

# CxO PERSPECTIVES ON BUSINESS TRANSFORMATION

CIO INSIGHTS



# About the survey

This report is based on responses from 6,239 decision makers from the largest organizations in 11 countries we surveyed as part of Management Events' **Executive Trend Survey**®. The decision makers were researched in terms of their decision-making responsibilities, upcoming development initiatives and their outlook for the next 18 months.

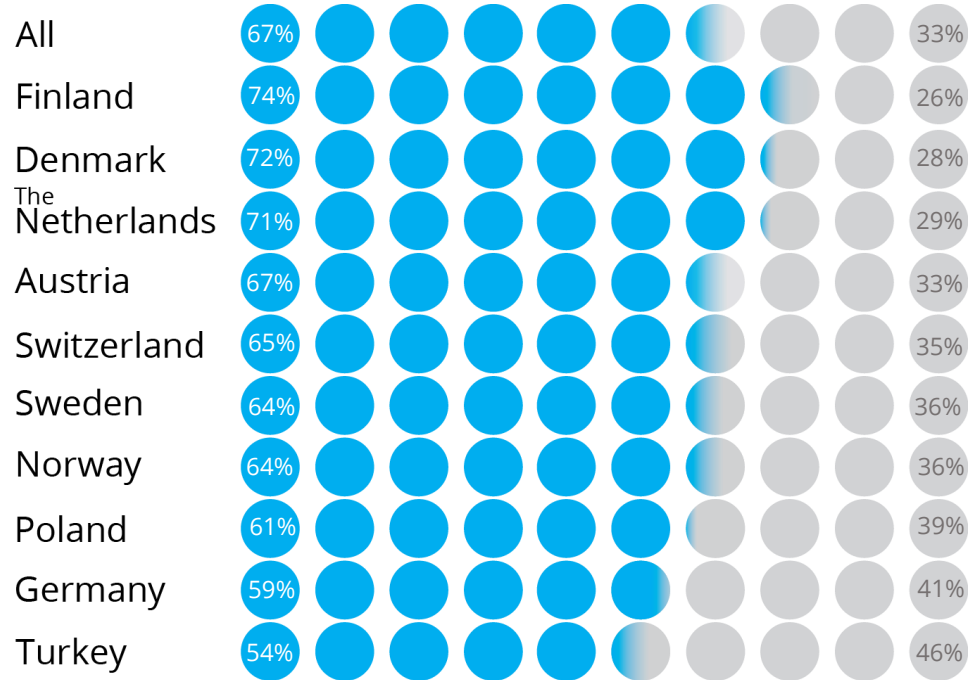
Our latest survey is the 9th in the ongoing series of studies covering strategic development initiatives and investment actions of the largest organizations.

Total decision makers researched:

Business and Line Management 1,316  
IT Management 1,265  
Finance Management 980  
HR Management 549  
Marketing and Sales Management 629  
Supply Chain and Procurement Management 668  
Production and R&D Management 660  
Other Directors 172

**Management Events Surveys**, part of Management Events Group, provides actionable insights for solution providers and business decision makers, helping them to gain better understanding of the near future challenges and opportunities. Annually we survey over 20,000 decision makers and produce more than 200 reports. We provide insights for over 12,000 organizations.

# CxOs prioritize growth over efficiency



● Growth ● Operational Efficiency

**67%**

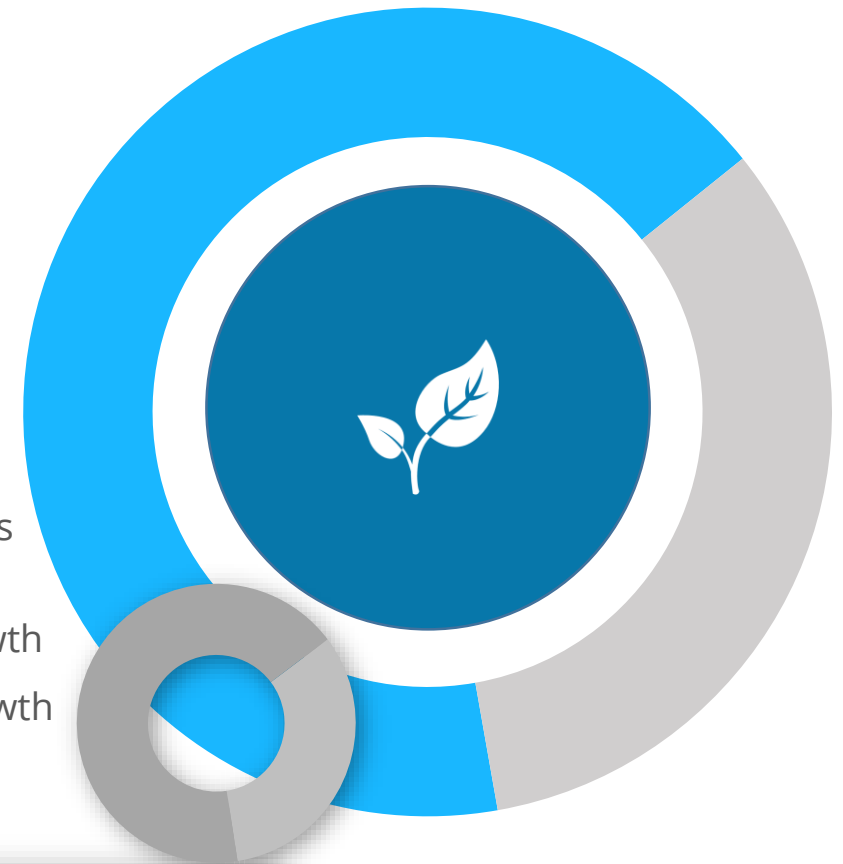
are **optimistic** about the growth prospects of their business

**33%**

focus on **operational efficiencies** and cost savings

**45%** aim for moderate growth

**22%** aim for aggressive growth



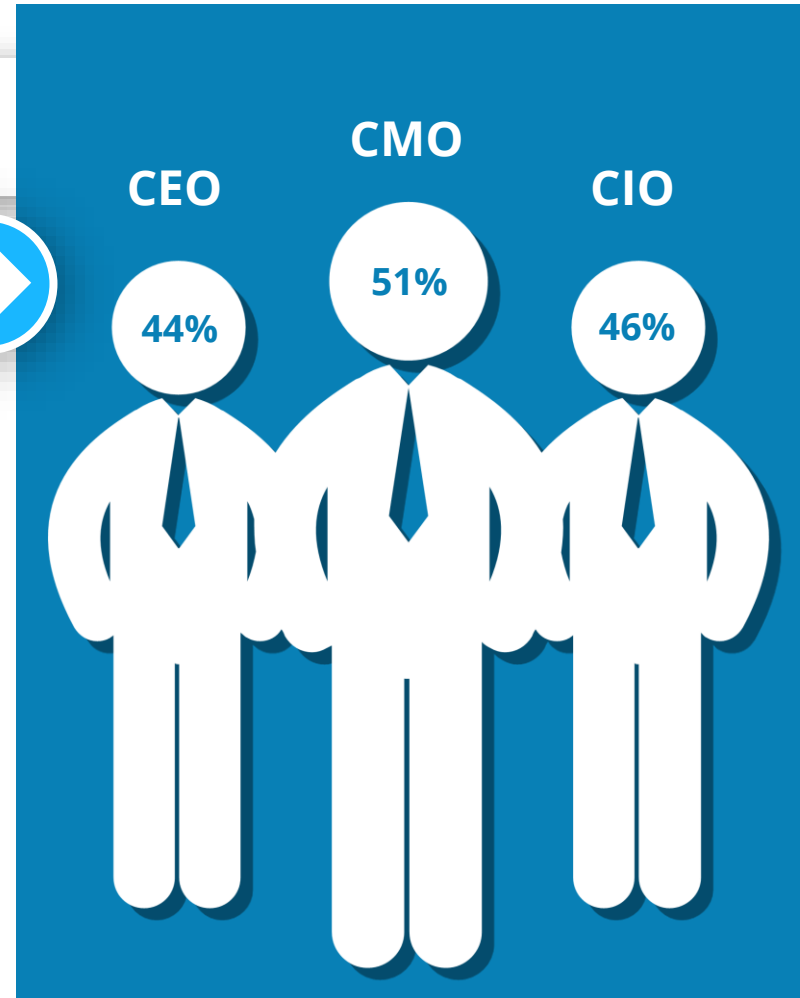
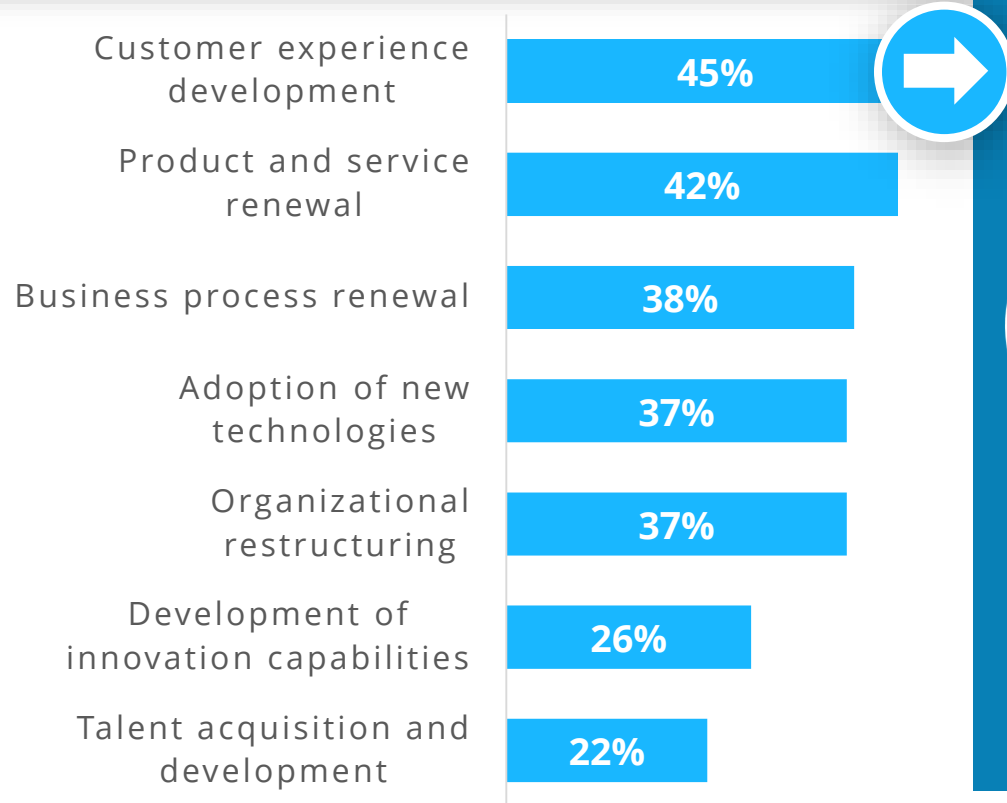
## Confidence in growth

When we asked decision makers what is more important, growth or efficiency, seven out of ten said growth. Growth dominates especially the business priorities of Finnish, Danish and Dutch organizations. The most ambitious growth plans were found in Danish companies. 28% of the decision makers from Denmark described their growth strategy as *aggressive*.

# Engaged and satisfied customers are the #1 priority for the C-suite



## Key development initiatives



## Customer experience has become the primary differentiator

In the digital age, the idea of being customer-centric has taken on a new meaning. Companies have more opportunities to interact with their customers than ever before, but it remains a challenge to provide a consistent experience across all points of contact.

Differentiating through customer experience is a common goal for C-suite. It is no surprise that customer experience is perceived as critical by the CMOs, but it is also the number one initiative to both the CEOs and the CIOs. Customer experience and product renewal have higher place in the C-suite priorities than the initiatives related to operational efficiencies, such as business process renewal and organizational restructuring.

## Growth companies place customers and innovations first

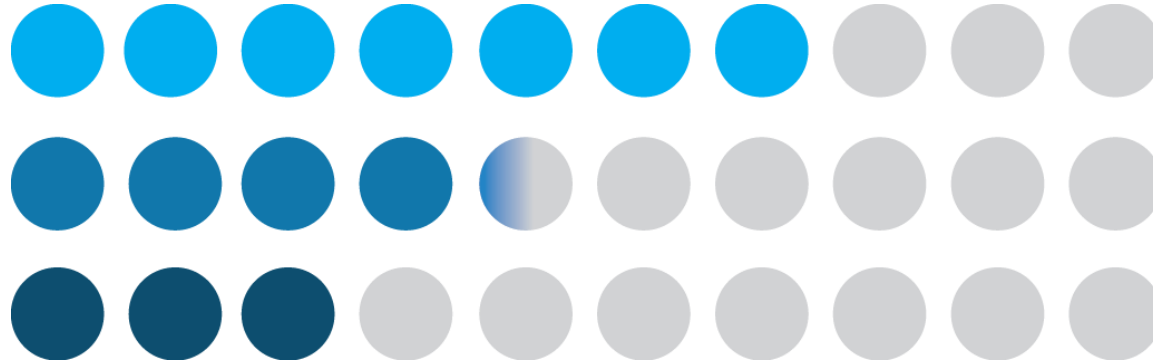
Growth strategies are reflected in the development initiatives. Companies that aim to grow are significantly more active in investing in customer experience and product and service innovations.



### Key development initiatives

	Companies that aim to grow	Companies that focus on operational efficiencies
Customer experience development	1	3
Product and service renewal	2	5
Adoption of new technologies	3	4
Business process renewal	4	2
Organizational restructuring	5	1

# The customer experience challenge



**7 out of 10** rate their organization's capabilities to manage customer experience across channels as *average* or *poor*.

**Less than a half** have a clear ownership in customer experience initiatives.

**One-third** have an effective digital strategy that is aligned with corporate strategy.

## Does an organization need a Chief Customer Experience Officer?

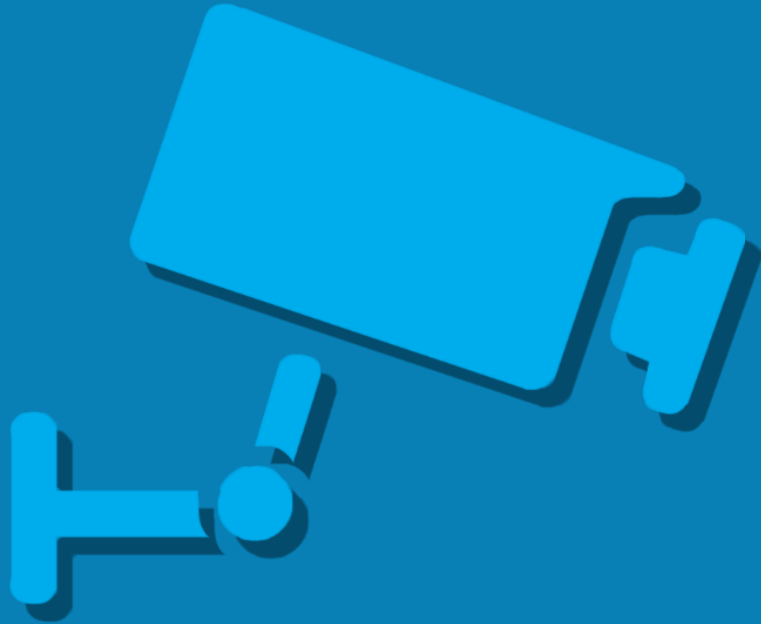
Digitalization and changing customer demands are quickly changing the horizon in all industries. Companies have a challenge to remain customer-relevant as customers expect truly individual, timely and meaningful interactions. Decision makers set their targets to optimize interactions from the customer's perspective and, as a result, promote customer loyalty. This means, in most cases, embracing the digital.

The role of technology is critical in improving the customer experience, and successful organizations leverage social, mobile and analytics to create competitive advantage.

Many, however, have a challenge in integrating data to create a single view of customer and using social and mobile effectively in customer interactions.

Still, the major challenge, for many, is not the technology but the leadership and standards. Organizations struggle to develop consistent customer experience strategies, corporate-level processes and support, and clear ownership.

## Decision makers need to look beyond industry boundaries



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*There is no way to succeed in the future without providing **a new level of customer experience**. We haven't seen enough new innovation, since for years, the focus has been on improving operational efficiency.*

*Competitive intelligence has been focused on the traditional main competitors, but now we need to focus on competitors coming from **outside the industry**.*

Chief Strategy Officer, Financial Services

# Business impact of social, mobile, analytics and cloud will grow significantly

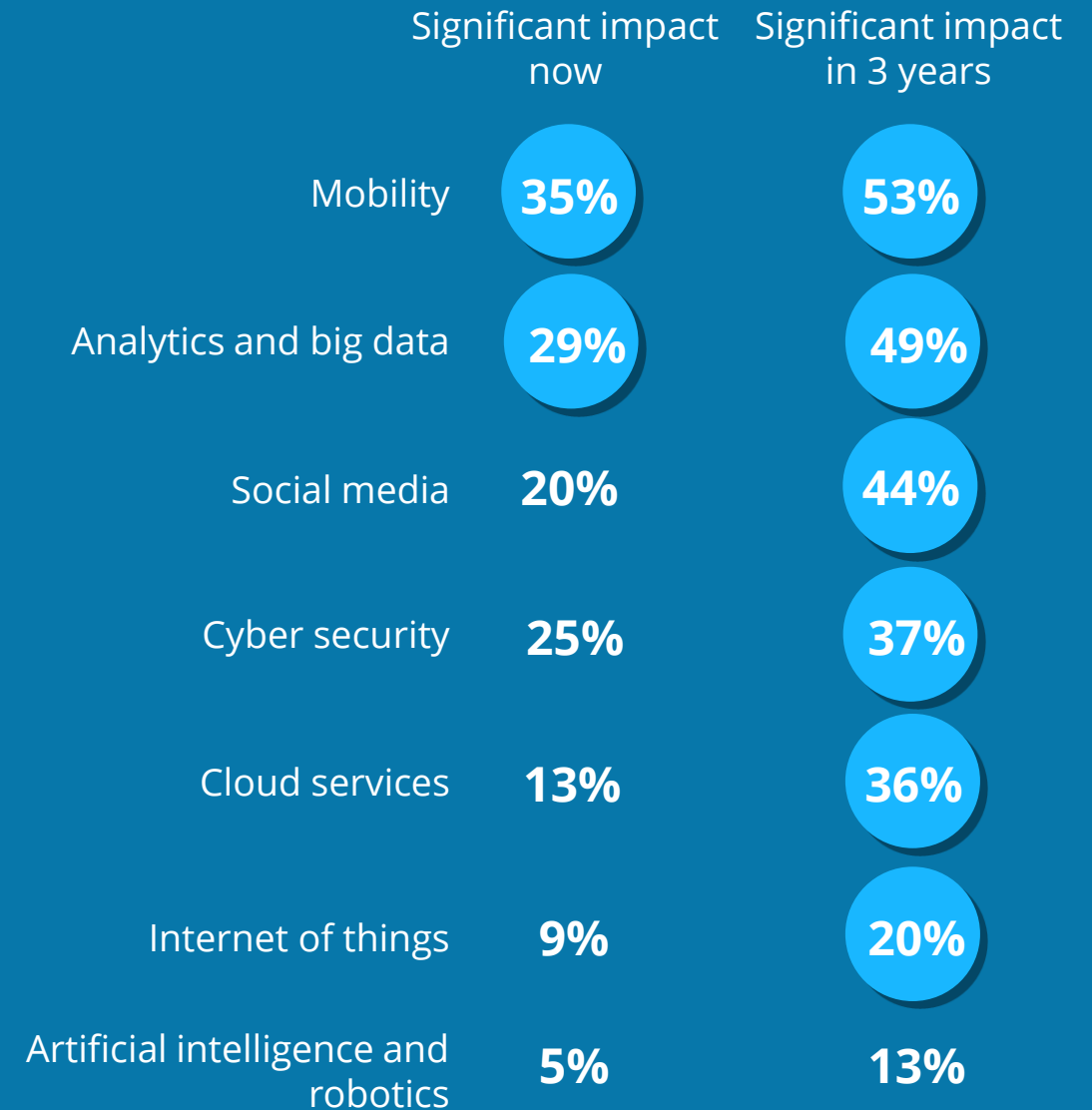
The convergence of SMAC technologies (social, mobile, analytics and cloud) is crucial for successful organizations. These disruptive technologies transform how organizations connect with customers and partners, change how employees and teams interact, and enable organizations to unlock the full potential of data.

Digital transformation is raising technology investments to executive team level. Emerging technologies are not only transforming business processes, but also strategies.

We asked the C-level decision makers, how big of an impact do the key technology trends have on their organization. From these trends, mobility and analytics are clearly the most mature. About one-third of the respondents say that these technologies already have a significant impact on their business. The digital effect will grow significantly in the near future.

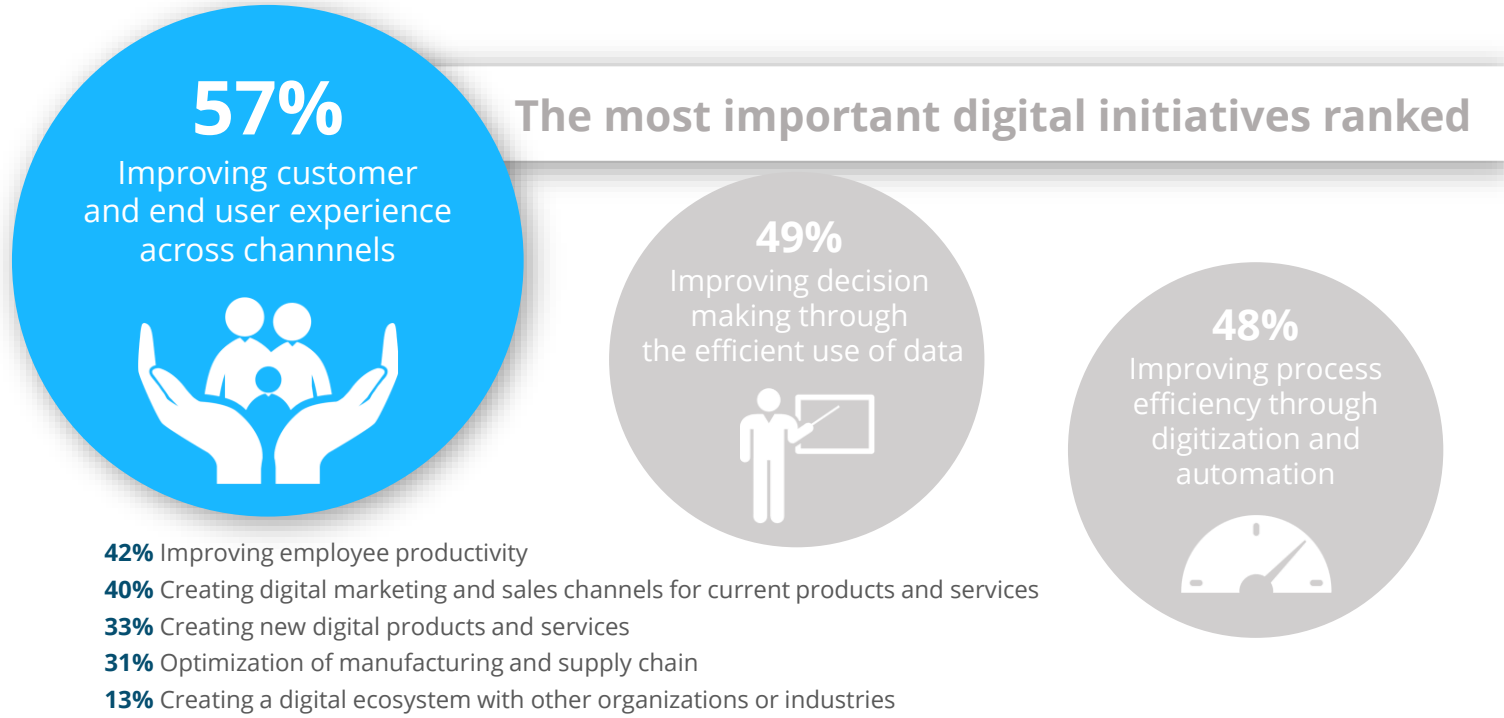
**Of the seven technology trends in our survey, six are considered critical in three years by at least 20% of the decision makers.**

Organizations have started to treat SMAC technologies as an integrated set. As a concept, internet of things is particularly interesting since it combines many of these technologies in order to increase efficiency, improve customer satisfaction and provide new revenue streams.





# Balancing innovation and efficiency



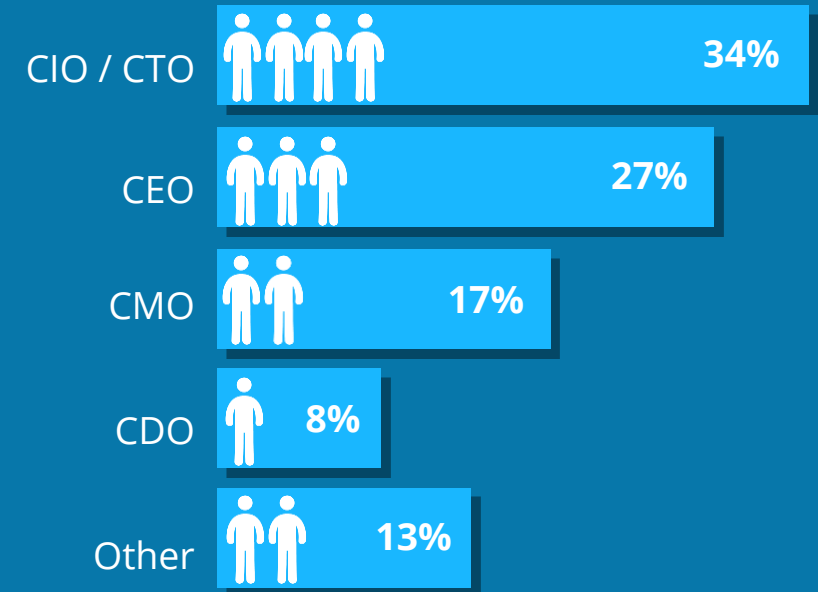
## Increased efficiencies or new business models and revenue streams - what are the biggest opportunities of digital transformation?

We asked the decision makers to define, where do they focus their digital development initiatives. Improved experience for customers and better decisions through exploitation of data are ranked higher than operational efficiencies and employee productivity.

The majority of researched companies are still focusing their digital efforts in improving or optimizing current operations through digital. A minority is investing in new business models and revenue streams through digital products and ecosystems.

## Who is leading digital initiatives?

Chief Information Officers have a dominant role in leading digital transformation. However, governance remains a challenge in many organizations. 25% of the executives state that they don't have a clear ownership in digital programs, and only few have appointed a Chief Digital Officer (CDO).



## Digital opportunities beyond efficiency

### Finding new value in digital ecosystems

While 13% of all researched executives, and 14% of those in growth companies, have plans to build digital ecosystems with other companies or industries, decision makers in telecommunications, technology and healthcare are significantly more active.

**29%** Telecom and ICT

**21%** Healthcare



## The most important digital initiatives

	Companies that aim to grow	Companies that focus on operational efficiencies
Improving customer and end user experience	60%	51%
Creating digital marketing and sales channels	47%	31%
Improving decision making through the efficient use of data	47%	50%
Improving process efficiency through digitization and automation	46%	52%
Improving employee productivity	39%	48%
Creating new digital products and services	36%	26%
Optimization of manufacturing and supply chain	29%	36%
Creating a digital ecosystem	14%	9%

## CxO views on digital transformation

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*Opportunities of digitalization are huge. Not only are we supporting our existing businesses with the means of industrial internet, but we are also creating new revenue streams by offering tailor-made systems to particular industries and analytical services to our customers. Therefore we call ourselves now also a digital services business.*

Director, Operations Development,  
Manufacturing and Industrial Services

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*Over the last four years, we have had a journey with an objective to transform the company and it starts with the culture internally. We are no longer looking at the digital or the online department and then the rest of the organization, but merging those two worlds into one unique capability, and making sure that everybody understands how to connect with the consumers. If you put consumers at the very heart of the transformation journey, then you have, and you must have, a digital mindset.*

Executive Director, Marketing & International,  
Retail

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*Digitalization has changed everything we do. It has changed our whole way of thinking about digital story telling, digital advertising, reaching our customers digitally. It's a global and a profound change in how we do business.*

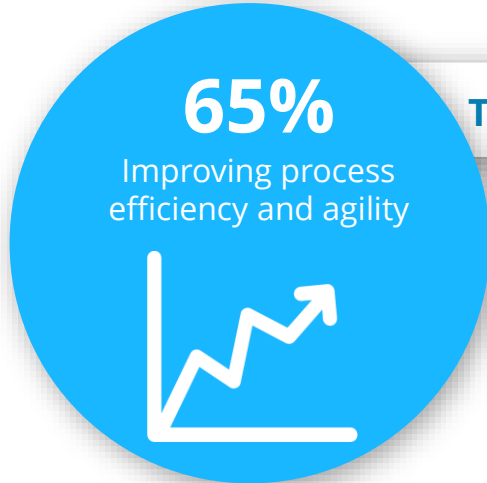
CIO, Media

# CIO PERSPECTIVES

Chief Information Officers are harnessing digital technologies to engage end-users, create new revenue streams and reduce complexity.



# Focus on speed, agility and end-users



## The priorities of IT in creating value for the organization



- 48% Improving employee productivity through technology
- 35% Identifying new technology-enabled business and growth opportunities
- 35% Mitigating technology risks and ensuring business continuity

According to CIOs, IT creates value for business through increasing productivity, improving interactions with customers, and empowering employees by helping their daily work. Solid IT services, value creation from projects, and strong focus on end-users are the essentials. When these basics are in place, CIOs are able to look for new business opportunities in digital space.

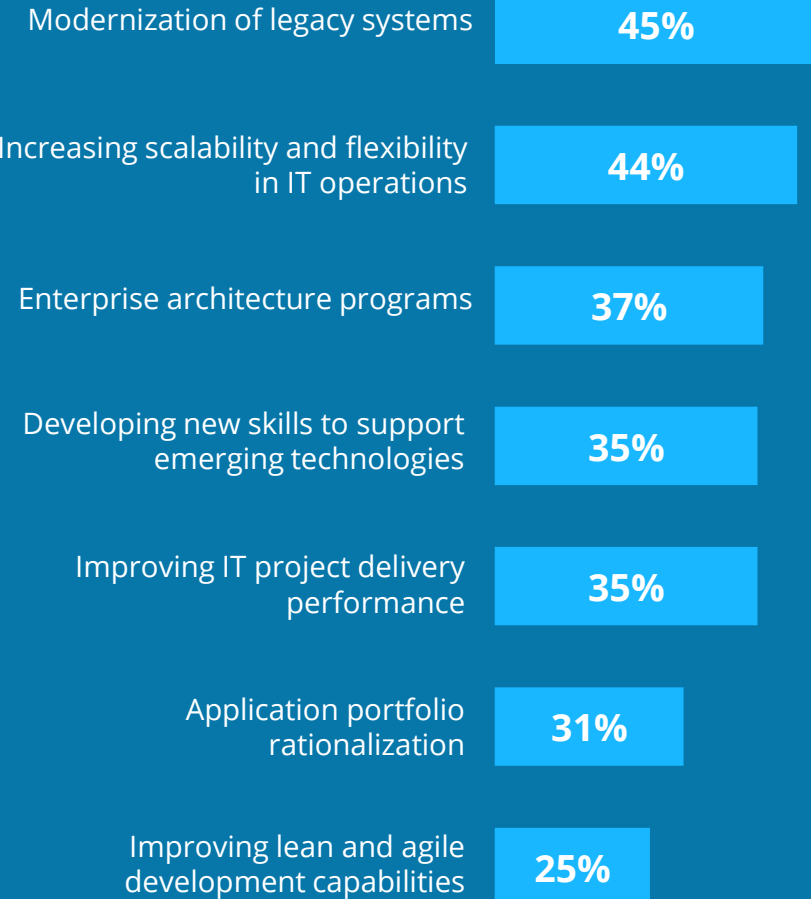


*The commercialization of IT is making businesses more aware of IT: they understand more of IT, demand more of IT, and expect faster results than before. It is not an excuse anymore to say that IT can't enable.*

Group IT Director, Food and Beverage



## Key initiatives in managing IT function



# Transforming to a digital enterprise

## Growth in technology budgets

**42%**

predict an increase in overall IT spending.

**42%** stay the same

**16%** decrease



## Shadow IT



of the decision makers see that IT spending by non-IT departments will increase.



say that corporate procurement department will be more involved in IT purchases.



## Outsourcing forecast

### Application outsourcing

Increase **38%**

Stay the same **56%**

Decrease **6%**

### Infrastructure outsourcing

Increase **37%**

Stay the same **57%**

Decrease **6%**



# Transforming to a digital enterprise

## Simplicity through cloud

**62%**

of the CIOs will **increase the use of cloud** services to improve:

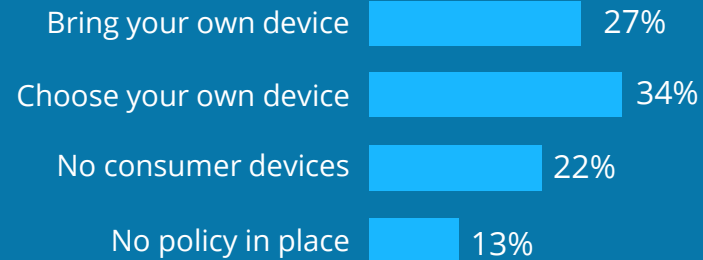
1. Flexibility
2. Scalability
3. Time-to-market

**85%** of the CIOs prefer private or hybrid cloud over public cloud.



## Next generation workplace

Mobile is becoming the **primary media** for employees and customers. But not all CIOs allow consumer devices at workplace.



## From big data to smart data

Intelligent services of the future will build on big data.

**55%**

are **implementing or planning** Big Data projects



Data is growing at unprecedented rates and CIOs are concerned about being data rich and information poor. Data velocity is the key as businesses and users expect faster access to relevant data.

# Building a smarter enterprise



## Key value of digital technologies

CIOs invest in mobile and social to engage customer and end-users, analytics and internet of things to create new business, and cloud to increase speed and reduce complexity.

	Increased efficiency	Improved customer and user experience	Source of innovation and competitive advantage	No significant advantage expected
Mobility	47 %	56 %	23 %	6 %
Analytics and big data	38 %	33 %	44 %	13 %
Social media	9 %	55 %	24 %	25 %
Cloud services	52 %	19 %	14 %	26 %
Internet of things	19 %	24 %	32 %	40 %



*Everything we´re doing is going mobile. When you think about where our customers reach us, it's all on the smartphone. 50 percent of our traffic was on the smartphone in 2014, it might be as much as 70-75 percent two or three years from now.*

CIO, Media



*Cloud is not a miracle answer to anything, so I am not buying cloud but I would like to buy flexibility. I think speed is essential. Speed and flexibility we need, and if and when cloud services can provide that, that's good.*

CIO & SVP Development, Industrial Products and Equipment

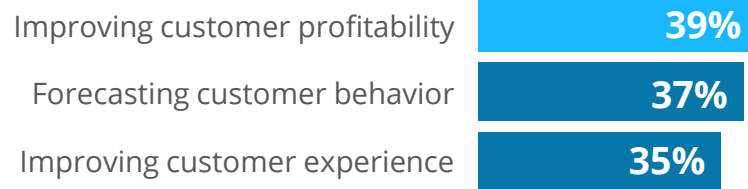


# Customer and end-user driven IT

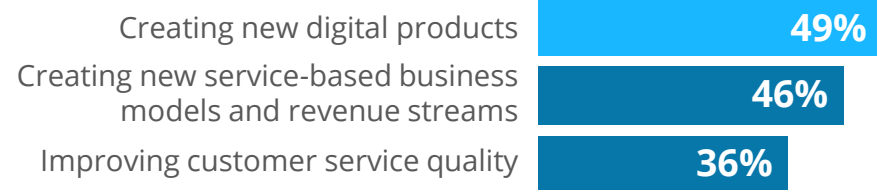
## Top 3 drivers of mobility initiatives



## Top 3 drivers of big data initiatives



## Top 3 drivers of internet of things initiatives



The CIOs face new pressures as markets change faster, increasing amount of technology projects are managed outside of IT department, and legacy environment slows down the pace of development.

The task of improving productivity remains important, but CIOs are challenged to think beyond efficiency if they want to build a smarter enterprise and make a shift from legacy to digitalized business environments, and even to digital-only business models. Speed to innovate and differentiated customer experience are essential goals for future IT organizations.

**CIOs have recognized the business impact of customer experience. 59% of them state that improving customer and end-user experience is an IT priority.**

New technologies enable organizations to get closer to customers. Customer behavior is easier to monitor and data can be used in developing products and services. Increased amount of organizations think "mobile-first" and strategic technology-enabled development programs such as internet of things aim to create a whole new value to customers.

Focusing their efforts to understand the demands of company's end-users will make an even stronger role for CIOs in the future.

## CIO views on IT transformation

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*Business is about continuous change. IT's role is to facilitate this change, we need to have competencies, tools and processes to really improve the business.*

CIO, Retail

”

*IT has done everything already, being the supporter of the business. Next, I think we should make IT more fun to end-users, and concentrate on their problems.*

IT Director, Aviation

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*The role of CIO needs to evolve because IT is everywhere. I think we can elevate our role to be Chief Digital Officer or Chief Technology and Innovation Officer, really taking the lead in technology development where IT is just one component. That's the future for me.*

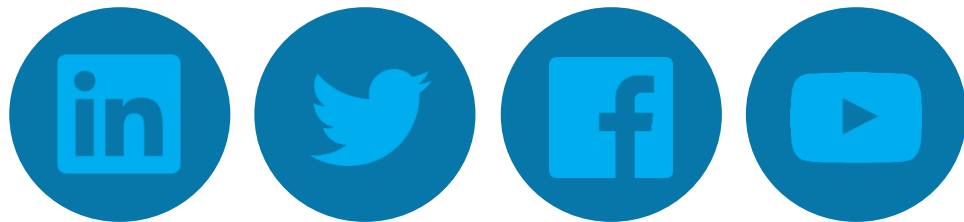
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# Management Events

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Annually, we survey over 20,000 decision makers online and interview an equivalent number of senior executives in person. We produce more than 200 reports a year including insights into strategic development initiatives, investment actions and C-level priorities.



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