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The 2008 Global CIO survey by Capgemini Consulting highlights the paradox between the increasing need for IT in business innovation and the actual role of IT departments

Two thirds of CIOs believe that IT is critical to business innovation, but only one out of four felt their IT function was actually driving business innovation

Paris, March 11, 2008 –Capgemini Consulting, the strategy and management consulting discipline of the Capgemini Group, today revealed the findings of its third Global CIO survey entitled ‘The role of the IT function in Business Innovation – Operator vs. Innovator’, which is the result of almost 400 face to face interviews with global CIOs representing all industries. The survey highlights the paradox between the increasing need for IT in business innovation and the actual role of IT departments, as it found that two thirds of CIOs – and 81% that work in the Public Sector, believe that IT is critical to business innovation, but only one out of four feel their IT function is actually driving business innovation.

The Survey highlights that technologies, as well as users, are dramatically evolving and that there is a risk that IT departments will be spectators rather than participants in the evolution. It is time for CIOs to find a seat at the business innovation table with renewed governance, processes and mindset, while continuing to manage operations, at the heart of IT departments’ core mission. Interestingly, the survey reveals that **60% of CIOs** believe it is possible for an IT department to manage both business innovation and fundamental IT services.

According to Eric Monnoyer, BIS Global Leader within Capgemini Consulting; “*For CIOs, managing the balance between cost containment and continuity whilst driving competitive advantage is a constant challenge. As the drive for ‘innovation’, it continues to dominate the business agenda and this is a real opportunity for the CIO to deliver business transformation through the IT function*”.

What does an innovative business look like?

Of the companies surveyed, Capgemini Consulting identified 18 with above average business performance as ‘top innovators’. These are organisations where innovation is identified as a priority for the business and the IT

function is seen as playing a leading role in that innovation. CIOs looking to drive innovation can start by reviewing these core characteristics, shared by the top innovators:

- understanding of IT by business leadership (**77% vs. 38% average**)
- effective relationships between IT and the business (**94% against an average of 67%**)
- very strong delivery of fundamental IT services (**83% against an average of 56%**)
- the CIO reports to the CEO/COO (rather than the CFO) (**75% against 53%**)
- **88% (against 40%)** stating that they were a partner of the business not a supplier or utility provider

When comparing different industry sectors, the survey reveals that IT is now playing a key role in **business innovation in the Public Sector**: it comes first as the sector that considers IT as a source of innovation and second, just after Financial Services, as the sector in which companies have KPIs for the IT function for innovation.

What are the challenges?

CIOs cite their most important challenges to innovation as:

- short term operational matters (**52%**),
- insufficient capabilities (**37%**),
- difficulties in recruiting skilled staff (**35%**),
- a lack of business sponsorship (**25%**),
- and poor business and IT collaboration (**24%**).

Meanwhile, a new generation of IT literate users is now able to innovate using IT without the help of the IT department. User driven technology demands have made IT more critical to the business but the IT function less so. This comes at a time when much of the IT value chain has been outsourced and replaced by package implementation, leaving IT with a process-oriented, cost and risk containment role. Interestingly, the level of outsourcing is not seen as a barrier for IT to play a key role in business innovation: **72% of the respondents** believe it has a positive impact, providing the capacity to focus on innovation. According to the report, effective CIO leadership, an open and informal organisational culture and IT performance measures that focus on value are likely to drive innovation in the current business climate.

What are the recommendations for building a key role for the IT function in business innovation?

In order to achieve this, CIOs must reconfigure the IT organisation and its governance by doing the following:

- separating IT fundamentals from business innovation and identifying the correct balance between the two;
- maximising available resources and skills by effectively using technology partners and outsourcing;
- linking technology to innovation instead of cost to show that IT can change the business for the better;

- partnering with businesses in key innovation areas to improve business processes and identify innovative technology that brings value to the business.

“The successful IT function will transform itself into an effective conduit for accessing services in the marketplace and delivering these services to users, empowering them in their roles to achieve business goals. This will drive an increased business worth around the IT function as an enabler of innovation for business benefit.” summarizes Eric Monnoyer, BIS Global leader, Capgemini Consulting.

The Global CIO Survey

The CIO survey is a result of 395 face to face interviews with global CIOs representing all industries. The interviews were conducted between August and November 2007. This research is the latest iteration of a series of international CIO surveys produced by Capgemini Consulting:

- European CIO Survey – views on future IT delivery 2006
- Global CIO Survey 2007: IT agility – enabling business freedom.

For the purposes of this survey Capgemini Consulting used the following definition of innovation: ‘Change that creates a new dimension of performance’ Peter F Drucker.

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