

Thrive in Unpredictability

HP Research Report

CONFIDENTIAL

Survey conducted by Coleman Parkes Research, Ltd

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The Research Findings

HP recently commissioned a research study that was conducted by independent research company, Coleman Parkes Research in September and early October 2009. The survey results include findings from the United States and Canada, Latin America, Europe, Middle East and Asia Pacific region. This summary highlights the challenges that organizations are facing now and in the future, and how prepared they are for change.

Research Methodology

423 detailed interviews using a telephone research methodology were done with CIOs and Technology Executives of major organizations across the globe. An additional 164 detailed telephone interviews were conducted with CEOs and business leaders of major organizations globally. 25 percent of all interviews were conducted with organizations with 500 – 999 employees and the rest with organizations of 1,000 or more employees. A sampling of some of the key findings are summarized below.

Region (Countries)	Business Executives	Technology Executives
<i>North America (United States and Canada)</i>	50	100
<i>Europe & Middle East (UK, France, Germany, Denmark, Russia, Czech Republic, United Arab Emirates)</i>	30	106
<i>Asia-Pacific – India</i>	10	33
<i>Asia-Pacific – China</i>	10	30
<i>Asia-Pacific – Japan</i>	10	33
<i>Asia Australia</i>	10	32
<i>Asia S Korea</i>	10	30
<i>Total Asia Pac</i>	50	158
<i>Latin America (Brazil, Mexico)</i>	34	59
TOTAL	164	423

Advantage can be Gained in All Types of Markets

The research indicates that 7 out of 10 business leaders believe that this new economy will change the way that business planning works because the old ways will not be enough.

Additionally, 84 percent believe that innovation is critical to their organization's success in the new economy. Where will this innovation come from? How prepared is IT to help them quickly gain advantage in these markets?

71 percent of senior business decision makers would sanction more technology investments if they could see how those investments were meeting time to market and business opportunity needs.

75 percent believe that success in the new economy will be based around managing technology within a rapidly changing environment.

Do you agree with any of the following statements?	Total %*	North America %*	EMEA %*	Asia Pac %*	Latin America %*
Our IT department is unable to make sufficiently rapid changes to meet our change in demand	42	32	30	38	71
I need to partner more with our CIO to effect the changes I want	57	50	60	56	65
I would sanction more investment in technology if I could see it was meeting our time to market and business opportunity needs	71	70	63	66	88
The new economy will demand a re-focus on IT onto external facing issues not internal reporting	62	60	60	52	82
Innovation is critical to our success in the new economy	84	88	90	78	79
The current global economic environment has significantly changed our overall business planning processes	62	56	67	50	82
Early movers to use technology for the upturn will gain most	65	56	60	64	82
Success in the new economy will be based around managing technology within a rapidly changing environment	75	78	77	64	85
There is no doubt that change will be the norm in the upturn economy	77	82	77	72	79
We will be relying more heavily on our technology vendors to help us adapt to meet the changing future economic environment	73	74	67	64	91
The new economy will change the way business planning works – the old way will not be good enough	69	74	70	60	74

Across all regions, nearly three quarters (72 percent) of senior decision makers say that their technology department is a fundamental enabler of business success, with those in North America (78 percent) and Latin America (77 percent) more likely to hold this view than those in EMEA (67 percent), followed by Asia Pacific (66 percent).

8 out of 10 senior business decision makers recognize the need to be far more flexible in their approach to business and technology. These numbers are even higher in EMEA and North America.

A similarly high proportion (76 percent) of respondents agrees that in the new economy business and IT must communicate more. Again this is a widely held view across all regions, although slightly more widespread in North America (82 percent) and slightly less in EMEA (67 percent).

In addition to flexibility, 77 percent of company heads and senior business decision makers believe that the new economy will require a higher focus of technology on market based issues and needs than in the past, with little difference between regions.

Can you tell me how strongly you agree with the following statements. Please use a scale of 5 agree strongly down to 1 do not agree at all.	Total %*	North America %*	EMEA %*	Asia Pac %*	Latin America %*
My technology department is a fundamental enabler of the business success	72	78	67	66	77
The global economic environment has changed our planning process	54	50	60	50	59
In the new economy business and IT must communicate more	76	82	67	76	77
IT is a key time to market enabler for this business	62	58	50	58	85
I am talking to IT more than ever before about how to exploit business opportunities through our technology	46	44	20	50	65
I believe the new economy will require much more focus of technology on market based issues and needs than ever before	77	80	73	74	79
Our customers are changing their technology to meet their future market changes – so we need to ensure we are aligned to their needs	77	76	83	72	79
To meet our changing customer needs our business and technology approach needs to be far more flexible	79	84	83	74	77

At the same time, only 46 percent of these leaders said their IT functions are delivering services quickly.

Thinking about the speed at which your IT functions deliver new business services, how would you rate it on a scale of 1- 5 where 5 equals very quick and 1 equals very slow	Very quick %	Quick %
Total	17	29
North America	24	36
EMEA	10	17
Asia Pacific	14	30
Latin America	18	27

When looking globally, 75 percent indicated that success in the new economy will be based around managing technology within a rapidly changing environment.

World-wide 71 percent of business executives indicated that they would sanction more investment in technology if they could see it was meeting time to market and business opportunity needs.

Do you agree with any of the following statements?	Total %	North America %	EMEA %	Asia Pac %	Latin America %
I would sanction more investment in technology if I could see it was meeting our time to market and business opportunity needs	71	70	63	66	88
Success in the new economy will be based around managing technology within a rapidly changing environment	75	78	77	64	85
There is no doubt that change will be the norm in the upturn economy	77	82	77	72	79

Nearly all medium and large companies in all regions believe that business cycles will continue to be unpredictable in the coming few years at least.

Do you agree that business cycles will continue to be unpredictable in the coming few years at least?	Total %	North America %	EMEA %	Asia Pac %	Latin America %
Yes definitely	48	38	37	62	53
Yes possibly	44	52	57	30	41
Yes at all	92	90	93	92	94
No	8	10	7	8	6

Similarly, nearly all medium and large companies (89 percent) in all regions believe it is possible that companies, who go back to the old ways of working, will lose out to those who can master effective use of technology in the unpredictable future climate.

Do you also agree that companies who go back to the old ways of working will lose out to those who can master effective use of technology in the unpredictable climate in the future?	Total	North America	EMEA	Asia Pac	Latin America
	%	%	%	%	%
Yes definitely	53	49	64	54	47
Yes possibly	36	40	32	33	38
Yes at all	89	89	96	87	84
No	11	11	4	13	16

What do business leaders want from their technology partners?

Clearly the majority business leaders in all regions will require significantly more from their relationships with their technology counterparts in light of the unpredictable future business climate.

Across all regions, roughly three quarters of the business leaders will require faster communication with their technology counterparts.

Nearly as many (7 out of 10) will share more business information with their technology counterparts and will need greater visibility into technology developments.

These same business leaders also expect technology vendors to help identify new market opportunities. Two thirds of the business leaders will encourage vendors to become truly strategic.

Which of the following do you think you need from your technology relations in light of the unpredictable business climate we will face in the future?	Total	North America	EMEA	Asia Pac	Latin America
	%	%	%	%	%
Vendors will become truly strategic for you	66	62	70	72	74
You will share more business information with your technology partners	71	76	60	68	77
You will need faster communication with technology partners	75	84	67	72	74
You will need greater visibility of technology developments	71	68	73	66	79
You will expect vendors to help identify new market opportunities	69	74	67	66	68

Technology relations will focus on managing unpredictability	66	76	50	60	74
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How does the technology executives' view compare?

83 percent of companies agree that the economy has changed how businesses need to operate and use technology in the future. 90 percent of Latin American CIOs agree with this view, compared with 80 percent of CIOs in Asia Pac.

In addition, almost three quarters of all companies (81 percent in North America and 83 percent in Latin America) also agree that there will be more market turbulence in the next few years.

Globally, 78 percent of CIOs understand that they need to be able to scale up and down to meet changing business needs. Leaders in Latin America are far more likely to agree with this view than any other regions surveyed.

Agreement with key statements - % agreeing only	Total %	North America %	EMEA %	Asia Pac %	Latin America %
The economy has changed how businesses need to operate and use IT in the future	83	81	86	80	90
There will be more market turbulence in the next few years as the economy recovers	74	81	71	68	83
I need to be able to scale up and down to meet changing business needs	78	74	76	78	90
We need to move from a focus on capital expenditure to operational expenditure	59	58	52	58	75
CIOs will become a far more important business asset	71	63	62	78	81

When looking at how IT satisfies unexpected request from senior management for business information, only 18 percent of all companies say they can meet unexpected requests very well.

Your ability to meet the peaks in demand. Score based on a "very well" rating	Total %*	North America %*	EMEA %*	Asia Pac %*	Latin America %*
Unexpected requests from senior management for business information	18	24	11	17	22
The need to integrate new systems	14	15	11	17	22
A need to modernize the IT and technology to meet the new demand	17	24	14	19	28
The need to manage mergers and acquisitions	16	21	14	11	18
The need to quickly retire obsolete systems or products	17	20	23	11	21
Extra capacity requirements to help with new products/services	10	20	10	15	20
An unanticipated peak in demand from internal users of your company's core systems and technologies	14	21	14	10	11
An unanticipated peak in demand from the market for	15	14	17	14	15

your products/services					
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These unanticipated peaks and requests are expected to continue. A total of 70 percent of companies anticipate the trend in unexpected peak demands to increase at least marginally over the next three years – with Asia Pac and Latin American firms most likely to see this increased trend. It is abundantly clear that companies will need systems and technologies in place that will allow them to manage the market in times of major fluctuations in demand. It is doubtful whether existing systems will be able to cope with the expected trends in demand.

Trend in demand fluctuations in the next 3 years	Total	North America	EMEA	Asia Pac	Latin America
	%	%	%	%	%
Increasing greatly	19	15	14	22	25
Increasing marginally	51	47	47	54	54
Staying the same	25	32	30	22	15
Decreasing	5	6	9	2	5

Only 18 percent of technology leaders indicated that they can scale up IT service delivery “very well” to meet unexpected business upturns. With forecast changes in demand to be higher than over the last few years, it can be argued that companies need to be able to upscale their delivery more quickly to meet demands and may not be able to do so without appropriate investments.

Effective way in which the company can scale up the IT service delivery to meet unexpected business upturns	Total	North America	EMEA	Asia Pac	Latin America
	%	%	%	%	%
% rating 5, very well	18	22	16	17	20
% rating 4, fairly well	38	35	36	36	49
Mean out of 5, being very well	3.6	3.7	3.5	3.5	3.9

The ability of companies to scale down their IT service in the time of a downturn is far less agile than their ability to scale it up for an upturn. Only 10 percent of companies overall said that they can scale down IT service delivery “very well.” This really highlights that IT systems are being developed only for growth markets and therefore are inflexible in the time of a downturn. As companies emerge from the recession they need to adopt more flexible systems and solutions that have the ability to scale up and to scale down.

Ability to scale down IT service delivery in light of a downturn	Total	North America	EMEA	Asia Pac	Latin America
	%	%	%	%	%
% rating 5, very well	10	16	7	7	12
% rating 4, fairly well	28	23	33	25	37
Mean out of 5, being very well	3.2	3.3	3.2	3.0	3.6

Overall 83 percent of CIOs and technology leaders feel the economy has changed how businesses need to operate and use technology in the future.

Almost three-quarters feel that there will be more market turbulence in the next few years as the economy recovers. Almost 80 percent believe that they need to be able to scale up and down their environments to meet changing business needs.

Finally, 71 percent of CIOs agree that they will become a far more important business asset in the future. The implication is that the ability to respond rapidly to changing business needs, will transform technology leaders into a true business asset rather than just a technology one.

Agreement with key statements - % agreeing only	Total %	North America %	EMEA %	Asia Pac %	Latin America %
The economy has changed how businesses need to operate and use IT in the future	83	81	86	80	90
There will be more market turbulence in the next few years as the economy recovers	74	81	71	68	83
I need to be able to scale up and down to meet changing business needs	78	74	76	78	90
We need to move from a focus on capital expenditure to operational expenditure	59	58	52	58	75
CIOs will become a far more important business asset	71	63	62	78	81

What challenges do technology leaders face and where will their 2010 investments be?

The research makes it clear that CIOs have been asked to support activities in a wide range of business areas over the last year including cost cutting; customer service; managing revenue and business growth; improved internal and external communications and generating more business intelligence for improved decision making.

One of the biggest areas that CIOs have been asked to support, both financially and through technology resources, is improved customer experience and customer satisfaction. This takes into account all customer interaction channels including web-based activities and communications technologies. EMEA based firms have been especially focused on this area, with 27 percent of CIOs saying it is an area that has required financial support.

Improving the overall business flow of information (using ERP solutions) to aid better decision making has been a focus for 19 percent of companies – 25 percent in North America – and improving the speed and quality of system performance (through things like virtualization) has been a key activity for 15 percent of CIOs (25 percent in Latin America).

The area and nature of the biggest business priority CIOs have been asked to support both financially and in terms of technology resources in 2009	Total %	North America %	EMEA %	Asia Pac %	Latin America %
Improving the customer experience, satisfaction and service	20	19	27	16	15
Improving the overall business information flows through upgrading and implementing ERP solutions and new communications technologies	19	25	18	18	12
Improving the speed and quality of system performance while reducing the environmental impact	15	21	8	12	25
Improved end user service delivery (through hardware upgrades)	13	7	9	18	17
Driving revenue and managing business growth	12	12	18	9	10
Better management information and market data availability	6	9	3	6	4
Underpinning profits growth and cost reduction, and managing innovation	6	5	8	3	14

Improving the technology infrastructure including hardware upgrades will be the biggest priority that CIOs will support in 2010. (This was mentioned spontaneously by one in five CIOs taking part in the study overall and 22 percent in Asia Pacific).

Technology to improve the customer experience will be the second most important priority (14 percent) followed by underpinning profits growth and cost cutting (11 percent) and business and revenue generation, including new product development (11 percent globally – but 18 percent in North America).

The biggest priority CIOs will support both financially and in terms of technology resources in 2010	Total %	North America %	EMEA %	Asia Pac %	Latin America %
Improving the technology infrastructure including hardware to underpin business change	20	12	17	22	20
Improving the customer experience, satisfaction and service	14	11	14	9	31
Underpinning profits growth and cost reduction, and managing innovation	11	11	5	16	12
Business and revenue generation, including new product introductions	11	18	7	8	14
Improving the overall business information flows through upgrading and implementing ERP solutions and new communications technologies	10	3	10	16	8
Better flows of information for decision making	8	17	3	6	7
Improved productivity and efficiency	7	12	6	6	5
Improved internal communications	6	6	3	9	3

Looking forward two to three years, 62 percent of CIOs expect to be called upon more frequently to make rapid technology changes to meet the needs of the business.

Expectation of the frequency of being called upon to make rapid changes in technology to support the business in the next 2 – 3 years - %	Total %	North America %	EMEA %	Asia Pac %	Latin America %
Very frequently	21	20	13	21	37
Quite frequently	41	40	43	44	27
Not very frequently	35	34	40	32	32
Not at all	4	6	4	3	3