Road to Growth Study:

U.S. and European Perspectives
on Information Technology Strategy,
Investments and Business Recovery

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Executive Summary

Objectives

This study of CIO and other top IT executives was designed to gain a firm understanding of:

1. Perceptions that executives in multinational companies have of the current economic crisis in terms of when they think specific areas of the world will emerge first from the crisis, which specific countries will emerge first, and when their industry will emerge from the crisis.

2. How IT and technology can or is helping companies through the current economic crisis.

3. Which tactics and strategies, including those involving IT and technology, companies are using to see their way through the economic crisis and emerge ready to hit the ground running once the economy turns around.

Although this report is based on a small number of individual respondents, their viewpoints rapidly converged on the key topics discussed below and can be considered a sound representation of their peers.

Methodology

The 2009 AT&T Road to Growth Study is based on interviews with a total of 77 IT executives employed with multinational companies with an approximate annual revenue of at least $1 billion, including 47 U.S.-based IT executives and 30 European-based IT executives. All participants have responsibility for making decisions about IT strategy and budget allocations (CIO, CTO, or person who reports directly to the CIO/CTO).

All U.S.-based IT executives work for a U.S. company or a U.S. subsidiary of a foreign company based in the U.S. Overall, the U.S. IT executives interviewed worked for multinational companies represented by 25 industries with median 2008 revenues of $4.75 billion dollars and operations in an average of 28 countries (range, 2 to 122 countries). The Europe-based IT executives worked for multinational companies represented by 21 industries with average 2008 revenues of $1.7 billion dollars and operations in an average of 20 countries (range, 3 to 60 countries).

All interviews were conducted between April 16 and June 19, 2009.

Executive Summary

- The current global economic recession has affected companies in both the U.S. and Europe, but in markedly different ways, most notably in expectations in ROI.
    - Over half of the European executives stated that there is no change in the time period with which they evaluate ROI. In contrast, two-thirds of the U.S. executives stated that the time period with which they evaluate ROI has narrowed.
- Overall, U.S. executives appear to be more optimistic in their economic outlook and expectations than their European counterparts.
    - U.S. executives forecast that the economies of each of the five key global regions will rebound faster than their European colleagues project.
    - U.S. executives, more so than the European executives, believe that the nine key areas of IT investment will have a greater impact on growth as the economy turns around.
- U.S. and European IT executives are unified in their belief that the world's two largest economies – the United States and China – will be the first to emerge from the current economic recession.
- The primary business goal of corporations on both continents is to reduce or contain costs during this current economic downturn.
    - Both U.S. and European executives cited multiple strategies to achieve similar goals, indicating that executives, regardless of the industry they are in or the country they operate in, realize that there are multiple approaches which can achieve the same results.
- Key differences between U.S. and European businesses begin to emerge when discussing the role of IT.
    - For European companies, the primary short-term role of IT is to identify inefficiencies, which is just one of many key roles IT has in the U.S.
    - IT in the U.S. appears to play a greater role in managing, securing, and dispersing information to stakeholders than in Europe.
    - In Europe, IT short-term and long-term roles are essentially the same; identify inefficiencies. In the U.S., IT long-term roles do have some overlap with their short-term roles, but there are some clear distinctions between the two.
- Many European executives had difficulty listing three short-term IT investment priorities, while their U.S. counterparts did not. Perhaps this is an indication of a key difference in the fundamental style in which companies on both continents operate.
    - Many of the words used to describe the short-term priorities of U.S. companies involve words like "invest," "improve," and "expand."
    - Words used to describe the short-term priorities of the European companies include "cut," "reduce," "consolidate," and "outsource," as well as "keep" and "retain."

- Executives were in agreement that business continuity and security solutions will have the biggest impact on their company if investments are made in that area.
    - Overall, executives in Europe are not as confident as executives in the U.S. on the level of investment their companies expect to make in each area of IT.
    - Executives in Europe are more likely than the executives in the U.S. to say that the eight IT investment areas will receive no investment in the next 12 months.
    - Comparing U.S. and European executives anticipated impact of investment with the expected level of investment reveals that there are wide gaps between expectations and intentions.

Overall Results for U.S. and Europe

Forecasts for Economic Recovery

Overall, U.S. executives and their European counterparts held similar views about the world economy, though some differences in opinion did emerge between executives in Europe and the United States.

When asked about when they expect North America, Central and South America, Western Europe, Eastern Europe, and Asia/Pacific to emerge from the global recession, executives from the U.S. and Europe were fairly unified in their opinions, with some exceptions:

- Overall, U.S. executives appear to be more optimistic in their projections of when the economies in the five regions will emerge from the current recession. For example, the U.S. executives are more optimistic than the European executives that North America will recover this year (19% versus 7%).

Asked about which countries were most likely to emerge first from the current recession, both European and U.S. executives were most likely to cite the United States first and China second. However, beyond that, similarity opinions varied.

- U.S. executives were much more likely to list North American countries than the European executives.

- U.S. executives were also more likely to cite BRIC countries than the European executives.

When asked when they felt their industry would emerge from the current recession, U.S. and European executives had very similar opinions about the timing of recovery.

- Thirty-seven percent (37%) of the European executives and 40% of the U.S. executives speculated that their industry would emerge in the first half of 2010.
- Furthermore, 30% of the European executives and 26% of the U.S. executives thought their industry would emerge in the latter half of 2010.

Business Goals and Strategies

Corporations on both continents appear to operate similarly when it comes to overall business goals and strategies during the recession.

The primary goal of corporations on both continents is to reduce or contain costs during this current economic downturn. Most of the other goals cited by executives on both sides of the Atlantic were identical, though the order of importance, as measured by the number of mentions, varied slightly (Table 1).

Table 1.

Primary Business Goals of the United States and European Companies (In order of importance)

U.S. Goals	European Goals
1. Cut costs	1. Cut costs
2. Growth/expansion	2. Survive current recession; maintain status quo
3. Maintain position/status quo	3. Adjust customer/product prices
4. Focus on products/service	4. Growth/expansion
5. Increase revenue/profit	5. Increase revenues/number of customers
6. Improve processes/increase efficiency	6. Improve processes/increase efficiency
7. Address staffing	7. Limit losses
8. --	8. Capacity utilization

Both U.S. and European executives cited multiple strategies to achieve similar goals, indicating that executives, regardless of the industry they are in or the country they operate in, realize that there are multiple approaches to achieving goals that can achieve the same results.

Role of IT in Supporting Business Strategies

Key differences between U.S. and European businesses begin to emerge when discussing the role of IT. The primary **short-term role** of IT in Europe is to identify inefficiencies. Identifying and improving efficiencies is just one of many key roles IT has in the U.S. Additional key roles of IT in the U.S. include:

- Aligning IT strategies and approaches to fit current business objectives and goals
- Reducing, eliminating, or managing their company's costs
- Making information and data available to users
- Managing information and data

One notable difference between the short-term role of IT in the U.S. versus IT in Europe is the management of data. IT in the U.S. appears to play a greater role in managing, securing, and disseminating data and information to stakeholders than in Europe.

In Europe, short-term and long-term roles of IT are essentially the same: identify inefficiencies. In the U.S., the long-term roles of IT do have some overlap with their short-term roles, but there are some clear distinctions (see Table 6, U.S. results).

Costs, communication, and productivity

U.S. and European executives were asked to rate the importance of nine key business strategies which could help position companies for an economic recovery, using a six-point scale.

Based on the ratings by the executives of the nine strategies, several key differences in opinion between the executives came to light.

- European executives were much less willing to rate the strategies as "extremely important," preferring to use the rating of "very" or "somewhat important."
- U.S. and European executives differed in their opinion on which of the strategies are the most important. The top-three strategies for U.S. and European executives were identical, just in different order of importance.

U.S.		**Europe**
1.	Reducing operating costs	1. Enhancing workforce performance
2.	Improved collaboration	2. Improved collaboration
3.	Enhancing workforce performance	3. Reducing operating costs

Executives on both continents did agree, however, that **entering new geographic markets** and **outsourcing IT management, infrastructure, and services** are the least important in helping to position their company for an economic recovery.

Priorities

Once again, differences are evident in the viewpoints of U.S. and European executives when it comes to listing the top-three short-term priorities, from an IT perspective, to support the achievement of their company's business goals and strategies.

- Many European executives had difficulty listing three short-term priorities, while their U.S. counterparts easily listed three priorities.
    - When describing short-term priorities, U.S. executives used words such as "invest," "improve," and "expand."
    - In contrast, words used to describe the short-term priorities of the European companies include "cut," "reduce," "consolidate," and "outsource," as well as "keep" and "retain."

However, executives from the U.S. and Europe were united in agreement on a few key short-term priorities (top-three).

U.S.		**Europe**
1.	Cut costs	1. Increase efficiencies and processes
2.	Retain and obtain new customers	2. Cut costs
3.	Increase efficiencies and processes	3. Invest in Web and e-commerce

For both the U.S. and European executives, the long-term priorities used to support the achievement of their company's business goals and strategies were very similar to the short-term priorities.

Areas for IT Investment

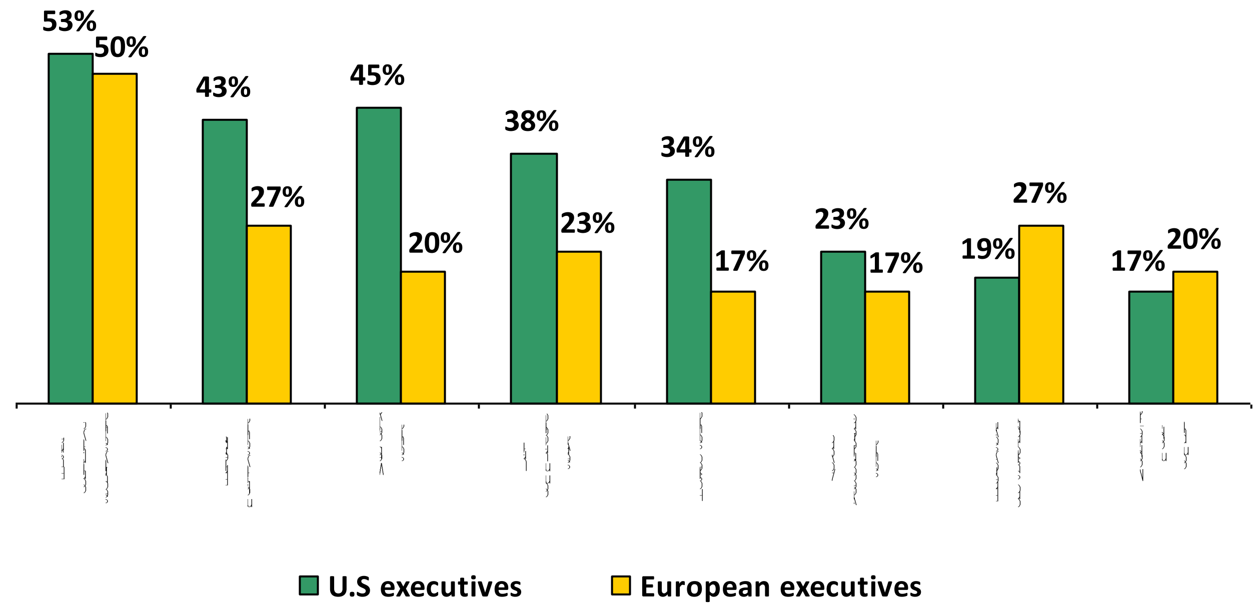
Executives were asked to rate the impact of investment in several IT areas. In other words, how much would these areas help their business grow as it prepares for an economic turnaround.

Executives agreed that investment in **business continuity and security solutions** would have the biggest impact on their company.

Beyond business continuity and security solutions, U.S. and European executives were not in agreement in the amount of impact the other areas would have on their companies.

- Overall, U.S. executives once again appeared more optimistic than their European colleagues about the positive impact of IT investments on their business (Chart 1).

Chart 1.
Percent of U.S. and European Executives Who Expect a "High Impact" From Each Area After Investment



Noteworthy is that European executives expect energy savings and sustainability to have a greater impact on their business than U.S. executives. Though given the current level of investments European companies and countries have made in alternative energy, this may not be too surprising.

Beyond business continuity and security solutions, U.S. and European executives did not agree on which IT areas would have the most impact on their business (Table 2).

Table 2.
Perceived Importance of IT Investment Areas: U.S. Versus European Executives

IT Investment Areas	U.S. Rank	European Rank
Business continuity and security solutions	1st	1st
Enterprise mobility solutions	2nd	3rd
Web delivery solutions	3rd	8th
Unified communications services	4th	2nd
Hosted solutions	5th	4th
Advanced videoconferencing solutions	6th	7th
Energy savings and sustainability	7th	5th
Machine-to-machine computing	8th	6th

Rank is based on the combined overall impact (big, moderate, and low) that each IT area is expected to have on companies in the U.S. and in Europe. The IT area ranked 1st is expected to have the biggest impact on U.S. companies, and the IT area ranked 8th is expected to have the lowest impact. Ranks are used to make direct comparisons between companies' expectations in the U.S and Europe.

In addition to uncovering the IT areas that U.S. and European executives expect an impact from if investments were made in those areas, executives shared how much investment their companies were expecting to make in each of the areas in the next 12 months.

Similarities and differences between U.S. and European companies' expected levels of investment include the following:

- Executives in Europe are not as confident as executives in the U.S. on the level of investment their companies expect to make in each IT area (based on number of "don't knows").
- In the U.S., **business continuity and security solutions** and **hosted solutions** are expected to receive the biggest investments in the next 12 months. In Europe, **business continuity and security solutions** and **unified communications services** are expected to receive the most funding in the next 12 months.
- Executives in Europe are more likely than the U.S. executives to say that the eight IT areas will receive no investment in the next 12 months.

- Companies in both the U.S. and Europe are expected to primarily make moderate investments in each IT area.
    - Hosted solutions is the only area that executives (U.S.) expect more big investment than moderate or small investments.

ROI

Perhaps the biggest difference between U.S. and European companies in today's economic environment involves expectations in ROI.

Trying to get an indication on how the current economic climate is affecting a company's expectations on return on investment, executives were asked how the time period over which they evaluate ROI has changed and whether it has affected their IT priorities.

Of the 30 European executives who were interviewed, over half stated that there is **no change in the time period with which they evaluate ROI**.

In contrast, a majority (64%) of the U.S. executives stated that the **time period with which they evaluate ROI has narrowed**, in some cases 50% or more.

Executives from both the U.S. and Europe stated that when change has occurred, it tended to affect the IT budgets, resulting in cuts.

Road to Growth: U.S. Perspectives on Information Technology Strategy, Investments, and Business Recovery

Methodology

Forty-seven (47) interviews were completed with IT executives who either:

- Work for a U.S. company and are based in the United States
- Work for a U.S. company and are based overseas
- Work for a U.S. subsidiary of a foreign company and are based in the U.S.

Each respondent was screened to ensure that they met several criteria, which included:

1. Having responsibility for making decisions about IT strategy and budget allocations (CIO, CTO, or person who reports directly to the CIO/CTO)
2. Work for a multinational company
3. Employed by a company with at least $1 billion in revenue in 2008 *(five of the 47 companies had revenues between $500- $999 million.)*

Overall, the IT executives worked for multinational companies represented by 25 industries with average 2008 revenues of $4.75 billion dollars and operations in an average of 28 countries (range, 2 to 122 countries).

Forecasts for Economic Recovery

The economic recovery may be as soon as six months away

A majority of the U.S. executives feel that North America and Western Europe will recover at the same time from the global recession, sometime in the first half of 2010.

The consensus among the executives is that Central and South America will emerge from the current economic downturn around Q3 2010.

Looking at Eastern Europe, the consensus is the region will emerge later than other regions, but executives have a hard time pinning down the timing of recovery in Eastern Europe.

Almost all of the executives who offered an opinion thought Eastern Europe could emerge anywhere from Q2 2010 to Q1 2011 or beyond.

There is little consensus on when the Asia/Pacific region will emerge from the current global economic crisis. Executives were just as likely to feel Asia/Pacific would emerge this year as well as Q4 2010 or later (Table 3).

Table 3.

Forecast by U.S. Executives of Regional Recovery from the Global Recession

	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011 or after	Cannot predict
North America	2	7	11	17	7	1	1	1
Central and South America	0	3	4	9	15	7	6	3
Western Europe	2	0	13	15	2	5	7	3
Eastern Europe	0	0	5	9	10	7	11	5
Asia Pacific	2	8	9	11	7	3	5	2

Numbers represent the number of U.S. executives, out of 47, who selected the specific time period in which they think the corresponding region will emerge from the global recession.

Observation:

Most of the U.S. executives working for multinational companies appear to have an understanding of the current global economic climate, as most had little to no trouble offering their thoughts on when different regions of the world will emerge out of the current economic situation.

Executives had the most trouble offering an opinion on Eastern Europe (11% responded "cannot predict"), perhaps because of limited operations in Eastern Europe and/or limited demand for their company's products in Eastern Europe.

The lack of consensus among U.S. executives on Asia/Pacific may be attributed to the enormous size of the region as well as the great disparity among the various economies, particularly China and India compared to other countries.

The world's biggest economies are expected to be the first to recover

U.S. executives were most likely to cite the United States and China as the first countries likely to emerge from the current recession. In fact, just over three fourths (77%) of the executives mentioned the United States, more than any country or region. Furthermore, the U.S. appears to be top-of-mind with respect to economic recovery. When executives were asked, unaided, to cite countries as candidates to emerge first from the recession, the U.S. was mentioned first 41% of the time.

Perhaps because of the strong economic influence that the United States has with its closest allies and neighbors, a sizable number of executives also cited Canada and Great Britain as two countries that are also likely to emerge first from the current recession. Interestingly, few executives mentioned the BRIC countries beyond China (Table 4).

Table 4.
List of Countries U.S. Executives Think Will First Emerge From the Global Recession

Country (alphabetical order)	Number of Mentions
Argentina	1
Australia	1
Brazil	4
Canada	16
China	19
France	10
Germany	7
India	7
Italy	3
Japan	10
Mexico	2
Russia	2
Singapore	1
South Korea	1
Sweden	1
Taiwan	1
Thailand	1
United Kingdom	13
United States	36
Other mentions:	
Southeast Asia	1
Western Europe	1

Several prominent Western European countries were cited as likely first candidates to emerge from the current recession, including Great Britain, France, Germany, and Italy.

Several Southeast Asian countries were mentioned as leading candidates to emerge first from the current recession, most notably China and Japan, the two largest economies in Southeast Asia.

We live in a global world and everyone is affected

Executives noted that even if their industry itself is doing well in the current recession, it is impossible for their industry not to be affected, even if only indirectly, because their customers are likely affected. Global economic interrelationships will have some impact on their company and industry as a whole.

However, four executives claimed their industry is not impacted by the current recession. These executives work in the following industries:

1. Computers/IT (software)

2. Oil and gas
3. Outsourcing/personnel services
4. Satellites and communication

A majority of the executives expect to continue to be adversely affected by the economy until at least the beginning of 2010. Over half of the executives expect to endure at least another 12 months of economic downturn (Table 5).

Table 5.

Forecast by U.S. Executives of Recovery From the Global Recession

Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011 or after	Not impacted by recession
2	5	11	8	6	6	5	4

Numbers represent the number of U.S. executives, out of 47, who selected the specific time period in which they think their industry will emerge from the global recession.

Given the great variety of industries represented by the executives who were interviewed, it is impossible to determine if a certain industry will emerge earlier or later than other industries.

Observation:

The four executives who stated their industry is not affected by the global recession work in four very different industries; seemingly with no connection to each other. This raises some interesting questions, such as, is it true? Are their industries really not being affected by the recession? If not, why these four industries? What is it about these companies or industries that make them "recession-proof?"

We suspect, however, that these four industries are affected in some way. Maybe not directly, but they have to be affected. We live in a global economy, and these executives work for multinational companies whose suppliers and customers are located around the world. Surely their customers and suppliers are affected, which in turn affects these companies and industries.

Business Goals and Strategies

Cutting costs and increasing revenue are duel business goals

Each of the 47 U.S. executives provided extensive responses regarding their company's current business goals. In some cases, the executives were able to elaborate on their company's short-term versus long-term business goals. Each of the executives responses were coded for purposes of analysis. Twenty-seven (27) coded goals were mentioned by the 47 executives.

U.S. executives cited two primary business goals that their company is currently working towards:

1. Reduce and contain costs
2. Increase market share, gain customers, and grow the business

Over half of the executives that were interviewed mentioned one or both of these goals.

These 27 specific goals can be grouped into more general business goals:

Cut costs	
Reduce costs/cost containment	62%
Capital management/preservation	9%
Grow business	
Grow the business and gain customers and market share	53%
Move into/Invest in new markets	19%
Invest in acquisitions	6%
Create new sales channels	2%
Maintaining position/status quo	
Survive the recession/stay in business	15%
Maintain current business/customers/market share	11%
Focus on core business	11%
Preserve/maintain revenue level/profit margin	9%
Being/remaining leader in business	9%
Focus on products and services	
Introduce new products and services	19%
Improve products and services offered	13%
Provide high-quality products and services	9%
Increase revenue/profits	
Revenue growth/increase income/profit	19%
Increase sales	9%
Improve processes/increase efficiency	
Improve processes	6%
Invest in automation	4%
Address staffing	
Lay off employees/minimize employees	4%
Reorganization	2%

"First of all, we would still like to grow. I think we can still do that in 2009. And by that, we will also increase our margin."

"To preserve profit margin. Our goal right now is to preserve operating income, but we will not sacrifice operating income for sales. But at the same time we're obviously trying to keep sales up as high as possible. The challenge is to keep the economic engine of the corporation running in a healthy mode."

"Our business goals are just to be profitable. Improve service and reduce costs are our major goals. You have to have a business strategy to be able to support your business and improve services at a lower cost."

"Anything that goes with maximizing economic profit. And the way I define 'economic profit' is return on invested capital less the work, what it has as cost of capital. That's going to be both longer-term, short-term."

Observation:

The two primary business goals cited by the IT executives – cut costs and increase revenues – do not appear to differ from company's "normal" business goals, regardless of the economic climate. Likely the current focus on these two goals entails more scrutiny on expenses and additional efforts to seek alternative forms of revenue or more revenue from existing clients.

Multiple strategies for multiple goals

Companies employ multiple strategies to address business goals but do not distinguish between short-term and long-term strategies.

Following the question regarding current business goals, each executive was asked about current business strategies that are being employed to meet their company's business goals.

Few executives made distinctions between short-term and long-term business strategies, preferring instead to cite general strategies that are being initiated.

All responses were coded for purposes of analysis. Thirty (30) coded strategies were mentioned by the 47 executives. Unlike the business goals where two specific goals were cited by a majority of the executives, no single strategy appears to be employed by a majority of the companies. Only one generic strategy – cost containment – was mentioned by a sizable percentage (40%).

Cutting costs and **growing the business** were listed as the two primary business goals by the IT executives. Companies hope to achieve these goals by strategically reducing costs and investing in their business.

For example, as a way to **reduce costs**, companies are laying off workers (17%), negotiating/renegotiating low/lower prices from vendors (11%), consolidating systems and operations (9%), increasing/maximizing efficiency (9%), reducing technology expenses (4%), moving to new locations to reduce costs/cut taxes (4%), reducing lines of business (4%), reducing marketing/advertising (2%), and streamlining sales force (2%).

Strategic investments to **facilitate growth** include moving into new markets (15%), offering low/aggressive pricing on products and services (11%), engaging in acquisitions (11%), improving products and services offered (11%), expanding/increasing investment in technology (11%), identifying new markets/growth opportunities (6%), improving/increasing marketing (6%), expanding distribution channels (4%), providing promotional offerings (2%), expanding products and services (2%), and increasing R&D (2%).

> *"Investing in the latest technology; a proven technology. In other words, if technology is proven, we'll invest in it and obviously we'll compare with existing technologies and take advantage of the greatest and latest so we could be competitive."*

> *"The strategy is to minimize the number, keep as few people as we need to run the operation and moving a lot of our operations into Bermuda for tax purposes.*

Overall, in technology, to kind of keep the costs down. Typically what you see now is people not buying new computers. They're holding onto computers longer."

"We are actually increasing our business development marketing activities, as well as looking at areas where we can be more efficient in terms of costs."

"It's a retrenching of what we class as non-call businesses. That goes all around. It's not only the fact that we won't be doing any new business in those industry segments but a reduction of staff associated with those. But on the opposite side, there's a buildup in the areas that we class as competence."

"They would be targeted acquisition if you have the ability to make the investment in terms of cash on your balance sheet. It would be managed careful spend around your operations, looking to reduce costs, and reduce delivery unit pricing cost structures, realizing, however, that you cannot cut your way to greatness or success, but you need to be cognizant of that."

Role of IT in Supporting Business Strategies

IT has multiple roles in supporting short-term business strategies

U.S. executives were asked to describe the role that IT has in their company in supporting the achievement of their company's **short-term** business strategies, given the current economic conditions.

Responses were coded for purposes of analysis. Executives cited 21 (coded) roles that IT has in supporting the achievement of their company's short-term business strategies.

Several prominent roles for IT emerged from the responses, each cited by a sizable number of executives. The top-five roles IT plays are as follows:

1. Align IT strategies and approaches to fit current business objectives and goals
2. Reduce, eliminate, and manage company's costs
3. Improve efficiency
4. Make information and data available to users
5. Manage information and data

"The strategy with the IT organization is to stay in very close contact with the business units, which are the sales and marketing arms of our business and the primary functions which are service, engineering, and manufacturing so that we can make sure that we're focusing on IT initiatives toward those business objectives and delivering solutions that yield the biggest bang for the buck."

"Operational support, back office, data mining and marketing prospect data."

"From an IT perspective, I support the attainment of the business goals and to remove IT as a barrier to business change."

"IT clearly plays a significant role in helping to reduce expenses and improve efficiencies, because we can automate where people have normally had to do things manually. Our short-term goal is to get as much gold out of that as we possibly can. So we are internally focused on trying to improve our operations, trying to improve our business processes and try to achieve more with less people."

"It's all about finding ways to take cost out; 'cost out' meaning either by enabling a business process and the processes more efficient, or by finding ways to reduce the delivery of existing process (i.e., efficiencies)."

"We, at headquarters, are now managing IT on a world-wide basis. Previously, each region addressed its own IT issues; we are consolidating. IT plays a major role, short-term, in providing systems for data reporting and analysis to management, to aid in business decisions. We produce geographical and demographical studies of global markets and expenditure trends in each market to assist in decisions."

IT plays a similar role in supporting long-term business strategies as they do in supporting short-term business strategies

U.S. executives were also asked to describe the role that IT has in their company in supporting the achievement of their company's **long-term** business strategies, given the current economic conditions.

Each of the executives responses were coded for purposes of analysis. Executives cited 24 (coded) roles that IT has in supporting the achievement of their company's long-term business strategies.

The role IT plays in helping their company achieve the long-term strategies are very similar to the role they play in helping to support the company's short-term business strategies.

The top-five roles IT plays in helping support long-term business strategies are as follows:

1. Align IT strategies and approaches to fit current business objectives and goals
2. Acquire and update IT hardware, software and systems
3. Improve efficiency
4. Reduce, eliminate, and manage company's costs
5. Tie Assists with analysis
6. Tie Operate IT economically

Short-term strategies versus long-term strategies

Although a number of the short-term and long-term roles IT plays in supporting their company's achievement of the business strategies are identical, there are some notable differences (see Table 6).

Table 6.

Distinctive Short-Term and Long-Term Roles IT Plays in Supporting U.S. Business Strategies

Short-Term Roles	Long-Term Roles
Provide systems/processes to reduce staffing	Acquire/update IT hardware/software/ systems
Reduce/eliminate/manage IT costs	Operate IT economically
Improve productivity	Automate company processes/procedures
Help company make money/maximize profits	Being a partner with our underlying business
E-mail/e-mail storage	Develop/implement an ERP system
Savings by using technology longer before replacement	Streamline processes/infrastructure
Renegotiate contracts with IT vendors	Consolidate infrastructure
Act as a catalyst to innovation/interaction	Hire/retain best in-house IT talent
Address use of collaborative technologies	Address becoming more environment friendly
Move into virtualization	Voice Over Internet Protocol/VOIP
	Standardize infrastructure/systems/service
	Develop/implement a CRM system
	Maintain IT spending at current level
	Sustainability of technology

Observation:

The notable number of distinctive roles, as well as the specific roles themselves, indicate the unique strategic value of IT, which likely will only increase as companies embrace more and more technology.

Additionally, even if some roles are identical for both short-term and long-term, the degree to how important ITs role is in supporting the company's business strategies does vary. For example, aligning IT strategies and approaches to fit current business objectives is a more important role for IT in meeting long-term business strategies, while "managing and providing information and data to users" is more important in helping achieve short-term strategies. Other notable differences include (see Table 7):

Table 7.

Importance of IT in Supporting the Achievement of Short-Term and Long-Term U.S. Business Strategies

Role	SHORT-TERM Percent noting IT has role in company	LONG-TERM Percent noting IT has role in company
Manage and provide information and data to users	36%	9%
Align IT strategies and approaches to fit current business objectives and goals	34%	43%
Reduce, eliminate, and manage company's costs	28%	15%
Improve efficiency	21%	21%
Assist with analysis	15%	11%
Serve as an enabler	15%	9%
Provide and improve communications	13%	6%
Align with business partners and vendors	11%	4%
Assist in decision making	9%	6%
Assist in bringing in new clients	4%	2%

Key Business Strategies to Help Position Companies

Costs, communication, and productivity are important strategies

U.S. executives were asked to rate the importance of nine key business strategies which could help position their company for an economic recovery, using a six-point scale (see Table 8). Very few executives rated any of these strategies "unimportant."

Based on the importance ratings that U.S. executives gave to the nine strategies, there are **three key strategies** that companies appear to be employing to help their company survive the current recession and position themselves for growth once the economy starts to turn around:

1. Reducing operating costs
2. Improved collaboration with customers and partners
3. Enhancing workforce performance and productivity

Among the **least important business strategies** companies are engaging in to position themselves for the recovery are:

1. Outsourcing IT management, infrastructure, and services

2. Entering new geographic markets
3. Future-proofing your networks

Table 8.

Importance of Business Strategies of U.S. Companies

Business Strategies	Extremely important	Very important	Somewhat important	Not very important	Not at all important	Not relevant	Don't know
Reducing operating costs	20	21	5	1	--	--	--
Improved collaboration with customers and partners	16	24	6	1	--	--	--
Enhancing workforce performance and productivity	15	24	7	1	--	--	--
Lowering the total cost of ownership	12	21	11	2	--	--	--
Introducing new products and services	13	16	15	2	--	--	--
Improving your supply chain	14	9	15	--	2	7	--
Future-proofing your networks	5	20	16	5	1	--	--
Entering new geographic markets	5	15	18	5	2	1	--
Outsourcing IT management, infrastructure, and services	5	13	12	13	1	2	1

Numbers represent the number of U.S. executives, out of 47, who rated each strategy as "extremely important," "very important," etc.

Observation:

U.S. executives may be signaling that their companies are taking a multi-strategy approach to see their way through the current global economic recession.

This multi-strategy approach may be the result of companies doing anything and everything they can to see their way through the economic downturn, with the goal of finding something that works to help stem the tide of lost revenue and increased costs.

Or, maybe the multi-strategy approach is a complicated solution to a complicated problem. Each strategy may address specific issues, and with multiple issues, companies need multiple responses.

Interestingly, **introducing new products and services** is more important than **entering new geographic markets**. Presumably, this is because entering new markets and establishing market share is more costly and the ROI is longer.

IT Investment Priorities in Support of Business Goals and Strategies

Cutting costs and improving productivity are key priorities

U.S. executives were asked to list the top three priorities, from an IT investment perspective, that will support achievement of their company's business goals and strategies. Responses from the executives were coded for reporting purposes, and a total of 16 categories or priorities were mentioned.

Short-term priorities

Most of the U.S. executives were able to identify three short-term priorities to support their business goals and strategies.

The most frequently mentioned short-term priority by U.S. executives is to **improve efficiencies/processes**, mentioned by two-thirds (64%) of the executives.

Overall, there are 14 key priorities to support the achievement of the goals and strategies of the U.S. companies (based on two mentions or more). The key short-term priorities are (in order of number of mentions):

1. Improve efficiencies and processes
2. Cost cutting
3. Invest in Web, e-commerce, and/or customer-facing applications
4. Improve infrastructure
5. Invest in or improve communications systems
6. Expand or build data center or warehousing capabilities
7. Ensure key areas are supported by staff and ensure talent resources are available
8. Improving supplier and vendor efficiencies
9. Strategic investment (general investments in order to meet strategic initiatives)
10. Investments and updates to security
11. Invest in new technology that enables innovation
12. Invest in hardware and software upgrades (general)
13. Modernization of equipment and infrastructure
14. Virtualization and cloud computing

Observations:

Most of the U.S. executives cited three short-term top priorities, which may indicate that companies are focusing on multiple priorities instead of just one or two to help achieve their goals and strategies.

This seems to validate an earlier observation about U.S. companies taking a multi-strategy approach to see their way through the current global economic recession.

Long-term priorities

A majority of the U.S. executives stated that their **long-term priorities were the same as their short-term priorities** or at least listed the same priorities.

The top long-term priority is to **improve efficiencies/processes**, which is the same short-term priority, mentioned by just over half (53%) of the executives.

Overall, the long-term priorities to support the achievement of the goals and strategies of companies are very similar to the short-term priorities, with some differences in order of the priorities. Two other long-term priorities that were not mentioned by any of the executives as a short-term priority include: marketing and branding initiatives and "green" initiatives/investments/strategies. (Table 9).

Observation:

U.S. executives listing or stating that the short-term priorities are the same as the long-term priorities may indicate that companies are reducing the time period for their long-term forecasting until after the recession is over. For example, instead of looking two to three years out, U.S. companies may be shortening their long-term outlook to 12 to 18 months.

Table 9.

Short- and Long-Term Priorities to Allow for Support of U.S. Business Goals and Strategies

Short-Term (in order of number of mentions)	Long-Term (in order of number of mentions)
Improve efficiencies and processes	Improve efficiencies and processes
Cost cutting	Invest in Web/e-commerce/customer- facing applications
Invest in Web/e-commerce/customer-facing applications	Strategic investment (general investments in order to meet strategic initiatives)
Improve infrastructure	Cost cutting
Invest in or improve communications systems	Invest in new technology that enables innovation
Expand or build data center/warehousing capabilities	Expand or build data center/warehousing capabilities
Ensure key areas are supported by staff/ensure talent resources are available	Improve infrastructure
Improving supplier/vendor efficiencies	Ensure key areas are supported by staff/ensure talent resources are available
Strategic investment (general investments in order to meet strategic initiatives)	Investments and updates to security
Investments and updates to security	Invest in or improve communications systems
Invest in new technology that enables innovation	Improving supplier/vendor efficiencies
Invest in hardware/software upgrades (general)	Invest in hardware/software upgrades (general)
Modernization of equipment/ infrastructure	Modernization of equipment/ infrastructure
Virtualization/cloud computing	Virtualization/cloud computing
--	Marketing/branding initiative
--	"Green" initiatives/investments/ strategies

Expected Impact and Level of Investment in Areas of IT

Investment in most areas of IT are expected to have a positive impact on business

U.S. executives were asked to rate the impact of eight IT investment areas on their company (e.g., how much would these areas help their business grow as it prepares for an economic turnaround).

Executives indicated that investing in **business continuity and security solutions** could have the biggest positive impact on their business growth as it prepares for an economic turnaround.

This is closely followed by **enterprise mobility solutions** and **Web delivery solutions**, both of which are expected to have a positive impact on companies (Table 10).

Table 10.

Expected Impact of IT Investment on U.S. Business Growth

IT Investment Areas	High impact	Moderate impact	Low impact	Don't know
Business continuity and security solutions	25	19	3	--
Enterprise mobility solutions	20	18	9	--
Web delivery solutions	21	14	12	--
Unified communications services	18	17	11	--
Hosted solutions	16	20	9	1
Advanced videoconferencing solutions	11	25	11	--
Energy savings and sustainability	9	20	18	--
Machine-to-machine computing	8	17	22	--

Numbers represent the number of U.S. executives, out of 47, who rated each area as having a "high impact," "moderate impact," or "low impact".

Areas of IT investment that are expected to have a high to moderate impact on businesses are **unified communications services** and **hosted solutions**.

Executives are split on how much impact **advanced videoconferencing solutions** would have on their business' growth as it prepares for an economic turnaround. Just as many executives are likely to say it will have a low impact as say it will have a high impact.

A sizable minority (38%) of executives believe that energy savings and sustainability will have a <u>low impact</u> on their business' growth as it prepares for an economic turnaround, and almost half (47%) the executives agree that **machine-to-machine computing** will have a <u>low impact</u> on their business' growth as it prepares for an economic turnaround.

Observations:

The split on the impact **advanced videoconferencing** can have may reflect a company's knowledge and use of videoconferencing systems. Companies who use advanced videoconferencing realize the positive impact it has made, while those who don't use advanced videoconferencing and/or are not familiar with the benefits of the systems, perceive that advanced videoconferencing would have a low impact.

Perhaps U.S. executives are undecided on the impact **energy savings and sustainability** can have, partly based on the notion or perception that energy savings and sustainability do not lead directly to growth but serve some other benefit (e.g., reduced costs).

U.S. companies are expected to make moderate investment in most areas of IT

U.S. executives were also asked what level of commitment their company expects to make in each of the eight IT areas in the next 12 months.

U.S. companies expect to make the biggest investments in **business continuity and security solutions** as well as **hosted solutions** (Table 11).

Table 11.

Expected Level of Investment in IT Areas of U.S. Companies

IT Investment Areas	Big investment	Moderate investment	Small investment	No investment	Don't know
Business continuity and security solutions	18	19	9	1	--
Hosted solutions	18	15	9	4	--
Enterprise mobility solutions	10	25	12	--	--
Unified communications services	9	20	15	3	--
Web delivery solutions	10	17	15	5	--
Energy savings and sustainability	4	18	23	2	--
Advanced videoconferencing solutions	5	17	21	4	--
Machine-to-machine computing	4	14	20	9	--

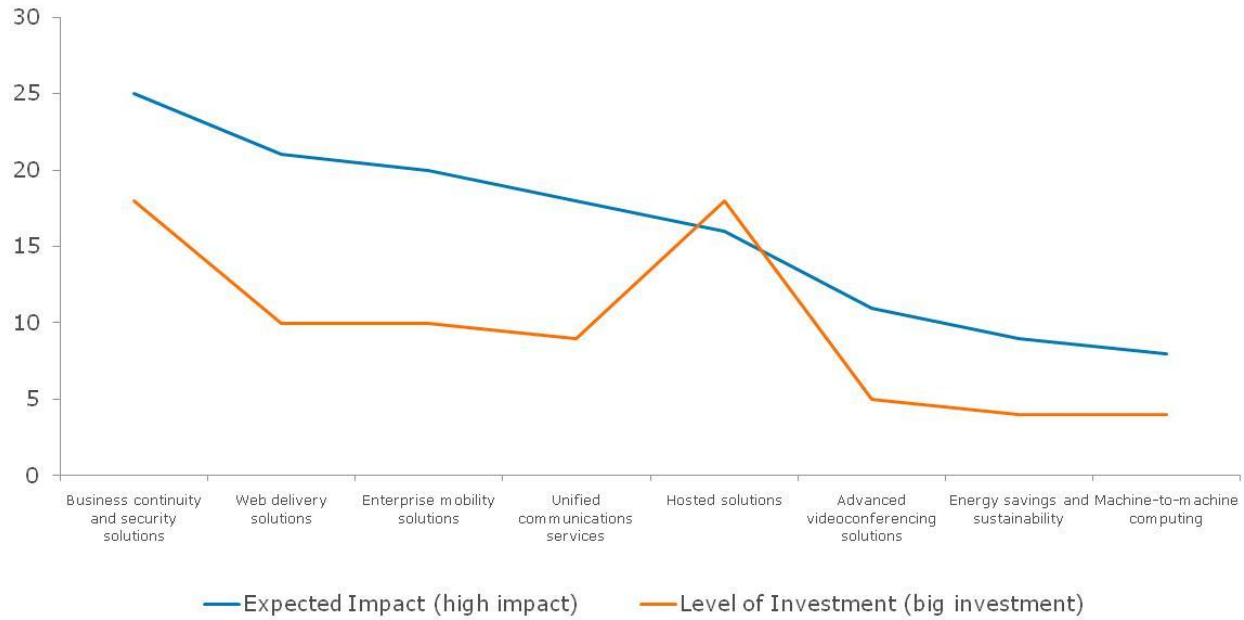
Numbers represent the number of U.S. executives, out of 47, who indicated how much investment their company plans on making in each area in the next 12 months.

Comparing the anticipated impact of investment (Table 10) with the expected level of investment (Table 11) reveals that there are wide gaps between expectations and intentions (Chart 2).

For example, a majority of U.S. executives expect **Web delivery solutions** to make a high to moderate impact on their business' growth as it prepares for an economic turnaround, though executives do not appear to be making the level of investment that they need to make that happen. Additionally, executives also expect **hosted solutions** to have high to moderate impact on their business, but they appear to be overinvesting in that area relative to the expected impact.

Chart 2.

Differences between Expected Impact and Level of Investment in Areas of IT for U.S. Companies



Time Horizon for Evaluating ROI

In today's economic climate, U.S. companies have shortened the time horizon over which they evaluate ROI.

Executives were asked how the time period over which they evaluate ROI has changed in the current economic environment, and if this has affected their IT priorities.

A majority (64%) of the U.S. executives stated that the **time period over which they evaluate ROI has narrowed**, in some cases 50% or more.

The remaining one-third (36%) stated there has been **no change in the time period** with which they evaluate ROI.

Most of the executives were not willing to discuss how the change in evaluating ROI has impacted their company's priorities. Among those willing to address the topic, two-thirds (64%) stated that the resulting change has affected their IT budgets. Most of the change in priorities due to the shortened horizon for evaluating ROI affects the type of projects the companies are willing to invest in. Companies are less willing to invest in longer-term projects or projects where the return does not come quickly.

[Our time period has] "Narrowed by about 50%, roughly from two to three years, to 12-18 months. This has forced us to focus on projects that give at least 100% ROI in 12 months. Others get dropped."

"ROI time frame has narrowed by 30% to 40%, from about five to three years. This has resulted in much greater emphasis on short-term impact projects such as CRM."

"Time horizon has narrowed by about 25%. As a result, IT projects have shifted to those with more immediate impact."

"ROI narrowed by 50%, and we are drastically changing our outlook on ROI and focusing on cutting costs. We used to be open to new technologies; now (we) are looking to maintain (the) current level for a while to reduce investments."

"Our ROI has essentially stayed the same, but we are scrutinizing it more frequently to understand where the return may be narrowed. We are cutting back on many other business expenditures, but we are not cutting back on IT; IT will continue to go forward."

"ROI time frame has been narrowed from three to one year. This has resulted in a shift to cost containment and quicker payback projects."

Road to Growth: European Perspectives on Information Technology Strategy, Investments, and Business Recovery

Methodology

Thirty (30) interviews were completed with IT executives based in three Western European countries – Germany, United Kingdom, and France.

Each respondent was screened to ensure that they met several criteria, which included:

1. Having responsibility for making decisions about IT strategy and budget allocations (CIO, CTO or person who reports directly to the CIO/CTO)
2. Work for a multinational company
3. Employed with a company that had at least $1 billion in revenue in 2008 *(most respondents met this criteria)*

Ten (10) interviews were completed with IT executives in each of the three countries.

Overall, the IT executives worked for multinational companies represented by 21 industries with average 2008 revenues of $1.7 billion dollars and operations in an average of 20 countries (range, 3 to 60 countries).

Forecasts for Economic Recovery

The economic recovery is still a year away

European executives have a consensus view that the global economy will rebound between Q1 and Q4 2010. Many of the executives were even more specific, looking to the second or third quarter of 2010 as the period with which most regions of the world will recover from the current economic crisis.

European executives feel that Asia Pacific and North America will be the first regions to emerge from the global recession, beginning in Q1 2010, followed by Western Europe and Central and South America in Q2 to Q3 2010. A majority of the executives believe Eastern Europe will be the last to emerge from the global recession, sometime in Q3 to Q4 2010 (Table 12).

Table 12.
European Executive’s Forecast of Regional Recovery From the Global Recession

	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011 or after	Cannot predict
North America	0	2	5	8	8	3	0	4
Central and South America	0	1	1	11	5	3	2	6
Western Europe	0	2	2	13	6	3	1	3
Eastern Europe	1	2	2	2	11	5	3	4
Asia Pacific	2	1	6	9	4	2	2	4

Numbers represent the number of European executives, out of 30, who selected the specific time period in which they think the corresponding region will emerge from the global recession.

Observation:

Most of the European executives appear to have an understanding of the current global economic climate, as most had little to no trouble offering their thoughts on when different regions of the world will emerge out of the current economic situation. This likely is a result of their position in a multinational company.

However, executives had the most trouble offering an opinion on Central and South America (20% responded “can’t predict”), perhaps because of limited operations in Central and/or South America, and/or limited demand for their company’s product there.

The world’s biggest economies are expected to be the first to recover

European executives were most likely to cite the two largest global economies – the United States and China – as the countries that will first emerge from the current recession.

European executives were asked, on an unaided basis, which country or countries they felt would be among the first to emerge from the current recession. Following the United States and China, the German, French and British executives cited Germany, France and the U.K. as the next likely candidates to emerge from the current global recession.

Other countries mentioned by more than two executives as likely to be the first to emerge from the current recession are Hong Kong and Russia.

Interestingly, only one executive each thinks that India and Brazil, two of the four BRIC countries, will likely be one of the first to emerge from the current recession.

Table 13.

List of Countries That European Executives Think Will First Emerge From the Global Recession

Country (alphabetical order)	Number of Mentions
Australia	1
Brazil	1
Canada	2
China	10
France[1]	6
Germany[2]	8
Hong Kong	4
India	1
Italy	1
Japan	2
Korea	1
Malaysia	1
Russia	3
Singapore	1
Spain	2
United Kingdom[3]	6
United States	16
CANNOT PREDICT	2

1. *Three of the six mentions came from French executives*
2. *Four of the eight mentions came from German executives*
3. *Five of the six mentions came from British executives*

Grouping the various countries into regions reinforces the opinions of the European executives concerning when they think different regions of the world will recover from the global recession.

Executives think that Asia/Pacific and North America will emerge first from the global recession. Of the 17 specific countries/territories that executives mentioned in these two regions, all three North American countries are listed as are eight countries/territories in Asia/Pacific.

As the global economy goes so does industry recovery

In addition to being asked which regions of the world and which specific countries they feel will emerge first from the global recession, the European executives were asked to provide some insight on when they expect their industry to recover from the current recession.

Approximately half of the European executives expect their various industries to emerge from the current recession in Q2 or Q3 2010. An additional third (33%) expect to emerge sometime this year, in 2009.

Table 14.

European Executives' Forecast of Industry Recovery From the Global Recession

Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011 or after	Cannot predict
4	3	3	8	6	3	1	2

Numbers represent the number of European executives, out of 30, who selected the specific time period in which they think their industry will emerge from the global recession.

There are several specific industries from which multiple executives were interviewed. Reviewing the responses from those executives reveals a consistent pattern of when executives think Europe will begin to emerge from the global recession.

The expectation that their respective industries will emerge from the current recession in Q2 or Q3 2010 is in line with almost two-thirds of executives who think that Western Europe will emerge from the current recession in Q2 to Q3 2010.

Table 15.

European Executives' Forecast of Specific Industry Recovery From the Global Recession

	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011 or after	Cannot predict
Financial services			1	1		2		
Supermarkets	1			1				1
Engine building/ plant engineering	1			1	1			
Metal processing					2			
Steel manufacturing					1		1	
IT and telecom				1	1			

Numbers represent the number of European executives in each industry who selected the specific time period in which they think their industry will emerge from the global recession.

Observation:

Although there is an overall consistent pattern on when executives think their industry will emerge from the current global recession (e.g., Q2/Q3 2010), there are a number of differing opinions from executives who are in the same industry on when they think their industry will emerge.

This may reflect how their respective company is doing within the industry, and they are projecting that performance to the whole industry, or it may reflect overly optimistic or pessimistic opinions on their industry's recovery.

Business Goals and Strategies

Cutting costs as a rule of survival

European executives were asked to describe what their company's current business goals are – both short-term and long-term.

Few of the executives were able to identify long-term business goals or distinguish between short-term and long-term business goals in the current economic environment. Only one executive relayed that his company has no specific goals as of now.

All open-ended responses to this interview question were coded, or grouped together, into categories that were created based on the types of responses. These coded responses are the responses that are reported in this section.

Overall, **short-term business goals** for European companies are:

(*In order by number of mentions*)

1. Cut costs/get costs under control
2. Survive current recession; maintain status quo
3. Adjust customer/product prices
4. Growth/expansion; develop new channels
5. Increase revenues/number of customers
6. Improve efficiencies/processes
7. Limit losses
8. Capacity utilization

In terms of **long-term business goals**, few executives were able to list specific long-term business goals that were different from their stated short-term goals. The one exception was the German executives. Based on the limited feedback from executives, European companies' long-term business goals center on **growth and expansion**.

Unfortunately, executives did not provide details on their company's specific growth/expansion plans, so the type of growth or expansion European companies are planning is purely speculative at this point. Perhaps growth and expansion will take the form of expanding manufacturing capabilities, or developing new markets for their products and services, or even increase their customer base.

Following growth and expansion, the second-most cited long-term business goal for European companies is to **increase revenue**. A couple of executives also noted that improving efficiencies is one of their company's long-term business goals.

> *"Despite all the problems, we are still on a growth strategy, not as much as originally, but still growth."*
>
> *"At the moment, we focus on utilized capacity. The aim is to raise revenue after recession."*
>
> *"We want to reduce costs in short range and raise efficiency as well as expand on long range."*
>
> *"Our goals have pretty much been corrected from growth to holding our current figures."*

Observation:

The long-term business goals of growth/expansion, increasing revenues, and improving efficiencies are typically long-term business goals of companies regardless if they are operating in a recession or not.

Because these stated long-term business goals do not appear to differ from companies operating in a "normal" economic climate, several scenarios may be playing out:

- Companies are not being affected long-term by the global recession.
- Executives believe that the recession will end sometime in the next 12 months, so their long-term business goals do not need to change.
- Companies are taking a wait-and-see approach in relation to their long-term business goals to see if the recession will continue beyond the next 12 months, at which time they may adjust their goals.
- Companies keep their eye on the long-term and have established a sound set of business goals that should not change, regardless of the economic climate. It's the short-term business goals that should be flexible to reflect changes in the economic environment.

Analyzing the specific business goals by industry reveals some interesting patterns that appear to be industry specific (Table 16).

Table 16.

Short- and Long-Term Business Goals by Industry

Industry	Short-Term	Long-Term
Financial services	Survive/stay in business; maintain stable numbers; limit declines	Growth, increase revenues, and improve exchange business
Engine building/plant engineering	Reduce costs, cover costs, and assurance of capacity utilization	Global growth, reduce costs, and increase revenues
Supermarkets	Better prices, increase sales, and improve marketing	None identified
Metal processing	Reduce costs	Increase efficiency, expansion
Steel manufacturing	Focus on utilized capacity, watch costs	Increase revenue after recession
IT and Telecom	Reduce costs, enhance efficiency, and grow business	None identified

Multiple strategies to meet a business goal

In addition to being asked to describe what their company's current business goals are, both short-term and long-term, executives were asked to provide insight on what their company's business strategies are in order to achieve their business goals.

Executives' responses to both the business goal question and the business strategy question were compared to reveal the specific strategies companies are employing to meet their targeted short- and long-term business goals (Table 17).

Table 17.

Business Goals and the Strategies Employed to Meet Those Goals

Business Goal	Business Strategies
Cut costs/get costs under control	• Stop projects which lack profit (e.g., ROI) • Global expansion • Work cost-covering without losing long-term strategies • Cost providers
Survive current recession/ maintain status quo	• Reduce expenditures and develop a rationalization of the waste of raw materials • Customer retention and provide the best customer service possible • Find new areas and new products • Improving services to keep customers and get new ones and lowering costs
Adjust customer/product prices	• Stronger publicity, more marketing • Develop a good marketing strategy • Adoption of loyalty tools • Price cuts in 2009 to raise number of orders while reducing costs
Growth, expansion, develop new channels	• Control the costs and develop the commerce • Offering great products and great service, going beyond what companies in the sector usually offer • Big outsourcing deals, force global growth
Increase revenue and/or number of customers	• No breaks in the different levels of action • Move primary operations to new and better location • Simplify things, bring in new technologies and acquire new clients
Improve efficiencies and processes	• Extremely careful management costs • *Short-term*: stop projects which lack profit; *long-term*: expansion • Stop projects with an approximately bad asset and invest in projects with a good perspective
Limit losses	• Improving services to keep customers and get new ones and lowering costs • Price cuts in 2009 to raise number of orders while reducing costs
Capacity utilization	• *Short-term*: acquire profitable business and ensure actual orders; *mid- and long-term*: produce products of

	high grade and demand • Assurance of capacity utilization

Though European executives mentioned particular business goals and specific strategies to achieve those goals, there are some strategies that companies are employing that are identical but are being used to meet different goals.

For example, **improving customer product and service offerings** is one strategy that companies are employing to help meet their business goals of:

- Surviving the current recession or maintaining status quo
- Growing/expanding the business
- Increasing company revenues
- Limiting overall company losses
- Ensuring capacity utilization

This one particular strategy is meant as a way to retain customers and acquire new customers, which in itself is meant to meet the various company goals.

Additionally, companies are using **cost cuts/reductions** as a ubiquitous strategy to meet a number of goals, beyond getting costs under control. For example, cutting costs is one strategy companies are using to:

- Survive the current recession or maintaining status quo
- Grow/expand the business
- Limit overall company losses
- Offset adjustment/lowering of customer/product prices

Role of IT in Supporting Business Strategies

Identifying inefficiencies leads to process improvements and cost savings

In an attempt to gain insights of the role IT plays in supporting the achievement of short-term and long-term business strategies, executives were asked to provide feedback on the importance of IT as it relates to business strategy in today's tough economic climate.

Most European executives stated that IT plays an important role in supporting their company's short-term business strategies. IT has an important supporting role primarily because it helps **identify inefficiencies** that can lead to process improvements and a reduction in costs, both of which help companies achieve a ROI. In today's economic climate, a return on investment is extremely important.

> *"IT is more important to keep our processes lean and reduce cost which, of course, helps to reach our economical goals."*

"IT always plays a big role in our business; we have lots of processes running that need to be as lean and efficient as possible."

"IT plays no role in business strategies but is important for continuous process enhancement and cost cuts."

"The role of our IT is important to optimize internal processes and cut costs."

IT's role in supporting the achievement of companies' long-term business strategies is similar to their role in supporting companies' short-term strategies, namely identifying inefficiencies which can lead to process improvements and a reduction in costs with an eye on ROI.

Observation:

It appears that IT may play a somewhat more significant role in supporting companies' long-term business strategies because fewer executives stated that IT plays no role or a limited role.

Costs, productivity, and customers

European executives were asked to rate the importance of nine key business strategies which could help position their company for an economic recovery, using a six-point scale (see Table 16).

Based on the ratings, executives are **most likely to engage in four key activities** to help their company survive the current recession and position themselves once the economy starts to turn around:

1. Enhancing workforce performance and productivity
2. Improved collaboration with customers and partners
3. Reducing operating costs
4. Lowering total cost of ownership

In essence, reduce costs and increase productivity, while at the same time becoming more valuable and intertwined with essential customers.

Among the <u>**least**</u> **important business strategies** companies are engaging in to position themselves for the recovery are:

1. Entering new geographic markets
2. Outsourcing IT management, infrastructure, and services

Table 18.

Importance of Business Strategies of European Companies

Business Strategies	Extremely important	Very important	Somewhat important	Not very important	Not at all important	Not relevant	Don't know
Enhancing workforce performance and productivity	3	25	2	--	--	--	--
Improved collaboration with customers and partners	5	22	3	--	--	--	--
Reducing operating costs	6	19	4	--	1	--	--
Lowering the total cost of ownership	7	15	5	1	2	--	--
Future-proofing your networks	5	11	11	2	1	--	--
Improving your supply chain	3	14	6	5	--	--	2
Introducing new products and services	1	16	8	4	1	--	--
Entering new geographic markets	1	10	14	2	1	1	1
Outsourcing IT management, infrastructure, and services	1	6	5	8	6	3	1

Numbers represent the number of European executives, out of 30, who rated each strategy as "extremely important," "very important," etc.

Observation:

The fact that executives rated a majority of the business strategies as extremely/very important may signal that companies are taking a multi-strategy approach to see their way through the current global economic recession.

Apparently, with outsourcing IT management, infrastructure, and services being the least important strategy for companies, companies may feel that it's important to maintain internal control over IT.

European executives were solicited to provide a list of the top three priorities, from an IT investment perspective, that will support achievement of their company's business goals and strategies.

Overall, there is a lot of overlap between the short-term and long-term priorities for European companies, though some differences obviously do exist (see Table 19). Even though many of the short- and long-term priorities are identical, the order of the priorities does differ for short-term versus long-term.

Short-term priorities

Slightly less than half of the European executives were able to come up with three short-term priorities to support their business goals and strategies.

Observation:

An indication that companies may be focusing on just one or two short-term priorities, instead of several, to help achieve their goals and strategies, is that less than half of the executives were able to list three top priorities.

Executives in France were most likely to report they have no short-term priorities, or they did not know what they were.

The number one priority, regardless of country, is to **cut costs**.

Overall, there are 10 key short-term priorities to support the achievement of the goals and strategies of the European companies:

1. Cut costs
2. Retain customers/enhance customer services/obtain new customers
3. Increasing efficiencies and process
4. Modernize
5. Keeping equipment, software, etc. longer, delaying replacements/ upgrades
6. Reducing IT costs/cutting IT budget
7. Reducing the number of employees
8. Consolidation
9. Increase profitability
10. Outsourcing

Long-term priorities

Even fewer executives were able to come up with three long-term priorities than were able to come up with three short-term priorities. Again, this may indicate that companies are focusing on one or two long-term priorities to help achieve their goals and strategies versus several strategies.

Executives in France were most likely to report they have no long-term priorities, or they did not know what they were.

The number one long-term priority, similar to the short-term priorities, is to **cut costs**.

- **Cutting costs** is the top long-term priority for companies in the U.K. and France.
  - **Improving processes/enhancing productivity** is the top long-term priority in Germany.

Overall, there are 10 key priorities to support the achievement of the goals and strategies of the European companies:

1. Cut costs/save money (personnel, overhead, operations, etc.)
2. Purchase or introduce new software and IT systems to improve processes, reduce costs, etc.
3. Increase efficiencies and process
4. Maintenance/infrastructure (maintaining systems or replacing inefficient systems)
5. Consolidation/reduction of operations
6. Retain customers/enhance customer services/obtain new customers
7. Expansion of business/operations
8. Outsourcing
9. Reducing the number of employees
10. Changing the culture/philosophy of the company

Table 19.

Differences between Short-Term and Long-Term Priorities for European Companies

(Highlighted priorities indicate unique priorities for short- and long-term)

Short-Term Priorities (in order by number of mentions)	**Long-Term Priorities** (in order by number of mentions)
1. Cut costs	1. Cut costs/save money (personnel, overhead, operations, etc.)
2. Retain customers/enhance customer services/obtain new customers	2. Purchase or introduce new software and IT systems to improve processes, reduce costs, etc.
3. Increasing efficiencies and process	3. Increase efficiencies and process
4. Modernize	4. Maintenance/infrastructure (maintaining systems or replacing inefficient systems)
5. Keeping equipment, software, etc. longer, delaying replacements/ upgrades	5. Consolidation/reduction of operations
6. Reducing IT costs/cutting IT budget	6. Retain customers/enhance customer services/obtain new customers
7. Reducing the number of employees	7. Expansion of business/operations
8. Consolidation	8. Outsourcing
9. Increase profitability	9. Reducing the number of employees
10. Outsourcing	10. Changing the culture/philosophy of the company

Expected Impact of IT Investments

European executives were asked to rate the impact of eight IT investment areas on their company (e.g., how much would these areas help their business grow as it prepares for an economic turnaround).

For the most part, a majority of European executives feel that each of the areas of IT investment will have a **moderate impact** on helping their business grow, though some exceptions do exist (Table 20).

The executives feel that investing in **business continuity and security solutions** and **unified communications services** could have the biggest impact on their business' growth as it prepares for an economic turnaround.

Noteworthy, however, is that a sizable minority (23% to 30%) of executives think that investment in these eight IT areas will have a **low impact** on their business.

Executives are least convinced that **Web delivery solutions** can help their company grow as it prepares for an economic turnaround.

Table 20.

European Executive's Expected Impact of IT Investment on Business Growth

IT Investment Areas	High impact	Moderate impact	Low impact	Don't know
Business continuity and security solutions	15	12	3	0
Unified communications services	7	18	2	3
Enterprise mobility solutions	8	13	8	1
Hosted solutions	5	16	7	2
Energy savings and sustainability	8	11	9	2
Machine-to-machine computing	6	15	8	1
Advanced videoconferencing solutions	5	14	9	2
Web delivery solutions	6	11	13	0

Numbers represent the number of European executives, out of 30, who rated each area as having a "high impact," "moderate impact," or "low impact."

Observations:

A sizable number (23%-43%) of executives feel that six of the IT investment areas outlined in Table 20 will only have a minimal impact on their business. This may indicate that there are a number of executives who will be skeptical that AT&T products and services can help their business.

Enhanced communication efforts may be needed to show how these products and services can help their companies.

European companies are expected to make low-to-moderate investment in most areas of IT

European executives were asked what level of commitment their company expects to make in each of the eight IT areas in the next 12 months.

European companies expect to make the biggest investments in **business continuity and security solutions** as well as **unified communications services** (Table 21).

Table 21.

European Companies Expected Level of Investment in IT Areas

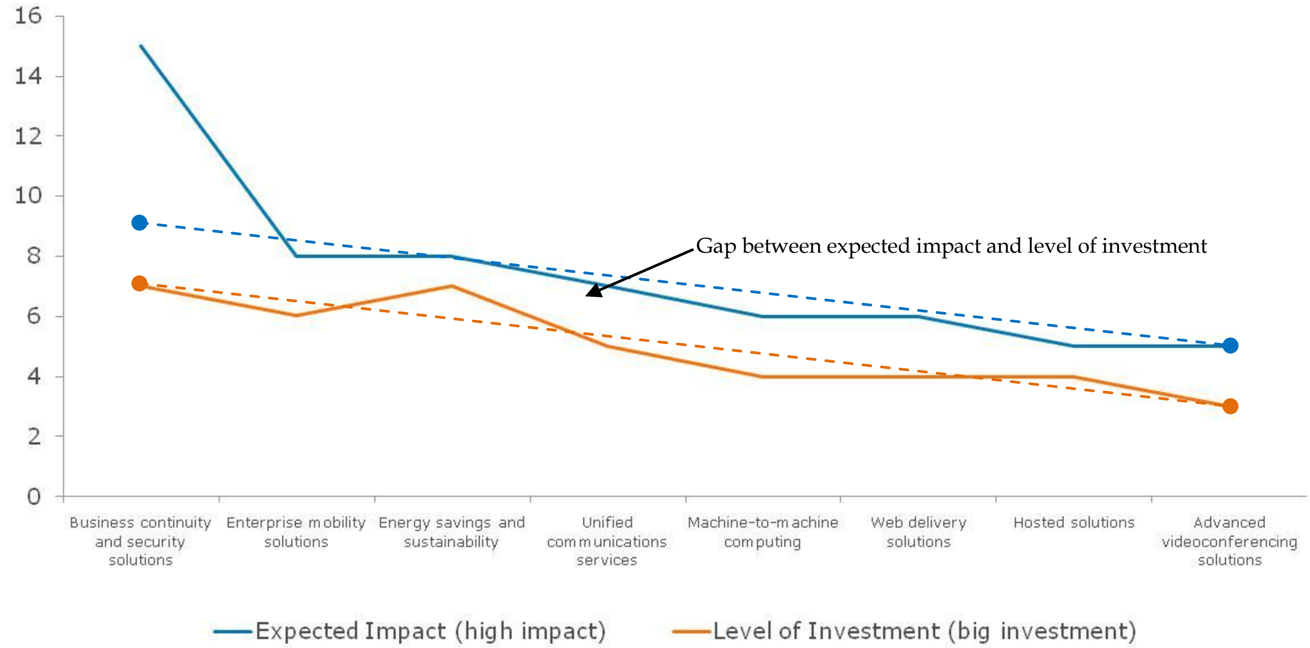
IT Investment Areas	Big investment	Moderate investment	Small investment	No investment	Don't know
Business continuity and security solutions	7	13	7	0	3
Unified communications services	5	12	7	3	3
Enterprise mobility solutions	6	10	8	3	3
Hosted solutions	4	9	7	5	5
Energy savings and sustainability	7	8	9	2	4
Machine-to-machine computing	4	9	5	8	4
Advanced videoconferencing solutions	3	8	6	9	4
Web delivery solutions	4	7	11	6	2

Numbers represent the number of European executives, out of 30, who indicated how much investment their company plans on making in each area in the next 12 months.

Comparing the anticipated impact of investment (Table 20) with the expected level of investment (Table 21) reveals that, with the exception of **business continuity and security solutions**, there is a fairly consistent gap between expected impact and planned investment (Chart 3).

Chart 3.

Differences between Expected Impact and Level of Investment in Areas of IT for European Companies



Observations:

The gap between planned investment and expected impact indicates that European companies are not funding IT to the level of expected benefit, especially for business continuity and security solutions.

Time Horizon for Evaluating ROI

A majority of European companies have <u>not changed</u> the time horizon over which they evaluate ROI.

Executives were asked how the time period over which they evaluate ROI has changed in the current economic environment and if this has affected their IT priorities.

Of the 30 European executives who were interviewed, half (50%) stated that there is **no change in the time period** with which they evaluate ROI.

- Six out of the 10 German executives and half of the British executives said there has been no change.

An additional four executives (13%) were unsure if there has been a change or not.

Of the remaining 11 executives who noted there has been a change (37%), all said the time period that companies now evaluate ROI has narrowed, in some cases 50% or more.

Several of the executives said the resulting change has affected their IT budgets, resulting in cuts.

Chart 4.
Change in Time Period for Evaluating ROI Among European Companies