Innovating for growth
IT's role in the new global economy

Global IT performance survey 2011

Ernst & Young
Quality In Everything We Do

In recent years, the role of IT has been changing – in some cases radically. Rather than being seen merely as a utility, the function is increasingly expected to come up with innovative business improvements.

Post-recession, organizations inhabit a very different global economy and IT has a vital part to play in supporting change and growth.

With competition increasingly being shaped by a number of macroeconomic factors, IT leaders have to understand the dynamics of this "new normal" and work closely with the business to address the challenges.

Contents

Introduction

Competing in the "new normal"

The new competitive environment

A separate 2010 Ernst & Young survey[1] of 1,400 executives from around the world reveals that competition in the new economy is being shaped by four macroeconomic factors:

Nervous stakeholders

Capital seems limited and there is caution about potential risks, expected new regulation and fiscal retrenchment. There are also growing demands for greater transparency and improved governance. Attracting and retaining talent remains a challenge, with vastly divergent approaches to staffing levels.

Pressure on margins

Almost 60% of respondents expect future price rises either to only match inflation or to be below it. And many executives are experiencing price erosion along with increased input and labor costs, which could threaten their financial viability.

Greater volatility

Product life cycles continue to shorten as innovation speeds up. Economic forecasts require regular correction due to the difficulties in accurately predicting the market. Such volatility puts increased pressure on the supply chain, which must now accommodate rapid change.

Increasing market variation

Some markets are doing better than expected, whereas others are struggling or continuing to decline. Even emerging markets are showing different rates of growth. The same variation in performance and forecast is true for specific market segments. Meanwhile, traditional purchase patterns are under pressure as customers seek new definitions of "value."

In responding to these dynamics, the survey found high-performing companies are significantly ahead of their competitors in the four critical areas described below. While a focus on particular aspects of this competitive agenda might be the right strategic approach for some, we believe the four areas are linked. It is when all four are optimized that companies benefit from the ultimate competitive position.

Competing for growth framework

1 Ernst & Young survey, *Competing for growth: Winning in the new economy*, 2010.

Building stakeholder confidence

To meet the need for greater transparency, companies are engaging with stakeholders by identifying and explaining any risks, anticipating regulatory requirements and providing enhanced reporting on financial, environmental and operational performance. There's also recognition of the importance of re-engaging with internal stakeholders – notably organizations' own talent – to attract and retain the right people.

Achieving cost competitiveness

Optimizing costs is about more than just reducing expenditure. It starts with managing the pricing process, investing in productivity and passing on the pressure to others by seeking better commercial terms from partners. And growth has a cost, so financing and optimizing capital are also important elements of cost competitiveness.

Improving operational agility

The speed with which a company can respond and adapt to market changes has a direct influence on how effectively it can compete. To understand market movements, many companies are looking to increase their analytical capability, utilize business intelligence systems and gain better access to data. And by investing in the right processes and people, by seeking opportunities to collaborate or outsource, they can respond quickly to changes in demand. An organization's ability to innovate is critical to its success.

Optimizing customer reach

Segmentation is critical, to focus on profitable customers and markets and exploit effective distribution channels – particularly online. Effective account management can help companies broaden their products and services, while customer retention remains a high priority.

The role of IT

The IT function can play a central part in helping organizations adapt to and thrive in this new status quo. By aligning their teams with the needs of the business, chief information officers (CIOs) can provide strong strategic and operational support. To exert such influence, CIOs may have to reach board-level positions and develop a wider set of skills, including spending time outside of IT.

IT also has to consider its most appropriate role. In some cases, particularly for larger, global companies, senior management may expect IT to provide innovation and transformation, whereas in certain smaller firms the emphasis could be upon a more basic service, to keep costs down and serve daily operational needs efficiently. Typically, IT fits into one of four broad categories:

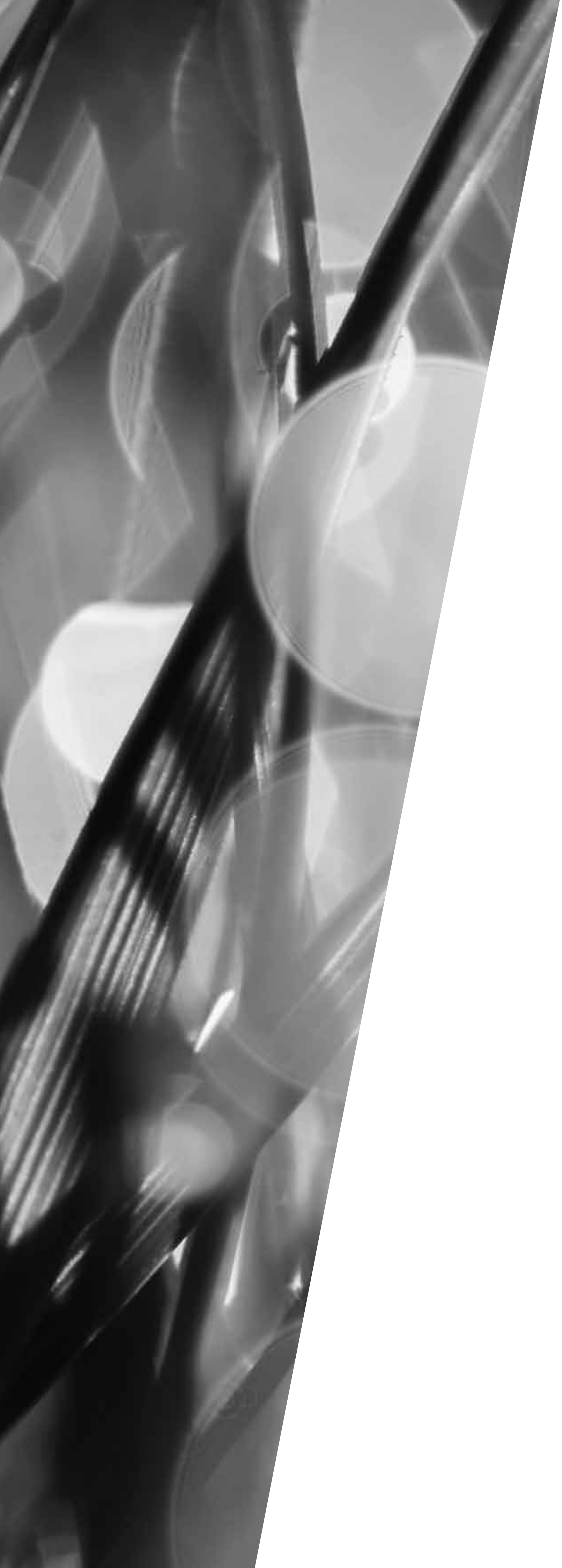
- **Utility:** where its main purpose is to keep the business running
- **Protector:** where it is primarily concerned with managing the IT estate
- **Performer:** where it is expected to deliver tangible value to the business
- **Transformer:** where the function transcends day-to-day operational needs to help bring real change

To advance from a more basic utility/protector function to a transformer/performer – and claim its place at the top table – IT should better understand the needs of the leadership team and work with senior management to help the business gain a competitive edge.

About the survey

To find out how IT is responding to the challenging new competitive environment, in 2010, Ernst & Young carried out an extensive global survey of 869 CIOs, C-suite and other non-board executives.

The results make compelling reading and highlight the contribution that the IT function makes to corporate performance as well as suggesting areas for improvement. We should like to thank all those who gave their valuable time to participate in the survey.



Executive summary

There is considerable confidence in IT's potential to help organizations respond to marketplace changes. The responses suggest that businesses are looking to their IT departments for innovative strategic and operational solutions. However, almost three-quarters (73%) feel that IT could take a more active role in innovation.

The CIO could become a key figure in driving business change. In particular, IT is expected to provide essential data management to help analyze markets and customers and focus on more profitable segments. Respondents also believe IT can help manage future economic and business trends, such as consolidating markets, geographical shifts in economic power and increasing regulation.

Just 15% of respondents believe the IT function is very well prepared for future demands. Although most of those taking part in the survey acknowledge the potential of IT to help transform the business, there is a feeling that it has yet to fully deliver on this promise.

To better manage stakeholders, IT should improve its understanding of business needs and communicate more effectively. With outsourcing prevalent, around half of those surveyed feel that IT should enhance its skills in managing contractual relationships.

Non-board respondents are concerned about IT's budget planning and control capabilities. And only 4 in 10 say their organization measures return on IT investment. However, most of those involved in the survey are confident that their board has a complete picture of all IT expenditure.

Across the survey, CIOs tend to have a higher opinion of their performance than their non-board and C-suite counterparts. This suggests that IT should keep in closer touch with other departments to gauge and improve their standing.

▶ Just 15% of respondents believe the IT function is very well prepared for future demands

Is IT ready for the future?

The survey suggests that IT has some way to go before it becomes a true partner to the business. Only 15% of respondents feel that the function is very well prepared for future demands.

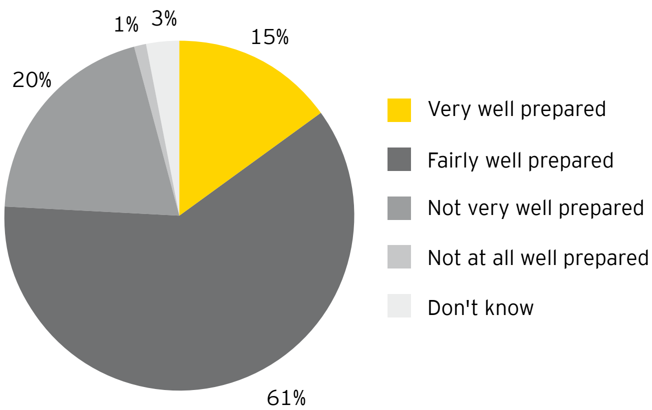
Participants in the global survey have mixed expectations on how IT can support the business over the coming years. Although many are looking to IT for innovative, strategic input, there are also some doubts over the department's ability to deliver.

Interestingly, respondents from India, the Middle East and Africa have far greater confidence in IT's readiness – as do those working in the financial services sector. The business feels that IT has the technology capability to cope with future demands, but that it lacks the appropriate skills and trained staff.

The rapidly changing competitive environment may call for a more involved role for IT, and the survey indicates that many organizations are stepping up to this challenge. When asked what stage of evolution the IT function had reached, almost 6 out of 10 (57%) feel that it is at the critical "transformer/performer" phase – quite a progression from its more traditional role as utility or protector (where its main objective is to keep the business running and manage the IT estate).

▶ **Only 3 in 10 respondents feel that IT is at the critical "transformer" phase**

How well prepared is IT for future demands?



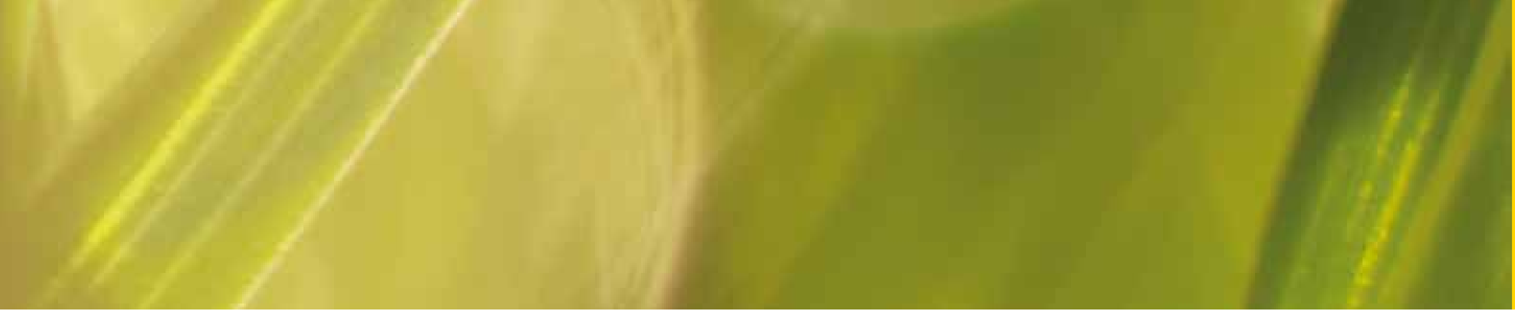
The different survey participants vary in their perception of how far IT has evolved. The majority of CIOs see the function as a more advanced "performer/transformer," but almost half of those in a C-suite position view IT as a basic "utility/protector." These results suggest that IT leaders exert less influence than they realize at the most senior levels. Indeed, less than one in three (28%) of executives report that the CIO (or equivalent) occupies a seat on the board of their organization.

There are also some major regional differences in the role and status of IT. Whereas 85% of US respondents say their company has a CIO, very few Chinese companies in the survey have either a CIO or a CTO (chief technology officer) and virtually none have a chief innovation officer. This reflects the relatively low importance IT appears to hold in Chinese businesses, with the survey showing that the function is often seen as a "protector" that manages the IT estate.

Brazilian businesses, on the other hand, appear to view IT as a critical strategic partner. Over half of the executives from this South American powerhouse say their company has a CTO and a huge 41% view IT as a "transformer" – more than any other country in the survey. IT's position differs yet again in the US, the UK, the Middle East and India, where it's seen as a "performer" that adds business value but is not essential to transforming the organization. Finally, respondents from Eastern Europe consider IT as a "utility" that essentially "keeps the lights on."

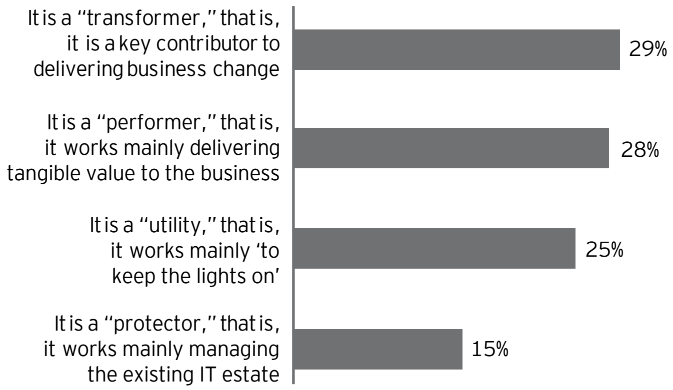
Regardless of the economic progress in emerging markets, it seems that, when it comes to IT, China and Eastern Europe are not quite as enlightened in their thinking. Such a maturity gap could provide an opportunity for more developed economies to gain a competitive technology advantage.

▶ **Respondents from India, the Middle East and Africa have far greater confidence in IT's readiness to tackle future demands**



- ▶ Organizations in the US and Middle East, India and Africa are more likely to have IT functions at the "performer/transformer" stage, as are businesses in retail and consumer products and transport.
- ▶ IT's evolution also differs according to company size: those with a turnover of US$5–10 billion are the most advanced, yet a third (32%) of the very largest organizations in the survey still feel that IT is simply a "utility."

What stage is the IT function at?



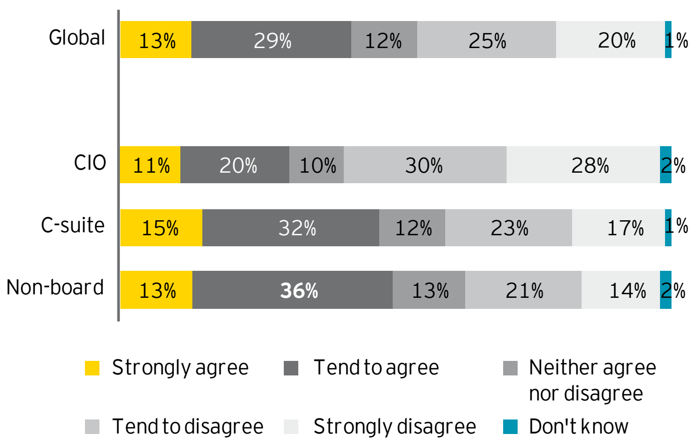
- ▶ 61% of respondents believe IT should focus on driving innovation in business processes

A potential force for change

Although the average CIO has yet to reach the corporate board, organizations are starting to realize the latent possibilities within IT. A majority (61%) of executives taking part in the survey believe that IT should focus on driving innovation in business processes. Respondents also recognize that IT touches every part of the organization and feel that innovative technology solutions could bring benefits across the business to sales, finance, operations, customer service and marketing. Over two-thirds (71%) believe that its board appreciates and understands the transformative potential of IT. However, around half of the C-suite and non-board members taking part in the survey feel that IT is not delivering on this potential to meet the needs of the business. Interestingly, such a view is not shared by the CIOs, who evidently face a challenge to change perceptions of their department's value.

And IT gets a higher rating in certain sectors, notably financial services and technology and communications, where the function is more likely to be a key contributor to the core business. However, respondents from the heavy industries of mining and metals and transport (where there is typically less dependence on knowledge and fast-moving consumer preferences) scored IT poorly in terms of meeting the business needs. This may reflect the overall position of IT within these organizations as much as its actual performance.

Our IT function has been lagging behind the needs of our business over the last few years



Stakeholder confidence

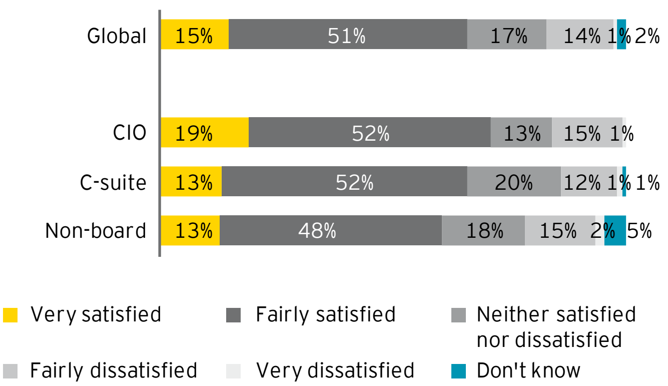
The respondents feel that IT could develop its skills in a number of areas in order to play a more active role in the organization (a view shared by the CIO, C-suite and non-board executives). A majority also believes the function should gain a better understanding of business needs and improve its ability to communicate.

The corporate agenda is changing rapidly and IT should be fully aware of the new environment. Yet 81% of respondents feel the function needs to do more to understand what the organization expects from IT.

With companies under pressure to report on financial and environmental performance, effective communications are a growing priority. However, around 3 in 10 respondents are not satisfied with the way IT communicates with the business – rising to 4 out of 10 for non-board members. These executives are key IT users and have a big influence on how IT is perceived at the board level, so the CIO should pay considerable attention to keeping such stakeholders fully informed. Weaknesses in communication could ultimately damage an organization's overall reputation.

Interestingly, respondents from larger (US$5 billion plus annual turnover) companies are the most critical of IT's ability to understand and communicate with the business. With the regulatory, ethical and financial spotlight firmly on such companies, IT should arguably be taking such findings very seriously and seeking improvements.

Level of satisfaction with IT performance



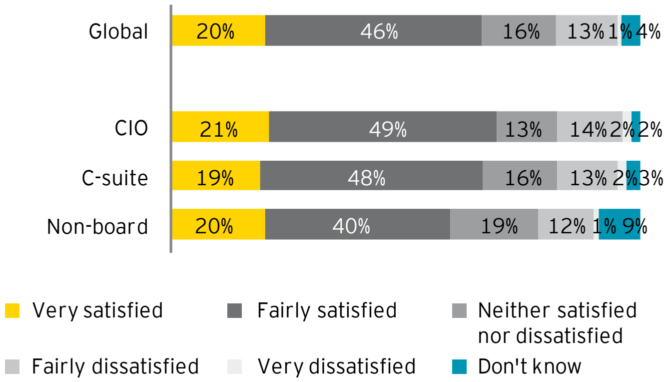
Risk management is increasingly under the spotlight and a significant proportion of respondents (62%) believe that IT has to improve its ability in this critical business activity.

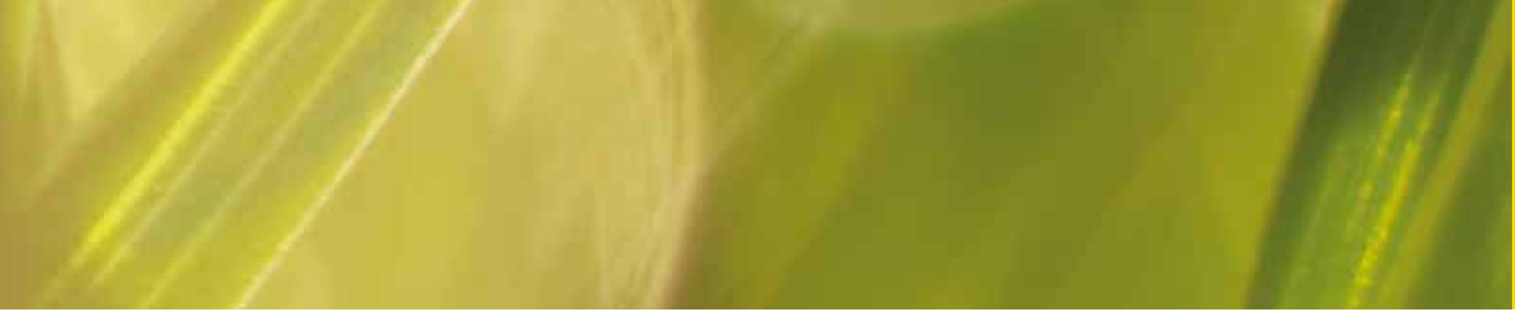
If companies are to provide accurate and timely performance reports to internal and external stakeholders, they need access to the right data. The survey responses suggest that acquisition, analysis and management of data are a high priority. This was especially the case in chemicals and health (which are heavily regulated industries) and retail and consumer products (where it's essential to respond rapidly to changing consumer demand). With its knowledge of information management systems, IT can become a champion of improved reporting.

Respondents from government and the public sector feel that mobile technologies will be a very important enabler, as they continue to enhance services to citizens through easier access to information channels and greater "self-service."

Respondents from IT and general management are far more likely to use social networking sites for personal than for business reasons. Given the need to engage more openly and frequently with internal stakeholders – in particular staff – there is a good opportunity to increase the use of social media to communicate and manage expectations.

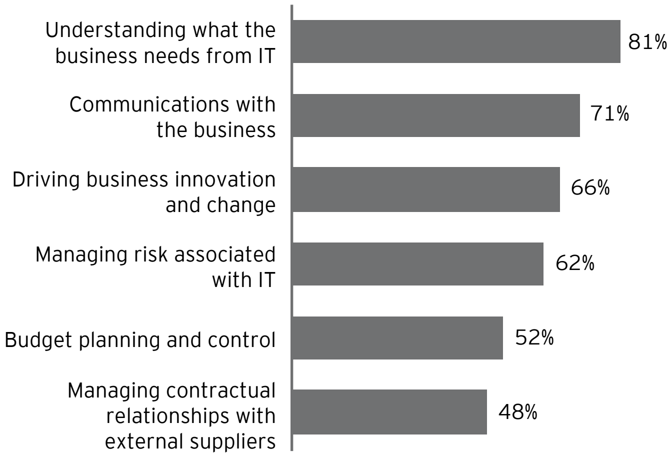
Managing risk associated with IT





▶ Acquisition, analysis and management of data is considered a high priority for respondents

Skills required from the IT function to play a more central role



Viewpoint: keeping closer to the business

Amid growing demands for greater transparency and improved governance, CIOs have a vital role to play in helping organizations reassure stakeholders. IT can provide vital data and reporting to demonstrate that financial, operational and environmental performance meets regulatory standards, improve the accuracy of forecasting and show that risks are recognized and managed effectively.

By building close relationships with all the major internal stakeholders, the CIO can better understand the challenges facing senior management and the agenda of regulators, shareholders and financial markets.

However, despite investment in large Enterprise Resource Planning and other systems, finding and analyzing data is still a big challenge, often involving manual input and spreadsheets. As the owner of information, IT can help cut through the complexity by applying advanced data manipulation skills and, if necessary, new software to enhance and automate reporting processes.

With outsourcing on the rise, tight supplier management is essential, to ensure that all external providers are offering a good service and also complying with regulations. The CIO and other IT professionals may have to develop new skills to cope with these relationships.

As the survey shows, the board and C-suite managers are using a wide range of technology in their business and personal life. This increased IT literacy is raising their expectations of the potential of solutions such as cloud computing. Consequently, the CIO has to manage/temper such hopes while at the same time showing how IT is building business, by continuing to develop communications and interpersonal skills.

In order to better understand business needs, IT executives should be seeking broader career paths, including spells in other functions. Such a diverse set of experiences should keep CIOs closer to the business and ultimately improve their chances of reaching board level.

Cost competitiveness

There are concerns over IT's ability to manage its budgets: only 55% of non-board respondents are satisfied with the IT function's budget planning and control.

CIO's relatively high opinions of their financial control skills are not fully shared by peers in other departments. This may be a legacy of past technology projects going over budget or simply a response to increasing demands to demonstrate the business value of all corporate expenditure.

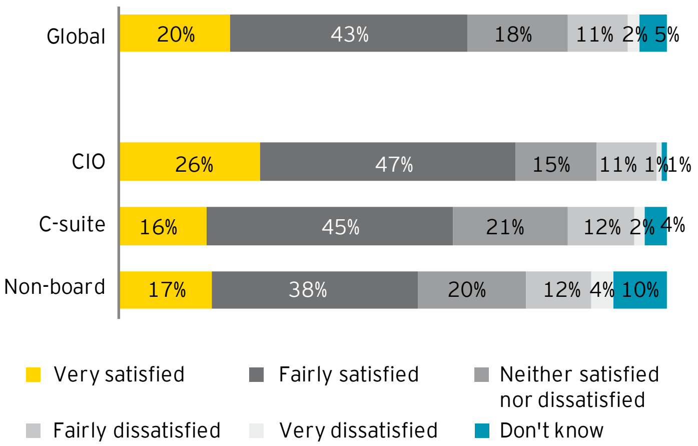
CIOs also have differing views on how much the organization is actually spending on IT – quoting a considerably lower figure than their C-suite counterparts. Again, the perception of IT as a costly function appears to linger in the minds of management.

In light of the significant outlay on IT, it's not surprising that half of those participating in the survey feel IT should improve its budget planning and control skills.

Despite the uncertain economic climate, 4 out of 10 (42%) respondents claim that IT spend has actually risen in the previous 12 months (particularly in India, Brazil, South Africa, China and Australia). Given the significant sums many companies invest in large IT projects and programs, it's worrying that less than 4 in 10 respondents (39%) say their organization has measures in place to quantify the return on this outlay. Without such rigor, overall confidence in the value IT brings could be undermined.

The larger companies involved in the survey (with turnover over US$5 billion) are more likely to measure return on investment in IT.

Satisfaction with IT budget planning and control

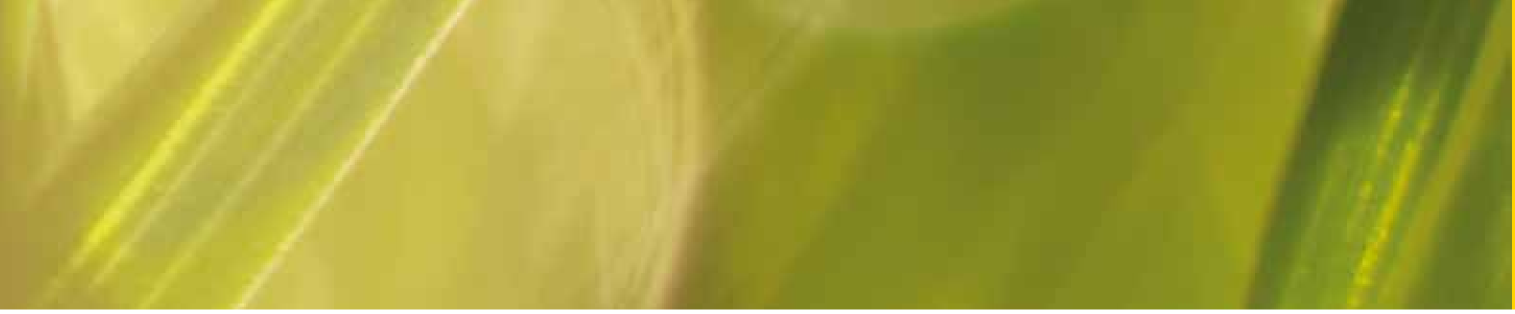


▶ **Just 55% of non-board respondents are satisfied with the IT budget planning and control**

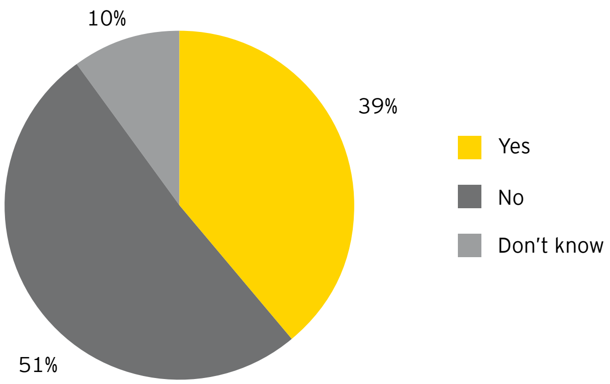
Who's spending the most/least on IT?

Respondents from financial services, technology and communications and mining and minerals believe their IT budget (as a percentage of total revenue) is high in comparison to other sectors. Survey participants from transport and real estate, on the other hand, feel that IT expenditure is relatively low.

A majority of organizations in China and Russia claim to spend less than 1% of turnover on IT, yet Russian firms want to cut this outgoing even further – a sign of the budget pressures in the Federation. By contrast, the greatest IT expenditure appears to be in the Middle East and India – with the latter spending twice as much as the US, according to the survey findings.



Do you measure the return on IT investment?

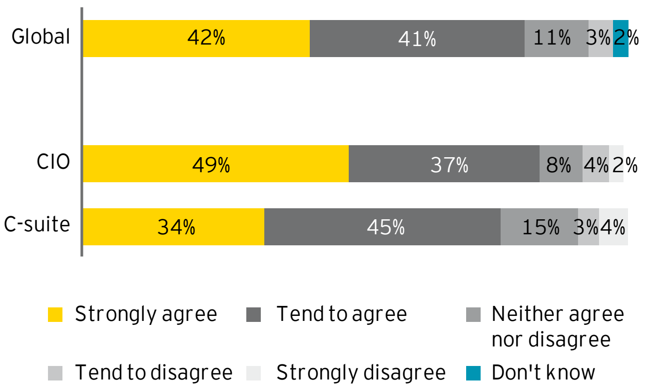


Keeping the board informed of expenditure is a high priority in times of uncertain cash flow, yet over 4 in 10 respondents (42%) say their organization does not report the results of IT costs and contracts to the board, which again suggests a lack of oversight.

Despite these findings, it seems that most respondents feel their board does have a complete picture of all IT expenditure in the organization, although C-suite members are less confident than CIOs in this respect.

▶ **Just 39% say their organization measures return on investment in IT**

Confidence that board members receive a full picture of IT expenditure



Viewpoint: at the heart of cost optimization efforts

The continued spend on IT suggests that organizations acknowledge the function's potential to bring value beyond a more utilitarian role. As companies move from simple cost reduction to cost optimization, IT can help create a permanently lower-cost business model.

One valuable contribution is to provide accurate, up-to-date data and analysis. This enables sales and marketing teams to identify and focus on higher margin brands and customers. Equally, procurement professionals can gain a clearer picture of purchasing patterns, to rationalize suppliers, strike volume deals with certain partners and reduce the range of purchases within each category.

By providing accurate forecasting data, IT can hasten the adoption of "lean" manufacturing techniques to reduce inventory levels. Meanwhile, IT centers of excellence and outsourcing also give potential savings – if managed well. Careful attention to contract negotiation and ongoing monitoring can help ensure that businesses get good value for money from their supplier relationships.

Telephone and video conferencing is cutting travel costs significantly as well as reducing the carbon footprint. And self-service websites and computer response answering services can lead to lower staffing levels.

Artificial intelligence is a further source of savings. Real-time supply chain optimization drives highly effective warehouse management and more accurate stock replenishment, while in financial services, dealers can trade complex products faster. Organizations that service customers in their homes or businesses have also used IT to improve efficiency, by planning their routes better, which leads to fewer vehicles, shorter journeys and lower fuel costs.

To achieve these gains, IT needs to engage closely with the various departments to get a broad picture of costs across the business.

Operational agility

Many of the survey participants believe IT can help their organizations become more responsive to changes in the marketplace. Functions across the business appear to be asking for innovative IT solutions to compete more effectively and optimize costs.

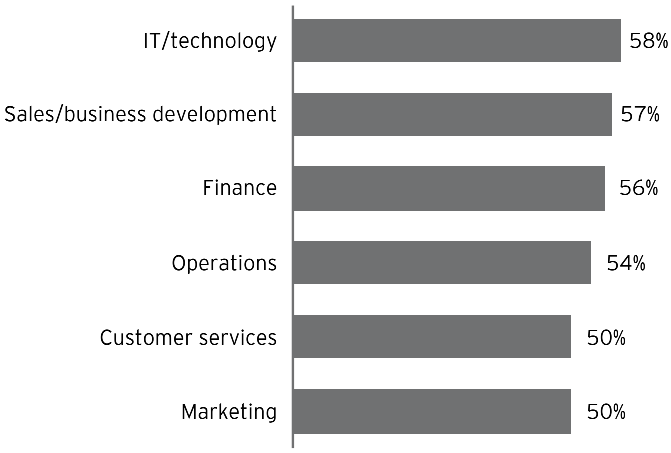
Such demand for IT innovation is particularly strong among companies in Brazil (reflecting the importance of IT to the more developed emerging markets), as well as from organizations in the government and health sectors (which are looking for ways to do more for less in a tight economy).

So how is IT responding to these demands? Although most respondents feel that their IT functions are actively contributing to innovation, almost three-quarters (73%) feel that more could be done. An overwhelming majority of respondents from China (91%) share this sentiment.

There is also some concern over the capability of IT professionals to deliver innovative and creative approaches to business challenges. 66% of respondents think the IT function needs to develop skills to drive innovation and change in order to play a more central role in their organizations' activities.

▶ Companies from the US and Brazil are under the greatest pressure to renegotiate service provider contracts

Which departments are demanding innovative IT solutions?

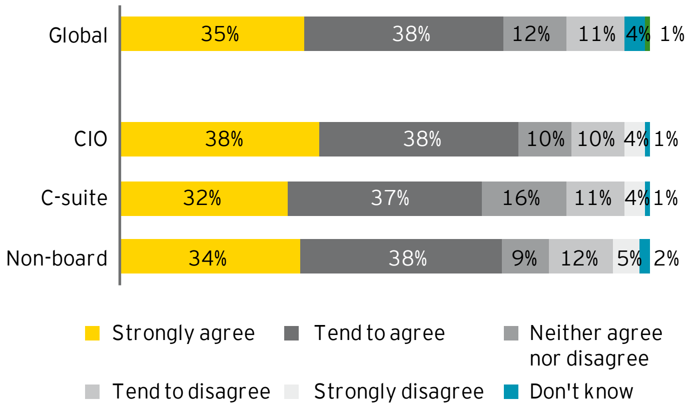


Not all respondents are fully satisfied with IT's attempts at innovation. Whereas 61% of CIOs are either very or fairly satisfied with how the IT function is driving business innovation and change, only 55% of the C-suite and 45% of non-board members share such views. If IT is to change such perceptions, it should consider how it can climb the evolutionary path to become more of a performer/transformer, rather than carrying out a basic utilitarian role.

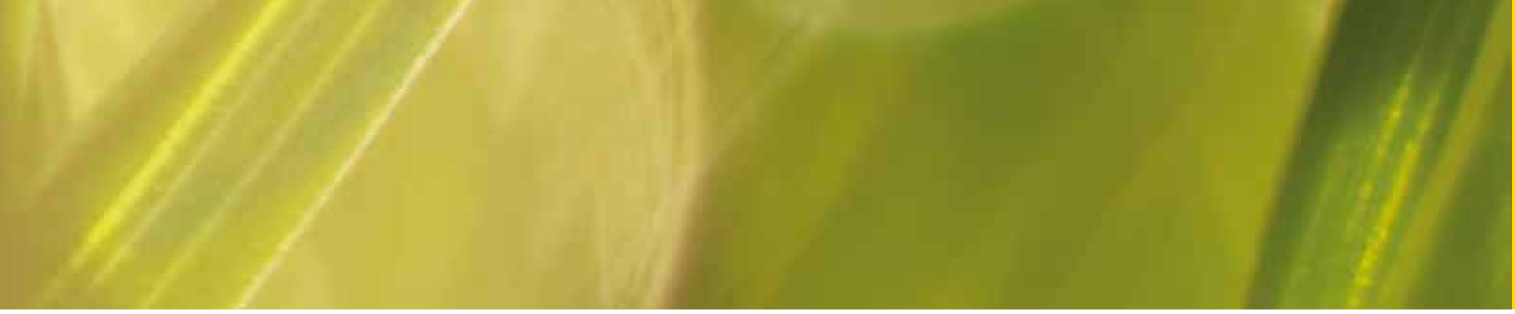
Respondents from larger companies (over US$10 billion annual turnover) are least likely to be satisfied with the innovation from their IT departments. Such organizations may be under greater pressure to deliver new solutions, so IT has to find a way to deliver.

The survey findings suggest that CIOs acknowledge the need to improve their contribution to innovation: driving business innovation and change is considered the most important skill to be developed within IT.

Our IT function needs to take a more active role in innovation within our organization



▶ Functions across the business are demanding innovative IT solutions



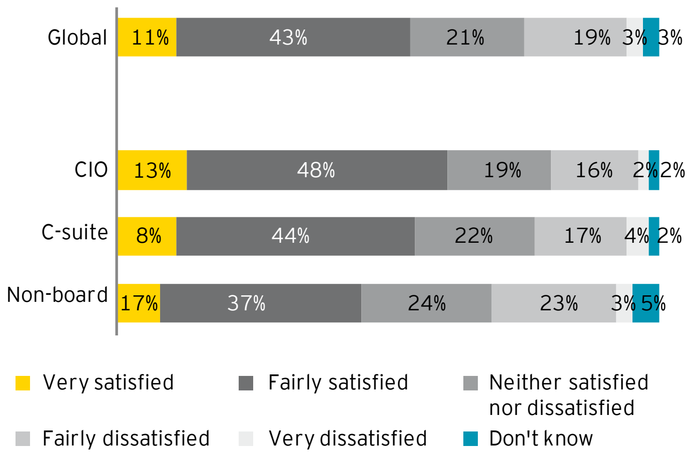
Keeping control over external suppliers

Many of the organizations involved in the survey outsource IT. It's therefore very important to manage external suppliers effectively to maintain high performance and good governance – and achieve value for the investment in outside providers. Consequently, contract management and negotiation skills are now under the spotlight, with two-thirds of respondents saying their company will be under pressure to renegotiate IT contracts with service providers.

The survey reveals considerable room for improvement in this respect, with a substantial minority of C-suite and non-board respondents not satisfied with the overall performance of IT in managing suppliers. Chinese companies score the lowest in this capability, while businesses from the Middle East, India and Africa are considered to have the right supplier management skills.

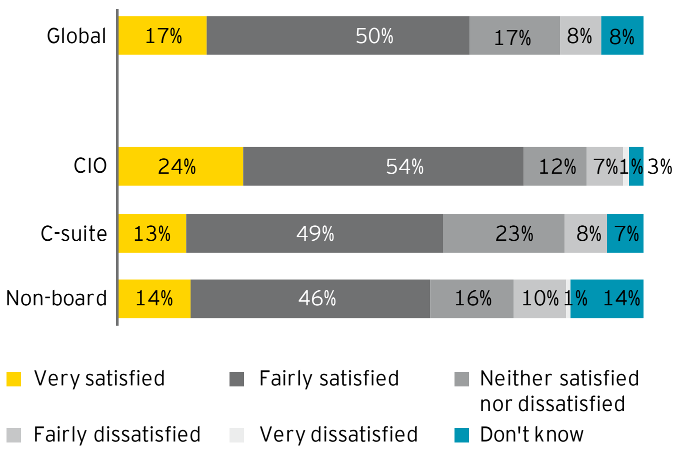
Around half of the respondents believe that IT has to improve its skills in managing contractual relationships.

Level of satisfaction with IT performance in driving business innovation and change

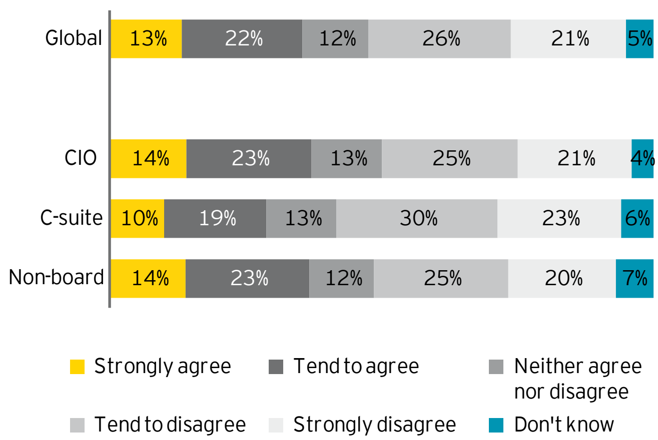


A further possible consequence of IT outsourcing is the loss of certain capabilities, and 35% of those surveyed believe their organization has lost valuable skills. In a rapidly changing competitive environment, such a dearth of talent could restrict companies' ability to cope with new technologies and innovate.

Level of satisfaction with IT performance



Outsourcing of IT has resulted in the loss of valuable skills in our remaining in-house teams



Can outsourcing aid organizational agility?

Outsourcing can not only give access to leading practice operational processes – it can also potentially free up IT professionals to focus on creative, strategic pursuits that bring real business benefits. However, the executives surveyed appear to be more interested in outsourcing as a means to reduce costs. Less than a third (32%) aim to improve service through sourcing strategies, and only 16% think that this will help IT deliver more value to the business. Bigger companies (with over US$5 billion turnover) were particularly driven by the desire to cut costs, which may reflect the extreme economic pressures on these organizations.

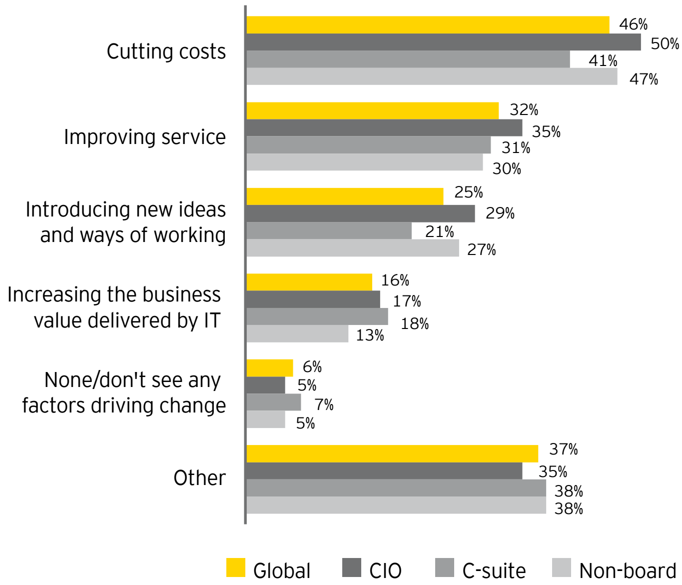
Arguably, businesses should reconsider their rationale for outsourcing to external suppliers and look for ways to create greater innovation.

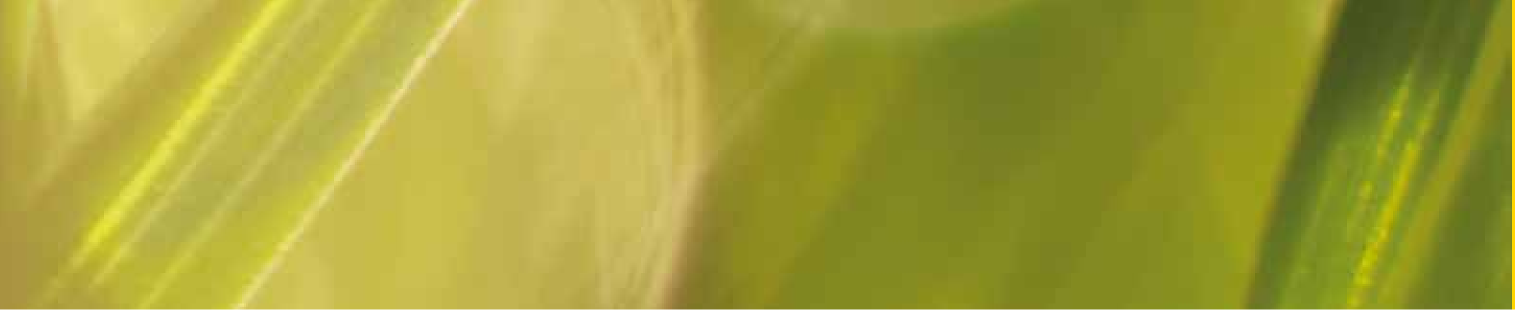
Given the growing influence of multi-sourcing, the right business partner can potentially make a big difference. Those CIO's involved in the survey recognize the importance of finding a reliable partner; however, their non-board colleagues appear less concerned. There is a danger that business leaders underestimate the need to closely manage outsourced providers, which could lead to falling standards that ultimately impact business performance.

Russian firms seek value from IT sourcing

While respondents from the US see cost-cutting as the prime objective for IT outsourcing, those from Russia feel that they can achieve more strategic benefits; notably increasing business value from IT and (along with Chinese organizations) introducing new ways of working.

Factors driving future sourcing strategy





Viewpoint: accelerating the speed of response

In a rapidly changing world, organizations have to develop and launch new products quickly and act swiftly when demand rises or falls. IT has contributed immensely to business success in the past decade but it's clear that management wants even more innovation. The board and the CIO should therefore be clear on what is expected of IT to ensure that it continues to meet expectations.

As the survey indicates, outsourcing can aid agility yet many businesses are currently focused primarily on the savings this can bring. And by revisiting the opportunities opened up by cloud computing and virtualization, organizations can become more flexible at lower cost, avoiding investment in infrastructure.

IT has to continue offering more than just operational support and help create competitive advantage. For example, in food retailing technology is helping companies differentiate by improving stock control and marketing, enabling them to send out offers and change prices in real time. Manufacturing companies, on the other hand, may look to get more out of their supply chains, to reduce ordering times and stock levels and ramp production up or down to meet changing customer needs. In a service industry, speed of response in customer care may be more of a priority to differentiate the offering.

The extent to which IT facilitates agility also depends very much upon the role of the department. Where IT is seen more as a utility that supports day-to-day operations but little more, then it's unrealistic to expect highly innovative thinking. A transformer/performer IT function, on the other hand, is more likely to understand the business strategy and have the mandate to be more creative.

Customer reach

The CIO is expected to be an important figure in helping companies compete and grow. Seven out of 10 respondents (73%) say this role will be increasingly important in driving business change.

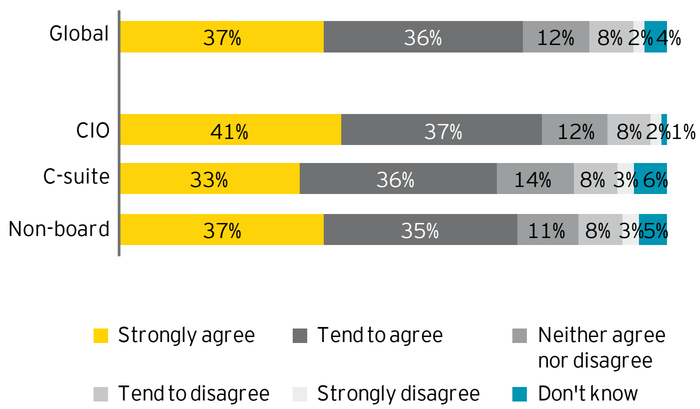
As businesses tackle the new economic landscape, they appear to recognize the contribution the CIO makes to marketing and business development efforts. Such a view is especially popular among companies from the Middle East, India and Africa, as well as those in the financial services sector.

Those companies with confidence in their IT function's readiness cite up-to-date technologies and skilled and motivated staff as their main strengths.

Companies in many parts of the world have come through the recession and growth is very much back on the corporate agenda – something that is confirmed by a majority of executives taking part in the survey.

However, IT may have to improve its performance and its image if it is to become an integral part of this growth. Less than half of C-suite and non-board respondents believe the function has managed to exceed expectations. From a regional perspective, respondents from China, Germany and Russia were least likely to be satisfied with IT's overall track record.

CIO will play an increasingly important role in business change



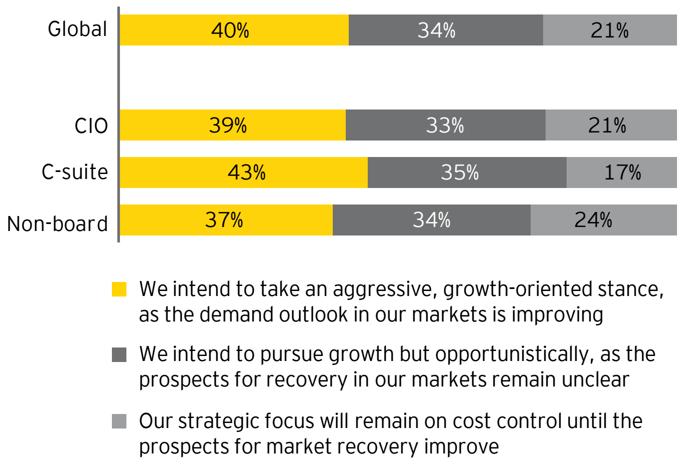
Nevertheless, those executives surveyed believe IT will play an increasingly active part in business change and projects, and could take an even more active role in innovation. Organizations have faith in their IT departments' innovative potential, in order to drive their growth strategies – so it's up to CIOs and their teams to deliver on their potential.

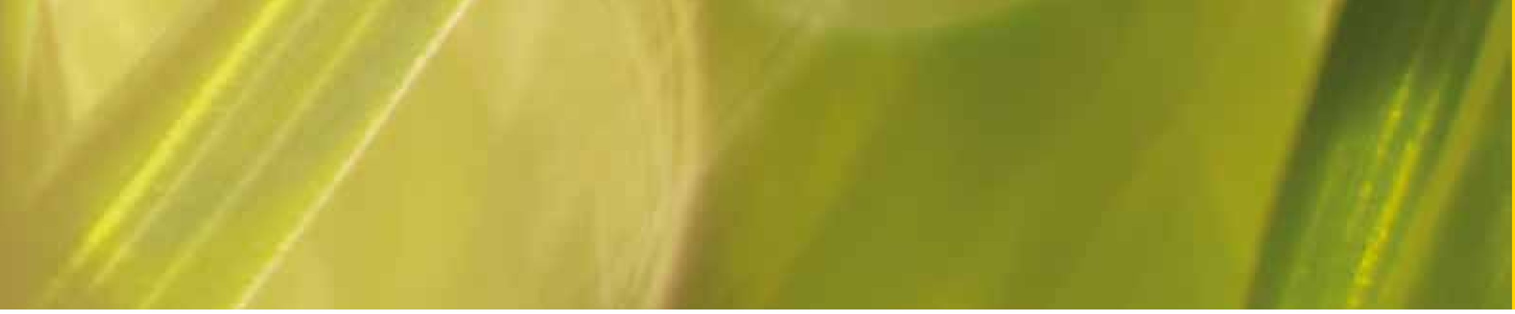
The importance of effective segmentation

In a time of economic hardship, sales and marketing is often one of the first areas to be cut, and the latest recession is no exception, according to the survey participants. In the face of such scarce resources, innovative IT approaches can help maintain and enhance brand presence in a smarter, more efficient manner. This may involve better database marketing to improve segmentation, targeting and online reach.

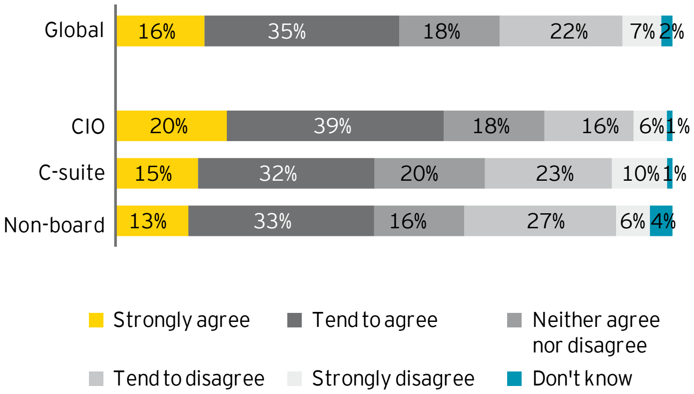
In ensuring they can focus on the right markets, and on the most profitable segments and customers within these markets, companies are likely to need faster and more accurate data and analysis. The survey respondents appear to appreciate such a challenge, as they rank data management as the second highest technology priority over the next few years.

Growth strategy over the next three years

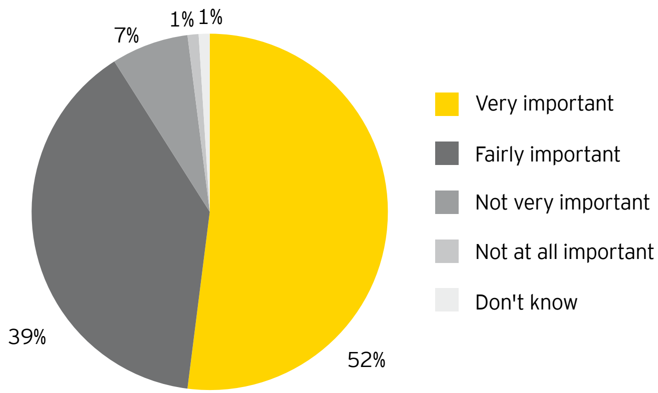




Our IT function has a track record of regularly exceeding the expectations of the business



IT's role in managing future economic and business trends



Viewpoint: a more discerning approach to growth

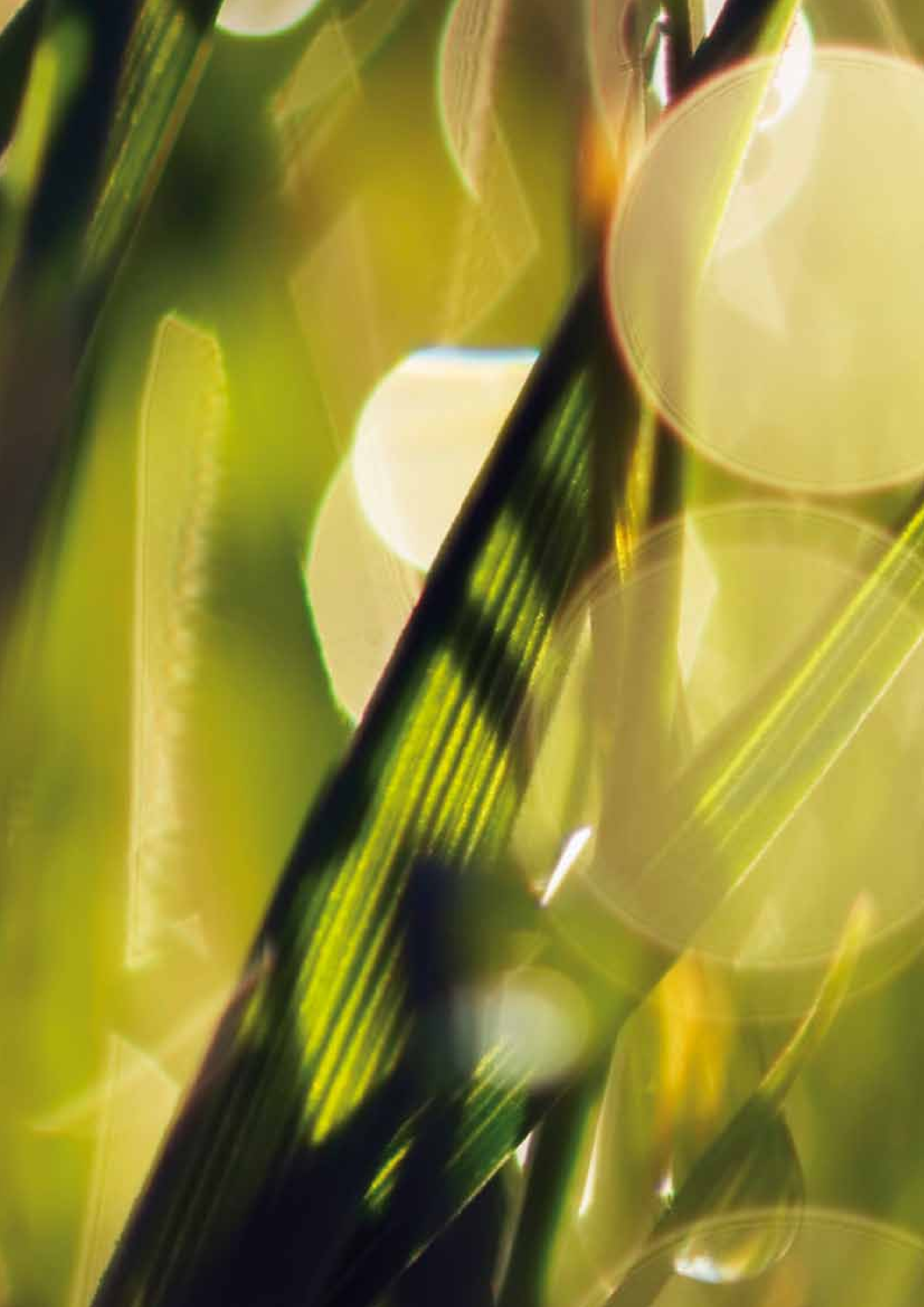
74% of respondents expect to pursue a growth strategy over the next three years and the majority expects IT to play a prominent part in such plans. But growth in the future may have to meet stricter expectations, with a higher emphasis upon sustainable profitability.

Segmentation is becoming more precise and sophisticated as companies strive to target the most profitable customers. IT should be championing the systematic collection, analysis and presentation of customer and market data to identify where the higher-margin opportunities lie. Existing clients should naturally be a rich source of future business and many companies are looking to broaden the range of products and services offered, support account management and develop the customer life cycle concept. Customer knowledge is likely to be at the heart of such efforts.

By taking a more selective path, some companies may resist the temptation to expand into certain emerging markets. Others may even choose to take the tough and controversial decision to contract, exiting existing segments and axing renowned brands where margins are low or negative. Once more, IT can support such difficult choices, providing profitability analyses to help challenge long-held assumptions.

Moving into new markets brings a number of logistical challenges, not least providing service to different time zones, and IT can help ensure that customer care is geared up to support these changes.

Understanding the customer is the key to effective marketing, and IT can be at the center of a continuous feedback culture that encourages sales and service staff to provide information on existing and potential clients.



Conclusion

Looking forward

The findings from this survey suggest that the IT function could take a number of steps to improve both its contribution to corporate performance and its reputation among internal stakeholders:

Stakeholder confidence

- Confirm that IT understands both the business strategy and its own expected contribution
- Review IT's communications skills and the channels used to send messages. Enhance these skills and increase communication opportunities to raise satisfaction with the function, particularly at board level
- Focus on obtaining, managing and analyzing data, for regulatory reporting and to meet other stakeholder expectations

Cost competitiveness

- Introduce more rigorous measurements for IT expenditure planning and control. Work with the business to better quantify return on investment in IT
- Report all measures clearly and regularly to the board

Operational agility

- Rigorously assess IT's skills in innovation, business change and managing IT-related risk
- Agree a time frame to move up the evolutionary scale to transformer/performer level
- Be clear what you want to achieve from outsourcing and construct your approach around these goals. Build the necessary skills to manage an integrated sourcing strategy

Customer reach

- Become a champion for data analysis and management, to help organizations proactively address macroeconomic trends and profitable market opportunities

About the survey

In the second half of 2010, Ernst & Young carried out a worldwide survey of chief information officers/chief technology officers and IT Director (or equivalent), C-suite and board directors, from a variety of organizations across a wide selection of industries.

The respondents were asked a range of questions on the role and performance of the IT function in relation to the changing economic environment.

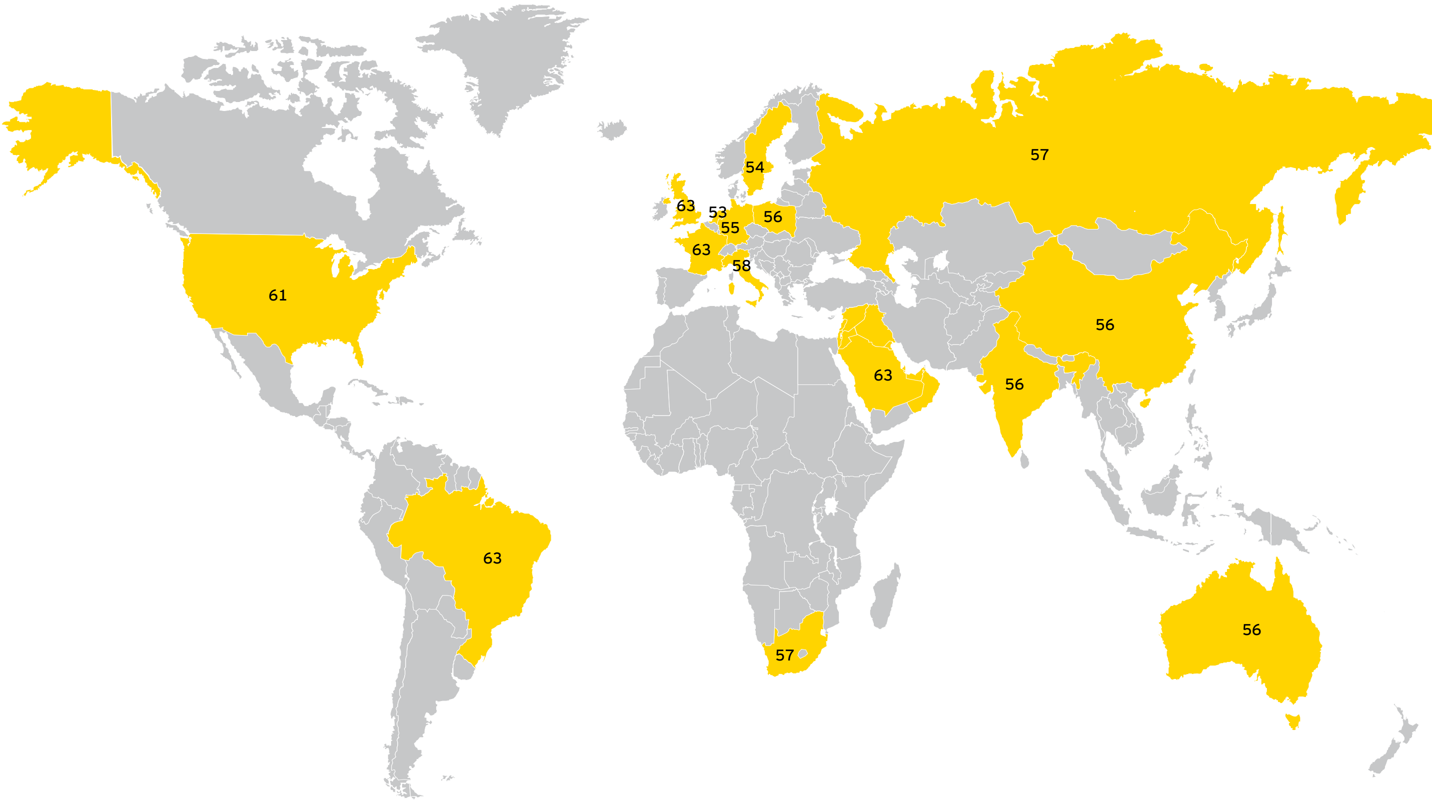
A total of 869 telephone interviews were conducted in 15 countries.

Participant profile: country/region

Country/region

Western Europe	346	**MEIA**	178
France	63	Middle East	65
Germany	55	India	56
Italy	58	South Africa	57
Netherlands	53		
Sweden	54	**China**	56
UK	63		
		Australia	56
Eastern Europe	113		
Poland	56	**USA**	61
Russia	57		
		Brazil	59

Participant profile: country/region



Number of interviews conducted per country

Quota 1: CIO	Total
CIO/CTO/Chief innovation officer	272
Direct report to CIO/CTO/Chief innovation officer	40

Quota 2: C-suite	Total
CEO	38
Finance director/CFO	132
Chief operating officer	42
Other	63

Quota 3: Other non-board directors	Total
Finance department director/Senior manager	75
Procurement department director/Senior manager	36
Production department director/Senior manager	19
Sales/marketing department director/Senior manager	66
Chief shared services officer/Shared services director	3
Chief process officer/Process director	14
Head of outsourcing (for IT service providers)	11
Other	57

Participant profile: organizational profile

Quota 3: Other non-board directors	Total
Less than US$100m	100
US$100m to US$499m	168
US$500m to US$999m	104
US$5b to US$9.9b	41
US$10b or more	87
Don’t know/refused	206
Under US$5b	535
US$5b to US$10b	41
Over US$10b	86

Employees	Total
1,000 or less	237
1,001 to 2,000	87
2,001 to 10,000	259
10,001 or more	248
Don’t know/refused	38

Participant profile: sector

Sector	Total
Manufacturing	207
Retail and consumer products	117
Financial services	70
Real estate, hospitality and leisure	90
Chemicals and health sciences	61
Power, utilities, oil and gas	76
Technology and communications	56
Transportation	49
Professional services	27
Mining and metals	43
Government and public sector	40
Others	33

Employees	Total
1,000 or less	237
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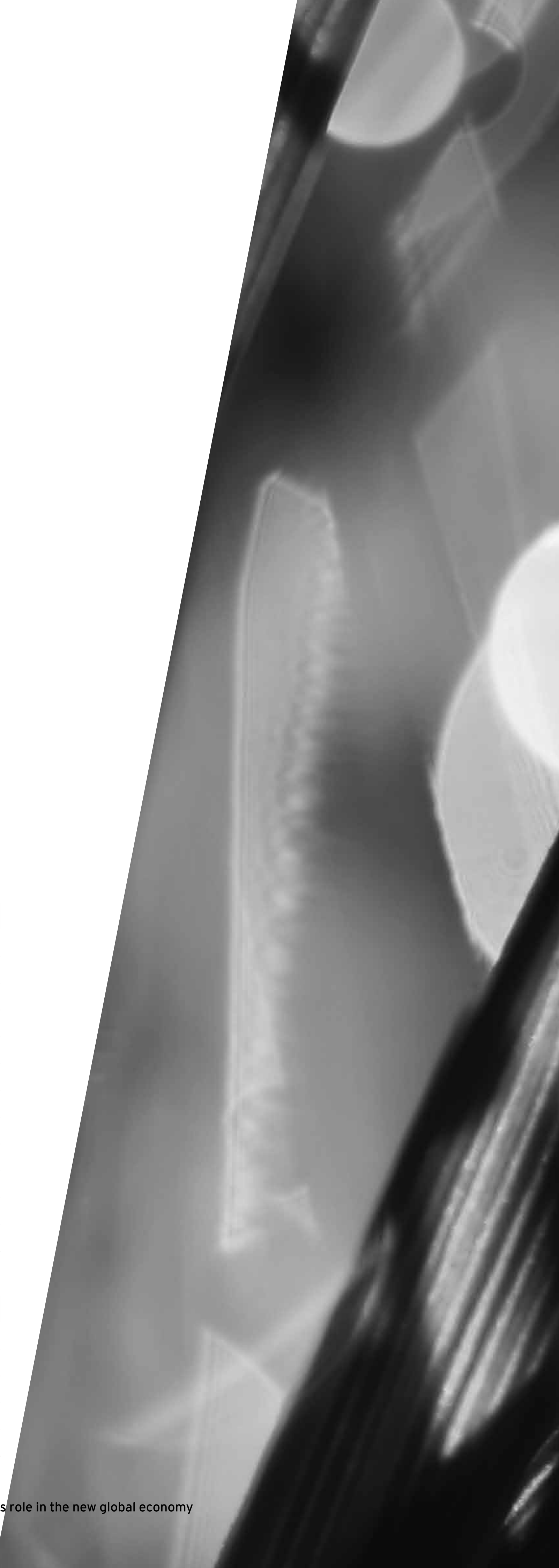

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