



Creating a blueprint for UK competitiveness





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Foreword



For the UK, the winds of change are blowing. The disruption wrought by COVID-19 is being felt in almost every sector. Adoption of technologies that were starting to gather pace before the pandemic struck have now become turbocharged. The end of the Brexit transition means UK businesses must find their footing in a new era of international trade.

For British firms – small and large – and for our economy as a whole, there has been a fundamental shift in what it means to be competitive both at home and abroad.

These challenges may be unprecedented, but they are not insurmountable. Of course, right now, the attention of many leaders is on navigating a turbulent economic climate. But when I speak to customers, and partners, I’m lifted by their optimism and pragmatism. The questions I hear most are about how technology can help power our collective revival.

But how? What must organisations do to transform? And what will be the impact on our economic recovery and beyond? This report seeks to answer those questions, suggesting a new model for competitiveness comprising the interrelated dimensions of talent, technology, future readiness and the ecosystem in which we operate. We also identify a multi-billion pound opportunity for the UK if we collectively move to a more sustainable model for growth.

Yet there is risk amidst the potential too. Many UK organisations still rely on an unsustainable approach in which their people are seen as expendable, their technology is used to deliver efficiencies not innovation, and growth is viewed through the lens of short-term gains. Large numbers of these organisations have also experienced marked downturns during the current crisis and it casts doubt on their ability to survive and thrive in a post-COVID-19, post-Brexit UK.

“Out of small things come big things. Marginal gains that together will deliver an outsized impact on the future success of our organisations and our country.”

We therefore need a new blueprint for competitiveness. One that delivers not just long-term economic success but one that delivers lasting social prosperity too, these two outcomes are now intrinsically linked.

Our proposed blueprint does not require sweeping changes overnight. Instead, it relies on a series of minor adjustments to help organisations empower and reskill their people, harness technology to accelerate transformation, create a culture of diversity and inclusion, and achieve a level of resiliency and agility to respond to unexpected disruptions and opportunities.

Above all, this report is a story of how out of small things come big things. Of marginal gains that together will deliver an outsized impact on the future success of our organisations and our country. Armed with a new understanding of what drives competitive edge, we can build a brighter economic future, a better workplace and a fairer, more inclusive society. The moment is now.



CLARE BARCLAY,
CEO, MICROSOFT UK.

Executive summary



One year ago, the world was a very different place. In our 2019 report, *Accelerating competitive advantage with AI*, we considered how UK organisations could scale their use of advanced technologies to better compete at home and abroad. Now, 12 months later, we find the very definition of competitiveness in flux.

With ongoing questions surrounding Brexit and, of course, the seismic shock delivered by COVID-19, the UK finds itself at a crossroads. In both the public and private sectors, organisations have had to try to find new ways to remain competitive at a time of unparalleled challenge and disruption.

No surprise, then, that uncertainty abounds. More than a fifth (22%) of UK leaders admit to having scrapped an existing business model entirely within days of entering lockdown while less than half (49%) believe their organisation is equipped to remain competitive on the global stage at the end of the Brexit transition period. Many more have been forced to fast-track their digital transformation programmes virtually overnight in order to support a new normal of remote working en masse.

Growing up

But with COVID-19 showing few signs of abating and the EU departure deadline looming, the issue of economic recovery – both individual and collective – becomes ever more pressing. How can British firms and the UK as a whole not only navigate this period of crisis but emerge from it in a position to strengthen, grow and build a better future?

22% of UK leaders had to scrap an existing business model entirely within days of entering lockdown.

To answer that question, Microsoft UK partnered with an independent team of economists and researchers, led by Dr Chris Brauer, Director of Innovation at Goldsmiths, University of London. Together, we conducted an in-depth study of what it takes to compete in a post-COVID, post-Brexit world.

Through extensive qualitative and quantitative research, we uncovered the need for a new model of competitiveness. One rooted not in traditional, short-term measures of productivity and efficiency, but in four interrelated dimensions: talent; technology; future readiness; and the ecosystem. Together, these dimensions represent the key ingredients in any organisation's future success.

By examining UK organisations through this fresh lens, we also revealed two distinct approaches to growth. The first is what we term a hollow growth model, in which labour is viewed as expendable, technology is not fully exploited to optimise individual functions and services, and future readiness is often overlooked, in favour of short-term gains.

Meanwhile the second is what we refer to as a sustainable growth model. Here leaders are inspirational, decisive and empathetic, staff are supported by a dynamic culture in which they can work flexibly and learn new skills, digital solutions are transitioned to quickly and systemically, and there is a mindset of resilience and agility that allows the organisation to respond to new challenges and opportunities when they arise.

Crucially, we find that only the latter can help organisations survive today and provide the upward growth trajectory necessary to thrive tomorrow.

The road to recovery

Yet knowing the road to recovery is not the same as treading it. We wanted to lay a clear blueprint for how organisations in both the public and private sectors increase their competitiveness and, in doing so, return the UK economy to a position of strength on the global stage.

To do it, we first needed to understand where on the journey they are, ranking organisations according to their performance across the different dimensions of our new model of competitiveness. We then used the results to separate them into four typologies:

1. Frontrunners
2. Challengers
3. Survivors
4. Endangered



46% of UK organisations are currently classed as endangered having experienced reduction in turnover of 5% or more during the pandemic.

Worryingly, we found that 46% of organisations currently fall into the endangered category: those that have experienced reduction in turnover of 5% or more during the pandemic. Perhaps unsurprisingly, many of these display the characteristics of a hollow approach to growth.

Yet there is opportunity here too. Simply by making a few basic changes to their approach, changes that do not add major costs to their balance sheet, we calculate that British organisations could significantly boost their own competitiveness. What is more, the sum of all these marginal gains could be an overall boost to the UK economy of more than £48 billion.

This figure is merely the starting point: the value that can be generated quickly with minimal changes and minimal investment. Were organisations to go further in adopting a sustainable growth strategy, the potential impact on their turnover and competitiveness is even greater.

Competing Objectives

Of course, these changes will require strong backing from the government, both in the way organisations are incentivised to shift their approach and in how our future trading relationships as a non-EU member state are negotiated and maintained.

But if motivation were needed beyond the financial benefits, organisational leaders and policymakers need look no further than another key finding of this report: now more than ever, the UK's economic and social prosperity are intrinsically linked.



As revenues grow with greater competitiveness, so too does an organisation's ability to invest in programmes that promote diversity and inclusion, address gender inequality and retrain workers for a digital future. Likewise, with firms performing better, the government can use enhanced tax revenue to fund initiatives to support those worst affected by the coronavirus crisis, control the rising level of public debt and address the digital skills gap.

In 2021, the nation's collective competitiveness will be put to the test like never before.

Competitiveness to stay afloat and remain relevant. Competitiveness to grow our economy out of crisis. Competitiveness to meet the needs of individuals, communities and industries reeling from a period of unprecedented difficulty. It is a test we can and must pass. We may be at a crossroads. But there is only one right road ahead.

“When we turn the page on this crisis, I hope we can remember it as the moment we reconnected to our deeper human values. When we took the opportunity to rebalance a little bit. And when we reconnected with the world we live in differently.”



OSVALD BJELLAND,
FOUNDER & CEO, XYNTEO.

A competitive crossroads





“As Satya Nadella said, the initial global response to the COVID-19 pandemic saw two years of digital transformation in two months. UK organisations are now at an inflection point where the ‘old’ ways of doing business will no longer suffice.”

CLARE BARCLAY,
CEO, MICROSOFT UK.

At the start of 2020, British organisations already had much to ponder. After four years of Brexit uncertainty, many were concerned about future stability and wary of investing in the kind of long-term transformation projects required to compete in an increasingly digital world.

Then came COVID-19, seeming to wash away any lingering hopes of a bright new tomorrow in a tide of near-unprecedented disruption. Within weeks, the first wave of the pandemic had wreaked havoc on the economy, catapulting individual organisations and entire industries into a crisis from which recovery is still far from certain.

Our research found that more than half (54%) of UK leaders surveyed have seen a net decrease in their organisation’s revenue this year, with one in five (22%) admitting that the drop has been greater than 15%. The same number (22%) say they had no choice but to scrap an existing business model entirely within days of entering lockdown, while recent Office for National Statistics data revealed the largest monthly fall in national GDP on record during April.

No surprise then, that 41% of UK leaders see the current economic climate as the key barrier to future competitiveness. This makes it their most pressing concern overall, a result reflected when looking at data across the UK specifically. Interestingly, however, the economic climate ranks second to COVID-19 as the top barrier for leaders in Scotland: 44% versus 47%. Meanwhile, 40% of leaders in the North of England are worried about driving growth following the pandemic, higher than any other region in the UK.

Yet amidst the tumult, the promise of progress. As workers have dispersed to studies, sheds and kitchen tables across the country, the digitalisation of vast swathes of the economy has accelerated. After decades of defaulting to an office-based workforce, the nation’s leaders have been forced to seek new, digital growth models to first stay afloat and now begin the rebuilding process.

Nearly two-thirds (61%) of UK leaders are currently using collaboration tools at work, a 10% increase on pre-coronavirus levels. 30% of those who took part in our research also identified investment in new technologies as an action their organisation had taken to remain competitive in the current climate.

As lockdown measures ease and the economy begins to show signs of an upturn, this trend must gather pace. Of course, the risks to recovery posed by a second wave of COVID-19 are considerable. As are

41% of UK leaders say the current economic climate is a key barrier to competitiveness, ahead of COVID-19 (39%) and Brexit (30%).

the renewed uncertainty surrounding Brexit and the huge public debt brought on by the financial demands of the current crisis. (In May, the Office for Budget Responsibility placed UK net debt at 100.9%, the first time it has exceeded 100% since the 1960s.)

Yet to overcome these dynamic challenges while meeting the expectations of employees who have become accustomed to the flexibility of working remotely, organisations must look forward not back. Rather than seek to regain what they had, it is time to grow their digital capabilities and rewire the world of work. The UK is at a crossroads. Both individually and collectively, our future competitiveness rests on choosing the right road ahead.

Competing for competitiveness



But how well placed is the UK to compete in a post-coronavirus, post-Brexit world? Before we answer that question, it is first necessary to consider exactly what competitiveness means today.

The World Economic Forum (WEF) defines it as *“the set of institutions, policies and factors that determine the level of productivity of a country.”* Yet national competitiveness cannot be fully understood without grasping the organisation-level picture too. As economist and academic, Michael Porter, explains: *“Unless there is appropriate improvement at the microeconomic level, macroeconomic, political, legal and social reforms will not bear full fruit.”*

In other words, macroeconomic conditions heavily influence microeconomic ones – and vice versa. Which means the UK’s ability to boost its competitiveness in the months and years ahead relies not only on being more than the sum of its parts; the businesses and institutions that make up those parts must become leaders in their fields too.

So, back to our original question: is the UK ready, willing and able to lead internationally? The answer, it appears, is not yet.

Asked if they feel their organisation is equipped to remain competitive on the global stage despite the end of the Brexit transition period, fewer than half (49%) of UK leaders surveyed said ‘yes’. Meanwhile, in July, the European Commission forecast that UK GDP will decline by 9.75% in 2020, not accounting for the impact of Brexit.

Other worldwide league tables make for similar reading. The WEF’s latest annual global competitiveness report – developed pre-pandemic – pushed the UK from eighth to ninth place, leaving it fifth in Europe. See **Figure 1. Pulling rank**. And in the IMD’s World Digital Competitiveness Ranking, the UK ranks only 19th, again below several other European economies.

This IMD ranking is telling. Even before COVID-19 rewrote the rules of engagement, a combination of market globalisation and rapid technological advances had made digital competitiveness an increasingly vital cog in any organisation’s and any country’s overall competitiveness. When it comes to digital transformation, this latest fall suggests the UK may have taken its eye off the ball.

Our own research appears to bear this out. We found that while nearly half (49%) of UK leaders have confidence in technology’s ability to support businesses through COVID-19, more than three in five (62%) insist they have no plans to hire more technology scientists, such as data analysts, system engineers and developers as a result. Meanwhile, only a third (35%) of UK employees believe their organisation is adopting new technologies and systems quickly enough. This strongly implies that, despite the pressing financial and operational case, many organisations are yet to cement a long-term strategy around digitalisation.

Figure 1. **Pulling rank**

How the UK rates on competitiveness

The WEF Global Competitiveness Index measures countries across 12 key pillars of competitiveness. The UK’s overall score is 81.2, placing it in ninth place.

| | | |
|----------|-----------------------|-------------|
| 1 | Singapore | 84.8 |
| 2 | United States | 83.7 |
| 3 | Hong Kong SAR | 83.1 |
| 4 | Netherlands | 82.4 |
| 5 | Switzerland | 82.3 |
| 6 | Japan | 82.3 |
| 7 | Germany | 81.8 |
| 8 | Sweden | 81.2 |
| 9 | United Kingdom | 81.2 |
| 10 | Denmark | 81.2 |

Source: World Economic Forum, The Global Competitiveness Report 2019



Ford continues heritage of competitiveness through tech

"Technology plays a huge part in driving performance and productivity at Ford.

In fact, you could almost argue Ford was the instigator of the technology and productivity revolution in the workplace through Henry Ford's introduction of mass production. Since then, technological advancement in

both our operating processes and our products has been critical to Ford and the auto industry.

Digital transformation has resulted in a quantum leap in our productivity and performance in recent years. It touches almost every aspect of our business but is perhaps most influential in our product development and manufacturing processes. The pace of change brought about by digital transformation seems to be accelerating all the time,

but it is a crucial part of how we function as a business today and therefore it is vital that we stay at the cutting edge to maintain our competitiveness in the global auto industry."



DR. GRAHAM HOARE OBE,
EXECUTIVE DIRECTOR,
BUSINESS TRANSFORMATION,
FORD OF BRITAIN.

"Productivity has been stagnant for over a decade now – and digital adoption, we feel, is one of the real things that could unlock huge productivity gains. But that requires the government to be able to incentivise and sign post the right tools. Often these are organisations who do not know where to go or what they need or what they could use, and therefore, need to build a peer to peer network so that they can learn from each other in their local areas."



VINOUS ALI,
ASSOCIATE DIRECTOR OF POLICY,
TECHUK.



“It is often said that education and training are the keys to the future. They are, but a key can be turned in two directions. Turn it one way and you lock resources away, even from those they belong to. Turn it the other way and you release resources and give people back to themselves.”

THE LATE SIR KEN ROBINSON,
AUTHOR, SPEAKER AND INTERNATIONAL
ADVISOR ON EDUCATION.

No more business as usual

In 2021, as the Brexit transition period comes to an end and the shockwaves of COVID-19 continue to be felt, the UK's competitiveness will be put to the test like never before. Competitiveness to stay afloat, remain relevant and, ultimately, grow out of a crisis.

The good news is that belief the nation can survive and thrive remains high. Two-thirds (66%) of the UK leaders we spoke to have confidence in their organisation's ability to navigate COVID-19 while 73% think they will be able to withstand a resurgence of the virus. Employees, too, have faith: 71% expect their employer to come through the pandemic.

But determination and optimism must be allied to action. In a changed world, we need a new model for competitiveness. A model anchored not just in productivity but that harnesses the combined power of people, technology and organisational agility. A model fit for the digital age.

As Amelia Fletcher, Professor of Competition Policy at Norwich Business School, points out: *“The government is now really concerned with how we create a recovery. Digital has to be at the heart of that.”*

By thinking in these terms and by using the challenges of today as an opportunity to learn and adapt for tomorrow, UK organisations can supercharge their competitiveness both at home and abroad. No more business as usual. Now is the time to build a better future.



Competitiveness re-modelled



Since before the financial crisis, the UK's productivity has been decelerating. It is a trend replicated across a number of the world's established economies and has led to what experts term the productivity paradox. The notion that despite combined advances in technology, leadership, skills and policymaking in recent years, productivity remains stubbornly and frustratingly stagnant. See **Figure 2. UK productivity puzzle**. Yet does the answer to this paradox lie in how we model competitiveness itself? Certainly, our research found that while most traditional approaches to competitiveness are rooted in productivity, they tend not to account for the transformational impact of digital systems on both individual organisations and entire economies. Transformations that have been expedited by COVID-19.

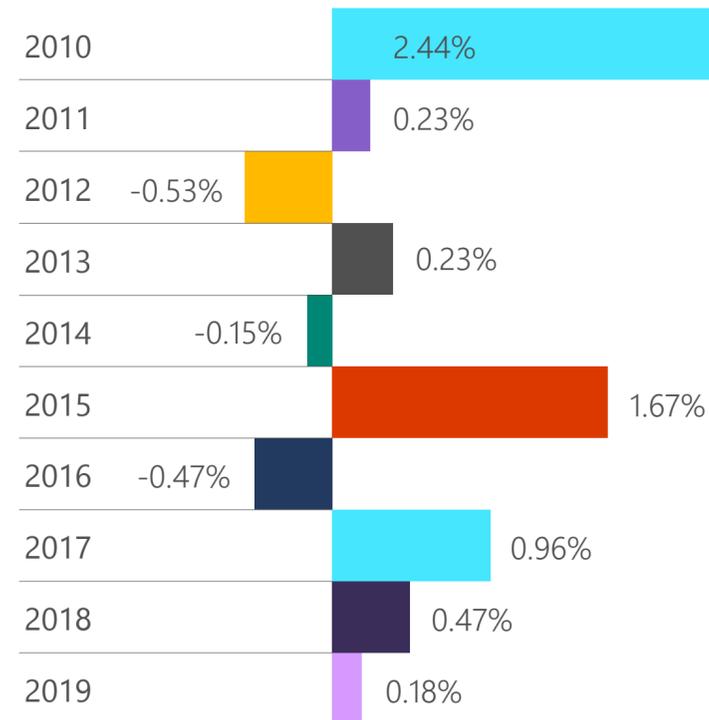
This, in turn, means the gains offered by modern solutions like robotic process automation (RPA), cloud computing and artificial intelligence are being missed. So too is the way in which data analytics technology can help organisations boost their resilience and agility, especially during times of disruption – something that has become ever more important in today's unpredictable world. Perhaps most notably, any model of competitiveness that fails to factor in the power of technology carries a very human problem. Namely, that it overlooks the power of technology in extending human capability. Of how, when implemented and used correctly, digital tools can augment workers, helping them become more effective, efficient and satisfied in their job by streamlining processes, fostering innovation and empowering them with new skills.

As Nick Hedderman, Director of the Modern Work and Security Business Group at Microsoft UK puts it: *"This year we have seen UK organisations dramatically increase the pace of digital innovation to ensure people have access to the tools and technologies they need to continue to work and collaborate efficiently, despite difficult circumstances. Whether it is the NHS deploying collaboration software to 1.2 million staff to help combat the pandemic or schools, colleges and universities embracing new tools to facilitate learning. This trend is only going to accelerate, sparking a cultural shift in how we approach work. What is clear is that the old ways of working no longer suffice. Indeed, 83% of UK managers surveyed in a recent Microsoft trend report reveal that they now expect to have more flexible work from home policies post pandemic and 72% of employees and managers say they want to continue working from home at least part time. This new hybrid work strategy – in which we reinvent the way work is done digitally, while respecting and leveraging much needed human interaction – is here to stay. So rather than seek to regain what we once had, we must embrace the new world of work and re-imagine operations for the future."*

To overcome the productivity paradox and emerge stronger from the twin challenges of COVID-19 and Brexit, UK organisations – and, indeed, the nation as a whole – therefore require a new approach. One that moves on from the idea of employing digital systems as an adjunct to the traditional drivers of competitiveness: capital and labour. Put another way: rather than view technology as a bolt on to be bought, introduced and overseen by the IT department, UK leaders should seek to restructure

Figure 2. **UK productivity puzzle**

UK labour productivity – annual growth rate (%)



Source: OECD

their organisation around it, thereby unlocking its full potential as a driver of growth.

As Debbie Forster MBE, CEO of the Tech Talent Charter, explains: *"The UK has to reinvent itself. If we could show we retain our competitiveness in terms of innovation and technology, then we can also begin to offer a new definition of what work is and what productivity is. And we can show how you can use that to drive competitiveness and economic recovery."*

"You cannot just assume there is a digital world and there's a real world anymore. You need to think about the two together and rework the whole system with that in mind."



BLAIR SHEPPARD,
GLOBAL LEADER
OF STRATEGY
AND LEADERSHIP,
PWC NETWORK.



Admiral focuses on outcomes, not function, to drive productivity

"Our response to the pandemic has been to approach productivity differently. Instead of organising around function, we organise around outcomes and key results. So rather than have separate "horizontal" teams focusing on sales, operations, claims, technology and so on – we manage change by outcome, with peoples' goals and targets all based on achieving the same thing.

We drive it with quarterly targets and milestones every fortnight. This means you are only over two weeks away from the next objective, which

gives clarity on progress and also means that teams can react quickly to business events and change direction if needed. It is a big shift and we believe a powerful model for the future – where people are more concentrated on what they are achieving for customers, rather than the department they work in. We are embedding it right now and the results are already very encouraging."



ALAN PATEFIELD-SMITH,
CIO, ADMIRAL.

A new model for competitiveness

What, then, does this new model of competitiveness look like? And crucially, how does it differ from what has come before? After all, many of the key components of organisational success – people, capital, even technology – have been in place for many years. Building a new model is thus not a case of ripping up the rulebook entirely; it is about re-writing it to fit a new future of work. Based on an extensive literature review as well as discussions with a wide array of experts from business, government and academia, we assessed the various factors that have been used to evaluate and influence competitiveness in the past. We then re-built and redefined them, taking into account their impact at a microeconomic (organisation) level as well as the way in which they relate to and feed off each other.

This gave us the three interconnected dimensions which together provide a new framework for competitiveness in a post-COVID, post-Brexit, post-digitalisation world. *They are:*

Talent

— The need for responsive leadership, a diverse and inclusive workforce, increased digital skills and the creation of an environment in which leaders and employees work together to innovate.

Technology

— Investment in new digital solutions that boost productivity through greater efficiency and collaboration. These solutions must be embedded at the heart of the organisation, not restricted to certain functions or departments.

Future Readiness

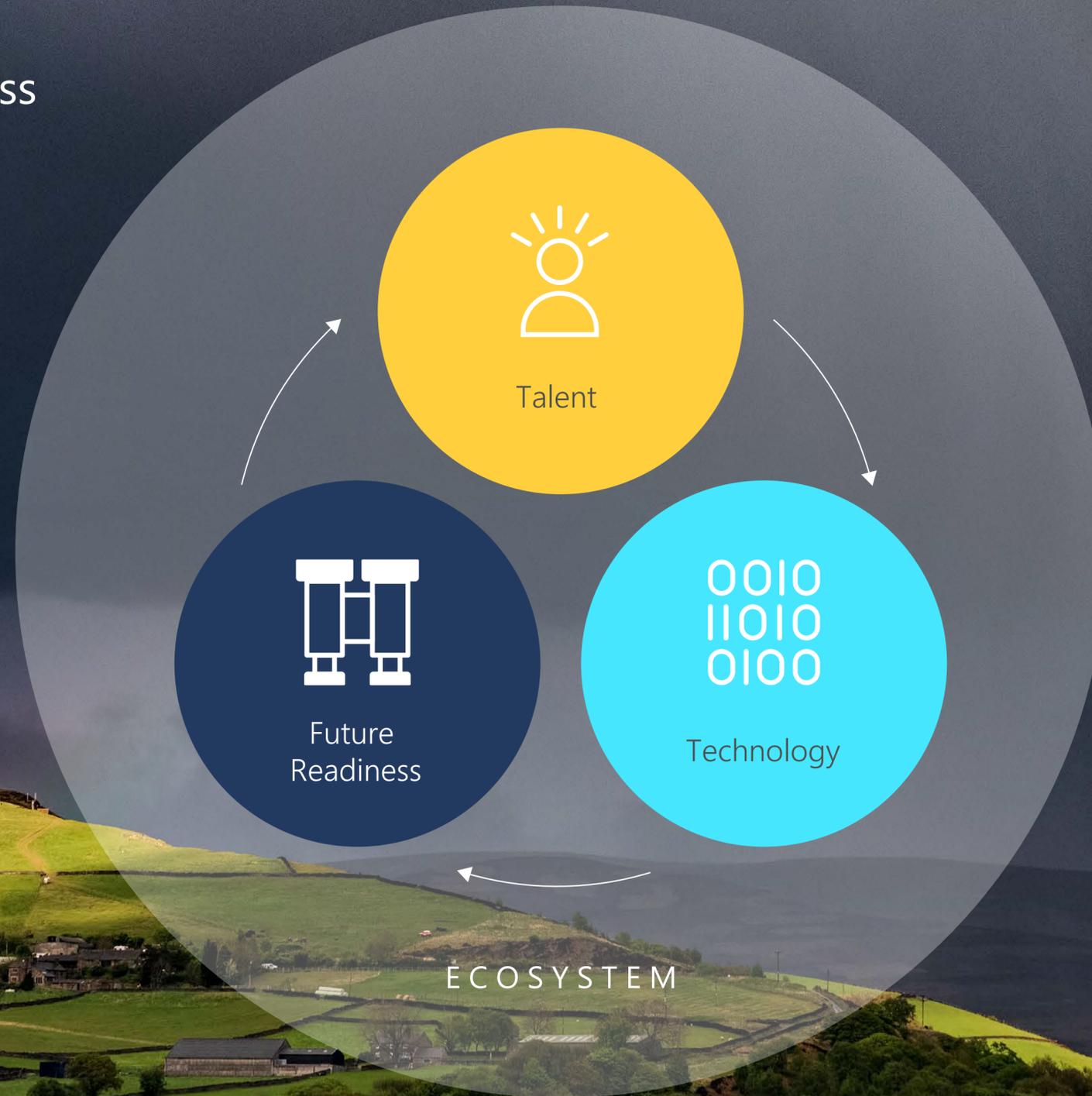
— The need for organisations to plan and innovate more effectively, putting themselves in a position to navigate disruption, pivot towards fresh growth opportunities and adapt to new challenges or changes in market conditions.

Crucially, these three dimensions must work synergistically, with none more important than nor distinct from the others. They are also underpinned by their relationship to the **ecosystem** in which the organisation operates: the external environment determined by institutions, macro-economic conditions, the robustness of the financial system and the overall health of the economy.

Furthermore, this ecosystem is itself driven by what is known among economists as Schumpeter's Gale: a force of creative destruction that continuously revolutionises the economic structure, destroying the old one and creating a new one in its place. The dramatic and pervasive changes prompted by COVID-19 being a good example. See **Figure 3. The winds of change.**

Figure 3. The winds of change

A new model for competitiveness in the digital age



Schumpeter's Gale



Fortune will favour the brave

Of course, the adoption of this model of growth will not happen overnight. But it does need to happen quickly. In the words of Steve Plummer, Head of Consulting at strategic digital agency, After Digital: *"We do not have the luxury of time anymore."*

Yet encouragingly, the wheels are already set in motion. As we discussed in the previous chapter, the current crisis has accelerated the adoption of digital technologies and remote working practices at a speed few could have anticipated. Better still, many of these changes are likely to endure even after the COVID-19 crisis comes to an end, making it easier for people and companies who may have been left behind by the digital economy in the past to participate in it in the future.

The job now is for leaders and policymakers to invest in the necessary training and education programmes for their talent. To fully integrate technology into their culture and operations. To recruit diversely. And to build their readiness for the future.

As Andy MacDonald, Director of Customer Services, Aberdeen City Council, told us: *"One of the things we have absolutely experienced during this pandemic is the collaboration and efficiency that digital technology can bring. We have really managed to move forward."*

Opportunity knocks. And fortune will favour the brave.

"One of the challenges in the UK is that we have a long tail of low productivity firms which do not have access to or use tried and tested technologies. If we got those companies confident in using cloud, confident in using digital marketing systems, confident in using data, the positive impact on our productivity would be significant."



ROXANNE MORISON,
HEAD OF DIGITAL
POLICY, CBI.



GEORGE WINDSOR,
HEAD OF INSIGHTS
TECH NATION.

EXPERT VIEW

Tech Nation

Tech Nation is a UK based management consultancy and growth platform for tech companies and leaders who want to positively transform society. The organisation has contributed more than £425m of Gross Value Add (GVA) to the UK economy since 2010. Here, George Windsor, Head of Insights, discusses how technology skills and jobs are supporting recovery, and what business leaders can do to help scale their companies.

Based on your work with clients, what have you discovered about how talent and technology are contributing to the UK's recovery?

We use a range of different data sources to best understand what is happening with the labour market with regard to tech skills as well as tech jobs. This helps us think about the digital economy in its broadest sense, by capturing all the touch points of digital technology throughout the labour market, which in turn helps us understand what the impact on the economy is. So, we know that the digital economy has grown considerably over the last decade and it is now supporting around 2.93 million jobs, and we know what roles are on the rise, what skills are in demand and which are actually in decline.

In terms of what this intelligence tells us about the recovery – we have seen digital technology vacancies pick up by 36% during a time when other sectors are declining. This is a great indicator that the uplift in digital tech jobs is helping to drive recovery, second only to healthcare jobs. This is an important trend for UK businesses to understand right now – because it is showing that this is not just about the tech sector weathering the storm. This is about how tech is enabling companies in all areas of the economy – talent and investment are the core ingredients that will enable companies to scale, or not.

Also, when you are seeking to attract a mix of skills and talent, both tech and non-tech, it is important to provide opportunities for everyone – people from a range of backgrounds – to participate in your workforce, because this broadens the pool of talent available.

"In terms of what this intel tells us about the recovery – we have seen digital technology vacancies pick up by 36% during a time when other sectors are declining."

What do UK businesses need to do, to scale and stay competitive?

As well as looking at how creating digital and tech roles could help improve your business, leadership teams should also look for support themselves, especially through peer-to-peer learning and scale coaching from people who have been there and done it. Business leaders need to be able to come together with their peers to discuss the problems they're having right now and work together in order to overcome them. Our growth programmes prove that this method is incredibly effective.

Ultimately, UK businesses must take more of a collaborative approach, where firms in each sector share their learnings and best practices with each other in order to grow. It is worth noting that this strategy of growth through communication and collaboration also requires a mix of both hard technical skills and softer skills. For example, a data scientist can create the most fantastic data visualisations, with the most meaningful insights, but unless they can land them with people internally and external clients, you lose the value. So they must be supported by people with great interpersonal skills. Businesses need technical proficiency alongside the ability to connect with people, to drive recovery.

These are some of the most effective ways companies can overcome the challenges of scaling, helping them bridge that scaling gap, and move on to sustained high growth through the later stages of their activity. This is how UK companies can thrive into the future.

Hollow versus sustainable growth



Growth has long been the key to unlocking competitiveness. After all, if organisations can continue to expand and evolve, even in the face of a crisis like the one we are living through now, they are well-placed to lead both domestically and internationally.

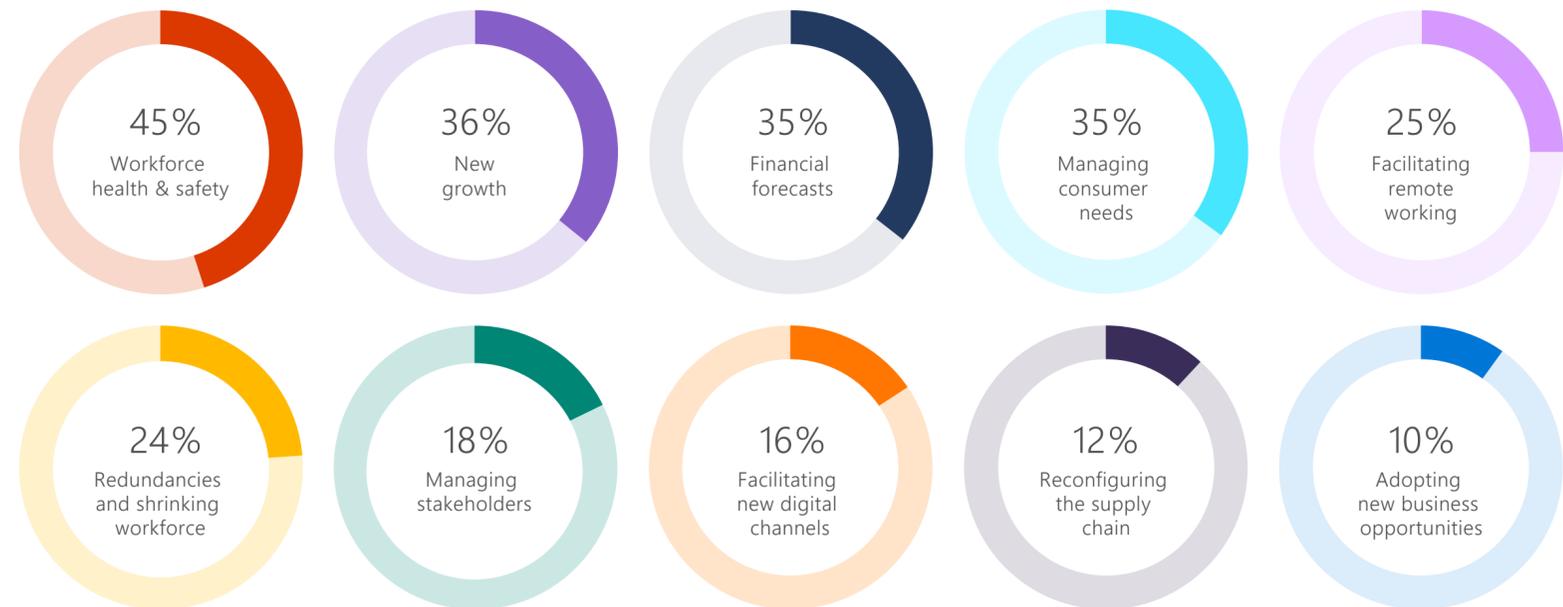
It is clear from our research that UK leaders recognise the need to move their organisations forward rather than simply try to protect what they have got. Asked about their top concerns as they seek to respond to and recover from the ongoing COVID-19 pandemic, driving new growth came second, behind only protecting the health and safety of employees. See **Figure 4. Growth mindset**.

Yet in a world of economic, political and social upheaval, the way to go about it is transforming. As Osvald Bjelland, Founder & CEO of the advisory, Xynteo, explains: *“We need a different kind of growth which requires deep co-operation between government, business and the social sector. And we really need to change now.”*

But how? What does this repaved path to growth look like? Using our new model of competitiveness, we uncovered two distinct approaches. And what became evident is that one of them carries far greater potential for long-term success than the other – both for organisations individually and for the UK as a whole.

Figure 4. **Growth mindset**

UK leaders' top concerns in responding to the COVID-19 pandemic



“We need a different kind of growth which requires deep co-operation between government, business and the social sector. And we really need to change now.”



OSVALD BJELLAND,
FOUNDER & CEO,
XYNTEO.

“We need to rethink education and training, so that it can accompany people throughout their lives.”



DR MARIAGRAZIA SQUICCIARINI,
HEAD OF UNIT, DIRECTORATE
FOR SCIENCE TECHNOLOGY
AND INNOVATION, OECD.

Growth rings hollow

Closing the gender pay gap

Our research found that one in five (20%) UK organisations with at least 250 employees do not report their gender pay gap, despite the fact it is their legal obligation to do so. This may be down to a failure to acknowledge that such a gap exists within their organisation or a lack of awareness that reporting this figure is now mandatory. Either way, it represents a worrying shortfall in leadership. One that results in less diversity within their organisation, demotivates female staff and, in the long-term, inevitably leads to decreased productivity and growth.

The first of these is what we have termed **hollow growth**, an approach where organisations seek to extract as much value as possible from their people in order to reduce costs and boost productivity. Usually, this means providing minimal support for workers when it comes to adapting and re-skilling for the future – something at odds with what many of the experts we spoke to recommend.

In fact, according to Dr Mariagrazia Squicciarini from the Directorate for Science Technology and Innovation at the Organisation for Economic Co-operation and Development, the need to embrace an iterative process of learning and development has become mission-critical: *“We can no longer consider that education happens only at the beginning of the lifecycle of a person,”* she explains. *“We need to rethink education and training, so that it can accompany people throughout their lives.”*

What is more, a lack of on-the-job training is contrary to what employees themselves seem to want. More than four in five (82%) of our research respondents identified strong digital skills as helpful when finding a new job and this was consistently high across age groups, gender, regions and job roles. As Carol Stubbings, Global Leader, Tax and Legal Services for the PwC Network, puts it: *“Companies that have invested in upskilling have seen better employee satisfaction. Because do not forget, people want to be reskilled. They know that they need to learn new things to be relevant.”*

Naturally, workers’ ability to upskill – whether digitally or not – relies on having access to ongoing development programmes from their employers. Given they view their workforce as an expendable resource to be exploited rather than nurtured, it follows that most hollow growth organisations fail to provide this.

They also tend to be less concerned with using their recruitment and development programmes to address issues like diversity and inclusion.

From a technological standpoint, hollow growth organisations do not maximise the potential of the technologies that may be available to them. In fact, in many ways, they miss this vital step in any wider digital transformation process.

Often, new solutions are introduced in silos rather than as part of a cohesive long-term digital strategy. As such, they tend to replace certain human functions or services with a view to delivering short-term gains rather than be used pervasively to create a deeper culture of augmentation and creative innovation. The rate at which hollow growth organisations transition to new technologies and unlock their full value – the speed to impact – also tends to be slow.

Among UK organisations in general, we uncovered a heavy focus on technologies that come at a lower cost and appear to offer shorter implementation periods, such as business software and collaboration tools. While undoubtedly useful, these fail to extract the true value of solutions that can drive more

systemic change and increase speed to impact, including cloud technology, machine learning and edge computing.

When it comes to future readiness, hollow growth organisations are notable for their rigid organisational structures. Often, they fail to acknowledge the deeper issues that make them volatile to changes in the ecosystem, taking market conditions for granted rather than being alert to potential shocks in advance. They also take a traditional approach to growth and productivity, with less regard for more invisible outcomes like agility, resilience and culture.

It all adds up to a cycle of boom and bust. In the good times, those leaning on hollow growth may demonstrate strong competitive behaviour. Yet during the tougher ones, the periods of recession and disruption, they tend to be hit hard, unable to flex their workforce and their technology quickly enough to pivot, innovate and ride out the storm.

This mindset is – and has long been – the most common approach in both the UK and many other countries around the world. As we explore in more detail during Chapter Four of this report, many organisations we evaluated during our research demonstrate attributes of hollow growth. The result is a series of regular gains, equally regular downturns and, ultimately, a flat line of productivity. Remember the productivity paradox? It is built on hollow growth.

“If we look at COVID-19, the people who have been brilliant leaders are those who have been ridiculously inclusive in their input, ridiculously empathetic in their awareness and ridiculously decisive. In a dynamic world, empathy is as important as decisiveness.”



BLAIR SHEPPARD,
GLOBAL LEADER
OF STRATEGY
AND LEADERSHIP,
PWC NETWORK.

Sustainable gains

There is, of course, another way. One in which an organisation strives for a more measured and stable upwards growth trajectory and where competitiveness is based on underlying operational and technological structures that ensure the organisation can adapt quickly with limited costs. We call this approach **sustainable growth**, not because it centres around environmental responsibility (although this is, as we will see, part of it) but because it is designed to yield a positive long-term impact for an organisation’s performance, culture and role in society.

A core feature of sustainable growth organisations is decisive, caring and inclusive leadership. Here, leaders react quickly and precisely to changes in their ecosystem and are both responsive and empathetic to the needs of their staff. They are almost certainly the bosses of the 26% of UK workers who told us their leaders inspire them. See [Figure 5. Inspiration nation?](#)

Alongside the leaders of these sustainable growth organisations, we find employees who are diverse in both their background and their expertise. They are also more likely to be recruited from previously overlooked sections of society than in hollow growth organisations, bringing with them fresh-thinking and ideas.



46% of UK organisations demonstrate strong *Hollow Growth* characteristics and a falling turnover, from 5% to 15% decline.

Close knit teams the key for Silent Pool

"Leadership in smaller firms does have an advantage when it comes to engaging and motivating employees, because we are not so distant. We do not have a massive office block where I am sitting on the 90th floor in a suite while people are down in the engine room cranking the handles. The entire business knows exactly who the leaders are personally, and that we are doing everything from measuring drain covers to fixing a pallet jack. A lot of which they are doing too, we are all hands-on and no one lives in a rarefied atmosphere.

When the lockdown happened and our online orders went crazy, we were all in the distillery packing boxes until eight o'clock at night.

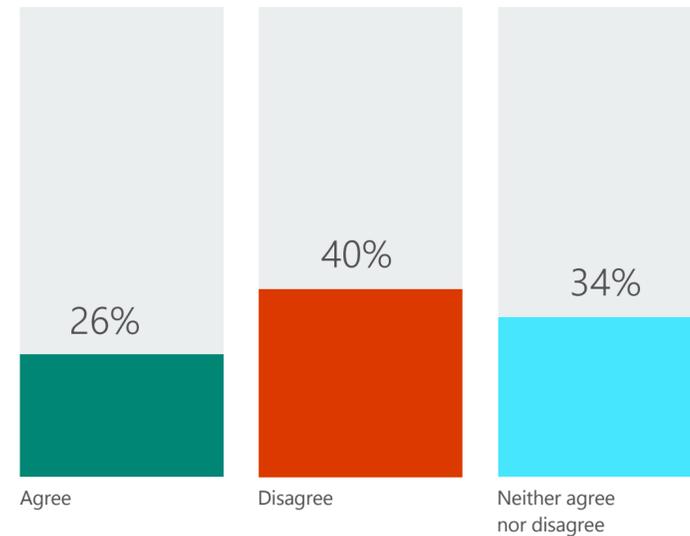
Smaller businesses need this engagement too, because the only way you can compete against bigger companies, is to innovate better and faster, it is agility, and out-thinking them. Ideas, and delivering on them, has to come from everyone."



IAN MCCULLOCH,
MANAGING DIRECTOR,
SILENT POOL DISTILLERS.

Figure 5. **Inspiration nation?**

% of UK employees who say their leaders and senior managers inspire them



Crucially, they benefit from a dynamic and inclusive environment based on mutual trust. One that empowers them to innovate, learn new skills and be active stakeholders in the growth of the organisation and its culture. Likewise, their needs outside the workplace, such as childcare, are viewed with understanding rather than suspicion, allowing them to work flexibly and productively around competing demands.

Not only is this sense of organisational dynamism better for employees themselves, it nearly always delivers enhanced experiences for its customers too. Why? Because they are being served by more engaged, satisfied and skilful staff.

"Sustainable growth depends on shifting away from treating employees as numbers in a spreadsheet to treating them as diverse stakeholders in the development, culture and ethics of an organisation."



CLARE BARCLAY,
CEO, MICROSOFT UK.

Meanwhile, when it comes to technology, sustainable growth organisations commonly use a wider range of tools and solutions. They are also likely to display a faster speed to impact, transitioning fully to a new technology quickly and giving people the freedom to learn from experience and try out new ways of working. As James Allen, a senior partner at management consulting firm, Bain & Company, puts it: *"to compete on the basis of not only scale but speed."* This bolsters their future readiness and resilience, placing them in a strong position for continuous innovation and long-term productivity growth.

The same but different

On the surface, of course, the aims and objectives of both hollow growth and sustainable growth organisations are similar. They all want to perform well and move forward while few, if any, take a wilful disinterest in their staff's wellbeing and make full use of technological capabilities, especially right now.

Yet delve deeper and the impact of their divergence in approach becomes clear. Indeed, perhaps the best way to sum up the difference between these two routes to growth is to consider the S-Curve that describes the anatomy of a high-performance organisation.



“As businesses build back from the impact of COVID-19, it is important they consider their role in reducing social injustices. They need to use this narrow window to really focus on skills, social mobility, inclusion and diversity.”



CAROL STUBBINGS,
GLOBAL LEADER, TAX AND LEGAL SERVICES,
PWC NETWORK.

45% of UK leaders surveyed think their business model will cease to exist in five years' time, up from 33% in 2019.

A sustainable growth organisation repeatedly anticipates and adapts to the latest challenges and opportunities, evolving in tune with its ecosystem and jumping into the next stage of the growth curve before any levelling off period begins – all while fully integrating its people and technology into that journey.

A hollow growth organisation, however, focuses on extracting the maximum possible value from its known growth trajectory. This approach may deliver greater gains in the good times but will almost certainly see its productivity and competitiveness plateau in the long-run compared to more forward-thinking rivals, especially when the market changes.

Right now, the combination of COVID-19, Brexit uncertainty and a pressing need to digitalise are creating one of the most unpredictable operating landscapes in the UK's recent history. Indeed, 45% of UK leaders think their business model will cease to exist in five years' time, up from 33% last year. Only a sustainable growth strategy offers the resilience and agility required to navigate this turbulence and deliver a lasting recovery for organisations and for the entire UK.

But there can also be no half measures. Organisations that adopt a sustainable growth model must accept there are no trade-offs between financial success and social and environmental prosperity. No choice between human and machine. Instead, we need a platform for growth that has diversity, inclusion, social responsibility, ethical technology and environmental conscientiousness at its heart. Growth that does not ring hollow. The path to rebuilding the economy is also the path to creating a better society.



ANDREA STONE,
CHIEF CUSTOMER PROPOSITION
OFFICER, REFINITIV.

CASE STUDY

Refinitiv

Refinitiv serves more than 40,000 institutions in approximately 190 countries, providing information, insights and technology to drive innovation and performance in global financial markets. Here, Andrea Stone, Chief Customer Proposition Officer, discusses the company's approach to talent and technology.

How has leadership delivered dynamism and decisiveness to steer Refinitiv through the pandemic?

Firstly, we recognise the sheer level of stress people everywhere are under – it is been at a level I have never seen in my professional career. The executive team has prioritised culture, camaraderie and inclusivity. You must strongly communicate a sense of purpose as a company, why are we here, what are we doing – and set an example by caring about your colleagues, and your work. So much of leadership is personal, it is about your personal accountability, how you trust and relate to the people on your team, how well you align teams toward driving business value and outcomes – this is dynamism in action.

We also make it clear it is good to work in an iterative way. When mistakes happen, we learn from them, and we move on. This supports decisiveness too – leadership showing it is okay to make decisions based on the information you have available at the time, while accepting things will change. This is critical for developing leaders at all levels, and helping staff feel good about what they do, even in the face of uncertainty.

What does the future hold, for the sustainability of your business from a technological perspective?

We're focused on making our products customisable and multimodal. Clients used to trading on two big screens might struggle when using a laptop at home, so we had to adapt solutions to work on smaller screens. We have even seen some customers plugging into their televisions to work. Sustainable businesses must support this new way of working, where you might use a tablet for collaboration, a laptop for focused productivity, a phone for calls and large monitors for technical analysis. We have to plan our products and interactions so people can work in this multimodal way. You cannot

"With all this this rapid digitalisation, we must not lose focus on the human aspects – tech must integrate with our lives in a healthy, balanced way."

just assume everyone is going to be in the room staring at the screen and speaking – people could literally be anywhere. Wi-Fi access and 5G is going to be incredibly important in terms of how we work.

We have seen first-hand why collaboration platforms and new channels are needed to cope with the huge change in working behaviours and interaction types, which has happened everywhere. Thanks to Microsoft Teams we were able to move all our offices, 18,000 employees totally online over the space of a single weekend, seamlessly.

And for talent?

With all this this rapid digitalisation, we must not lose focus on the human aspects – tech must integrate with our lives in a healthy, balanced way. To clarify, I do not believe in the concept of work-life balance exactly, but I am very passionate about work-life integration. The reality is you might have to work in sprints, then ease off, and so on.

The recovery over the next two years and beyond will be about achieving a competitive, sustainable proprietary advantage. We have seen global supply chains shut down, and the pandemic emerge, because businesses encroached too far into the planet's natural environment. Sustainable business and finance is now an imperative for the global economy, and for building a better society as a whole.



RICHARD NEWSOME,
CHIEF TECHNOLOGY
OFFICER – CORPORATE,
SAINSBURY'S TECH.

CASE STUDY

Sainsbury's

Sainsbury's is one of the UK's largest retail businesses, with more than 2,200 stores and a thriving online business, all of which aim to help customers live well for less. Here, Richard Newsome, Chief Technology Officer – Corporate, for Sainsbury's Tech, discusses how the business combines deep technological expertise with a culture of learning to adapt at speed and achieve sustainable results.

How does Sainsbury's take a more deeply integrated approach to technology?

We do not talk or think about a technology or digital strategy separate to our corporate strategy – they are entirely interconnected. Technology and data are both fundamental assets for driving our strategy forward. I cannot think of a part of the business in which the business strategy and the technology strategy are not inextricably linked. This is reflected in our approach to talent too – we strive hard to develop, retain and attract great technical and business skills.

How did the company's strategy and culture align to support rapid adaption during the pandemic?

It was very clear to us from early March that we have a fundamental role to play in feeding the nation during the pandemic, and to do that in a way that is entirely safe for both customers and colleagues. The circumstances of lockdown drove prioritisation of a relatively small number of immediate, essential initiatives. This purpose and sense of priority really galvanised everyone's efforts and focus on collaboration and working at pace. Decisions and solutions which would have taken months, took days. The commitment of our colleagues was immense, teams were working very late, very early mornings, and long weekends. Some of our teams were flat out for at least a month, if not two and in some cases that pace has continued throughout.

This larger purpose and sense of priority helped sustain people and really reinforced many of the agile ways of working that we have been honing over the past three years – improving our pace of change, agility, and ability to pivot from one goal to another very quickly. Together, they helped us respond remarkably quickly in those early days.

What has Sainsbury's done to establish the tech and knowledge infrastructure needed for resilience?

Our digital journey began well before the pandemic – with very significant investment in engineering, data and infrastructure forming a large part of our overall capital expenditure. The main focus of this has been to better support and engage with our customers through all of our brands and channels, support our colleagues in store, and drive capability, capacity and operational effectiveness and efficiency in our infrastructure. So, in many areas we were in a really good place, pre-COVID. And this paid off – as did our experiments and manifestation of what it means to be agile – this spirit of agility really started to permeate through everything we do.

Engaging colleagues and driving adoption in the technology we use is a fundamental part of our ways of working. For example, for store colleagues, we have invested very significantly in what we call Colleague Apps, which colleagues increasingly access through a single hub. This also becomes the single point of access for information which can be browsed or is pushed down, in real time, by exception. And we invest not just in technology, but also in training and education (again increasingly real-time on demand) to support our colleagues' use of technology through their working life with Sainsbury's. Equally, the adoption by our store support colleagues of our digital workplace, especially Microsoft Teams, during the last 6 months has been amazing to see. All again supported by easy-to-consume online guidance, hints, tips and FAQs.

What are some of the outputs you are most proud of?

As the pandemic took hold and customer needs and shopping behaviour changed almost overnight in March, several of our teams came together to identify and prioritise online delivery to upwards of three quarters of a million of elderly, disabled and vulnerable customers, at breakneck speed. This included setting up a dedicated customer service line for those customers over pretty much two to three days. That would have been unimaginable under any other circumstances, but the pace and commitment with which we did it, was just breath-taking.

Similarly, it took 15 years to grow our online sales to the volume they were at in mid-March. By the middle of April, they had more or less doubled, and that growth has continued since. That our systems and people were available, scalable, resilient and robust enough to deal with it all, so quickly, is a real hallmark of work over many years as well as the brilliant response across the business to such unique circumstances.

48 billion reasons to change now



“If there are two things that have stood us in great stead over the last six months, it is both our previous investment in technology, capability and capacity and the ways of working and commitment of our colleagues which we have built on so collaboratively and at such pace.”



RICHARD NEWSOME,
CHIEF TECHNOLOGY
OFFICER – CORPORATE,
SAINSBURY'S TECH.

For organisations across all sectors, transitioning from a hollow to sustainable growth approach requires a fundamental and lasting transformation – operationally and culturally.

First and foremost, it means creating a dynamic working environment in which employees are treated as diverse stakeholders in the organisation's productivity, performance and culture and where empathy, trust and responsiveness are at the core of leadership. It also means reorganising themselves around a pervasive infrastructure of smart digital solutions, increasing the speed to impact of new technologies. And it means taking steps to embed resilience, agility and readiness for change throughout their value chain.

But if we agree this switch to a sustainable growth strategy is the way to compete long-term, how far along this journey is the UK already? And, crucially, what do organisations actually stand to gain by shifting their approach for the digital age?

Could do better

Let us start by dealing with the first of those questions. Using our new framework for competitiveness, we looked in detail at how the UK currently performs in relation to its three interwoven dimensions of talent, technology and future readiness.

In terms of talent, we identified a skills mismatch in many UK organisations. While around three in five (58%) workers said their organisation offered some type of training in new skills before COVID-19, this drops to less than half (48%) now. This may be the result of furloughing staff and/or closing work premises or it could signal a shift in priorities as cash-strapped organisations fight to survive and recover.

Either way, it implies the drive to reskill workers for a digitally led future is at risk of stalling at the very time it should be intensifying. As George Windsor, Head of Insights at entrepreneur network, Tech Nation, insists: *“For companies to stay at the forefront of consumer trends, they are going to need the right mix of tech and non-tech skills within their workforce.”*

Pandemic prosperity

In the *Financial Times'* list of the 100 top performing companies since the start of the COVID-19 pandemic, just one UK headquartered organisation featured. That was AstraZeneca, which ranked 94th having added \$8.7 billion to its market capitalisation value. In explaining the increase, the *Financial Times* points to the company's success in securing a deal to manufacture and distribute a potential coronavirus vaccine made by Oxford University.



Outside small firms and start-ups, inspirational leaders were also found to be in short supply. Indeed, while the majority (76%) of leaders surveyed agree that listening to and interpreting the needs of their workforce breeds confidence and resourcefulness, employees remain more likely to be demotivated by their bosses than inspired by them.

“Ahead of us is an opportunity to reshape people’s personal experience of work. To build back a better UK workplace defined by fairness, personal growth and balance while supporting those who need to learn the new skills to thrive in a digital hybrid economy,” says Clare Barclay, CEO, Microsoft UK. *“But to do this we require dynamic, inspirational leaders.”*

It is not all down to the rise of the humans though. As we saw previously, the speed at which organisations are able to unlock the value of new digital solutions is an equally important contributor to competitiveness. Yet currently, over a third (35%) of UK organisations take a year or more to transition in full, the most common response in our research.

As you might expect, there is a degree of variation here. Speediest are the young firms that have been operating for no more than 10 years and have a turnover of less than £10 million. This is most likely due to having lower levels of bureaucracy and a more naturally creative and disruptive culture. Next come organisations in retail industries while those with fewer than 250 employees – and thus a less extensive roll-out process – also tend to transition to new technologies within a year.

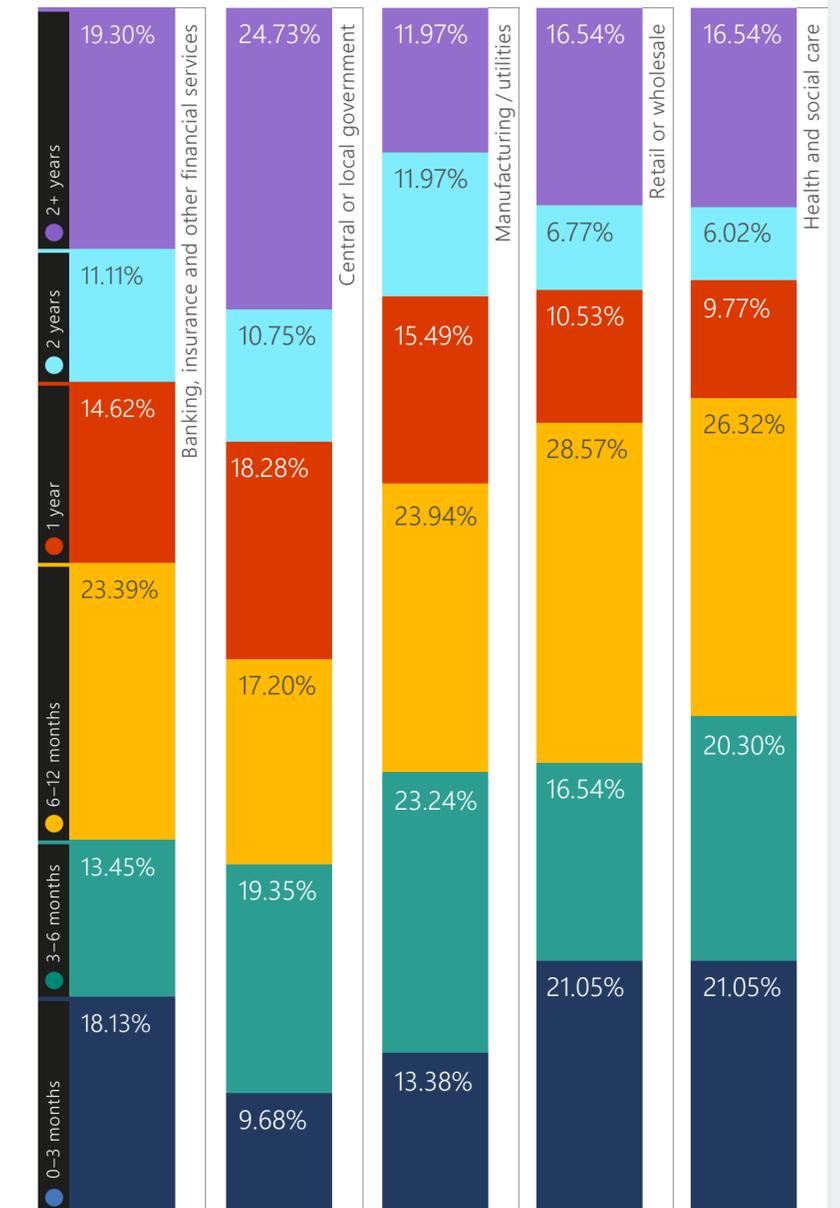
Yet size is by no means everything. A common link between these faster adopters is use of a cloud provider, and specifically hybrid systems, to accelerate transformation.

Meanwhile, at the other end of the scale, almost a quarter (24%) of public sector leaders surveyed admit to waiting more than two years for technology transitions to complete. As Steve Plummer, Head of Consulting at strategic digital agency, After Digital points out: *“The hierarchical structure of virtually every public sector organisation makes it almost impossible for them to move at the speed of change to embrace technology.”* In a rapidly evolving and increasingly unpredictable world, this has to change. See **Figure 6. The pace race.**

Clearly, leaders need to be the driving force in improving the speed to impact of their digital solutions. But, positively, it seems they will have the support of employees for doing so. In our 2019 report, *Accelerating competitive advantage with AI*, we found that workers were worried their organisations were adopting new technologies too quickly. Fast forward 12 months and only a third (35%) now believe it is happening rapidly enough.

Figure 6. **The pace race**

The speed at which organisations transition to new technology solutions by industry



No cash please, we're British

In the retail and service industries, the prevalence of digital payments is a proxy for wider digitalisation. Unsurprisingly, social distancing restrictions have seen the volume of digital payments spike during the first half of 2020. Meanwhile, Bank of England data shows that Britain has leapt ahead of most of Europe when it comes to cashless transactions, albeit without yet reaching the levels seen in Nordic countries, like Denmark and Sweden. Building an efficient system of digital payments is one of the Bank of England's top priorities for the UK economy and has been identified as a key source of business competitiveness in the digital age. This is because it makes transactions faster, safer and more reliable while also simplifying accounting and reducing multiple transaction costs.

And finally, future readiness. Currently, over half (54%, up 2% from 2019) of UK organisations dedicate 5% or less of their revenues to R&D, among the lowest across all G7 countries. This trend is reflected at a national level too, with the latest available OECD figures showing UK public funding for R&D significantly behind the likes of Germany, France, Japan and the USA. Only one in four (26%) firms in the UK received monetary support from the government for technological or other development in the last two years.

No surprise then that the UK is not as internationally competitive as it could be when it comes to innovation and the development of leading technologies at scale, including digital payments capabilities. Although it should be noted that the government has recently demonstrated more meaningful intent in reversing this trend by pledging to boost R&D funding to £22 billion by 2024/25. It is imperative that the economic turmoil caused by the coronavirus does not derail this renewed ambition.

Indeed, if anything, the emphasis on economic recovery should strengthen leaders' resolve to put the country at the forefront of global innovation. As Richard Newsome, Chief Technology Officer at Sainsbury's, told us: *"We need to create an environment where companies are not just able to but are encouraged to innovate for growth. Individually and collectively, we can only grow our way out of this crisis."*

This lack of support for R&D investment in Britain is also having a knock-on effect on the number of patents owned here. Less than two-fifths (39%) of organisations headquartered in the UK have at least one registered patent compared to two-thirds (67%) among those whose central office location is overseas. A third of that 67% have more than 300. Registering a patent is a useful indicator of an organisation's innovation capacity representing another potential area of improvement for the UK.



Not the right type... yet

If the UK's report card for competitiveness overall reads 'could do better', how about the performance of organisations at a more microeconomic level? Using our new framework along with the key traits of a sustainable growth strategy, we identified four typologies of competitiveness into which the nation's businesses and public sector organisations can be categorised. *These typologies are:*

Frontrunners

— Frontrunners are firmly pursuing a sustainable growth model and, in the case of the private sector, enjoying turnover growth of more than 5% in the current climate – often much more. This is likely due to having quickly adapted their business model to seize new opportunities such as meeting a new customer need or satisfying increased demand for their products and/or services. Organisations in this group are most likely to have a solid digital infrastructure and be faster to adopt new technologies, often taking between three and six months to fully transition to a new solution. They also tend to invest strongly in R&D, have a diverse workforce and feature empathetic leaders.

Challengers

— Just behind the frontrunners are the challengers. They have embraced many of the basic characteristics of sustainable growth and have thus seen their turnover remain steady during the pandemic or even increase by as much as 5%. While they may not have fully unlocked the value of adaptability, responsive leadership and diverse talent, challenger organisations have a keen sense of where they want to go and how to get there. They are fast adopters of new technologies, though not yet equipped with sufficient depth of infrastructure to move as rapidly as frontrunners. They are also likely to be gender-diverse, with more instances of organisations in which females exceed 40% of the workforce.



Survivors

— Typically showing some signs of sustainable growth but with lagging hollow growth as well, survivor organisations are experiencing small turnover declines of up to 5% compared to last year – slightly better than the estimated 7% GDP reduction for the UK economy as a whole. Survivors are more likely than frontrunners and challengers to take six to 12 months to fully transition to a new technology. Meanwhile, only three in 10 (31%) survivors have more than 10 patents, one of the distinguishing features between this category and those higher.

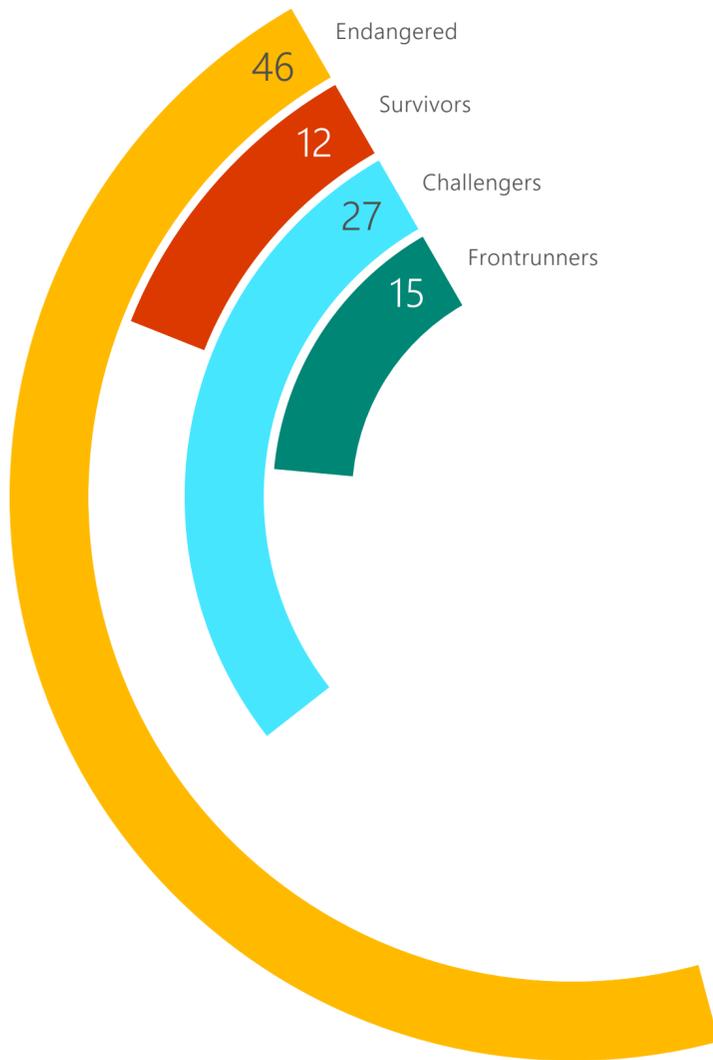
Endangered

— Endangered organisations demonstrate strong hollow growth traits, such as an expendable approach to labour and a slow to impact approach to technology. Year on year, they have suffered a turnover drop of 5% or more and with a lack of digital infrastructure and less diverse talent (women are likely to make up less than 40% of their workforce), endangered organisations appear financially vulnerable and ill-equipped to thrive in a post-COVID, post-Brexit economy. Notably, many (46%) organisations in this group decided to change their existing business model within days of the pandemic's onset but this did not prevent them from suffering significant downturns. This implies the wrong course of action was taken and belies leadership who are reactive rather than responsive to their ecosystem due to organisational rigidity.

As for where UK organisations sit in these typologies, we found that the highest number (46%) of those we assessed fell into the endangered category. Meanwhile, 12% display the traits of a survivor, 27% are challengers and 15% are frontrunners. Within the latter case, just 8% are performing well in every area of sustainable growth – the equivalent of around 1% of all organisations surveyed. See [Figure 7. Growing pains.](#)

Figure 7. **Growing pains**

% of UK organisations in the four competitiveness typologies



This is a concerning statistic although one that must be viewed within the context of one of the most challenging operating landscapes and recovery processes in modern history. Yet by recognising the need for change and by taking the chance to course-correct now, it may simply be the starting point for a stronger economic recovery and a brighter, more competitive future.

Show me the money

As for how that future could look, the potential for prosperity is considerable – and exciting. Working with a team of economists and researchers, we set out to calculate what would happen if, supported by the government, every UK organisation made some basic interventions now to adopt a more sustainable growth model and achieve a small, incremental increase in their competitiveness. Crucially, these interventions do not require a significant cost investment.

And the result? A cumulative boost to the national economy of £48.2 billion.

Just three quarters of this figure would be enough to have covered the entire cost of the government’s furlough scheme until mid-August (£35.4 billion). Similarly, if only 10% of it was used for employment, this could create as many as 128,920 full time jobs at the average annual adjusted salary rate of £37,428. If those jobs primarily went to traditionally underpaid populations – such as female and BAME workers and those working outside London – the impact

£48.2 billion – the cumulative boost to the UK economy if all UK organisations achieve a minimal increase in their competitiveness.

on regional, race and gender pay inequality would be substantial.

Crucially, the £48.2 billion figure should be seen as merely the start. They are, after all, based on organisations making the minimal interventions right now. Were they, however, to go even further in transitioning to a sustainable growth strategy, the potential economic impact – both individually and collective – is even greater.

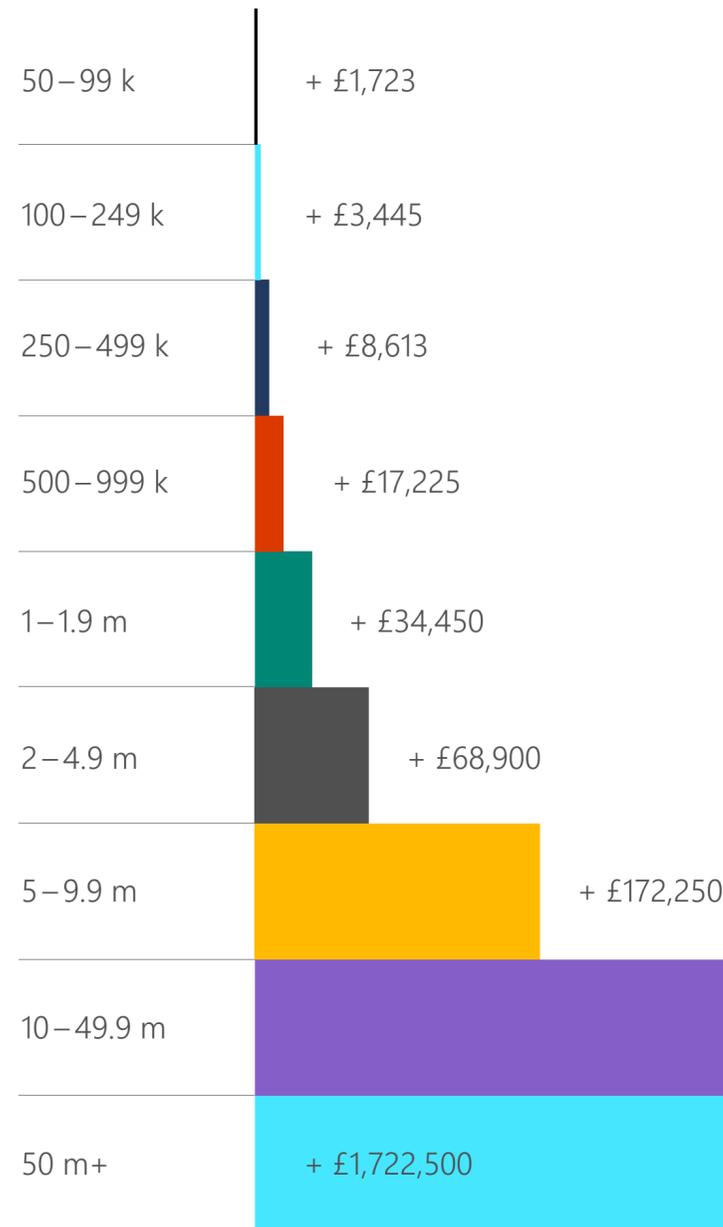
“A lot of the early response to lockdown was: ‘How do I reassure my organisation that I will return to some sense of normality?’ Now leaders know they cannot say that anymore because that implies that everything will go back to how it was. They have to avoid snapping back to the old ways of working and that demands something different.”



JAMES ALLEN,
SENIOR PARTNER,
BAIN & COMPANY.

Figure 8. Turning over a new leaf

How shifting to a sustainable growth model could boost UK organisations' turnover



The researchers looked at how the total £48.2 billion increase breaks down across organisations of different sizes, according to the turnover size classifications used by the Office for National Statistics (ONS). So, for example, companies with an annual turnover of £50k, could expect an increase of at least £1,723 by adopting more sustainable growth practices. Meanwhile, a firm bringing in around £50m would see their yearly revenue jump by £1.722 million.

| Turnover £ | TURNOVER SIZE BAND | | | | | | | | | Total £ |
|-----------------------------------|--------------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| | 50-99 k | 100-249 k | 250-499 k | 500-999 k | 1-1.999 m | 2-4.999 m | 5-9.999 m | 10-49.999 m | 50 m + | |
| <i>Number of companies</i> | 629,405 | 875,410 | 341,245 | 195,520 | 111,655 | 76,830 | 29,340 | 26,205 | 8,490 | 2,718,435 |
| <i>Current</i> | 31,470,250 k | 87,541,000,000 | 85,311,250,008 | 97,760,000,000 | 111,655,000,000 | 153,660,000,000 | 146,700,000,000 | 262,056,000,000 | 424,500,000,000 | 1,406,647,500,000 |
| <i>After minimum</i> | 32,554,400,113 | 90,556,787,450 | 88,250,222,563 | 101,127,832,000 | 115,501,514,750 | 158,953,587,000 | 151,753,815,000 | 271,077,622,500 | 439,124,025,000 | 1,448,899,806,375 |
| <i>Total £</i> | 1,084,150,113 | 3,015,787,450 | 2,938,972,563 | 3,367,832,000 | 3,846,514,758 | 5,293,587,000 | 5,053,815,000 | 9,827,622,500 | 14,624,025,000 | 48,252,306,375 |
| <i>Average minimum increase £</i> | 1,723 | 3,445 | 8,613 | 17,225 | 34,450 | 68,900 | 172,250 | 344,500 | 1,722,500 | |

Beyond economics

Clearly, this kind of revenue increase would have a profound financial impact for individual businesses. When added together, it would also provide a seismic shot in the arm for the UK's collective economic recovery and future competitiveness.

However, the long-term effects would extend far beyond the bottom line. With increased business turnover would also come higher tax revenue. This, in turn, will be invaluable in enabling the government to support communities and sectors hit hardest by COVID-19, invest in social mobility projects and physical infrastructure improvements, and begin to bring down the surging level of national debt built up during the pandemic.

Within organisations themselves, it could also help drive a much-needed cultural transformation. A chance to invest in building back a better UK workplace defined by inclusiveness, empathy, fairness, personal growth, community partnership and work/life balance. To become more successful both as an organisation and as a force for good in society.

Indeed, as our research indicates, it is only by adopting a socially progressive and digitally enabled approach to competitiveness that the true value of this economic gain is possible at all. As James Allen, senior partner at management consulting firm Bain & Company puts it: *"To compete, every organisation will need not only to have a sense of purpose but to declare they will be a good citizen in the communities in which they operate."*

There are 48 billion reasons why they should do so without delay – and in the final section of this report, we will lay out exactly how they go about it.



"Organisations need to foster a caring and inclusive culture in the workplace, in which every person feels valued, looked after and represented. Those organisations that are aligned in their values and address inequality in a really strong way, will be the ones whose people say 'I want to stay and be part of this'!"



DR. NAEEMA PASHA,
DIRECTOR OF CAREERS
& PROFESSIONAL
DEVELOPMENT AND
FOUNDER OF WOW
(WORLD OF WORK),
UNIVERSITY OF READING.

"Organisations that truly do what they need to do, not just from a business perspective, but from a societal perspective, will be the ones that come out of this crisis stronger."



CAROL STUBBINGS,
GLOBAL LEADER,
TAX AND LEGAL SERVICES,
PWC NETWORK.

Calculated potential

To arrive at the UK's £48.2 billion economic opportunity, our economists used data from the ONS detailing the turnover of all the nation's active VAT-registered businesses. They then calculated the average increase in revenue for different sized companies, ceteris paribus, were they to follow the minimum sustainable growth interventions in each of the dimensions of our new model of competitiveness: talent, technology; and future readiness. These interventions can – and should – be made now and do not require the organisation to incur any significant costs. To make the calculation, we also used the minimum figure in each turnover size band.



AIDAN HANCOCK,
GROUP CHIEF INFORMATION
OFFICER, NETWORK RAIL.

CASE STUDY

Network Rail

Network Rail owns, operates, and develops Britain's railway infrastructure, which includes 20,000 miles of track, 30,000 bridges, tunnels and viaducts and thousands of signals, level crossings and stations. The company manages 20 of the UK's largest stations while all the others, over 2,500, are managed by the country's train operating companies. Here Aidan Hancock, Network Rail's Group Chief Information Officer, talks about how the company is transitioning to new technology and became more agile in response to COVID-19.

What new technologies are Network Rail transitioning to?

The focus, first and foremost this year has been on developing analytics and data science strategies, entirely based around the cloud. The rationale being – if we make better use of data, we provide better decision support and insights to our engineers, and we can target maintenance more precisely – there's untold productivity benefits there. It means we can intervene earlier, and fix things based on the likelihood of their impact.

There is also a huge amount of work going on around using machine learning techniques to recognise all the various objects on the railway so we can manage them. For example, overhanging trees have to be cut and they grow at different speeds. This work is increasingly becoming a real success story.

What are some of the challenges (and solutions) for the transition?

Network Rail has a classic engineering-led culture, which at times can mean it is a little bit slower to move into new digital spaces. There is also the sheer size of the organisation. We have around 22,700 frontline workers and 20,700 back office people, but it is not evenly distributed. When you have got 43,400 people it is tougher to get traction everywhere because you will inevitably have silos. So I am trying to get people excited about the opportunity of digital. My strategy is multi-fold, but part of it is to drive a bit of a wedge between the old culture, the old way of doing things and the new way.

For example, we set up a 'Digital Factory', which is inherently agile and uses design thinking. This has led to the rapid development of some new applications – like the 'keep in touch' app we created just to know where everyone was, as during the very early days of lockdown, things got quite confusing and there was no other way

"We also pulled together a volunteering app very quickly, which allowed every member of staff to help outside the stations and help the NHS, during the early days of COVID."

of reporting it. We stood that up very quickly. We also pulled together a volunteering app very quickly, which allowed every member of staff to help outside the stations and help the NHS, during the early days of COVID.

How has the pandemic impacted your digital journey?

We have definitely become more agile, and we have been able to set new things up primarily in the cloud including brand new services. The reality was that we had to go from a theoretical capacity of supporting 8,000 working remotely during a crisis, to having an actual remote working capacity of up to 25,000 at the peak. We found we could literally start up a new service that had been designed in a day or two and then scale it as needed.

The biggest thing for me has been the speed of our cultural change, which I would not have thought possible before, to have a whole company start working collaboratively using tools like Teams at a reasonable level. We had no history of doing that, but we have proven we can do it when we need to. Now there is no excuse not to pursue this kind of progress, perpetually.

From a technology perspective, I've seen greater understanding of, and demand for automation and advanced analytics to help with decision making and staff support.

The road to competitiveness



“Most of the significant things in life aren’t standalone events but rather the sum of all the moments when we chose to do things 1% better or 1% worse. Aggregating these marginal gains makes a difference.”

JAMES CLEAR,
AUTHOR OF
ATOMIC HABITS.

When David Brailsford joined the Team GB cycling team as performance director in 2003, British cycling was mired in mediocrity. Since the first Olympics in Athens in 1896, the team had won just eight gold medals, five of them at the London Games in 1908. Brailsford immediately recognised the need for change, setting to work on delivering marginal gains in every aspect of the team’s performance. He believed that, when combined, these small improvements would be revolutionary.

He was right. Brailsford’s approach transformed the team’s fortunes, seeing British riders collect an incredible 22 gold medals over the course of the next four Olympics. Even more importantly, it led to a lasting culture of competitiveness that should see the team stay at the forefront of world cycling for many years to come. Just as these marginal gains brought success for Team GB on the track, they can be similarly transformative for British businesses on the road to economic recovery and growth. By making small, incremental adjustments in policy, culture and operational practices now, organisations will benefit from a powerful combined effect that ultimately secures their own future competitiveness and that of the UK.

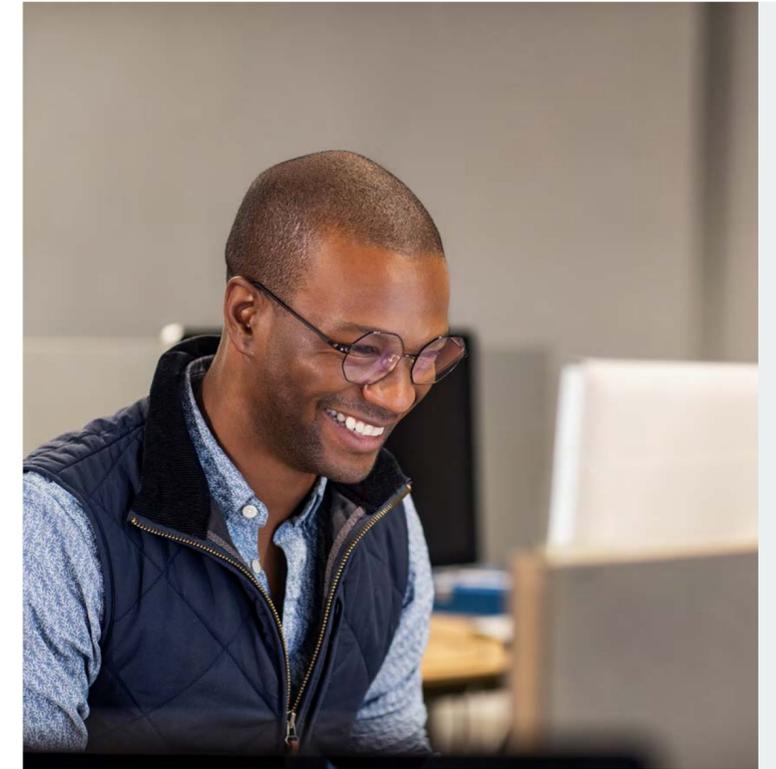
As author of the *New York Times* bestseller *Atomic Habits*, James Clear, puts it: “Most people love to talk about success (and life in general) as an event. But the truth is that most of the significant things in life aren’t standalone events but rather the sum of all the moments when we chose to do things 1% better or 1% worse. Aggregating these marginal gains makes a difference.”

A recipe for success

As for what these adjustments should be, they are best viewed through the dimensions of our new model of competitiveness: talent; technology; and future readiness within the ecosystem. In each case, there are basic actions that can expedite recovery from this period of uncertainty and position organisations to compete more effectively at home and abroad. Where appropriate, these actions should be supported by government policy and investment incentives. And, crucially, they must be treated as a series of interconnected steps, the cumulative impact of which is long-term change and success.

It is also important to note that the recommendations we make in the blueprint are based on turnover, not profit. After all, in the middle of an ongoing pandemic, it is difficult for organisations to accurately predict the cost of factors that are as yet unknown, such as additional lockdown measures or changes in government financial support.

Likewise, we suggest a set of minimal interventions that can be made quickly and without significantly altering a firm’s balance sheet. These assume the worst of the crisis is behind us and are designed to deliver maximum impact after a period of inaction, disrupted activity and high uncertainty. Organisations can, of course, move beyond the basic changes we suggest but without the necessary individual cost assessment, it becomes difficult to say with certainty what the ensuing economic benefit would be both individually and cumulatively.



Talent

Public and private sector firms can bolster their competitiveness by introducing a greater diversity of skills and experience into their workforce and by empowering employees to work more flexibly.

Indeed, organisations taking this dynamic approach to their people make up a large proportion of those identified as frontrunners earlier in this report. In particular, they tend to have a larger percentage of STEM-qualified staff than those in the survivor and endangered categories, achieved either through external recruitment or by encouraging existing workers to learn new skills. This gap widens further when looking at female STEM employees specifically.

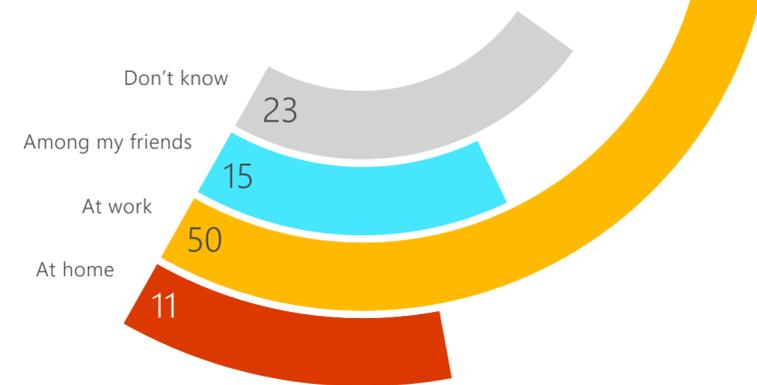
As Richard Newsome, Chief Technology Officer at Sainsbury's, explains: *"It is vital to develop hard technical skills and softer teamworking and leadership skills together. And when I say "leadership" that means everyone: thought leadership and team leadership should come from anywhere in an organisation. For example, a data scientist can create the most fantastic data visualisations with the most meaningful insights, but unless they can work with others to make that hyper-relevant to their roles, and then keep iterating and improving alongside those colleagues, you lose the value. People in Sainsbury's used to ask me whether I wanted them to be retailers first or technologists first. It will vary from role to role, but my answer has always been "both together" and that will become even more the case in the future. Businesses need technical proficiency alongside the ability to connect with people."*

Dynamism is, however, about more than the diversification of skills. There is also the question of gender and ethnicity. Positively, we found that leaders and employees are aligned in recognising that the workplace is where people are most cognisant of their differences from others. See **Figure 9. Spot the difference**.

However, awareness is not translating into action when it comes to building a more diverse and inclusive workplace. Only 15% of organisations currently employ 40 to 50% of females in their workforce while a third (36%) of leaders report that only 10% of their employees are from a black or ethnic minority background.

Figure 9. **Spot the difference**

% of employees who feel most different to others at work



Given the well-known performance, productivity and cultural benefits associated with greater diversity, it is clear that organisations looking to sharpen their competitive edge must address this disparity – and fast.

Yet, the impact of becoming more diverse and inclusive cannot be fully captured in an organisation's accounts. By fostering an atmosphere of equality, respect, tolerance and appreciation, business leaders can ensure everyone has a chance to flourish while helping to create positive role models for society more broadly.

Power to the people: The importance of greater dynamism

Organisations should aim to increase their number of STEM employees by 5% while seeking to better balance the mix of male and female STEM workers too. This will help guard against a rigid culture in an area that has been traditionally dominated by men. All staff should also be actively supported in working remotely. By taking these steps, survivor organisations could become challengers while challengers could become frontrunners.

A good example of this is Refinitiv, a global provider of financial market data and infrastructure. Fostering an inclusive workplace has long been a core focus of the company. But for Chief Customer Proposition Officer, Andrea Stone, the shift to a remote working culture during the coronavirus crisis has provided new opportunities to accelerate that journey.

"When you see people in their home environment, you really get a sense of the full person as opposed to how they might project in a suit in an office," she explains. "There is this sense of deep work-life integration where we are getting to know each other on multiple dimensions. That makes it easier to be inclusive."



"With most of us working at home, there is this sense of deep work-life integration where we are getting to know each other on multiple dimensions. That makes it easier to be inclusive."



ANDREA STONE,
CHIEF CUSTOMER PROPOSITION OFFICER, REFINITIV.

A new social contract for a post-COVID world

"The COVID-19 pandemic should jumpstart the discussion around a new social contract between organisations and their workers. This crisis is accelerating every trend in your industry and bringing your strategy forward. Yet our culture itself is decaying at the same time – it is a dilemma. We must avoid snapping back to old ways of working and that demands something different."

In practice, this starts with what individual employees are committing to do for themselves and how they want to navigate the world. Organisations cannot be 100% accountable for an individual's life; they can only influence it. We want employees who are committed to lifelong development and who view the organisation as a means to achieving this, because this makes them excited and interested team members, with an ambition that far exceeds just the company.

Every conversation I now have with a recruit or mentee starts with this question: 'for you personally, how much of who you are as a human being is defined by your job?' If the answer is 90 percent, I will focus on their career at Bain. If it is 30 percent, then we need to talk about the rest of their life and how we keep Bain in a box so they can pursue all of their goals. In this way, the new social contract is between two equal partners. My idea of a great, sustainable firm is where everyone achieves what they want."



JAMES ALLEN,
SENIOR PARTNER & DIRECTOR,
BAIN & COMPANY.

"COVID-19 has not fundamentally impacted our business strategy, however what has changed is our speed of execution. We have given ourselves permission to accelerate release cycles and optimise the work that needs to be done at a faster pace. And it did not break anything."



ALAN PATEFIELD-SMITH,
CIO, ADMIRAL GROUP.

In addition to the make-up of their workforce, any organisation aspiring to embrace a more sustainable model of growth must also reshape the future of work itself. This is especially true when it comes to finding ways to facilitate remote working. For example, just one in 10 (12%) of the employees who took part in our research said their employer plans to provide support for childcare, be that through vouchers, childminder subsidies or something else. Yet given the changes in working norms caused by COVID-19, this is likely to become increasingly important to (and expected by) working parents.

Technology

Here, the focus for organisations looking to improve their competitiveness should fall predominantly on speed to impact. This means ensuring any transition to new digital solutions happens quickly – ideally within three to six months.

Indeed, there is a noticeable difference between the pace with which frontrunner organisations are able to unlock the true value of new technologies compared to those in the challenger, survivor and endangered typologies. Any new solutions introduced should also be used to drive systemic transformation rather than to make piecemeal changes to individual functions or services.

Interestingly, we also found that greater speed to impact usually correlates with the use of a cloud provider and, specifically, the use of hybrid systems as the most efficient way to transition to a new technology. As organisations move from a cloud-first to cloud-only approach in future, they may be able to increase their speed to impact even further. Similarly, there appears to be a link between the ability to transition to new technologies and an increase in digital payments, an area where organisations with a growth downturn of more than 5% since the start of the COVID-19 crisis tend to underperform.

Investment in technological R&D is thus critical, allowing organisations to identify, implement and scale new solutions that can enhance efficiencies faster, augment workers and boost productivity. More often than not, such investments are driven by leaders who encourage creativity, respond empathetically to employees' concerns and ideas, and are inspiring.



RB uses social purpose to drive focus, resilience and agility

"Our purpose is all about ensuring we protect, heal and nurture in the pursuit of a cleaner and healthier world, which has never been more relevant. This keeps us relentlessly focused on the wellbeing of the consumer."

Our shared purpose helps create a unified culture, which I believe helps build greater resilience. Resilience is linked to greater agility – when you can rely on your people, your ability to experiment, learn and change increases. In the future, we have got to keep building this agility, so the entire business has the capacity to react to challenges as quickly as possible."



DAN GARBETT,
GROUP IT
DIRECTOR, RB.

For Andy MacDonald, Director of Customer Services of Aberdeen City Council, this symbiotic relationship between good leadership and technology has been a key focus of the organisation's transformation strategy. *"We invested a significant amount of time and effort in culture and leadership. And with that came the technology. The question for leaders to consider is how do we use it to improve, empower, collaborate and connect – both internally and to better serve our citizens?"*

Tech tonics – the need to turbocharge speed to impact

Increasing technology R&D and accelerating the time it takes to fully transition to a new digital solution by three months can make a tremendous difference to survivor and challenger organisations, helping them move up to the next level in our typologies of competitiveness.

Future readiness

There is a noticeable relationship between an organisation's ability to adopt a global mindset and its competitiveness. Of the organisations currently classified as endangered, most value cross-border trade at less than 20% of their revenue, often much lower. Among the frontrunners, this figure was regularly in excess of 50%.

Of course, in both cases, Brexit will present fresh challenges, potentially impacting British firms' access to non-UK markets and workers. Yet adopting a global mindset is not simply about doing business overseas or having a large international footprint. Rather, it means being willing to take a more expansive approach to recruitment or to investigate new markets beyond traditional heartlands of the past. Regardless of their size or sector, organisations who adopt this outward looking approach are likely to become more resilient to localised disruptions and be more agile in responding to new growth opportunities in the future.

Sustained levels of investment in R&D can also contribute to heightening the resilience of an organisation, keeping them at the cutting-edge of innovation and potentially leading to the development of patents. This, in turn, can lead to market capture and increased competitiveness. In fact, one of the standout findings of our research was that endangered and survivor organisations frequently spend least on R&D. Changing this will require courage and commitment from leadership as well as strong backing from the government, especially when it comes to trade agreements that ensure the nation's labour market, products and services remain appealing.

"The government clearly has a stake in this," says Hugh Milward, General Manager, Corporate, External & Legal at Microsoft UK. *"That means looking at what the regulatory and fiscal barriers might be to organisations going further and faster on this journey and deciding how public interventions can positively influence the direction of travel."*

Ecosystem

Indeed, the actions taken by policymakers to facilitate the country's economic and social recovery represent a key aspect of the ecosystem outlined in our new model of competitiveness. And the good news according to economist and Harvard University professor, Jason Furman, who led the 2019 UK government report, *Unlocking Digital Competition*, is that they will be taking these actions from a position of inherent strength.



"The UK is, in many ways, in the lead in thinking about digital competition issues," he insists. *"It has excellent regulators, it has a very strong tradition and commitment to markets and to understanding the importance of competition generally. But a more competitive digital landscape is not, by itself, sufficient. People matter a lot, financing matters a lot."*

Of course, these people – and finance-based considerations include directly supporting and incentivising organisations to adopt a more sustainable approach to growth. But they stretch beyond this too. Could, for example, the National Skills Fund and Apprenticeship Levy be used to drive the digital upskilling of the UK workforce? Can we encourage earlier teaching of these skills among schoolchildren? How do we help large companies, start-ups, scale-ups and investors connect and collaborate to solve industry issues? And what steps will we take to put the UK at the forefront of the ethical and responsible use of technologies like AI?



CAIN ULLAH,
FOUNDER & CEO,
RED BADGER.

“The UK is, in many ways, in the lead in thinking about digital competition issues. But that by itself is not sufficient. People matter a lot, financing matters a lot.”



PROF JASON FURMAN
PROFESSOR OF THE
PRACTICE OF ECONOMIC
POLICY AT HARVARD
KENNEDY SCHOOL,
HARVARD UNIVERSITY.

All are questions that the government can and should be asking right now. Ones that, if answered correctly, can ensure that, both individually and collectively, British organisations are well placed to compete on the global stage in future. Yet while broad-brush action, particularly at a policy level, will be invaluable, any blueprint for competitiveness must also take into account the natural nuances in different organisations’ ecosystems.

Industries such as hospitality and tourism are a good case in point. For them, following a sustainable growth strategy is not enough in itself to protect against volatility. If venues are shut or severely limited by social distancing restrictions, the impact on trade – and therefore competitiveness – cannot be avoided. Such organisations should be supported and encouraged to rethink themselves in their market, identifying diversification opportunities that can help ensure they survive in the short-term and thrive in the long-term.

Back to better

There is no doubt that we remain in the midst of perhaps the most difficult period in the UK’s recent history. With COVID-19 on the march again, departure from the EU looming and digitalisation threatening to consign slow-moving firms to history, a diverse and evolving array of challenges threaten the nation’s economic wellbeing seemingly from all angles.

It would thus be understandable for organisations to enter battle mode. To allow themselves to adopt

Ready, set, go – how to build resilience

Growing international business and increasing the number of non-UK employees can help organisations boost their future readiness. For survivors and challengers, that means moving up to the next ranking in our competitiveness typologies. Meanwhile, upping R&D spend by £50k-£100k could enable endangered organisations to become survivors.

a siege mentality designed to protect today rather than progress for tomorrow. Yet this would be a mistake. As we have seen in this report, there is a road to recovery that must be taken despite the disruption and flux.

This road is not a return journey to the way things were. Rather, it is based on a new sustainable model for growth and a series of small interventions that, if made now, can deliver big collective outcomes. These interventions are also just the beginning. If organisations can take further steps towards adopting a more sustainable growth strategy, the impact on their turnover and competitiveness could be even greater in future.

Yet, it is also a road not just to financial prosperity but to a better workplace and a fairer society too.

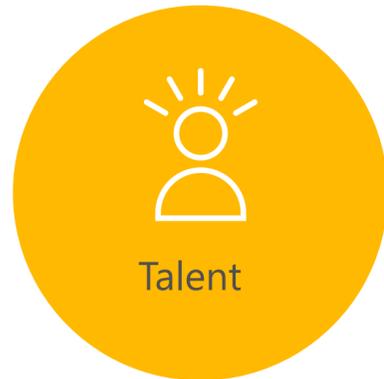
In fact, one of the headline messages of this report is that, now more than ever, the social impact of increased competitiveness is intrinsically linked to the economic one. In a post-pandemic, post-Brexit,

post-digitalisation world, organisations must not treat financial and societal prosperity as separate lines of business. If they want to thrive, they cannot simply extract economic value from the places they operate without contributing to the wider betterment, growth and overall health of those countries and societies too. As Debbie Forster MBE, CEO of Tech Talent Charter says: *“Doing the right thing is no longer just the right thing, it is the smart business thing – and it impacts your bottom line.”*

Rarely have the UK’s individuals, communities, businesses and government been posed so many difficult questions at once. Yet there is no choice but to answer them. To learn from the past, navigate the present and transform for the future. Economically, socially, competitively, that is how we build back better. That is how we lead in the digital age.

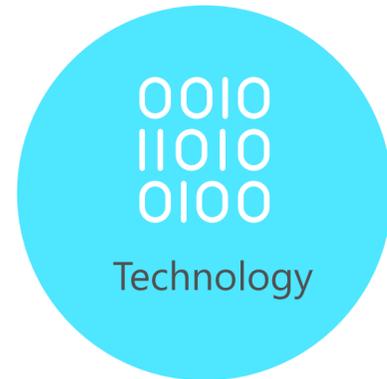


What UK leaders can do now to boost competitiveness



Talent

- Invest in building a culture of dynamism through empathetic and responsive leadership. See James Allen's thoughts on this on [page 37](#).
- Review the gender pay gap and the state of diversity in your workforce. See the *Closing the gender pay gap* box out on [page 19](#) for more insight.
- Increase the number of STEM staff in your organisation by 5% while seeking to better balance the mix of male and female STEM workers too. Check out the *Power to the people* box out on [page 36](#).
- Use collaboration tools to increase communication among teams and between employees and leaders. See Aberdeen City Council's transformation journey on [page 42](#).
- Empower staff with remote working technologies and flexible working support, such as subsidised childcare. Refinitiv's take on this is on [page 23](#).



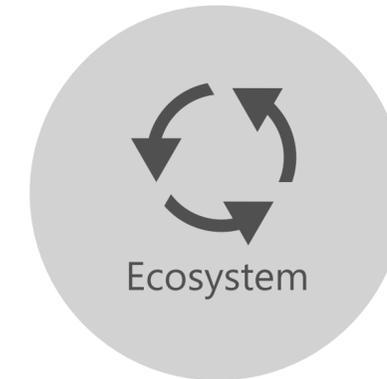
Technology

- Speed up the time it takes to fully transition to new technologies by three months by building on current R&D ideas and inventions and by using economies of scale. See the *Tech Tonics* box out on [page 38](#) for more detail.
- Take steps to harness your organisation's full complement of existing digital solutions.
- Shift your mindset from using technology to optimise certain processes or functions and instead place it at the centre of a pervasive culture of creative innovation. Richard Newsome, CTO at Sainsbury's explores this on [page 24](#).
- If your financial situation allows, migrate more functions to the cloud to increase agility and speed-to-impact. Roxanne Morison, CBI speaks to this on [page 15](#).



Future readiness

- Assess your business strategy and consider how to bring culture and technology to the forefront. RB's Dan Garbett discusses this in more detail on [page 37](#).
- Invest in R&D, including creating innovation clusters led by STEM and/or highly skilled staff. This will mean ideas are ready to act upon and explore if funding becomes available (either within the organisation or from the government). This is a key strategy of Frontrunners, check out [page 29](#).



Ecosystem

- Seek chances to co-ordinate with other organisations and be part of government led conversations about growth and recovery.
- Reassess your product markets, either by looking outside the UK or by repurposing existing capital and expertise to meet new needs in a post-COVID, post-Brexit world. A great example is restaurants that have switched to subscription home delivery and online chef tutorials or fashion retailers that have begun selling stylish face coverings.



JAMES KINROSS,
FACULTY OF MEDICINE,
DEPARTMENT OF SURGERY & CANCER.

CASE STUDY

Imperial College Healthcare NHS Trust

Imperial College Healthcare NHS Trust provides care for a million people every year, across five hospitals and a growing number of community services in north west London. Here, James Kinross, Faculty of Medicine, Department of Surgery & Cancer discusses how the organisation pursues a sustainable approach to innovation.



Tell us about how you have been driving innovation in response to COVID-19?

In March 2020, we had a hospital that was rapidly filling up with COVID-19 patients. Doctors, nurses and healthcare professionals providing ward care had a high risk of exposure to the virus and many became ill. Protecting staff was a major motivating factor in driving innovation, but so was protecting patients. If our staff are ill, they can transmit disease and they are unable to provide expert medical care to those who needed it most. We needed an innovative solution and in using HoloLens, we could take advantage of its hands-free telemedicine capabilities, reducing the demand for vital personal protective equipment (PPE).

The reason we succeeded in deploying HoloLens was because we were able to very rapidly and iteratively assess and develop its potential use case with clinical partners at the point of care. Moreover, the NHS had undergone a rapid adoption of Microsoft Teams and our team members were very open to digital adoption at pace.

When we deployed HoloLens, healthcare teams instantly recognised the benefits. For example, remote team members could see everything the doctor (who was treating COVID-19 patients) could see at the patient's bed side in a COVID-19 ward, while remaining at a safe distance, reducing the time staff have to spend in high risk areas by 83%. Crucially, because of the way that the technology works, it does not take the patient or human interaction out of the loop. There is still a human being holding the patient's hand saying, *'I am going to help you'*. So the patients' response was to the technology really positive.

How has the pandemic impacted the culture of the trust?

Imperial is also an Academic Health Science Centre, so innovation and competition is in our DNA – we compete constantly for funding to maintain our academic status, we want to be a top 10 global

health institution. Yet medicine is still inherently very hierarchical and bureaucratic. There's a chain of command, and things progress in a rather rigid, structured way. One of the real advantages of digital is that it levels that hierarchy a bit. The sheer intensity of COVID also gave the whole organisation one goal, one purpose, one mission and everyone was pulling in the same direction. Thus, we could do things at a speed and scale which was not previously possible. A lot of the typical checks and balances came down. Instead, we could pick up the phone to the CIO and say *'Hey, we're doing this...'* and it would be signed off and start happening the same day – which was unprecedented. I would love to be able to maintain this sense of urgency, this shared mission and purpose to transform the way we approach healthcare.

What other elements do you consider when implementing new technology?

When implementing technologies, you have to ensure there is sustainable growth – that these tools take root, usage grows, and they continue to have an impact. This is important and at the forefront of everything we do in terms of environmental response. It means thinking strategically about the long-term value of solutions and having the foresight to measure them – as part of an experimental design process and methodology.

Another big challenge is the ethical, moral and governance challenges of new technology, which is hard to understand before you know what the tech is capable of and how it works. For example, one unintended consequence and problem could be exacerbating the healthcare divide between those that are connected and those that are not. We work hard to maintain a balance in our approach and follow a patient-centric method to get the best out of new technology. Overall, I think the institutions which have done better than others, during the pandemic and through the recovery phase, are the ones that put their people first.



ANDY MACDONALD,
DIRECTOR OF CUSTOMER SERVICES,
ABERDEEN CITY COUNCIL.

CASE STUDY

Aberdeen City Council

Founded in 1996, Aberdeen City Council provides a huge range of local services for more than 200,000 people across the communities and businesses in Aberdeen. These include housing, schools, social work, care of older people, libraries, economic development, roads, recycling and waste collection. Here, Andy MacDonald, Director of Customer Services, discusses how the way the council engages citizens is evolving and what the organisation is doing to support digital leadership.

How are you using technology to transform your offering and support the economic recovery in Scotland?

We have been on a digital transformation journey for almost 24 months now, and we are ahead in some ways, but we have still got lots to do. With our old operating system, we had some online forums, but that was the closest we would transact digitally with our customer – our citizen.

Now, we have really focused on the customer journey – moving it online, while keeping the customer right at the heart of what we do. We have introduced a lot of technologies, including our chatbot (AB1), which has been fantastic for helping our citizens navigate through a wealth of information. We have also modernised how we store data, using cloud technologies and leveraging tools like Office 365 to work more effectively.

We have masses of data – and we have got some great use cases of where we use that data to support decision making through predictive analytics, to alert us to situations in the community where we can intervene a little bit earlier. Our responsibility as a public sector body is to prevent harm and improve outcomes for everyone that lives within our city, that is what we are here to do. So we want to be more proactive, and prevent harm rather than having to react to it – our goal is to do this holistically and make it the norm for how we operate.

What's changing about how you engage with the community?

It has been really exciting for me to see our citizen groups using Microsoft Teams and technology like this. It is so lovely – from tenant groups to youth groups, hosting online virtual meetings. It has helped us find opportunities in the crisis, and we have absolutely experienced first-hand how collaboration and efficiency can be moved forward through digital technology.

We are really focused on empowerment of the citizen and supporting that volunteering effort. The challenge is to harness that, while making sure we link it all together – so that it is not about a city council delivering to the public, it is about how do we build back better, together. We want to harness all that volunteering, all that goodwill and combine it with this new flexibility of working to fundamentally transform our ability to deliver great outcomes for our people in the community.

How are you enabling leadership to deliver a recovery strategy with confidence?

I believe that we can respond to change as quickly as any other sector, with the right leadership – leaders that offer dynamism, drive innovation, and lead by example with a sense of empathy. It is really important to focus on this.

We created a digital leadership programme around what it means to be a digital leader – not the typical management development. It is concentrated on digital transformation, thinking differently and not being siloed in our approach. Leading in a digital age is how we empower staff, view services from the customer perspective and redesign your organisation by being involved in that wider ecosystem. So it is not just about the technology, it is about how to help leaders become more confident to engage the public and help create the services we are ultimately going to deliver. Otherwise, the public sector can risk delivering a service to the people without actually asking the question, *'is this what you need?'*

This kind of leadership and willingness to redesign and capitalise on technology is fundamental to what it really means to be a leader in the digital age, and it is fundamental to the recovery.

Appendix

Methodology

The research included in this report was conducted by Microsoft in partnership with Dr Chris Brauer, Director of Innovation, Goldsmiths, University of London in summer and autumn 2020. The core team of economists, psychologists, data scientists and social scientists included Research Director Dr Jennifer Barth, Dr Eurydice Fotopoulou; and Areej Ahsan. They used a mixed method approach to build a model, scorecard and blueprint of competitiveness in the UK.

Literature review — the process began with an in-depth review of academic, industry and media knowledge and data sources, which helped inform the initial thinking, expand the core research hypothesis and uncover the key issues and opportunities surrounding competitiveness in Britain today. From this, the research team developed a model as a lens through which to consider and score competitiveness.

Survey — insights from this initial phase were verified quantitatively through a barometer survey among 1,713 leaders and 2,470 employees. Respondents were based in a range of small and medium sized businesses and large enterprises (250+ employees). The surveys were conducted online by YouGov. Fieldwork dates were 10th–24th August 2020 for ‘leaders’ and 10th–20th August for ‘employees’.

Qualitative exploration — the research team interviewed a variety of academics, professionals and company case studies around both the research model and the findings of this project. Quotes were analysed and used as evidence to support the hypothesis.

Scorecard — to construct the UK competitiveness scorecard, the research team broke down the key components of each dimension (talent, future readiness, technology and ecosystem), following the updated dimensions relating to the general categorisation of the Global Competitiveness Index and using the weighted data from the two surveys conducted by YouGov. They then moved on to the quantitative analysis by constructing a model expressing the effect on turnover (as a measure of an organisation’s ability for survival) of variables in clusters (talent, technology, future readiness), with variables for different organisation HQ locations and macroeconomic conditions. They also investigated alternatives, such as organisation size and age, as proxies for an organisation’s survival/growth ability in the long-run. Furthermore, the researchers conducted the necessary robustness tests for the model and ensured that they eliminated bias as much as possible in the estimations. For instance, where multicollinearity and autocorrelation were detected, adjustments were made to ensure the quality of the findings given the conceptual interlinkages between variables, aiming to focus on the variables that matter in real world economics.

Subject matter experts

- James Allen, Partner and Director at Bain & Company
- Osvald Bjelland, Founder & Chairman, Xynteo
- Vinous Ali, Associate Director of Policy, techUK
- Prof Amelia Fletcher, Professor of Competition Policy, Norwich Business School
- Debbie Forster MBE, CEO, Tech Talent Charter
- Prof Jason Furman, Professor of the Practice of Economic Policy at Harvard Kennedy School, Harvard University
- Roxanne Morison, Head of Digital Policy, CBI
- Steve Plummer, Head of Strategic Consulting, After Digital
- Blair Sheppard, Global Leader Strategy and Leadership, PwC
- Dr. Naeema Pasha, Director of Careers & Professional Development and Founder of WOW (World of Work), University of Reading
- Dr Mariagrazia Squicciarini, Head of Unit, Directorate for Science Technology and Innovation, OECD
- Carol Stubbings, Global Leader, Tax and Legal Services, PwC Network
- Cain Ullah, Founder & CEO, Red Badger

Customers and case study interviewees

- Dan Garbett, Group IT Director, RB
- Aidan Hancock, Chief Information Officer, Network Rail
- Dr Graham Hoare, Executive Director, Business Transformation, Ford of Britain
- James Kinross, Senior lecturer in colorectal surgery and consultant surgeon, Imperial College Healthcare NHS Trust
- Andy MacDonald, Director of Customer Services, Aberdeen City Council
- Ian McCulloch, Managing Director, Silent Pool
- Richard Newsome, Chief Technology Officer, Sainsbury’s Tech
- Alan Patefield-Smith, CIO, Admiral Group
- Chris Smith, Program Director, Admiral Group
- Andrea Stone, Chief Customer Proposition Officer, Refinitiv
- George Windsor, Head of Insights, Tech Nation

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