Road to Growth Study:

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

Executive Summary

Objectives and Methodology

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

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 and $999 million.)

Overall, the IT executives 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).

Executive Summary

The economic recovery may be as soon as six months away

A majority of the U.S. executives feel that the U.S. 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 in late 2010 or early 2011.

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.

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.

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

A majority (64%) of the U.S. executives stated that the time period over which they evaluate ROI has narrowed as a result of current economic conditions. In some cases, the time period has narrowed by 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.

Cutting costs and increasing revenue are dual business goals

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.

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

Few executives made distinctions between short-term and long-term business strategies, preferring instead to cite general strategies that are being initiated to position the companies to survive the recession and move toward growth.

A majority of executives cited two specific business goals for their company, yet a plurality of executives could not list a single, dominating strategy that their company is initiating to meet those business goals, indicating that companies employ a variety of strategies to meet their business goals. Only one generic business strategy – cost containment – was mentioned by a sizable percentage (40%) of executives.
**IT has multiple roles in supporting short-term business strategies**

In describing the role that IT has in supporting the achievement of their company’s short-term business strategies, given the current economic conditions, U.S. executives noted five key roles IT plays:

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

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

The role IT plays in helping their company achieve long-term strategies is very similar to the role IT plays in supporting the company’s short-term business strategies. The top-five roles IT plays in supporting long-term business strategies are as follows:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Role Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Align IT strategies and approaches to fit current business objectives and goals</td>
</tr>
<tr>
<td>2</td>
<td>Acquire and update IT hardware, software, and systems</td>
</tr>
<tr>
<td>3</td>
<td>Improve efficiency</td>
</tr>
<tr>
<td>4</td>
<td>Reduce, eliminate, and manage the company’s costs</td>
</tr>
<tr>
<td>5 (tie)</td>
<td>Assist(s) with analysis</td>
</tr>
<tr>
<td></td>
<td>Operate IT economically</td>
</tr>
</tbody>
</table>

**Costs, communication, and productivity are important strategies**

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 are:

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 networks

Cutting costs and improving productivity are key priorities

Short-term, the single priority most frequently mentioned to support the business goals and strategies of U.S. companies is improving efficiencies and processes, mentioned by two-thirds (64%) of the executives. The top-three short-term priorities are:

1. Improve efficiencies and processes
2. Cost cutting
3. Invest in Web, e-commerce, and/or customer-facing applications

A majority of the U.S. executives explicitly stated that their long-term priorities were the same as their short-term priorities or listed the same priorities for short-term and long-term priorities.

The top long-term priority is to improve efficiencies/processes, 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 long-term priorities not mentioned by any of the executives as a short-term priority are (i) marketing and branding initiatives and (ii) “green” initiatives/investments/strategies.

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

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

This is closely followed by investment in “enterprise mobility solutions” and “Web delivery solutions,” both of which are expected to have a positive impact on companies.

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 company’s growth as it prepares for an economic turnaround. Just as many executives say advanced videoconferencing 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 low impact on their business’s growth as it prepares for an economic turnaround.
U.S. companies are expected to make moderate investment in most areas of IT, though the level of intended investment does not match the impact that is expected.

Executives indicated that investing in “business continuity and security solutions” could have the biggest positive impact on their business’s growth as their company prepares for an economic turnaround. This is the same area that U.S. companies expect to make the biggest financial investments. However, comparing the anticipated impact of investments on different areas of IT with the expected level of actual investment reveals that there are wide gaps between expectations and intentions (Chart 1).

**Chart 1.**

Difference Between Expected Impact of Investments in Areas of IT and Actual Level of Investment in Those Areas Among U.S. Companies