

PwC's 5th Annual Digital IQ Survey

Digital Conversations and the C-suite

Digital IQ

PwC's 5th Annual Survey Findings:

*Leadership teams integrate
digital conversations across
all aspects of the business to
achieve superior results*

pwc

Strong Collaborators are four times as likely as those with less collaborative teams to be Top Performers—respondents who said they are in the top quartile of margin growth, revenue growth and innovation.

Strong C-suite relationships key to Digital IQ

PwC's 5th annual Digital IQ study clearly shows that strong executive leadership and collaboration are crucial to building lasting value from information technology. According to our survey of more than 1,100 senior executives, those companies with strong relationships between the CIO and other C-suite members are four times as likely as those with less collaborative teams to be top performers (respondents who said they are in the top quartile of margin and revenue growth and innovation, and who reported growth of 5% or more in the previous year).

“Our survey found that companies with collaborative C-suites intertwine business strategy and information technology and are often rewarded with stronger company performance,” according to Chris Curran, a PwC principal and a lead author of the report. “They can also adapt quickly to market changes to maintain an advantage over competitors.”

We also found that Strong Collaborators think differently, act differently and often achieve stronger results than other respondents in our survey. In this report, we will look at how Strong Collaborators:

- **Think together.** Within Strong Collaborator companies, IT and business leaders are more likely to share the same understanding of the corporate strategy and the costs needed to implement the strategic roadmap. They more often view their CEO as a champion of IT, and understand IT risks that may impact the business.
- **Act together.** Strong Collaborators more often have explicit processes in place to link the IT roadmap to the corporate strategy. These companies often invest more aggressively in technologies such as social, mobile, cloud and analytics, and map IT to strategic initiatives like new product and service development, M&A and market share growth.
- **Achieve better results.** Strong Collaborators often report higher performance versus their peers and tend to be more confident than other respondents in their revenue growth, profitability and market share. IT initiatives are more likely to be on time, on budget, and within project scope.

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¹ PwC, 16th Annual Global CEO Survey (January 2013)

According to our 2013 Global CEO survey¹, one in two CEOs say social media is influencing their strategy. But interest is not enough. We believe that if CEOs want economic return from their technology investments, it is incumbent on the C-suite to integrate those investments into the business strategy. And now is the time to act: Technology is an amplifier of business performance, which means that teams that continuously master technology and business integration are likely to craft a business system with a superior, and sustainable, performance edge. This performance differential will likely make it hard for trailing competitors to catch up.

The “Strong Collaborator” and “Top Performer” Connection

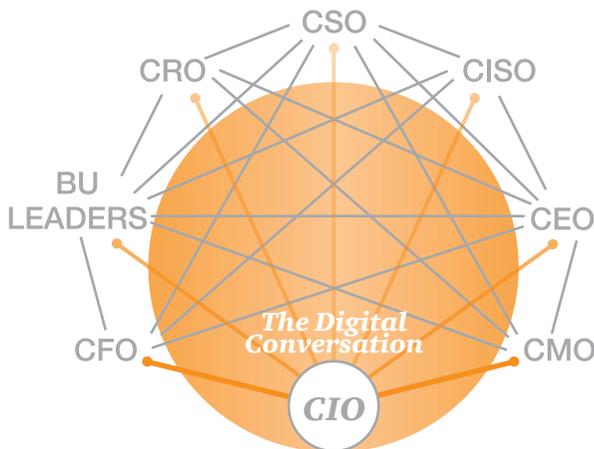
Top Performers are those that reported revenue growth of more than 5%, and said that their companies are in the top quartile for revenue, profitability and innovation.

Strong Collaborators are those that said that the CIO has a strong relationship (4.5 out of 5 or better across all relationship pairs) with members across the C-suite: CEO, CFO, CMO, CRO, CSO, CISO, and business unit leaders. “Others” are those with less than an aggregate score of 4.5 across CIO and C-suite relationships.

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

Strong Collaborators are four times as likely as those with less collaborative teams to be Top Performers—respondents who said they are in the top quartile of margin growth, revenue growth and innovation.

Fig 1: Strong Collaborators are 4x more likely to be Top Performers than those with less collaborative leadership teams



Strong Collaborators think together

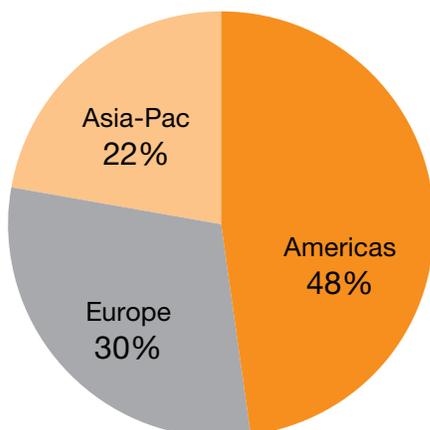
When it comes to Digital IQ, Strong Collaborators often have different perspectives than other respondents in our survey. “Firms with strong C-suite relationships constantly align their thinking between IT and the business,” says Tom DeGarmo, a PwC principal and Technology Consulting Leader. “But it’s not just about coming to consensus. They ensure that digital conversations are occurring across the business, and they consider all the ways that IT can drive value.”

As a result, these firms are far more likely than other respondents to say that their IT and business leaders share the same understanding of the corporate strategy.

Companies with strong C-suite relationships are also more likely to understand the costs needed to implement the strategic roadmap. This understanding is critical to estimate profit margins accurately and to reduce the risk of unexpected expenses. A multi-year roadmap is also beneficial to maintain focus for strategic investments that span the often-myopic annual budgeting process.

Fig. 2: Survey respondents by region

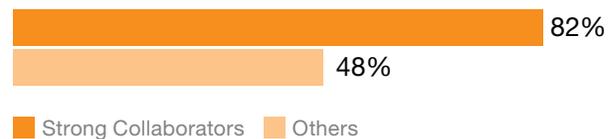
Where are you based?



Base: Americas 531; Europe 332; Asia-Pac 244

Fig 3: Strong Collaborators more aligned on strategy

Business and IT leaders share the same detailed understanding of the corporate strategy (% of respondents who “agree” or “strongly agree”)



Base: Strong Collaborators 148; Others 953

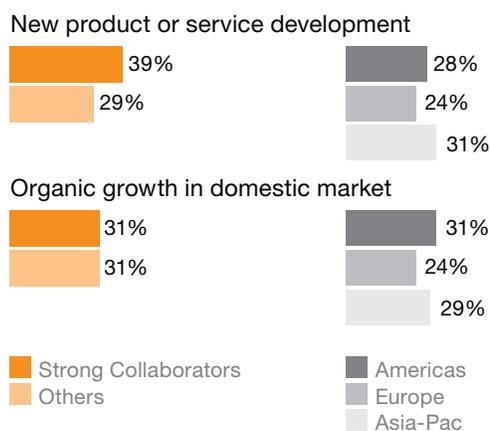
Perhaps even more importantly, the majority of Strong Collaborators (82%) agree that their CEO is a champion of IT who is actively involved in driving IT’s inclusion in the strategic and operational dialog, compared with 48% for other respondents. This is an important distinction of companies with a high Digital IQ, says PwC principal John Sviokla and an author of the report. “A CEO who truly understands that technology is a critical driver of business value is more likely to encourage digital conversations at every opportunity and to set the expectation that her team does the same.” This further aligns thinking and helps executives think about broader business objectives.

Shared understanding of opportunities and risks

When asked to identify the greatest opportunities for business growth over the next 12 months, Strong Collaborators (39%) most often cite new product or service development; other respondents are more inclined to point to organic growth in their domestic markets (31%). This suggests that companies with a higher Digital IQ may be more nimble and able to develop products more quickly. “Because they align their strategies, collaborative C-suite companies can move quickly and aggressively into the market, and be far more responsive to their customers,” Curran says.

Fig. 4: Identifying opportunities for growth

Which of the following potential opportunities for business growth do you see as the main opportunity to grow your business in the next 12 months?



Importantly, Strong Collaborators are more likely than other respondents to understand the IT challenges that can affect the business. Beyond technology-related issues like inadequacy of basic infrastructure and securing IP, this awareness spans shifts in consumer spending and behavior, a lack of key skills needed to execute the strategy, and the ability to turn data into actionable insight.

A thorough C-suite understanding about IT risks that can impact growth enables companies to prepare contingency plans to keep strategies on track.

Strong Collaborators act together

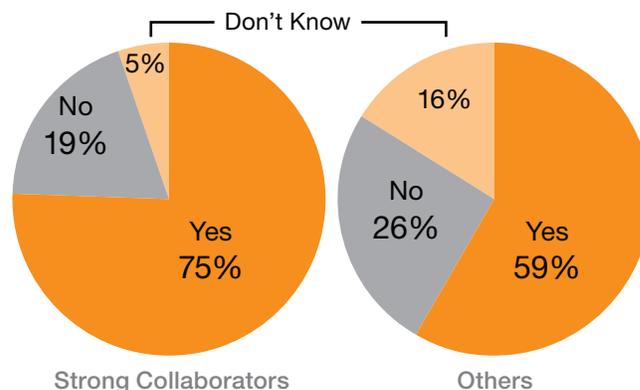
C-suite alignment is clearly an important characteristic of Strong Collaborators, and for any company striving for a high Digital IQ. But these companies don’t just think about the connection between IT and the business, they transform those thoughts into action.

This starts with planning. A single, multi-year roadmap for the business strategy—and an explicit process to link the IT plan to the overall business—are critical. This ensures that IT investments fully align with business goals. Strong Collaborators are more likely to undertake these efforts, balancing the strategic market-facing potential of technology with the implementation costs and risks.

Given the shared understanding of the roadmap, it’s not surprising that Strong Collaborators are also more likely to connect IT capital spending with strategic corporate initiatives, such as targeting new geographic markets, new product and service development, increasing share in existing markets, M&A activity, and new joint ventures or strategic alliances.

Fig. 5: Strong Collaborators’ roadmap links business and IT efforts

Does a single, multi-year roadmap for the overall business strategy exist within your organization?



More than four-fifths of Strong Collaborators agree that their CEO is a champion of IT, compared with 48% for other respondents.

Putting technology at the heart of operations is key to Digital IQ

Naturally, companies with high Digital IQ understand which technologies will provide the greatest business benefits, leveraging the tools and platforms to optimize processes and improve overall performance. Our analysis shows that Strong Collaborators are more likely to aggressively invest in the four key digital technologies—mobility, cloud computing, business analytics and social media—than other companies. Additionally, Strong Collaborators are also far more likely than other respondents to say that their IT strategy accounts for different age groups (62% compared with 28%).

Mobile technology for employees is a clear standout: Strong Collaborators (61%) are more likely to be investing in this area than other respondents (51%). Similarly, Strong Collaborators are making aggressive investments in virtual meeting and collaboration technologies, private cloud, and social media for external communication.

Looking at the data by region, mobile technology for employees again emerges as the top area of focus, with respondents in Asia-Pacific outpacing other regions, particularly their peers in Europe.

Taking a deeper view of the data provides additional insight across the four main areas of investment.

Fig. 6a: Strong Collaborators are more likely to be investing in emerging technologies in areas like mobile, social, cloud and big data

Which of these technologies are you currently investing in?

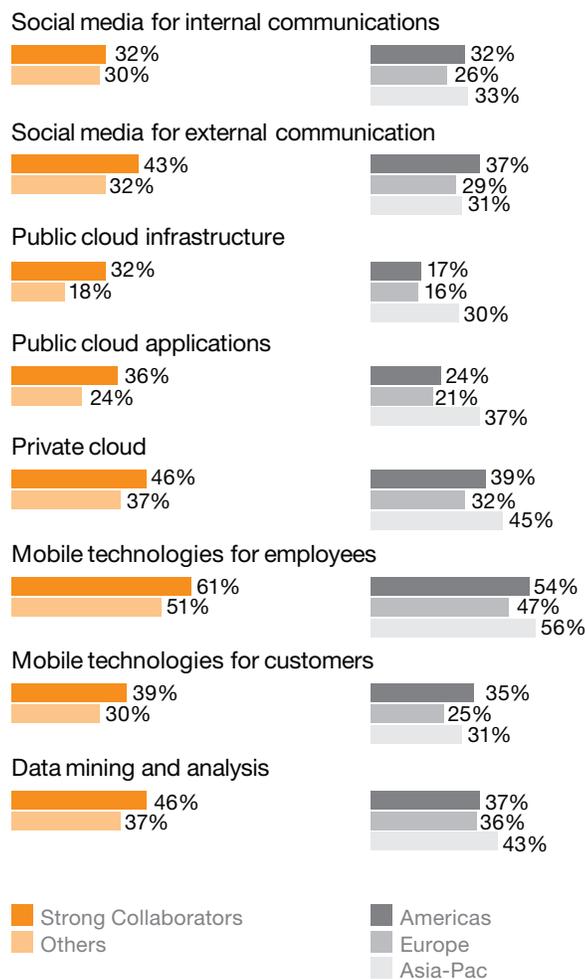
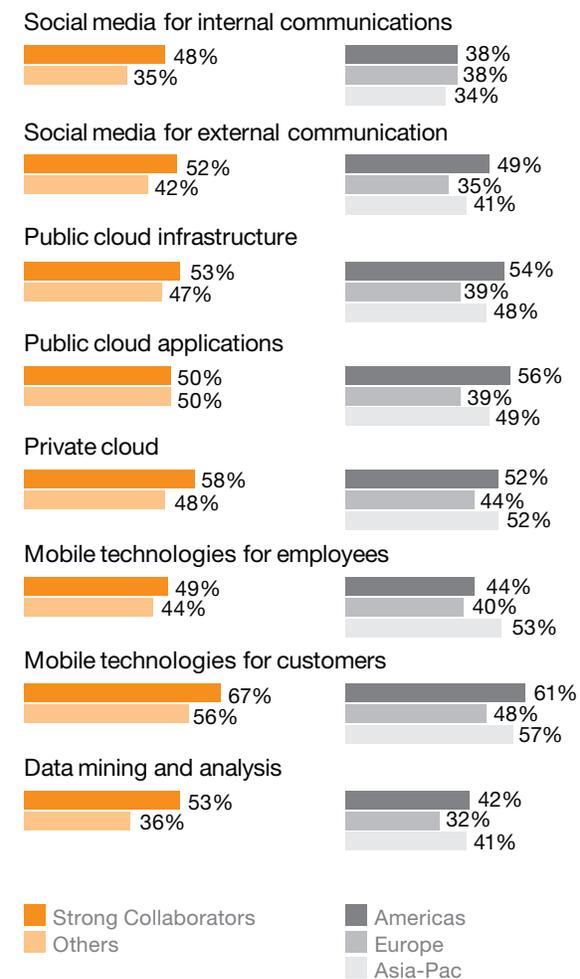


Fig. 6b: For each of these technologies what are your investment plans for 2013?

Will invest more in 2013?



Mobile

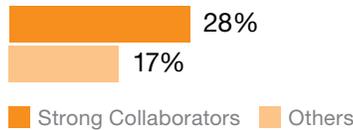
Strong Collaborators are more likely than other respondents to say their employees have everything they need on a mobile platform (28% compared with 17%). Within these companies, employees can conduct the majority of their work at any time and on any device.

Strong Collaborators are also more likely to interact with customers significantly on mobile devices—73% compared with 47% for other respondents. These interactions, they say, are mainly to inform and educate customers about products and services, or to gather feedback on products and resolve customer issues.

Fig. 7: Mobile adoption for internal use

Overall, to what extent do employees have the mobile skills, tools and applications they need to do their work?

—more often have everything they need on a mobile platform



Strong Collaborators are more likely than other respondents to interact with customers significantly on mobile devices.

Cloud Computing

Cloud computing is a critical underpinning of public social media platforms and enterprise mobile technology strategies, offering speed and business flexibility when scaling efforts to launch new products, enter new geographies or reach new customer segments. While Strong Collaborators are more likely than other respondents to be invested in public cloud applications (36% compared with 24%), future investments indicate significant growth across the board. Moreover, Strong Collaborators are also more likely than others to also be invested in private cloud applications (46% compared with 37%), and more likely to expect those investments to increase over the next 12 months (58% compared with 48%).

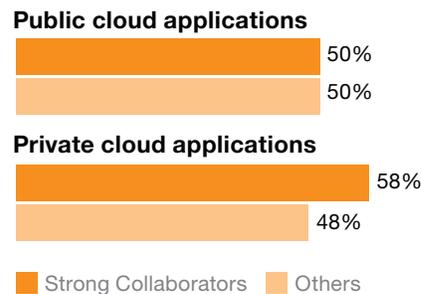
Increased investment in both public and private clouds will likely be more aggressive in the Americas than in other regions in 2013—spending in Europe is expected to be particularly weaker than other regions. While this may reflect ongoing financial pressures in the troubled Eurozone, Curran cautions executives to weigh the costs against the benefits.

“The figures indicate that companies with a higher Digital IQ are more willing to take some risks, as security, reliability and control concerns are still top of mind,” says Curran. “Those who balance the risk will likely be rewarded with the business flexibility and ability to add new capabilities rapidly.”

Fig. 8: Future cloud investments

For each of these technologies, what are your investment plans for 2013?

—Will invest more in 2013

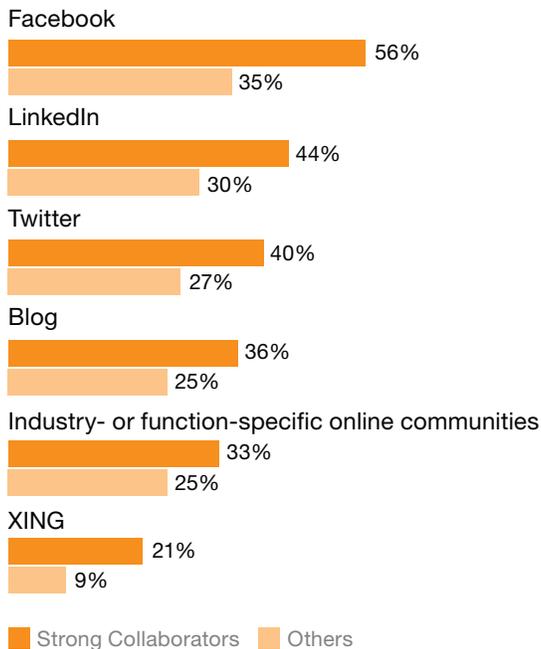


Social Media

Respondents are using social media to connect with both customers and employees alike. In fact, 53% of CEOs who participated in PwC’s 2013 CEO survey² say that social media users influence their business strategy. But Strong Collaborators are more aggressively leveraging these tools. For example, 47% say they use Facebook for internal communication, compared with 22% for other respondents.

Fig. 9: Strong Collaborators expect social media use to increase over the next 12 months

Do you expect the usage of each social media in your organization for business purposes to increase, decrease or stay the same in the next 12 months? (% saying increase)



Perhaps even more telling is that Strong Collaborators are significantly more likely to be planning greater use of social media tools over the next 12 months compared with respondents overall.

Bear in mind that social media efforts can backfire if they are not carefully coordinated. “If there are too many disconnected pages or accounts, that could actually confuse customers and dilute brands,” Curran says.

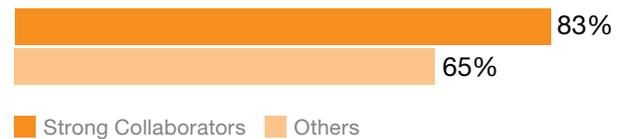
Data Analytics

The pace of business is quickening, and companies will continue to invest in gathering, storing and retrieving internal data—about one-third of all respondents say they’ve invested more than \$1m in this area. But Strong Collaborators are more likely to integrate internal and third-party data to better support decision-making, a critical step to provide senior leaders with the insight to make the right choices.

Considering the level of this investment—40% of Strong Collaborators are investing \$1m or more on this specifically—it’s little wonder that these companies are more likely than other respondents to strongly agree that harnessing Big Data will provide competitive advantage. They are striving to use Big Data to help make more informed decisions on key strategic and operational focus areas.

Fig. 10: Strong Collaborators: Big Data creates competitive advantage

Harnessing “Big Data” will give my organization a competitive edge. (Answers represent those who said “agree” and “strongly agree”)



At the regional level, firms in the Americas are slightly more likely than their peers in other regions to say that harnessing Big Data will give their firms a competitive edge.

Strong Collaborators also appear far more prepared in the skills required for analytics: 78% say they have a sufficient pipeline of talent to undertake deep analysis of Big Data, compared with just 42% for other respondents.

²PwC, 16th Annual Global CEO Survey (January 2013)

More systematic innovation among collaborative C-suites

As we noted in last year’s report, advancing the innovation agenda is increasingly crucial for CEOs, particularly in a rapidly changing and competitive global marketplace. CIOs of Strong Collaborator companies tend to not only ensure that technology initiatives are in step with the business plan but champion innovation across the enterprise.

This year’s study reveals that Strong Collaborators are more likely than other companies to foster innovation through a specific approach, often through a dedicated group or just-in-time team (55% and 49%, respectively). In contrast, only 36% of other respondents claim a dedicated innovation team, and 39% create innovation teams on an ad-hoc basis. Furthermore, Strong Collaborators are far more likely to say that technology innovations are driven through IT strategic planning (53% compared with 37%).

As a result, Strong Collaborators outperform all respondents in terms of how they measure innovation, particularly in terms of the number of ideas that ultimately are brought to market.

Getting results: Reaping the benefits of Digital IQ

By fostering strong digital conversations across the C-suite and ensuring that Digital IQ is at the heart of everything they do, Strong Collaborators often see better overall results than others in our survey.

Strong Collaborators are far more likely to deliver initiatives on time, on budget and within scope. For example, only 27% of firms that lack strong C-suite connections say that strategic IT initiatives are frequently or always delivered on budget, compared with 59% of Strong Collaborators.

Fig. 11: Measuring innovation

How is innovation success measured at your company? (Select all that apply)

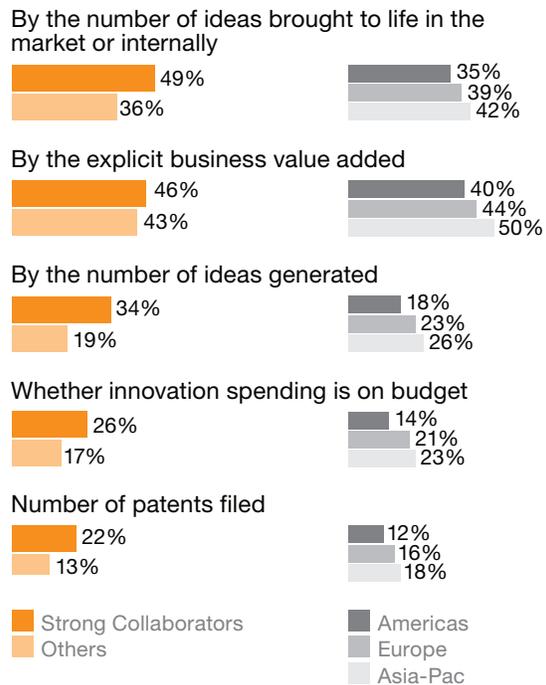
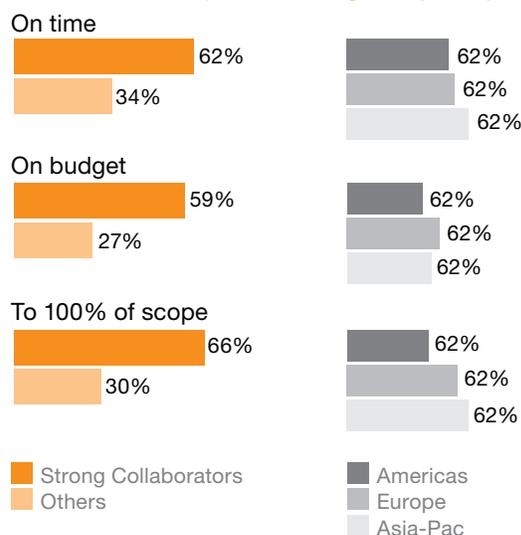


Fig. 12: Strong Collaborators more frequently deliver initiatives on time, within scope and on budget

On average, how often did strategic IT initiatives fall within each of the following delivery categories in the last 12 months? (% answering “frequently” or “always”)



Strong Collaborators are more likely to focus their efforts on integrating internal and third-party data to better support decision-making.

“It stands to reason that companies with strong C-suite relationships will likely do better in delivering projects on time and to expectations,” says Curran. “Greater interaction and more frequent digital conversations enable these companies to have well-defined strategies and an execution roadmap that connects to IT efforts. That takes significant ambiguity out of the equation and minimizes delays or unplanned expenses.

“In addition, strong relationships support more frank conversations about program issues and collaborative problem-solving. Too many programs fail because foundational issues aren’t dealt with fast enough.”

Perhaps as a result, Strong Collaborators are often more confident about their firm’s revenue growth prospects during the next 12 months: 60% of Strong Collaborators say they are “highly confident” in this regard, compared with 34% of other respondents. They are also far more likely to expect to outperform their competitors in terms of innovation (52% compared with 26%), annual revenue growth (56% compared with 29%) and profitability (51% compared with 25%).

Improve C-suite collaboration to improve Digital IQ

As we’ve noted throughout this report, companies with collaborative C-suite teams tend to deeply embed IT across all areas of their business from strategy to execution. These Strong Collaborators consistently engage in “digital conversations” at the highest levels of the organization, and ensure that the IT strategy maps to the overall business objectives of the company. Moreover, it’s just as important to think about technology as a disruptive business force that can alter business models and create new ones. It is no wonder that these companies can deliver and innovate in a world where the rapid pace of technology is fundamentally reshaping global commerce.

What steps can companies take to raise their Digital IQ? Executives can begin by considering the following questions:

- How often do your firm’s C-suite executives discuss how IT is supporting the overall business? Are “digital conversations” taking place regularly? Are senior decision-makers aligned with respect to the overarching business strategy?
- Is your firm’s CEO actively involved in developing your company’s Digital IQ? Is he or she a champion of IT?
- Beyond setting the corporate strategy, does your firm have an effective roadmap that lays out the steps to achieving the strategy—blending together strategy, operations and technology—and the associated costs of doing so? Is this roadmap effectively communicated across the enterprise?
- Are IT investments being made with overarching business goals in mind, or are these decisions happening in a silo?
- Finally, are you considering pilot programs to develop a deeper understanding of the “art of the possible”—the ways that new and emerging technologies may be leveraged for greater business benefit?

About the survey

PwC’s 5th annual Digital IQ survey was conducted in the fall of 2012. The global survey included 1,108 respondents from 12 countries. Answers were aggregated into the Americas (US and Brazil), Europe (UK, France, Germany, Russia, Netherlands, Sweden) and Asia-Pac (Australia, Japan, China and India), across a variety of industries. Respondents were evenly divided between IT and business leaders. More than 75% of respondents work in organizations with revenues of \$1 billion+.

To have a deeper conversation about how topics related to Digital IQ may affect your business, please contact:

Chris Curran

Principal and Chief Technologist
(214) 754 5055
christopher.b.curran@us.pwc.com

Tom DeGarmo

Principal and Technology Consulting Leader
(267) 330 2658
thomas.p.degarmo@us.pwc.com

John Sviokla

Principal and Innovation Leader
(617) 530 5359
john.sviokla@us.pwc.com

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