The knowledge advantage
The post-recession environment has created new challenges for all businesses, regardless of size, sector or location. While many reacted to these challenges with cost-cutting exercises, others saw rapid expansion and acquisitions.

Now, the question for all is how to keep satisfying their customers and growing.

At EY, we have long believed that the collective intelligence of our people gives us a distinctive edge — an advantage — and we believe this same competitive advantage distinguishes the organizations and markets that are thriving. The advantage is based on knowledge: how a business effectively captures and applies the insights held in its own people and external environment.

In this report
We probed international business leaders’ use of the knowledge advantage compared to traditional product and finance capabilities, examining the same pillars that define EY’s knowledge approach:

► Capturing and applying our people’s skills and experiences effectively
► Understanding our customer, product and market knowledge so we can prepare for future trends – not just react to them
► Building deep information networks across the business so that knowledge becomes part of the culture
With this line of investigation, we can explore beyond the value of knowledge to understand how it also shapes a broader corporate culture for learning, sharing and innovation.

Many businesses say their people are their greatest asset, but are they fully using that to maximize profit, efficiency and innovation? Our results suggest they are — and that this number will only keep growing — with three distinct findings:

2. All regions value knowledge but apply it in different ways.
3. Knowledge is pivotal for success across all sectors.

Take action

Every organization needs to put knowledge on their agenda. We believe the knowledge advantage is too important to ignore, and four in five decision-makers (81%) agree, describing knowledge as critical to success.

While tactics for harnessing that advantage vary by context, the central message from our findings is clear: when growth is achieved by unlocking customer satisfaction, knowledge is the key.
Knowledge drives customer satisfaction and growth
Knowledge drives customer satisfaction and growth

In EY’s experience, knowledge is a major driver of customer service, innovation and revenue growth – a belief borne out by our survey.

Asked for their most important drivers of success, four in five business leaders (81%) across multiple sectors worldwide rank knowledge top, above products (78%) and short-term financial targets (73%).

<table>
<thead>
<tr>
<th>Knowledge</th>
<th>Products</th>
<th>Financials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge is identified as the most critical factor for business success</td>
<td>Capturing and sharing the insights contained in your own people and practices as well as your external environment</td>
<td>Maintaining, manufacturing, producing and developing both new and existing products</td>
</tr>
<tr>
<td>81%</td>
<td>78%</td>
<td>73%</td>
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</tbody>
</table>

Percent of respondents who considered the following to be a driver of success
Knowledge drives customer satisfaction and growth

Companies also tell us that two of their three biggest wins over the past 12 months have been knowledge related. These are: harnessing employee skills and experiences effectively (57%) and improving their knowledge of customers, products and markets (50%).

Companies’ plans for the next 12 months mirror their successes from the previous 12 months:

<table>
<thead>
<tr>
<th>Maintenance customer satisfaction</th>
<th>Past 12 months</th>
<th>Next 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capturing and using our people’s skills and experiences effectively</td>
<td>57%</td>
<td>49%</td>
</tr>
<tr>
<td>Improving customer, product and market knowledge</td>
<td>50%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Percent of respondents

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Knowledge drives customer satisfaction and growth

If knowledge has secured past successes, then it will also strongly determine firms’ future health. Respondents were asked to identify their strongest opportunities for success in the year ahead: nine areas of opportunity were listed, and two of the top three are knowledge related. Knowledge trumped areas traditionally seen as headline drivers of success, such as low business costs (40%) and maintaining a good product and service pipeline (39%).

Yet we know the value of knowledge runs deeper even than this – that without it, customer satisfaction levels suffer. Our research strongly supports this.

Business leaders rank customer satisfaction as a top driver of both past successes (61%) and future opportunities (58%). Maintaining high satisfaction levels clearly requires successful customer and client strategies. Our experience is that such strategies succeed only if crafted from quality knowledge.

This view is supported by the 49% who say their future success stems from capturing and using their people’s experiences. Knowledge like this can represent years of working at an organization and learning how to delight its customers, but it is often kept trapped in individuals. Further proof is provided by the 43% who, also looking ahead, say knowledge will boost product quality and market mastery – both drivers of customer and client satisfaction.

Knowledge, then, safeguards key business goals. But, just as importantly, it also eases big business worries.
Knowledge drives customer satisfaction and growth

When we asked senior executives to share their key concerns of the past year, financial issues loomed large. Their chief worry was keeping business costs low, followed closely by fears over low sales and profitability.

However, using knowledge successfully could ease these financial worries. Business leaders have made a clear link between customer satisfaction and their organization's success, and knowledge can maintain the high satisfaction levels businesses are chasing. In short: knowledge can bring success.

In turn, the lessons learned from each success can be fed back into the business, starting a cycle for growth where knowledge is created, shared and applied at every step.
All regions value knowledge but apply it in different ways.
All regions value knowledge but apply it in different ways

We know that, globally, businesses rank knowledge (81%) above product and finance as the main factor in their quest for success. There are, though, distinct regional differences in the ways businesses view and use knowledge. This might be explained by varying levels of economic maturity and industry mix.

In the developed world, Germany, a leader in high-end manufacturing and exports, values knowledge (93%) far more than product (75%). Business leaders here prize...
All regions value knowledge but apply it in different ways capturing and sharing skills, experience, systems and processes more than those from anywhere else. Furthermore, it is clear that it is shaping strategy at the board level. It could be that knowledge is driving German success, which in turn is creating more knowledge.

UK executives also see knowledge (82%) as the main agent of success. In an economy reliant on expertise-rich service industries, this is, perhaps, not a surprising result.

In the US, business people give a similar weighting to knowledge (72%), product (80%) and financial (79%) factors. This may be due to the scale of the US economy and the balance that exists between its service, manufacturing, and oil and gas sectors.

“German businesses traditionally succeed with high-quality cutting-edge products, implying a premium on knowledge activities. With increased competition from emerging market firms, it is even more important to develop this traditional competitive advantage. Likewise, as a strong exporting nation continually entering new markets, knowledge is vital to understand a foreign customer’s needs and market conditions.”

Frank Schaefer | EY Strategic Market Intelligence Areas and Emerging Markets Leader
All regions value knowledge but apply it in different ways

But what of emerging markets?

In India, knowledge (84%) is highly regarded as a deliverer of success, but it is slightly behind product (88%). This reflects a maturing economy with strong services and manufacturing sectors.

It’s a different story in China. Like Germany, China has a production-led economy. But unlike Germany, China sees knowledge (62%) as far less important than product (82%). We believe these figures are a result of China’s evolving economy. Over time, we expect China to invest heavily in knowledge, as it innovates its way towards a more balanced economy and seeks advantage in new sectors, such as expertise-dependent services.

“China lacks knowledge-centered cultures across a number of regional industries, with knowledge seen as something that happens at a project level. Chinese enterprises often get the most advanced technology for knowledge but can struggle to find the right knowledge leaders to manage it.”

Ellen Zhang | EY Asia-Pacific Coordinating Analyst

"We have invested heavily in knowledge and expect this investment to improve profitability."

Business leader, India
Knowledge is pivotal for success across all sectors.
Knowledge is pivotal for success across all sectors

Knowledge in all its forms – expertise, experience and learning – is a pressing priority for business leaders across the sectors, according to our survey.

Knowledge is viewed as critical across a range of sectors

<table>
<thead>
<tr>
<th></th>
<th>Pharmaceutical and health care</th>
<th>Consumer products</th>
<th>Banking and financial services</th>
<th>Oil and gas</th>
<th>Automotive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge</td>
<td>85</td>
<td>83</td>
<td>83</td>
<td>78</td>
<td>74</td>
</tr>
<tr>
<td>Product</td>
<td>77</td>
<td>93</td>
<td>73</td>
<td>68</td>
<td>78</td>
</tr>
<tr>
<td>Financial</td>
<td>69</td>
<td>81</td>
<td>64</td>
<td>73</td>
<td>79</td>
</tr>
</tbody>
</table>

Percent of respondents who considered the following to be a critical driver of business success, by sector
Knowledge is pivotal for success across all sectors

The cross-sector significance of knowledge is clear from executives’ views on those factors vital to success. Respondents rank knowledge as the top driver of success in pharmaceutical and health care (85%), banking and financial services (83%), and oil and gas (78%). In these sectors, knowledge outscores both product and financial factors. Unsurprisingly, consumer products executives see product (93%) as key, yet the need for product innovation could explain why knowledge is not far behind (83%). Only automotive feels success is driven in roughly equal measure by product (78%), knowledge (74%) and financial (79%) factors.

“Knowledge in the automotive industry is changing. As well as answering manufacturing concerns, knowledge is being used to enhance customer engagement, to foster internal communities and to understand emerging markets. We believe knowledge is now on the automotive C-suite agenda.”

Anil Valsan | EY Automotive Lead Analyst

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Knowledge is pivotal for success across all sectors

When asked for their top three priorities for the year ahead, knowledge goals were ranked second and third by sectors including automotive, financial services and banking, and consumer products. Executives from oil and gas and from pharmaceutical and health care say knowledge is their second-highest priority. In fact, for all sectors except consumer products – where market knowledge is key for the year ahead – capturing and using people’s skills is the second-highest priority, with an average score of 51%.

Knowledge priorities consistently rank second or third across multiple sectors in executives’ top priorities

<table>
<thead>
<tr>
<th>Knowledge priorities</th>
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<th>Banking and financial services</th>
<th>Oil and gas</th>
<th>Automotive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority 1</td>
<td>59%</td>
<td>53%</td>
<td>58%</td>
<td>60%</td>
<td>61%</td>
</tr>
<tr>
<td>Priority 2</td>
<td>54%</td>
<td>46%</td>
<td>56%</td>
<td>47%</td>
<td>46%</td>
</tr>
<tr>
<td>Priority 3</td>
<td>43%</td>
<td>45%</td>
<td>44%</td>
<td>45%</td>
<td>44%</td>
</tr>
</tbody>
</table>
Knowledge is pivotal for success across all sectors

“As the banking competitive landscape becomes more crowded with non-sector new entrants – many of whom already excel at analyzing customer data to provide personalized services and products – banks are recognizing the need to invest more in every aspect of knowledge, from harnessing the expertise of their own teams to collating and interrogating customer data and investing in the systems that support knowledge.”

Steven Lewis | EY Banking & Capital Markets Lead Analyst

“Knowledge is a critical driver of success for the oil and gas industry, particularly with regard to the upstream focus. This knowledge intensity is reflected in the increasing attention to and investment in interconnected technologies and in the integration, management and sharing of technical data – the so-called ‘digital oil field’ or ‘smart field.’”

Foster Mellen | EY Oil & Gas Strategic Analyst
Knowledge is pivotal for success across all sectors

We’ve seen that executives rank customer satisfaction as the top driver both of past successes and of future opportunities. By sector, the story is no different: customer satisfaction is the top priority across the board (58%, on average).

It’s clear, too, that satisfaction levels require deep knowledge across many areas, including client support strategies and product and service quality.

We believe that senior executives from all sectors, whether product- or service-led, recognize knowledge as the source of all innovation, and so the surest differentiator for their business.

“Many consumer products companies have decentralized their decision-making, making knowledge increasingly critical to understand and exploit the similarities between markets in terms of route to market, shopper behavior and considerations for joint business planning. When scrutinizing the value chain, knowledge sharing across disciplines and silos can be a key weapon in the battle to sustain and increase margins.”

Andrew Cosgrove | EY Consumer Products Lead Analyst
Knowledge is pivotal for success across all sectors

“The future health care ecosystem will revolve around outcomes, payers and patients. To succeed, companies will need to develop new business models and value propositions – and central to their success will be their ability to work with data of all sizes from clinical trials, post-market surveillance, electronic health records and other sources. Throughout, sector leaders will rely heavily on knowledge, from data management to understanding payers’ expectations.”

**Iain Scott** | EY Life Sciences Strategic Analyst
Conclusion: knowledge differentiates and drives success
Conclusion: knowledge differentiates and drives success

It’s long been accepted that knowledge drives productivity and profitability, but knowledge is growing in importance beyond this as access to it broadens and deepens. Those able to harness it well will discover that knowledge is increasingly becoming the biggest differentiator in business.

Over the next three years, 60% of global growth will come from emerging markets and the war for talent will escalate on this global stage. With the increasing ease of mobility, companies and countries alike risk losing their best people – and the information, experiences and skills they contain – while all sectors must be mindful to deploy the right talent to the right opportunities and maximize interactions between their high-skilled workers to enable knowledge transfer.

In this broader, fragmented network of markets, processing information into knowledge will be vital. For new businesses, it will give them the insight to compete and shape propositions appropriately to local markets. For large organizations, knowledge will be the cement that keeps a global network of offices connected, helping them draw on global resources to solve market-specific issues.

Looking out over the next five years, 94% of leaders saw knowledge as a significant focus with 51% listing it as a main priority. As the traditional drivers of growth erode, tomorrow’s winners will be the ones who harness their own knowledge advantage.
Survey and methodology

This report is based on an international survey of 303 business decision-makers spread evenly across China, Germany, India, the UK and the US and covers five sectors:

- Automotive 20%
- Oil and gas 18%
- Pharmaceutical and health care 18%
- Banking and financial services 19%
- Consumer products 25%

All respondents were board-level executives (chairman/CEO, COO, CIO-level executives), directors with functional responsibility areas and heads of department. Their companies spanned a range of sizes when sorted by total annual revenue (in US$):

- $10b or more 21%
- $5b-$9.9b 10%
- $1b-$4.9b 13%
- $500m-$999m 18%
- $250m-$499m 38%
- Less than $250m 0%
Survey and methodology

The fieldwork was conducted by YouGov in August 2013 through an online questionnaire.

The following definitions were used for the three organizational capabilities we explored:

- **Product:** includes services and pipeline, maintenance of customer satisfaction, and the right pricing and product mix – the objects or services that create wealth and transactions

- **Knowledge:** covers systems, processes and networks to capture and share the insights contained in a company’s people, practices and external business environment

- **Financials:** a bottom-line overall performance focus related to managing income, targets, sales growth (volume and profitability), keeping costs low and managing finances for unexpected costs
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Knowledge at EY
The collective intelligence of our 175,000 professionals is one of our key assets, and every person is expected to share knowledge and experiences.

This culture is driven by our dedicated knowledge function – a global network of 800 knowledge professionals across 40 countries – and has been recognized with 15 Global Most Admired Knowledge Enterprise (MAKE) awards.

We believe successful knowledge management contributes directly to an organization’s success, and we support a range of activities to further the business world’s understanding of knowledge practices, including external presentations, research partnerships and academic alliances.

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