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## Accelerating the impact of digitisation

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Companies and nations that are not at the forefront of digitisation will quickly lose global competitiveness. There are some sectors and businesses in the UK that are behind global leaders in productivity, and we believe that increased digitisation can play an important role in closing that gap. Rapidly accelerating the rate of digitisation across the economy will also create benefits for individuals.

Making the most of the opportunities offered by the digital economy will be a significant source of productivity gains, innovation and competitiveness. The UK also has the potential to lead globally in the application of disruptive technologies, such as Big Data and the Internet of Things, for economic gain.

There are barriers that must be overcome to ensure the UK economy is at the forefront of digitisation. First, there is a gap in the ability of many business leaders to understand the strategic potential of digital technologies and how to exploit them to improve productivity and innovation. For example, only 13% of organisations in the UK use their website for e-commerce<sup>1</sup> and the UK ranks 28<sup>th</sup> out of 30 in Europe for both sharing electronic information and social media in business<sup>2</sup>.

Second, the digital infrastructure in the UK is in need of investment, both at the national level (eg, superfast broadband) and the firm level (eg, hardware, software and services). The UK has relatively good broadband coverage, but too few firms are using it to increase sales or productivity.

Third, UK businesses are suffering from digital skills deficiencies at all levels. For tech specialists, 72% of large companies and 49% of SMEs report skills gaps<sup>3</sup>, according to research by the Tech Partnership. Where skills are needed to operate new technologies, these deficiencies are most evident. Four out of five companies trying to recruit into roles that require knowledge of Big Data are struggling<sup>4</sup>; and 95% of companies implementing cyber security systems are struggling with skills gaps<sup>5</sup>.

Fourth is the FUD factor. Fear, uncertainty and doubt are clear inhibitors of further digitisation, as business leaders worry about costly mistakes, lack the confidence to navigate technology markets, and are inhibited by concerns about cyber security<sup>6</sup>.

The impact of increased digitisation on productivity is well documented. A fully digital nation could be worth an additional £63bn to the UK's gross domestic product<sup>7</sup>. A ten point improvement in digital intensity, investments in technology-enabled initiatives, could add about £40bn to the UK's gross national product<sup>8</sup>.

There are also benefits to be had at the firm level. Implementation of new technologies such as big data, mobile and cloud computing can significantly lift productivity. Investment in digital technology increases productivity by three to eight times more than other capital investment<sup>9</sup>. Firms in the top quartile of data use are, other things being equal, 13% more productive than those in the bottom quartile. The use of data to inform business decisions could boost UK productivity by 3%<sup>10</sup>.

*This group, led by Phil Smith, CEO of Cisco and Chair of the Tech Partnership, will focus on how to make the most of digitisation across the economy by targeting action in key areas, which have the potential to have the greatest impact on productivity. The group is currently working to identify which sector(s) to target and what aspects of digitisation to prioritise first to demonstrate the power and application of what digitisation has to offer. The work will produce a replicable process or toolkit that*

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<sup>1</sup> Lloyds Bank, 'UK Business Digital Index', 2015

<sup>2</sup> European Commission Digital Economy and Society Index, 2015

<sup>3</sup> The Tech Partnership / Experian, 2015

<sup>4</sup> Nesta, 'Model Workers: How leading companies are recruiting and managing data talent', July 2014

<sup>5</sup> The Tech Partnership, 'Employer Insights 2015', May 2015

<sup>6</sup> Federation of Small Business, Employer Survey, 2015

<sup>7</sup> Strategy&, 'This is for everyone: The case for university digitisation', 2012

<sup>8</sup> Accenture / Oxford Economics, Mapping the UK Digital Opportunity, 2015

<sup>9</sup> The Information Technology & Innovation Foundation (ITIF), 'Raising European productivity growth through ICT', June 2014

<sup>10</sup> Nesta, 'Skills of the Datavores: Talent and the data revolution', July 2014

*can then be applied to other sectors and businesses where improved and increased use of digital technologies could offer similar benefits.*