

yourdigitalIQ

The 4th Digital IQ Survey

Engaging today's customers, employees and business partners by bringing the "outside" into the center of your organization

November 2011

An executive summary

This is an executive summary of the results of PwC's 4th Digital IQ Survey. The full report is scheduled for release in January 2012.

Highlights

- The enterprise is starting to respond to the 'consumerization of IT'
- Businesses must raise their Digital IQ now, or fall further behind
- An outside-in perspective is required to balance traditional business thinking
- CIOs are uniquely positioned to lead this transformation

Ten years ago, corporations were the place to go for access to the best technology. Firms had faster internet connections, more powerful computers, cutting-edge software, and better mobile devices. Employees knew that the tools provided by their firms were far more powerful than the capabilities they had on their desktop computers at home, or on their cell phones.

Yet in just a decade, that notion has reversed as technology has become increasingly powerful, affordable and accessible to the public.

The rapid adoption of smartphones and tablets puts massive computing power into the hands (and pockets) of consumers across the globe. Cloud computing provides access to software tools that once were out of reach. And social media connects friends, colleagues and people with similar interests, allowing them to share ideas, form action groups, and even innovate on new solutions to common problems.

As a result, new technologies and tools are increasingly adopted first in our everyday lives—and often are bought into the business world as a result of employee and customer demand. This is what we refer to today as the 'consumerization of IT'.



The consumerization of IT: The enterprise is starting to respond, but what will it do next?

This development has sweeping ramifications. Most organizations have not yet fully awoken to the fact that their customers and employees expect to do business anytime, anywhere and in any way. Leading firms, however, understand that being behind the curve on the strategic use of technology not only puts their firms at a competitive disadvantage, but weakens their ability to interact and strengthen relationships with customers.

PricewaterhouseCoopers' 4th Digital IQ survey of nearly 500 business executives in the US confirms that we are undergoing a fundamental transformation of how information and technology is used within the firm and in the marketplace.

Whether you realize it or not, the "edge" of your organization has changed radically. Processes and relationships that used to end at your four walls are now out on mobile devices, in the cloud, and bantered around in social media.

The four key trends of aggressive adoption of the cloud (both private and public), increased mobility for both the employee and the customer, vast and persistent use of social media by almost all strata of society, and unprecedented access to data means that any company that has an "old-style", industrial, internally focused approach to IT is falling behind at an alarming rate. Businesses must raise their Digital IQ now or risk falling even further behind.

"The core of the ecosystem for innovation has moved from inside the firm to out in the marketplace," says John Sviokla, a principal at PwC. "Customer and employee expectations are being shaped by this new, dynamic and exciting environment. If you miss this trend, you'll be increasingly irrelevant to the market."

Raising your firm's Digital IQ—that is, the way companies leverage digital technology and channels to meet customer needs and the needs of their employees and business partners—is essential to take full advantage of many of the recent changes in the global economy. In fact, we find that many of the top performing organizations have mastered these important tasks, and expect them to pull ahead of their competitors even more aggressively as the world grows more digital, networked and mobile.

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Transforming your organization by adopting an outside-in approach to engaging the marketplace

An outside-in perspective is required to balance traditional thinking. But improving Digital IQ means more than a technology upgrade—it requires significant changes in leadership thinking and corporate culture.

In some ways, better serving today's digitally empowered customer, employees and business partners will—quite literally—mean turning your organization inside out to let in (and accommodate) the external market-driven trends we are seeing in the global marketplace. Processes and data that were once buried deep inside the organization must now be moved out to the "fringes" where your business touches the marketplace. Conversely, consumer wants, needs, preferences—and ways to engage them—must now find themselves at the heart of what it means to be a relevant, customer-centric organization.

The same applies to the wants, needs and preferences of today's employees and business partners. They, too, must be put at the center of how you do business, since employees and partners have been equally empowered by digital technologies and data transparency.

We have identified four technology-related rules of the digital enterprise that impact how executives need to rethink their strategies:

Everyone is a mobile consumer.

Executives must recognize that the expectations of both employees and customers are affected by consumer-driven technologies. Employees—those mobile consumers inside your

What is Digital IQ?

Digital IQ is an assessment of how well companies understand the value of technology and weave it into the fabric of their organization.

Growing your Digital IQ entails more than merely adopting the latest tools or having a large IT budget—it is about integrating technology into the way a company plans, innovates, measures results, interacts with customers, and ultimately creates value.

Having a high Digital IQ is important because it can deepen the level of engagement you'll enjoy with your customers, employees and business partners. It helps you increase returns on technology investments by more closely tying those investments to growing your business and solving business problems. Too many organizations adopt new digital solutions—such as social media platforms—without understanding the business value (or what it should be).

As a result of our research, we have identified seven dimensions that comprise an organization's Digital IQ: four technology components and three process components.

Technology components

Mobility. The firm's ability to provide mobile solutions to employees and customers, and "bake" mobility into the core processes of the organization.

Social media. How well a company leverages social networks to inform all aspects of its operations.

Cloud computing. The extent to which firms use cloud computing to make their businesses more flexible, adaptive and competitive.

Business intelligence. How broadly executives think about the types of data sources—both internal and external—used to make critical decisions and set strategies.

Process components

Strategic planning. This entails not only setting a corporate strategy that is well-communicated across the enterprise, but ensuring that IT is front and center.

Mobilization. A critical and often missed step whereby executives set out a roadmap and align the resources required to execute the corporate strategy.

Roadmap execution. The ability to not only deliver products and projects on time, on budget and to scope, but to ensure that the end result—even during times of dynamic change—creates overall value for the business.

organization—want the tools they use for work to be as good as those they use in their personal lives. Customers, meanwhile, expect to interact with firms on the platform and device of their choice.

Our survey shows that while many firms are focused on developing better mobile tools for their workers, they are under-investing in solutions for their customers: Only 45% of all respondents say they interact with customers significantly using mobile channels, and less than one-third are currently investing in mobile technologies for customers. To truly take advantage of the mobile marketplace, executives must focus on creating mobile solutions for their customers and employees anywhere, anytime, in any way.

Social media is a critical data source. Never before has there been such a robust platform to learn about customers in a forum that is neither vendor nor product specific. But while social media certainly creates a new channel to engage clients and build loyalty, this is merely the tip of the iceberg. The real value of social media is in its ability to add a new dimension to the entire product lifecycle.

"Many products and services have finite points in time during which there is a customer engagement," says Chris Curran, a principal at PwC. Social media, he adds, "allows you to create more regular interaction across the lifespan of a product or service." This information can be instrumental in wringing greater value out of existing products while providing invaluable insight as new

products are developed. Despite this, most companies have yet to embrace the benefits these tools can provide: Among the total pool of survey respondents, only 37% have invested in social media tools to reach customers.

Moving business applications to the public cloud can only make your firm more competitive. The development of the cloud is arguably the strongest driver of the consumerization of IT. Thanks to cloud computing, not only can consumers today access information on the internet, they can actually solve complex problems, organize events on the fly, and perform hundreds of complicated tasks—all from their mobile phones.

If your firm isn't already this agile, it won't be long before your customers and other key stakeholders begin wondering why. Many firms are already starting to think about their next platform restructuring, and where their core systems will be managed. And, in an age of outsourcing, the cloud increasingly is an important part of those discussions.

This is perhaps the reason why investment in public cloud applications is on the rise. Among respondents that identify their firms as top performers, 30% are investing in public cloud applications and 87% expect that investment to increase in 2012. Private cloud investments still outweigh the public realm, however, suggesting that companies are embracing a hybrid approach—a positive step toward raising the firm's Digital IQ.

Gain greater insight from business data by working from the outside in. According to some estimates, the world today creates as much information every couple days than was created from the dawn of civilization until just a few years ago. The wealth of information created outside the organization is quickly outpacing that of the corporate world. As a result, executives must think more broadly about how to use external data to provide critical insight into operations, product development, and customer strategies.

Top performing companies report investing more to manage their data than firms whose performance doesn't stand out. In fact, of all companies surveyed, 56% say they will be investing more in the coming year to collect customer data; 45% say they'll invest more to measure operational performance.

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Strategic IT remains a viable and vital business differentiator

CIOs are uniquely positioned to lead the organization through this complex process. Unlike the predictions of some pundits who say that IT is commoditizing, we see that those IT organizations that can effectively serve both their customers and their firm, deliver projects on time and on budget, and distill mountains of bits into meaningful insights are as rare as ever. In this way, IT's ability to drive business value is becoming more—not less—differentiated.

"Almost everyone—customers, employees and suppliers—are information workers," says Mr. Sviokla. "IT's actions determine how productive those people can be and are a core part of how a firm sets itself apart."

Chasing these new demands means that the CIO must be excellent at managing the internal factory, but also excel at mobilizing new plans into action. It requires the CIO to find better ways to sift through and drive insight from the increasing torrent of data streaming from every manner of device and interaction, and to create a platform that can deliver these capabilities across a varied set of changing mobile devices.

Of course, changing information technology systems can be challenging. Software platforms don't rust or show their wear. And bad information often is an invisible problem people are willing to accept because it is very difficult to change. But addressing these issues at the executive level can lead to tremendous improvements, and ultimately drive greater revenue.

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Digital IQ doesn't improve without an improvement in process

As with our previous Digital IQ studies, we found that top-performing companies not only put IT at the heart of their strategies—they ensure that senior management actively helps to drive the mobilization and execution of those plans. Here are the three key steps and what makes them so important:

1. Strategic planning is where it all starts. Creating a strategic plan is the first step to implementing any sort of large-scale corporate effort. Sixty-eight percent of survey respondents say their firm has an effective overall corporate strategy that is likely to deliver success. Yet when it comes to communicating strategy, the numbers drop significantly—only 49% of respondents say their firm's strategy is well communicated across the organization. Leading firms, meanwhile, put IT at the heart of their strategy: Among top performers, 86% say that their CEO is an active champion in the use of information technology to achieve the corporate strategy, compared with 56% for the remaining respondents.

2. Mobilization is the critical—but often forgotten—catalyst for ensuring effective, sustainable change. In the mobilization stage, executives set plans and budgets against the overall strategy, creating a blueprint for how the strategy will be brought to life. It's also during this stage that the resulting business design gets defined so that stakeholders can understand the impact of the changes on all aspects of the business. Without mobilization, the overall business design gets discovered only gradually over time during implementation, causing confusion and delay as leaders struggle to consider big-picture implications.

Our data shows that too many companies forego this critical step: While 77% of top performers say they have a single, multi-year roadmap for the overall business strategy, this figure drops to 54% for the remaining respondents.

Furthermore, only 55% of those not identifying themselves as top performers say they understand the costs needed to implement the roadmap. The figures underscore the importance for CIOs, often the owner or major stakeholder in large IT-enabled programs, to make sure they have a carefully thought-out roadmap before implementing any large-scale initiative.

3. Back-to-basics execution involves learning to expect the unexpected. Considering that so many companies skip the mobilization stage, it comes as little surprise that the execution of projects is often hampered by unexpected consequences, resulting in missed deadlines, and overspending. Overall, only 43% of respondents say that IT initiatives are frequently or always delivered on time—the figures are even more dismal in terms of delivering on budget and scope. Of course, these are only parts of the equation: "Being on time and on budget is often what executives think of as the key measures of successful project execution," say Curran. "What these measures leave out is the value the project intends to deliver to the business, and how much is actually realized."

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of respondents among top performers say that their CEO actively champions the use of IT to achieve strategy, compared with fifty-six percent for the rest of respondents.

How can a company raise its Digital IQ?

Executives should begin by considering the following:

Are you prepared for the next generation of customers and employees who are naturally adept with mobile devices?

Leading firms are already thinking about the future.

Do you have a social media strategy that extends past the marketing and sales function?

Consumers can provide a wealth of information not only about their preferences, but how you can improve your products and services.

Have you considered the role cloud computing will play in your next platform restructuring? Equally important is to consider how your competitors intend to leverage such approaches.

What sources of external information would most improve decision-making and drive critical insight into operations? Many firms still rely too heavily on only their internal data.

At what point in the strategic planning process does IT enter the discussion? Firms that put IT at the heart of their strategies are more likely to be successful.

How much effort is applied to mapping out the process for executing your firm's strategy? Too many companies skip this critical stage in the process.

Do your parameters for successful execution include a post-rollout assessment of the overall value realized to the business? Good project management is useless if initiatives do not provide measurable improvements.

About the survey

The 4th Digital IQ survey was conducted by PwC's Advisory Services, and included responses from 489 US companies with annual revenues of more than \$500 million—with an emphasis on those with \$1 billion or more in revenue.

Half of the respondents were business executives; the other half were IT leaders. The survey covered a number of industries, including financial services, insurance, healthcare, retail and technology—among others.

PwC thanks all participants for their time and insight.

If you'd like to discuss these findings and how PwC can help you apply them to your business, contact:

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