# Technology Investment in the Downturn: Shifting Perspectives
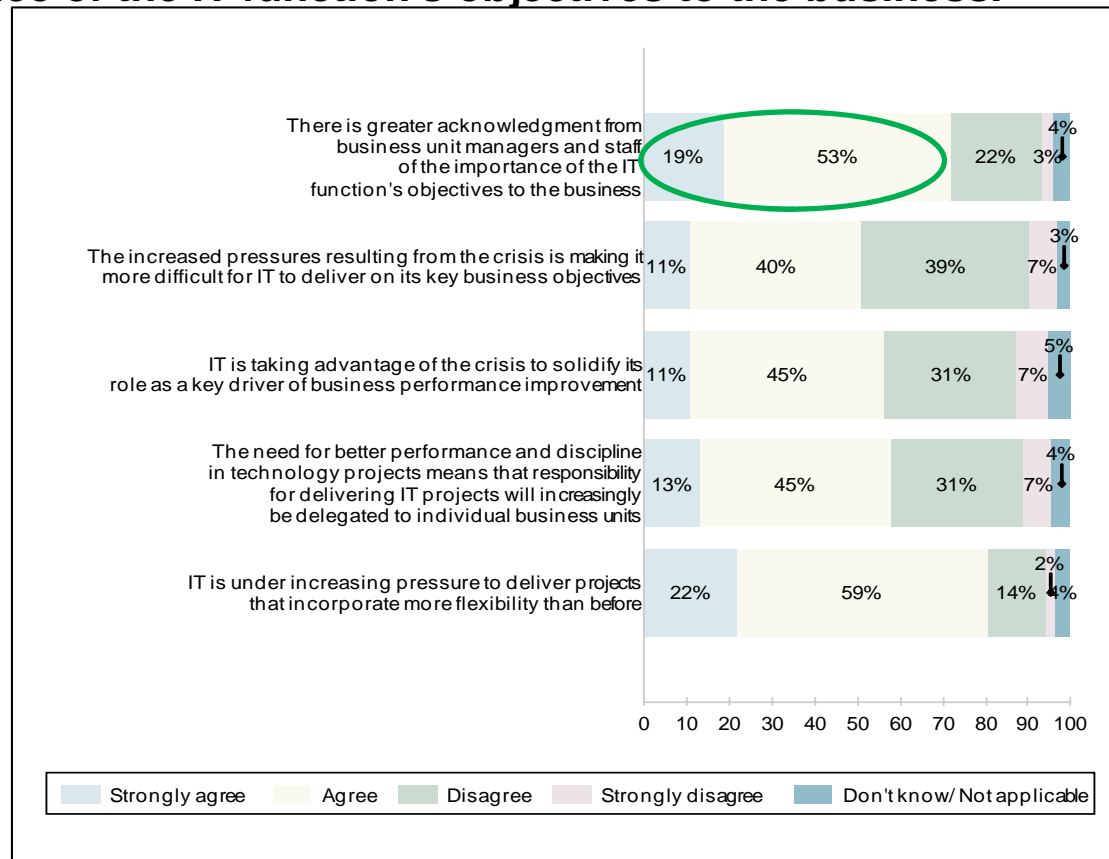
**A study produced in co-operation with the Economist Intelligence Unit**

December 2009

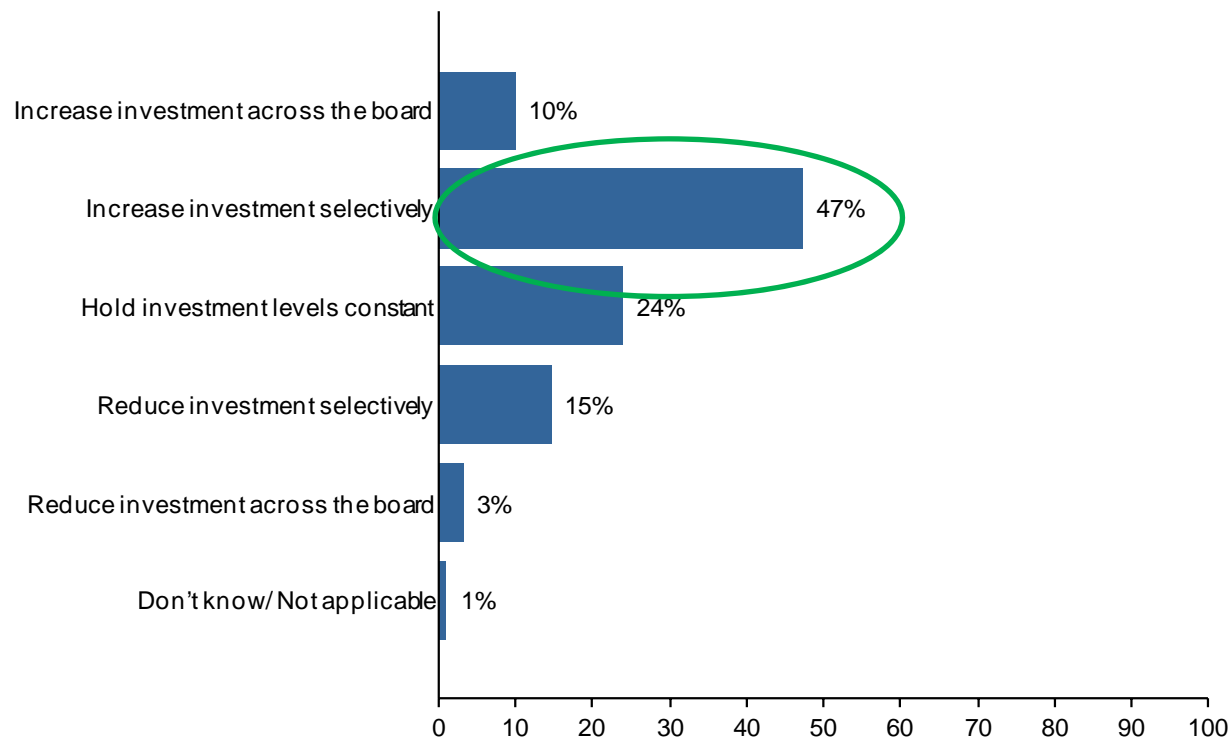# Almost three-fourths (72%) of executives surveyed believe there is greater acknowledgement of the importance of IT

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- **There is greater acknowledgment from business unit managers and staff of the importance of the IT function's objectives to the business.**



| | Strongly agree | Agree | Disagree | Strongly disagree | Don't know/Not applicable |
|---|---|---|---|---|---|
| There is greater acknowledgment from business unit managers and staff of the importance of the IT function's objectives to the business | 19% | 53% | 22% | 3% | 4% |
| The increased pressures resulting from the crisis is making it more difficult for IT to deliver on its key business objectives | 11% | 40% | 39% | 7% | 3% |
| IT is taking advantage of the crisis to solidify its role as a key driver of business performance improvement | 11% | 45% | 31% | 7% | 5% |
| The need for better performance and discipline in technology projects means that responsibility for delivering IT projects will increasingly be delegated to individual business units | 13% | 45% | 31% | 7% | 4% |
| IT is under increasing pressure to deliver projects that incorporate more flexibility than before | 22% | 59% | 14% | 4% | 2% |

**Most executives (57%) are planning to increase technology investments over the next year**

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- **Which of the following statements best characterises the approach of your part of the organisation to investment in technology over the next year?**

| Statement | Value |
|---|---|
| Increase investment across the board | 10% |
| Increase investment selectively | 47% |
| Hold investment levels constant | 24% |
| Reduce investment selectively | 15% |
| Reduce investment across the board | 3% |
| Don't know/Not applicable | 1% |

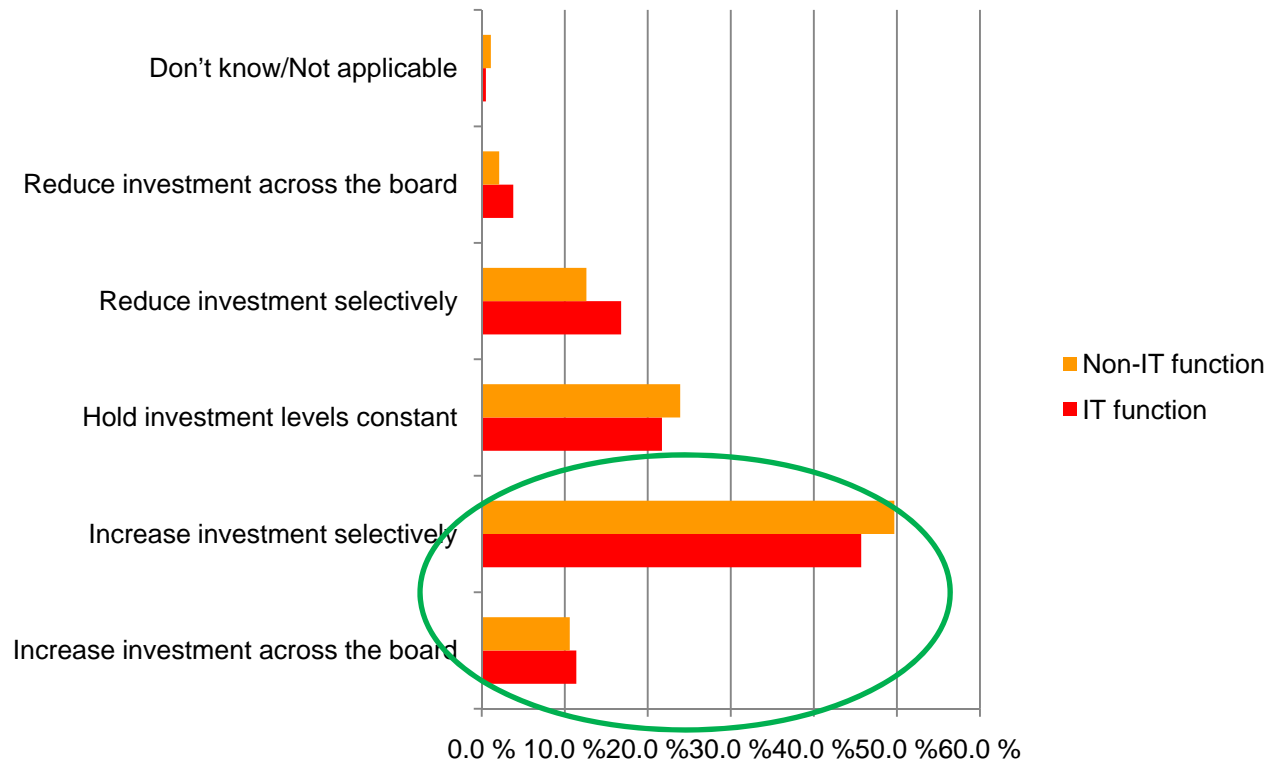# More business executives (61%) expect to increase IT investment compared to 57% of IT executives

- **Which of the following statements best characterises the approach of your part of the organisation to investment in technology over the next year?**



Chart categories (top to bottom):
- Don't know/Not applicable
- Reduce investment across the board
- Reduce investment selectively
- Hold investment levels constant
- Increase investment selectively
- Increase investment across the board

Legend:
- Non-IT function
- IT function

X-axis: 0.0 % 10.0 % 20.0 % 30.0 % 40.0 % 50.0 % 60.0 %

**UK & Ireland are the most confident in increased IT investment (64%), and France the least (36%)**
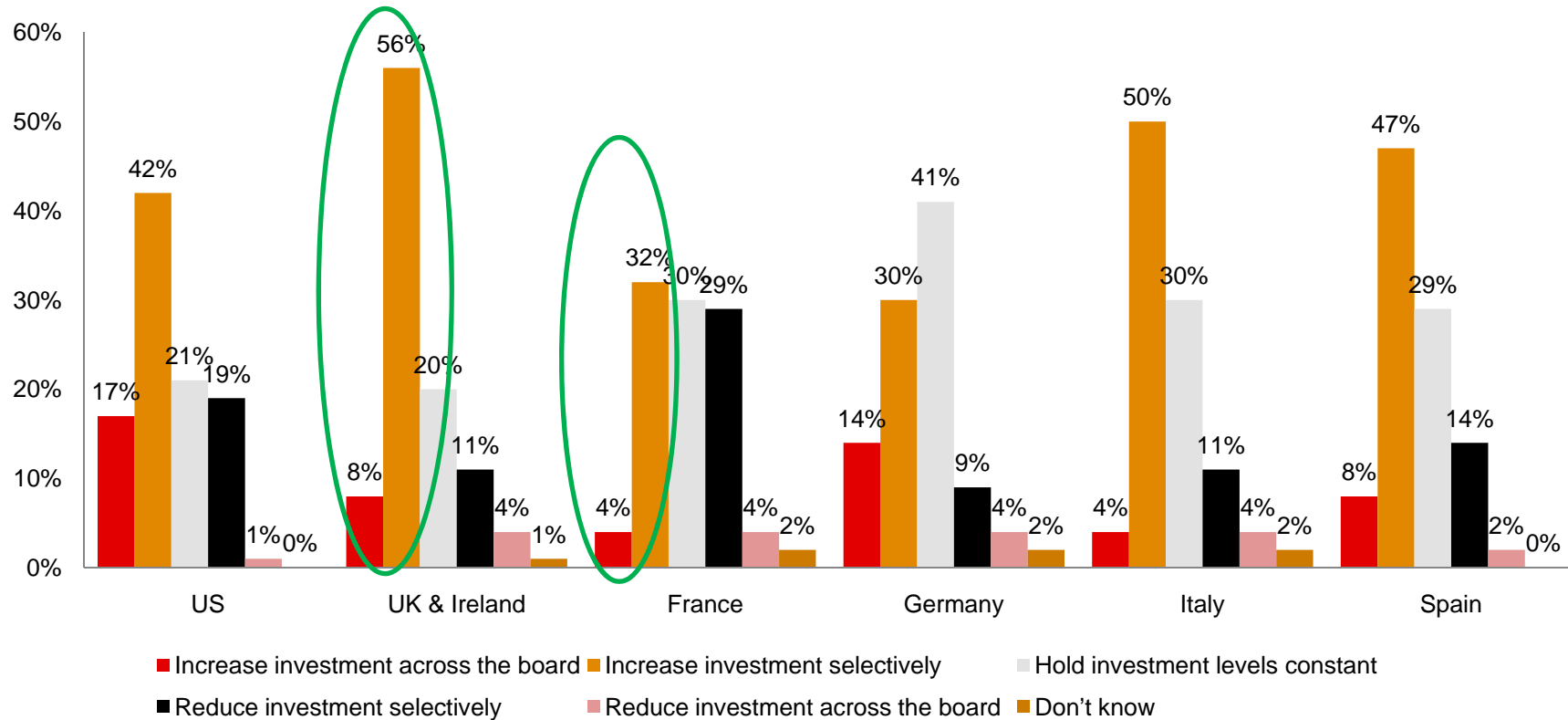
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- **Which of the following statements best characterises the approach of your part of the organisation to investment in technology over the next year?**



Legend:
- Increase investment across the board (red)
- Increase investment selectively (orange)
- Hold investment levels constant (light grey)
- Reduce investment selectively (black)
- Reduce investment across the board (pink)
- Don't know (orange)

| | US | UK & Ireland | France | Germany | Italy | Spain |
|---|---|---|---|---|---|---|
| Increase investment across the board | 17% | 8% | 4% | 14% | 4% | 8% |
| Increase investment selectively | 42% | 56% | 32% | 30% | 50% | 47% |
| Hold investment levels constant | 21% | 20% | 30% | 41% | 30% | 29% |
| Reduce investment selectively | 19% | 11% | 29% | 9% | 11% | 14% |
| Reduce investment across the board | 1% | 4% | 4% | 4% | 4% | 2% |
| Don't know | 0% | 1% | 2% | 2% | 2% | 0% |

# SOA and server virtualisation and consolidation will see significant new funding in 2010

- **Which types of technology projects are most likely to receive significant new funding over the next year?**



| Technology project | Percentage |
|---|---|
| IT systems-- server virtualisation or consolidation | 36% |
| Customer relationships and service | 34% |
| E-business (eg, online selling, supplier portals, etc) | 31% |
| Finance/performance management | 28% |
| IT systems-- eg, Service-oriented Architecture (SOA) | 28% |
| Business process re-engineering | 24% |
| Data analytics | 22% |
| Compliance and governance | 18% |
| Supply-chain management | 17% |
| None | 6% |
| Other, please specify | 4% |
| Don't know/ Not applicable | 1% |

# IT executives also expect significant funding for e-business (32%) while non-IT executives prioritise customer relationships and services projects

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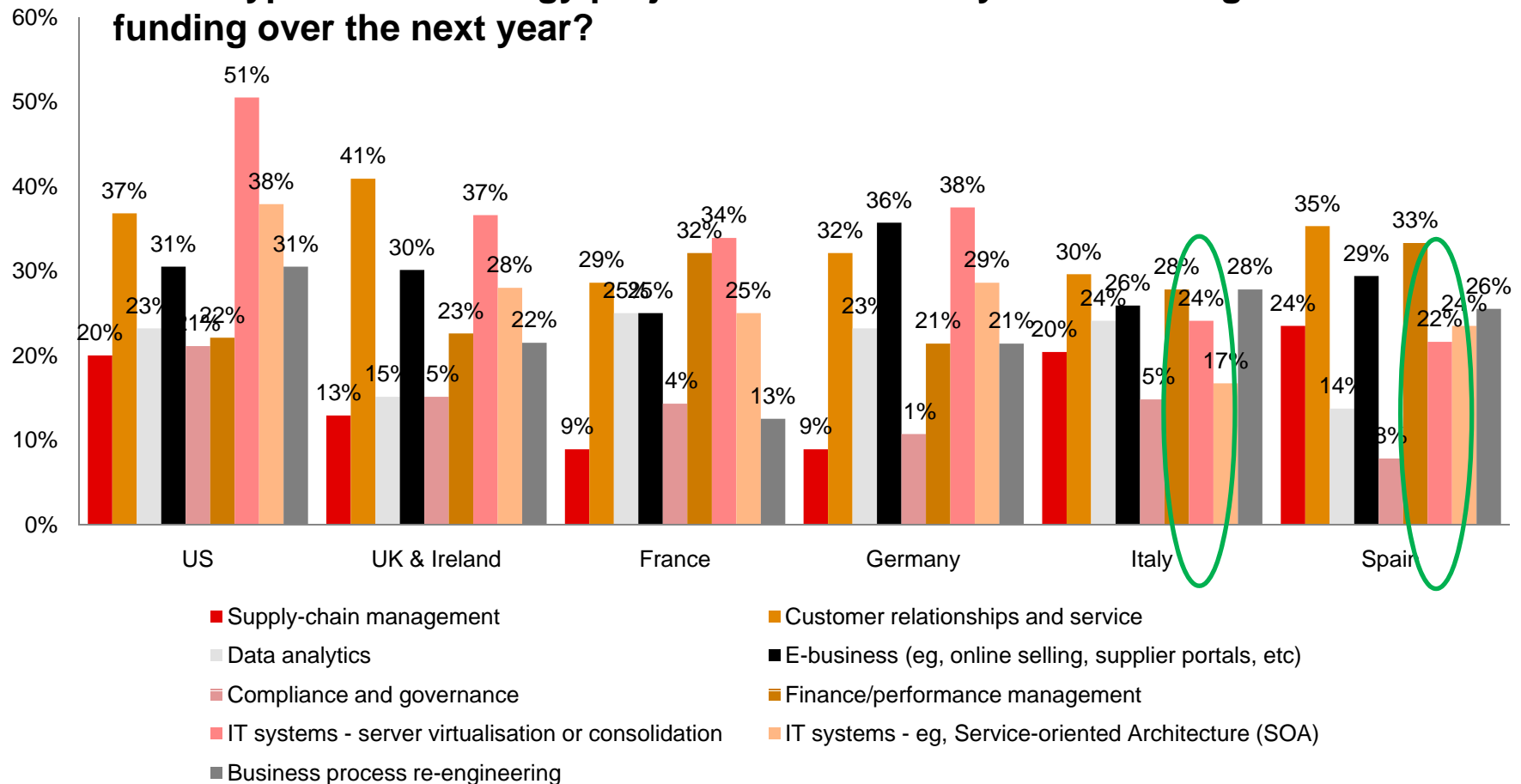
- **Which types of technology projects are most likely to receive significant new funding over the next year?**

Legend: ■ Non-IT function  ■ IT function

| Project | Non-IT function | IT function |
|---|---|---|
| Supply-chain management | 16% | 17% |
| Compliance and governance | 18% | 21% |
| Data analytics | 22% | 21% |
| Business process re-engineering | 24% | 25% |
| IT systems - eg, Service-oriented Architecture (SOA) | 28% | 31% |
| Finance/performance management | 29% | 25% |
| E-business (eg, online selling, supplier portals, etc) | 31% | 32% |
| Customer relationships and service | 36% | 34% |
| IT systems - server virtualisation or consolidation | 36% | 44% |
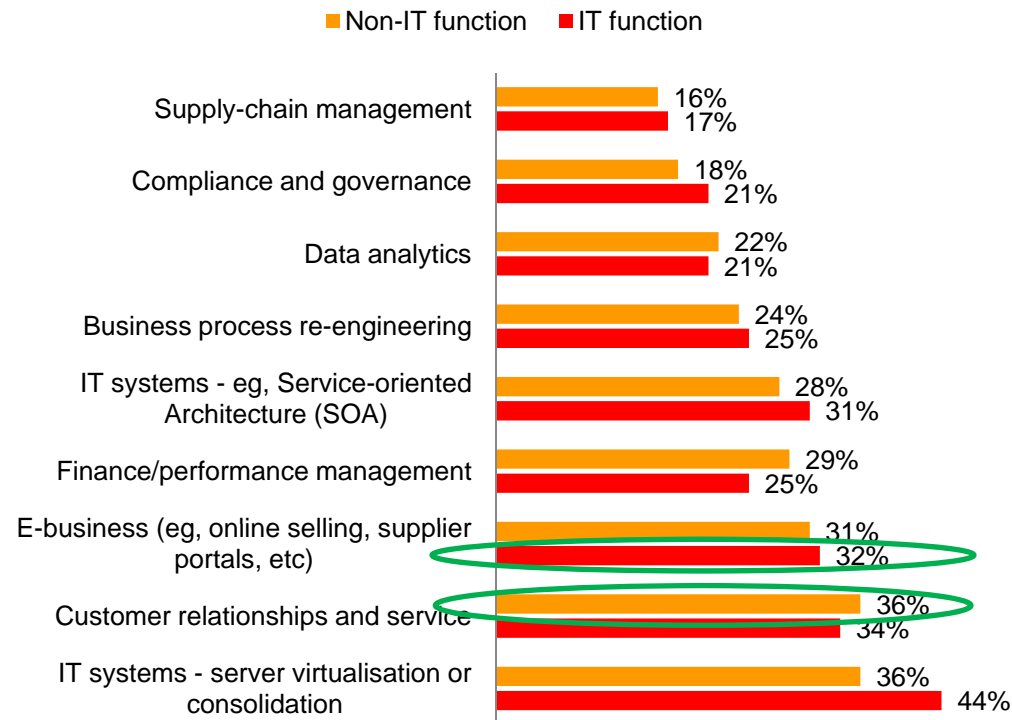
# However in the southern European countries of Spain and Italy less than a quarter will prioritise server virtualisation and consolidation
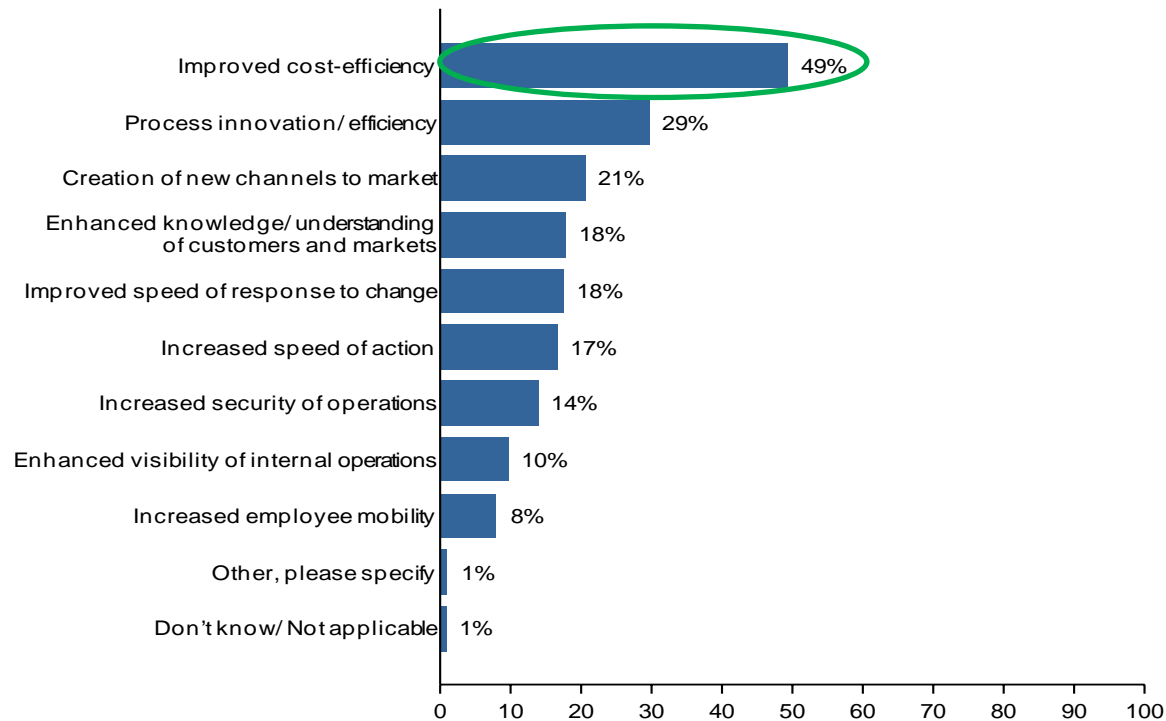
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- **Which types of technology projects are most likely to receive significant new funding over the next year?**

Legend:
- ■ Supply-chain management (red)
- ■ Customer relationships and service (orange)
- ■ Data analytics (light grey)
- ■ E-business (eg, online selling, supplier portals, etc) (black)
- ■ Compliance and governance (pink)
- ■ Finance/performance management (dark orange)
- ■ IT systems - server virtualisation or consolidation (salmon)
- ■ IT systems - eg, Service-oriented Architecture (SOA) (light salmon)
- ■ Business process re-engineering (dark grey)

**US:** 20%, 37%, 23%, 31%, 21%, 22%, 51%, 38%, 31%

**UK & Ireland:** 13%, 41%, 15%, 30%, 15%, 23%, 37%, 28%, 22%

**France:** 9%, 29%, 25%, 25%, 4%, 32%, 34%, 25%, 13%

**Germany:** 9%, 32%, 23%, 36%, 1%, 21%, 38%, 29%, 21%

**Italy:** 20%, 30%, 24%, 26%, 5%, 28%, 24%, 17%, 28%

**Spain:** 24%, 35%, 14%, 29%, 8%, 33%, 22%, 24%, 26%

**Executives value improved cost-efficiency as a business outcome (49%) over process innovation/efficiency (29%)**
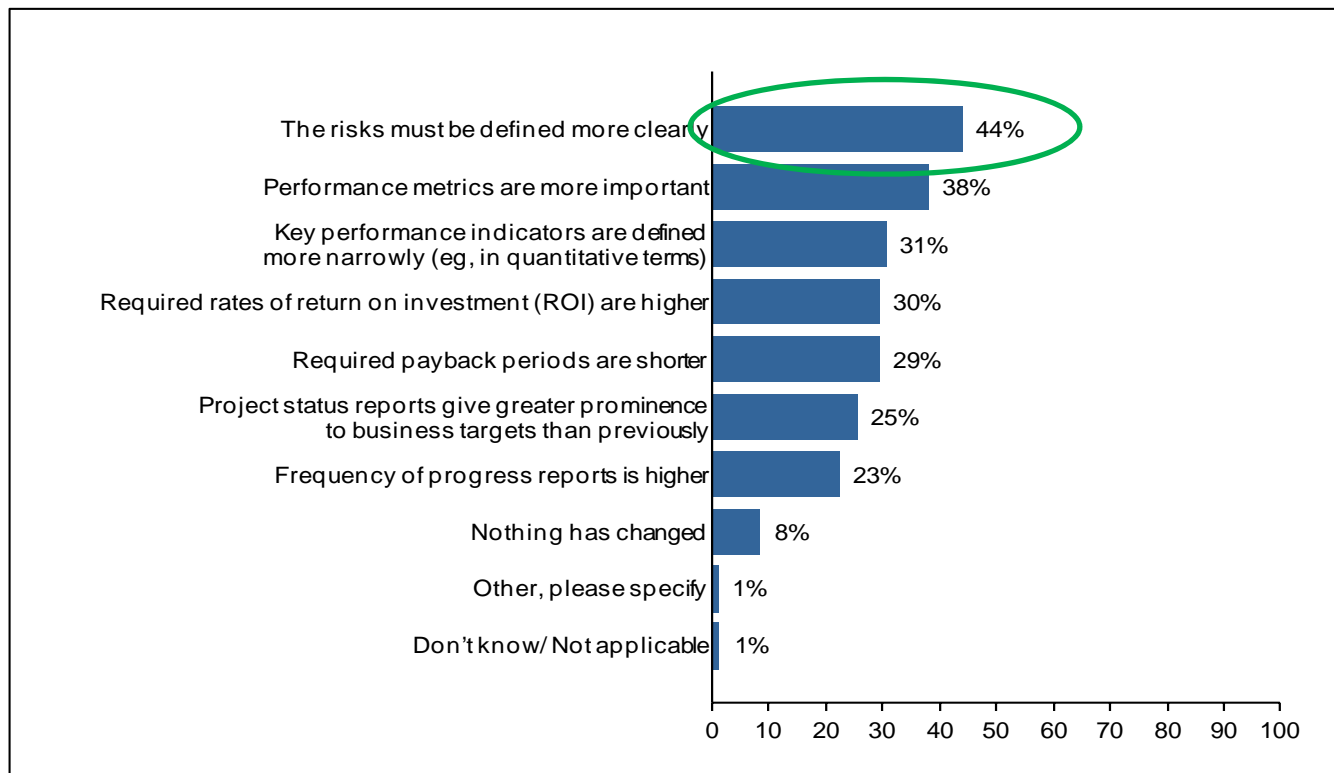
- **Over the next year, which of the following business outcomes will be valued most highly when evaluating investment in potential new technology projects in your part of the business?**

| Business outcome | Percentage |
|---|---|
| Improved cost-efficiency | 49% |
| Process innovation/efficiency | 29% |
| Creation of new channels to market | 21% |
| Enhanced knowledge/understanding of customers and markets | 18% |
| Improved speed of response to change | 18% |
| Increased speed of action | 17% |
| Increased security of operations | 14% |
| Enhanced visibility of internal operations | 10% |
| Increased employee mobility | 8% |
| Other, please specify | 1% |
| Don't know/Not applicable | 1% |

**Nearly half of respondents said risks must be defined more clearly since the onset of the recession**

- **Since the onset of the financial crisis, what has changed in the way that your organization views the requirements for new or existing technology Investments?**



| Category | Percentage |
|---|---|
| The risks must be defined more clearly | 44% |
| Performance metrics are more important | 38% |
| Key performance indicators are defined more narrowly (eg, in quantitative terms) | 31% |
| Required rates of return on investment (ROI) are higher | 30% |
| Required payback periods are shorter | 29% |
| Project status reports give greater prominence to business targets than previously | 25% |
| Frequency of progress reports is higher | 23% |
| Nothing has changed | 8% |
| Other, please specify | 1% |
| Don't know/ Not applicable | 1% |

**Spain now feels very strongly about risks being defined (49%) but Germany does not feel as strongly (32%) since the onset of the recession**
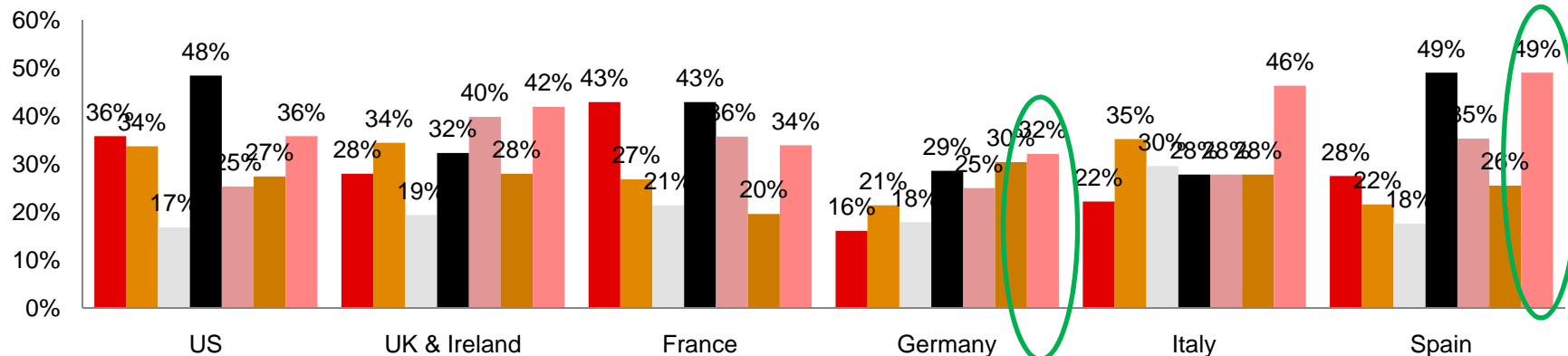
- **Since the onset of the financial crisis, what has changed in the way that your organization views the requirements for new or existing technology Investments?**



Chart axis: 60%, 50%, 40%, 30%, 20%, 10%, 0%

**US:** 36%, 34%, 17%, 48%, 25%, 27%, 36%
**UK & Ireland:** 28%, 34%, 19%, 32%, 40%, 28%, 42%
**France:** 43%, 27%, 21%, 43%, 36%, 20%, 34%
**Germany:** 16%, 21%, 18%, 29%, 25%, 30%, 32%
**Italy:** 22%, 35%, 30%, 28%, 28%, 28%, 46%
**Spain:** 28%, 22%, 18%, 49%, 35%, 26%, 49%

Legend:
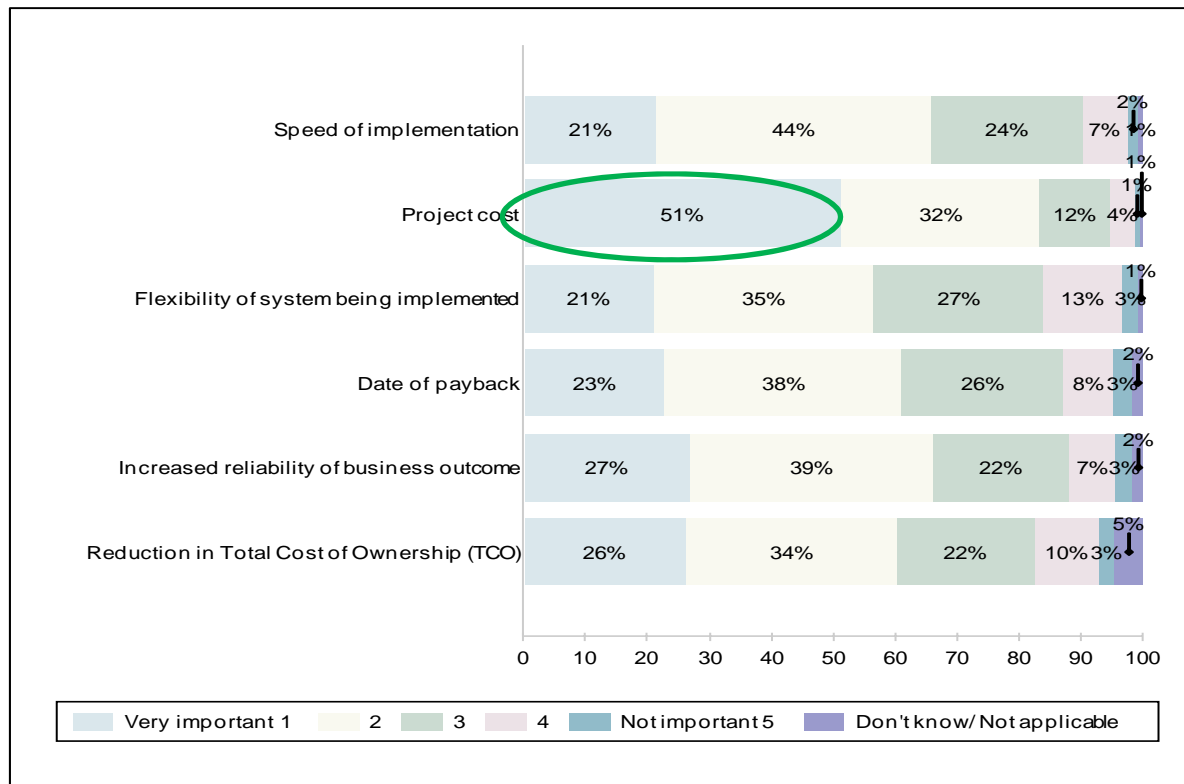- ■ Required rates of return on investment (ROI) are higher
- ■ Required payback periods are shorter
- ■ Frequency of progress reports is higher
- ■ Performance metrics are more important
- ■ Key performance indicators are defined more narrowly (eg, in quantitative terms)
- ■ Project status reports give greater prominence to business targets than previously
- ■ The risks must be defined more clearly

# Half of the respondents said project cost was a very important driver when considering technology investment projects

- **How important are the following drivers when considering technology investment projects?**

| Driver | Very important 1 | 2 | 3 | 4 | Not important 5 | Don't know/Not applicable |
|---|---|---|---|---|---|---|
| Speed of implementation | 21% | 44% | 24% | 7% | 1% | 2% |
| Project cost | 51% | 32% | 12% | 4% | | 1% |
| Flexibility of system being implemented | 21% | 35% | 27% | 13% | 3% | 1% |
| Date of payback | 23% | 38% | 26% | 8% | 3% | 2% |
| Increased reliability of business outcome | 27% | 39% | 22% | 7% | 3% | 2% |
| Reduction in Total Cost of Ownership (TCO) | 26% | 34% | 22% | 10% | 3% | 5% |

# Project costs were most important when considering IT in the US (56%) followed by the UK & Ireland (54%)

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- **How important are the following drivers when considering technology investment projects? (results for project costs)**



Bar chart showing responses by region:

| | US | UK & Ireland | France | Germany | Italy | Spain |
|---|---|---|---|---|---|---|
| 1 Very important | 56 % | 54 % | 47 % | 46 % | 44 % | 49 % |
| 2 Important | 24 % | 28 % | 36 % | 41 % | 30 % | 35 % |
| 3 Impartial | 13 % | 13 % | 13 % | 11 % | 15 % | 14 % |
| 4 Not very important | 4 % | 4 % | 4 % | 2 % | 7 % | 2 % |
| Not important5 | 3 % | 0 % | 0 % | 0 % | 4 % | 0 % |
| Don't know/Not applicable | 0 % | 1 % | 0 % | 0 % | 0 % | 0 % |

Legend: ■ 1 Very important ■ 2 Important □ 3 Impartial ■ 4 Not very important ■ Not important5 ■ Don't know/Not applicable
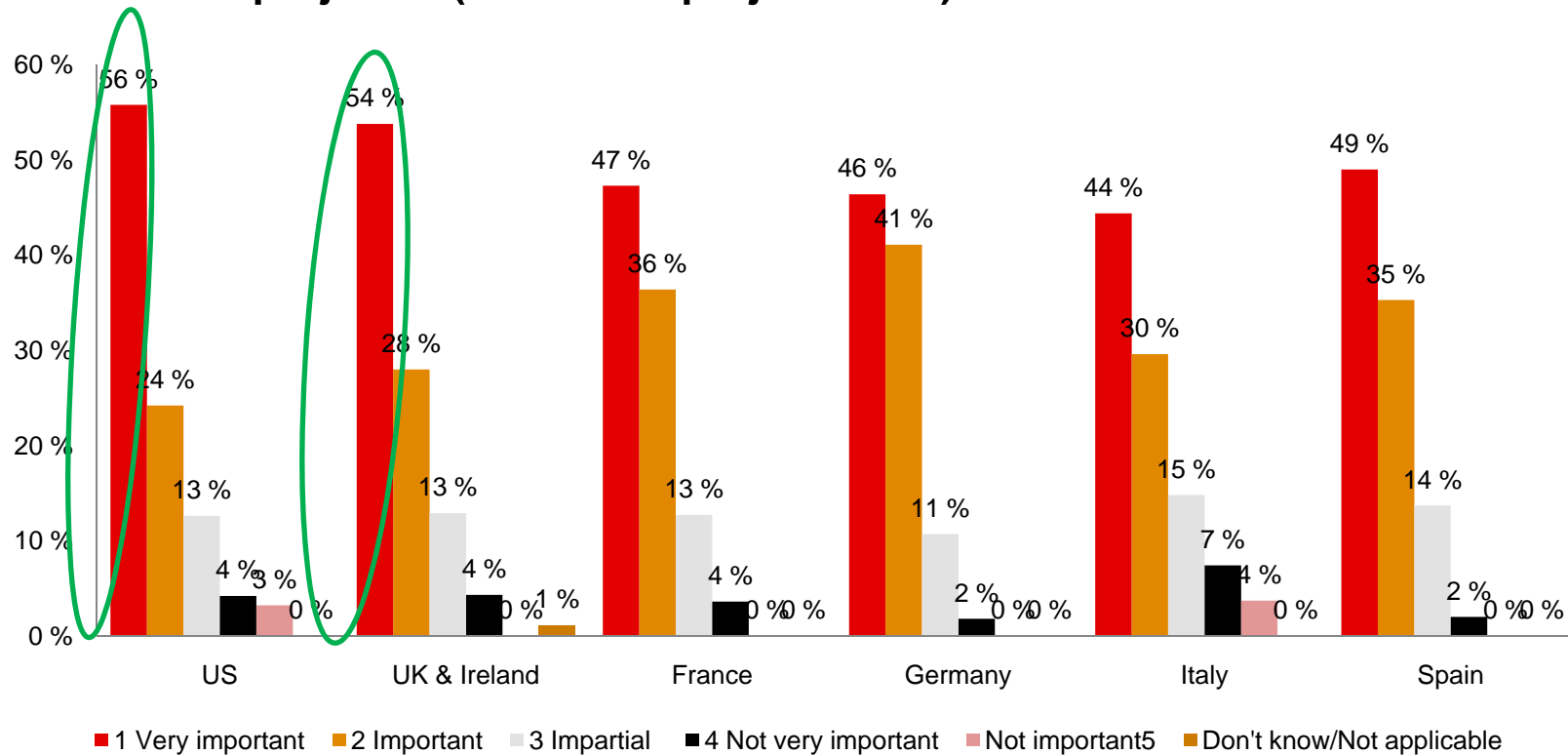
**The vast majority of executives across different geographies (81%) say they are under increasing pressure to deliver projects that incorporate more flexibility than before**

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| Statement | Strongly agree | Agree | Disagree | Strongly disagree | Don't know/Not applicable |
|---|---|---|---|---|---|
| There is greater acknowledgment from business unit managers and staff of the importance of the IT function's objectives to the business | 19% | 53% | 22% | 3% | 4% |
| The increased pressures resulting from the crisis is making it more difficult for IT to deliver on its key business objectives | 11% | 40% | 39% | 7% | 3% |
| IT is taking advantage of the crisis to solidify its role as a key driver of business performance improvement | 11% | 45% | 31% | 7% | 5% |
| The need for better performance and discipline in technology projects means that responsibility for delivering IT projects will increasingly be delegated to individual business units | 13% | 45% | 31% | 7% | 4% |
| IT is under increasing pressure to deliver projects that incorporate more flexibility than before | 22% | 59% | 14% | 4% | 2% |

Legend: Strongly agree · Agree · Disagree · Strongly disagree · Don't know/Not applicable
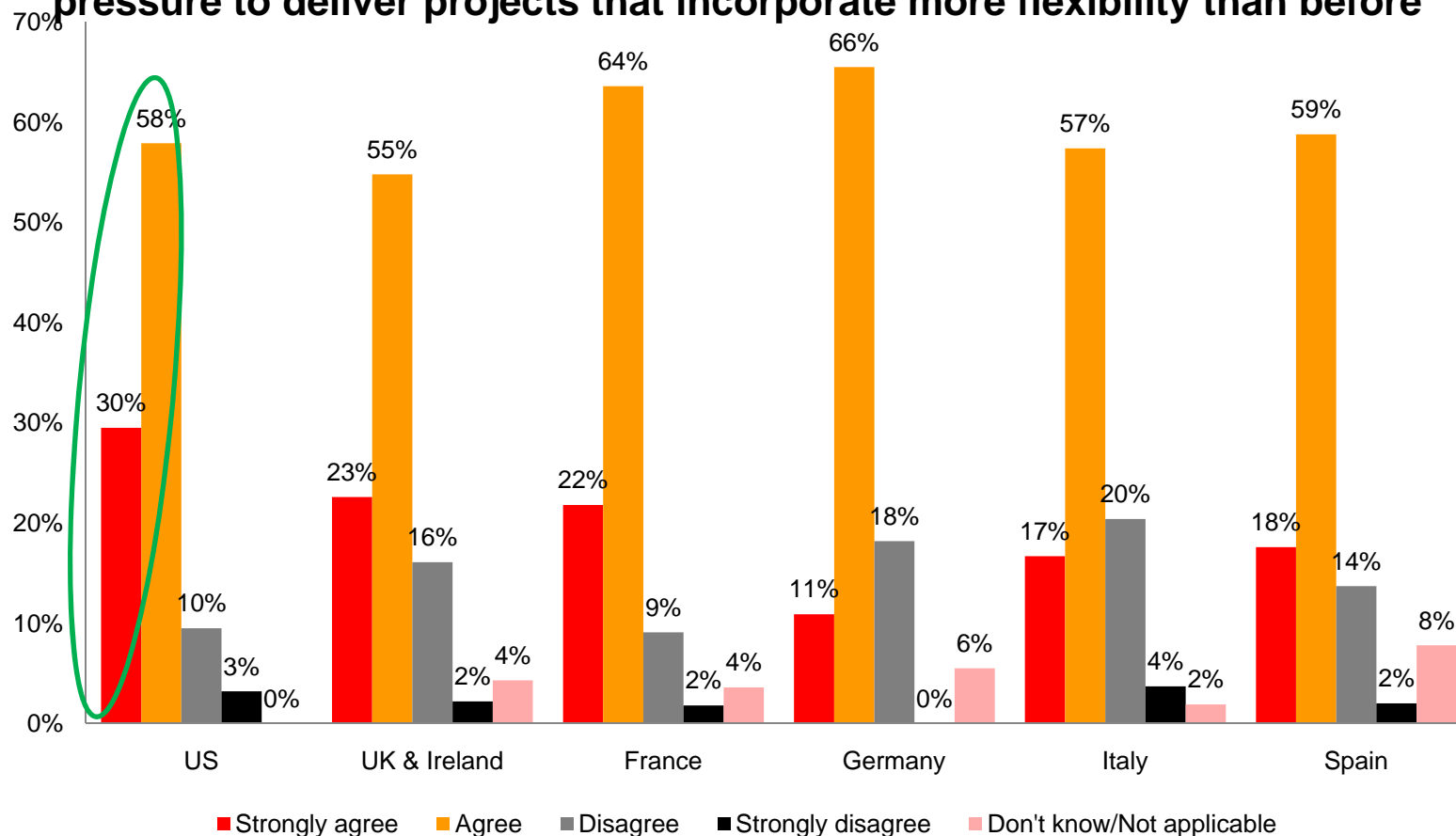
**In the US, 88% of respondents agree there is an increasing need for flexible systems; in Europe this pressure is felt most acutely in France and the UK & Ireland >**

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- **Do you agree or disagree with the following statements about the impact of the economic crisis on the IT function in your organisation? IT is under increasing pressure to deliver projects that incorporate more flexibility than before**



Chart data:

| | US | UK & Ireland | France | Germany | Italy | Spain |
|---|---|---|---|---|---|---|
| Strongly agree | 30% | 23% | 22% | 11% | 17% | 18% |
| Agree | 58% | 55% | 64% | 66% | 57% | 59% |
| Disagree | 10% | 16% | 9% | 18% | 20% | 14% |
| Strongly disagree | 3% | 2% | 2% | 0% | 4% | 2% |
| Don't know/Not applicable | 0% | 4% | 4% | 6% | 2% | 8% |

Legend: ■ Strongly agree  ■ Agree  ■ Disagree  ■ Strongly disagree  ■ Don't know/Not applicable

# 35% of executives surveyed believe stable project requirements reduce implementation costs

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- **Which of the following do you feel are the most effective measures that can be taken to reduce the costs of implementing technology projects?**

| Measure | Percentage |
|---|---|
| Ensure that the initial project requirements remain stable throughout the life of the project | 35% |
| Replace/rationalise existing systems | 24% |
| Move to lower cost or open plaforms | 23% |
| Adopt new approaches to execution of projects' software components (eg, Software-as-a-service, Open source) | 21% |
| Get vendors or partners to reduce their fees | 18% |
| Entrust project management and accountability to the central IT function | 17% |
| Concentrate project management and accountability within one business unit (not IT) | 16% |
| Assign more project tasks to staff in cheaper global locations | 11% |
| Reduce the size of the project team | 10% |
| Entrust more project tasks to vendors or partners | 9% |
| Other, please specify | 2% |
| Don't know/Not applicable | 2% |

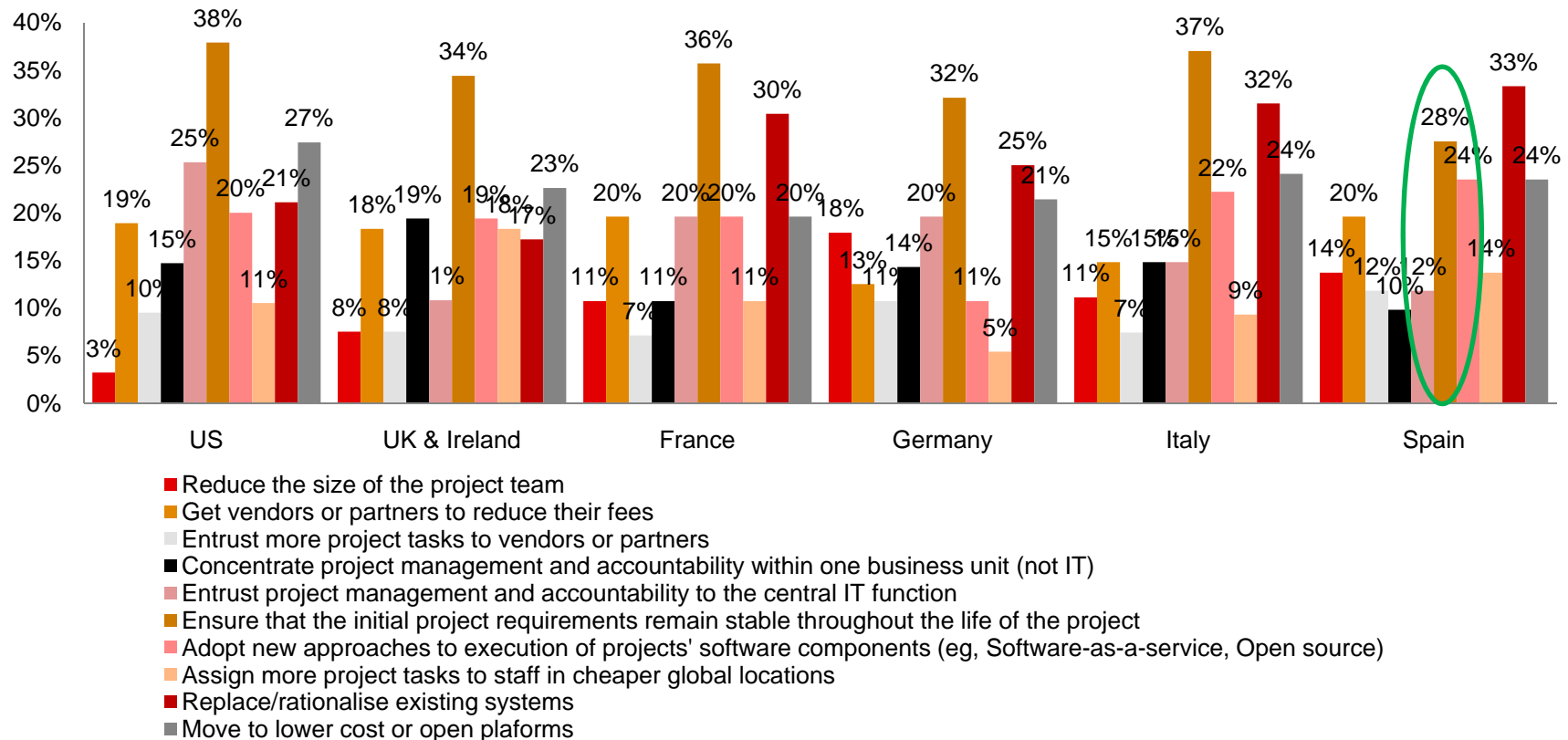# However, Spain feels the least strongly about stable project requirements (28%)

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- **Which of the following do you feel are the most effective measures that can be taken to reduce the costs of implementing technology projects?**



Legend:
- ■ Reduce the size of the project team
- ■ Get vendors or partners to reduce their fees
- ■ Entrust more project tasks to vendors or partners
- ■ Concentrate project management and accountability within one business unit (not IT)
- ■ Entrust project management and accountability to the central IT function
- ■ Ensure that the initial project requirements remain stable throughout the life of the project
- ■ Adopt new approaches to execution of projects' software components (eg, Software-as-a-service, Open source)
- ■ Assign more project tasks to staff in cheaper global locations
- ■ Replace/rationalise existing systems
- ■ Move to lower cost or open plaforms

**Overall, 49% said making project requirements clearer would help achieve faster payback**

- **Choose two measures that would help most to achieve faster payback on technology investments in your part of the business?**

| Measure | % |
|---|---|
| Make project requirements clearer | 49% |
| Keep business priorities as stable as possible throughout the life of the project | 39% |
| Reduce the size of projects (ie, less ambitious) | 23% |
| Adopt new approaches to delivery of projects' software components (eg, Software-as-a-service, Open source) | 19% |
| Provide financial incentives to project team members to implement their project tasks more quickly | 14% |
| Incentivise vendors and other partners to accelerate their delivery of needed inputs | 10% |
| Adopt new project software for managing projects | 9% |
| Reduce the size of the project team to reduce project costs | 9% |
| Increase the size of the project team to accelerate implementation | 6% |
| Other, please specify | 2% |
| None-- we do not seek to accelerate payback periods for our investments | 1% |
| Don't know/Not applicable | 3% |

# Clearer project requirements for faster payback is especially key in Spain (59%) and Italy (52%)



- **Choose two measures that would help most to achieve faster payback on technology investments in your part of the business?**



Legend:
- Reduce the size of projects (ie, less ambitious)
- Make project requirements clearer
- Adopt new project software for managing projects
- Increase the size of the project team to accelerate implementation
- Reduce the size of the project team to reduce project costs
- Keep business priorities as stable as possible throughout the life of the project
- Incentivise vendors and other partners to accelerate their delivery of needed inputs
- Provide financial incentives to project team members to implement their project tasks more quickly
- Adopt new approaches to delivery of projects' software components (eg, Software-as-a-service, Open source)