costing approach and vendor selection.
- Availability of industry and field expertise in validating business requirements and providing a technical design authority.
- Managing digital spend across the whole business.

UK vs global analysis

As we do each year, our analysis seeks to answer the question: What actions can leaders take to ensure their digital investments deliver and sustain value? Today's digital enterprise spans many dimensions; we analysed more than two-dozen factors, covering strategy, innovation and execution. Ultimately, we isolated the ten attributes that correlate with stronger financial performance; this is what comprises our Digital IQ score. The companies with the highest Digital IQ scores are 50% more likely to be top performers.

Here's how the UK scores for each of the ten crucial attributes:



Summary

The UK Digital IQ Survey suggests that while leaders generally recognise the importance of digital as a competitive imperative, there are some areas where the UK appears to be falling behind global competitors:



1 UK firms appear to be under investing in digital when compared to their global peers



2 Lack of clarity and alignment on digital roles and responsibilities also appears to be holding back UK firms



3 UK firms appear to be exhibiting a follower mentality



4 UK firms are suffering from a digital skills shortage

What do UK businesses need to do now?

The scores point towards four areas where UK businesses may want to focus on:

- Consider taking a more strategic and substantive approach to their digital investment if they are to realise the benefits. Companies need a digital enterprise roadmap which includes business capabilities and processes as well as digital and IT components.
- Revisit the business model and strategy, to see if appointing a dedicated digital leader as an integral part of the senior decision-making team will provide a strategic focus for digital investment activity across the enterprise.
- Search beyond their traditional competition for innovation, through active collaboration with vendors, academia, research centres and cross industry experience exchange forums.
- UK firms should support digital investment and innovation initiatives without the same internal constraints and restrictions.
- Actively develop their government and business partnerships, along with the internal training programmes necessary to acquire crucial talent to move from strategy to delivery of digital initiatives.

About Digital IQ

We've been conducting our Digital IQ research since 2007, and this year marks our seventh annual survey of business and IT executives globally. The year's survey was conducted in July through September 2015 and included 1,988 respondents from 51 countries. Responses were aggregated into six regions and ten industries. The UK was included within the Western European cohort which included 300+ IT leaders.

Our Digital IQ score is a tool for quantifying and benchmarking the Digital IQ of firms in a consistent way. The score is built on the ten attributes of the survey that proved to be most closely correlated with company performance. Overall, Digital IQ scores are a weighted and normalised sum of those attribute scores. Our analysis shows that those firms with a higher Digital IQ score are more likely to enjoy faster revenue growth and wider profit margins.

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