

Dissolving the silo around IT

A global picture with a spotlight on Europe

An Economist Intelligence Unit executive summary
in co-operation with BMC Software





A recent survey by the Economist Intelligence Unit polled CEOs, CIOs and other senior executives to determine the true vs. perceived alignment of IT to the business. The survey was carried out in October 2006 among 565 respondents worldwide (200 based in Europe, 146 in North America, 188 in Asia Pacific and 31 in the rest of the world). Of the global respondents, 42% hold IT roles and 52% are C-level. Thirty-six percent of companies had annual sales of more than US\$1 billion, and 49% reported annual sales of less than US\$500 million.

The main findings of the survey, conducted in cooperation with BMC Software, are as follows:

- IT executives think they are more closely aligned to business objectives than business executives perceive them to be.
- While CIOs are held accountable for the success of IT decisions, they rarely have final say over major investment decisions.
- At the highest level, measurements of IT success must reflect business goals, as agreed upon with business executives.
- CIOs need to understand the business better, or overcome the perception that they do not understand it well enough, if they are to play a more vital role in company strategy.
- Both IT and non-IT executives predict that, despite these perception gaps, the influence of the CIO will rise in areas outside of the IT function.

IT executives think they are more closely aligned to business objectives than business executives perceive them to be.

Perception gap

As IT strives to align itself with the business, it is telling that only 8.5% of IT executives and 6.7% of non-IT executives feel that their organisation's IT objectives are "perfectly aligned" with its business objectives.

European spotlight

Executives in different regions hold divergent views on the extent to which their organisation's IT objectives are aligned with its business objectives.

In Europe, 72% of IT executives and only 55% of non-IT executives surveyed believe that IT objectives are perfectly aligned or well aligned with business objectives. For the world as a whole, 63% of IT executives and 48% of non-IT executives say IT and business objectives are perfectly aligned or well aligned.

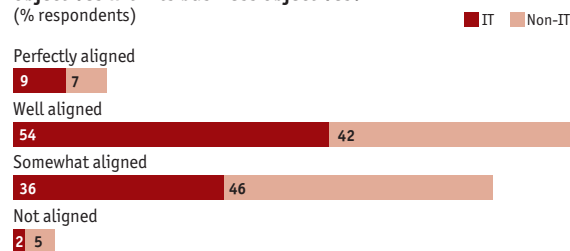
European executives have a somewhat more favourable view of alignment than elsewhere. And the 17-percentage-point gap in perception between IT and non-IT executives in Europe is slightly larger than in the rest of the world (15 percentage points) (see chart 3 in the Appendix).

Interestingly, those who feel that IT objectives are "well aligned" with business objectives differ depending on their role in the organisation. Over 54% of IT executives fall into this category, compared with less than 42% of non-IT respondents. This gap

Global results.

In your opinion, how well aligned are your organisation's IT objectives with its business objectives?

(% respondents)



Source: Economist Intelligence Unit survey.

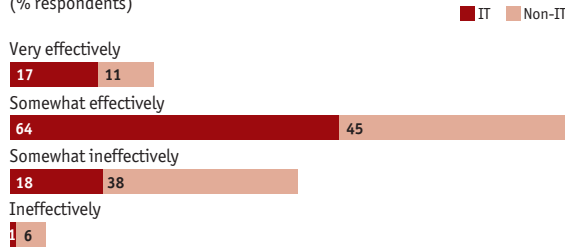


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Executive summary/Europe

Global results.

How well do you think IT articulates its ability to support the needs of the business at your company?
(% respondents)



Source: Economist Intelligence Unit survey.

indicates that IT executives believe that IT is more aligned with business objectives than do their non-IT counterparts.

Communication gap

Communication skills are a big asset if IT is to convey how well it can help the business perform better. Nevertheless, IT executives may give themselves more credit than they deserve for clearly articulating IT's ability to support the needs of the business. Over 80% of IT executives said IT communicates this information effectively, but just over 55% of non-IT executives agreed. This is an indication that CIOs need to explain IT's role in the business more effectively, particularly to business executives, stressing business relevance.

Chief obstacles

A further indication that a communication gap exists between IT and the business can be found in respondents' views on the chief obstacles to aligning IT objectives with the aims of the overall business. A large number of both IT (40%) and non-IT (33%) executives say that the primary obstacle to alignment is a poor understanding among business leaders of how IT should support business objectives. As the responses show, IT executives feel more strongly than

European spotlight

In Europe, IT and non-IT executives are a little closer to agreeing on the chief obstacles to alignment.

Business understanding IT

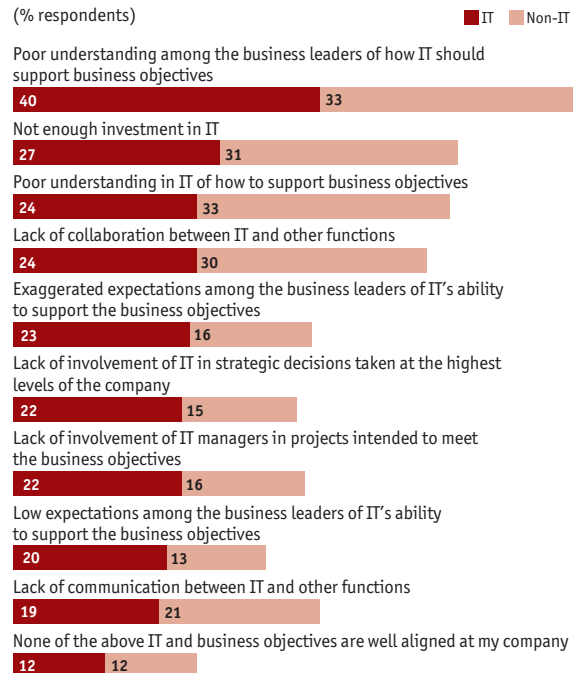
In contrast to the 7% gap in worldwide perception of how well business executives understand IT, there is only a 2% gap in Europe. Among European respondents, 42% of IT executives say that business leaders don't understand how IT should support business objectives, while 40% of non-IT executives agree.

IT understanding business

In terms of how well IT executives understand business objectives, by contrast, the perception in Europe is closer to worldwide findings. In line with these findings, 24% of European IT executives believe that IT's poor understanding of how to support the business is a chief obstacle to alignment. However, only 31% of non-IT executives agreed, 2% below the worldwide norm (see chart 4 in the Appendix).

Global results.

In your opinion, what are the chief obstacles to your organisation's ability to align IT's objectives with the aims of the overall business?



Source: Economist Intelligence Unit survey.



their business counterparts that the business doesn't understand IT.

Interestingly, this perception is reversed when it comes to how well IT executives understand the business. In the same survey question, only 24% of IT executives identified IT's lack of business understanding as a chief obstacle, whereas 33% of non-IT executives perceived this to be the case.

Clearly, the two sides do not see eye-to-eye on where the disconnect lies. Each seems to direct the lack of alignment at the other.

While CIOs are held accountable for the success of IT decisions, they rarely have final say over major investment decisions.

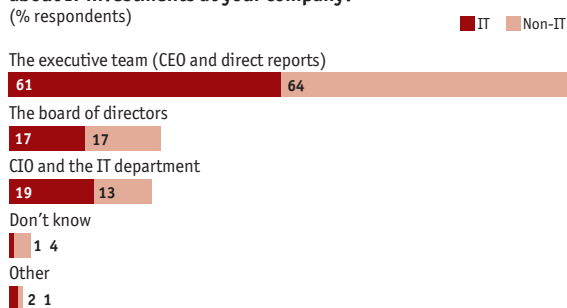
Responsibility vs. authority

When it comes to the way IT is governed within the organisation, the CIO is sometimes in the unenviable position of being held accountable for the success of IT projects without having the authority to make the most important investment decisions.

In the survey, respondents were asked who has the final say over strategic and/or major decisions about IT investments. In fact, among all survey respondents

Global results.

Who has the final say over strategic and/or major decisions about IT investments at your company?



Source: Economist Intelligence Unit survey.

European spotlight

Among Europe-based respondents, 66% believe that the CEO and executive board have final say over strategic and/or major decisions about IT investments (3% higher than the worldwide results). At the same time, 42% of European executives surveyed believe that the CIO is responsible for the success or failure of IT projects.

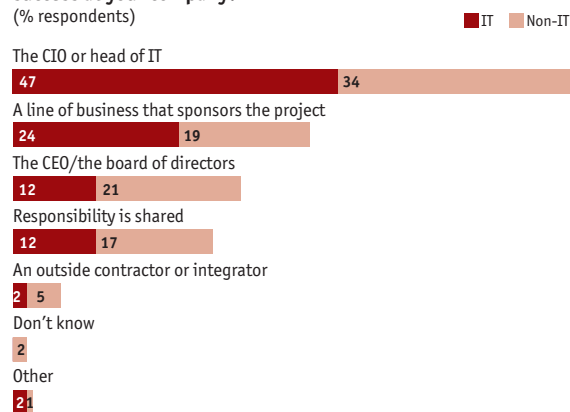
Although it seems as if European executives are placing more pressure on their CIOs than the rest of the world, there is a silver lining. Whereas worldwide responses show a gap of 12% between IT and non-IT executives regarding CIO responsibility for IT project success, in Europe that gap is only 3% (see charts 8 and 9 in the Appendix).

only 16% identified the CIO as having this authority compared with 63% of respondents who identified the CEO or executive team. This held true among IT executives (61% identified the CEO as the authority) and among non-IT executives (64% identified the CEO as the authority).

When asked who actually "owns" IT projects and is responsible for their success, respondents identified the CIO more often than the CEO. Among respondents, 40% say that the CIO or head of IT is responsible for

Global results.

Who "owns" IT projects and takes responsibility for their success at your company?



Source: Economist Intelligence Unit survey.



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these projects, while only 18% identify the CEO as having responsibility for the success of IT projects. This tells us that although the CEO clearly has final say over strategic IT investments (63%), it is the CIO who is responsible for the success or failure of those strategic decisions (40%).

If we dig a little deeper into some of these responses, we see yet another disconnect between IT's perspective and that of the business. For example, more than 47% of IT executives believe that the CIO is responsible for the success of IT projects. However, less than 35% of non-IT executives feel the same way. Similarly, just 12% of IT executives, but 21% of non-IT executives, identify the CEO and board of directors. What does this mean? By a margin of 3.8:1, IT executives identify the CIO, rather than the CEO or board of directors, as being responsible for the success of IT projects. This is significantly greater than the 1.6:1 margin between the views of non-IT executives who hold the CIO responsible for IT project success instead of the CEO or board of directors.

At the highest level, measurements of IT success must reflect business goals, as agreed upon with business executives.

It is possible that much of the disconnect between IT and non-IT executives could be minimised if the two could agree on how exactly to measure IT success. As the survey shows, there is a disparity of views on how IT performance is measured in organisations, with IT and non-IT executives placing a different emphasis on key metrics. There is also disagreement on who decides how IT is held to account.

Among IT executives, when asked to identify those metrics their organisations use to measure IT performance, the largest number of respondents chose

European spotlight

Among Europe-based respondents, a staggering 48% of IT executives believe that the IT department is measured purely as a cost centre. This is 14% higher than the IT executives worldwide (34%).

Among non-IT executives, this finding is more aligned with worldwide results. Within Europe, 26% of non-IT executives see IT purely as a cost centre, while 25% of non-IT executives worldwide feel the same way.

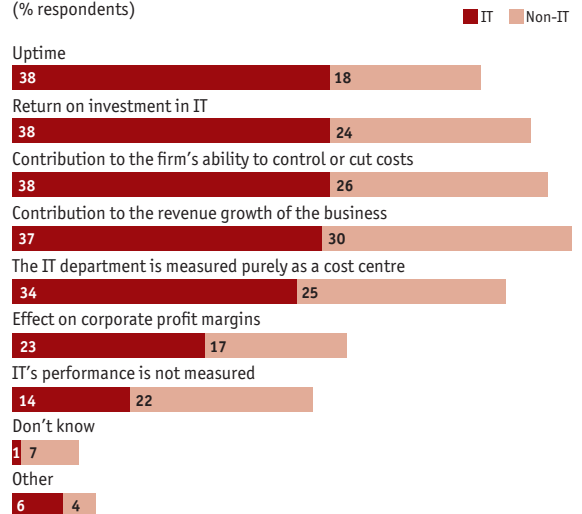
Although other metrics were identified as important within Europe—it is this perception among IT executives of IT as a cost centre that must first be overcome (see chart 10 in the Appendix).

uptime (38%), return on investment in IT (38%), contribution to the firm's ability to control or cut costs (38%) and contribution to the revenue growth of the business (37%). This indicates that IT executives recognise that their firms tend to apply general business performance metrics to the IT function.

Although more non-IT executives chose the two business performance measures more often than the other metrics offered, their selections of IT performance measures were more widely dispersed.

Global results.

How is the performance of IT measured in your organisation? (% respondents)



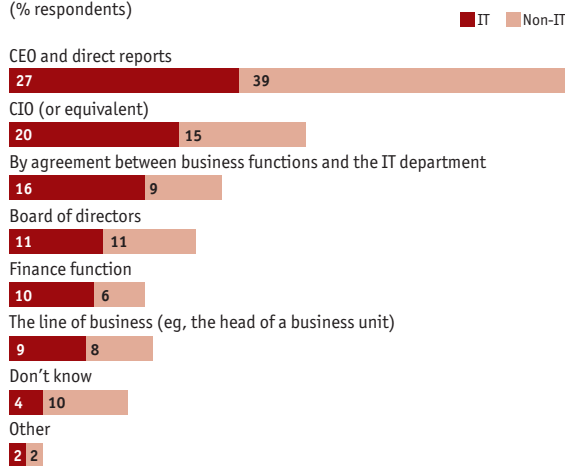
Source: Economist Intelligence Unit survey.



Among this group, 30% identified contribution to the revenue growth of the business and 26% identified contribution to the firm's ability to control or cut costs, whereas more than 25% said that IT performance is measured purely as a cost centre and 24% chose return on investment in IT.

Interestingly, the survey shows that the largest number of respondents (both IT and non-IT executives) believe that the CEO (and direct reports) actually determine how IT performance is measured. In fact, only 17% overall believe that the CIO makes this determination — just over half as many believe it is the CEO.

Global results.
Who determines how the performance of the IT department is measured?
(% respondents)



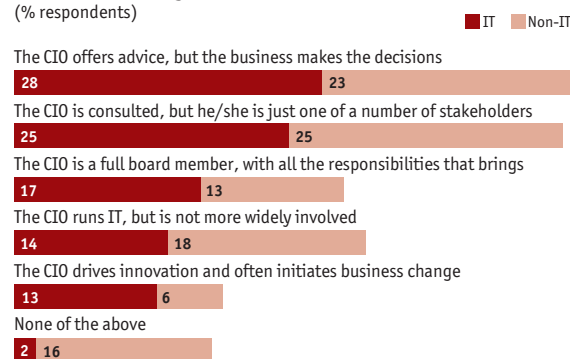
Source: Economist Intelligence Unit survey.

CIOs need to understand the business better, or overcome the perception that they do not understand it well enough, if they are to play a more vital role in company strategy.

As the responses above have shown, IT is facing a disconnect with the business. This “perception gap” results from IT executives and non-IT executives holding different ideas about the function, responsibility and measurements for the success of IT. As long as this perception gap exists, CIOs will be limited in their ability to provide strategic value to the organisation.

Not surprisingly, the CIO is, in most companies, not (yet) a full member of the board or senior executive team. The CIO is consulted on major business decisions, but the heads of the business units actually make the decisions. The survey asked: To what extent is the CIO currently involved in decision-making outside of IT? Although half of all of the respondents said that the CIO is consulted or offers advice on non-IT business decisions, only 15% of them said that the CIO is a full board member in their organisation.

Global results.
To what extent is the CIO (or equivalent) currently involved in decision-making outside of IT?
(% respondents)



Source: Economist Intelligence Unit survey.



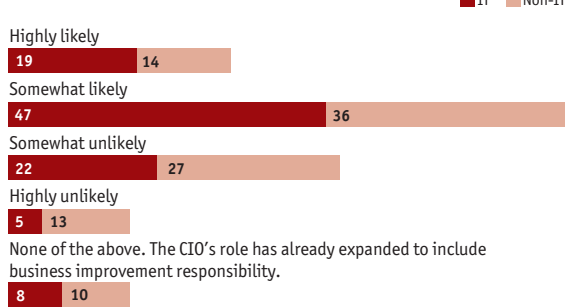
Dissolving the silo around IT

Executive summary/Europe

Global results.

Do you expect the CIO's role to expand and become more involved in business improvement over the next year, in addition to managing day-to-day IT operations?

(% respondents)



Source: Economist Intelligence Unit survey.

Both IT and non-IT executives predict that, despite these perception gaps, the influence of the CIO will rise in areas outside of the IT function.

Despite these gaps, respondents believe that the CIO's profile will rise over the next year. In fact, despite the problems in communication and a lack of understanding about the contribution of IT to the business, 56% of respondents say that the CIO's role is likely to expand. This could be due to the criticality of IT to the success of the business.

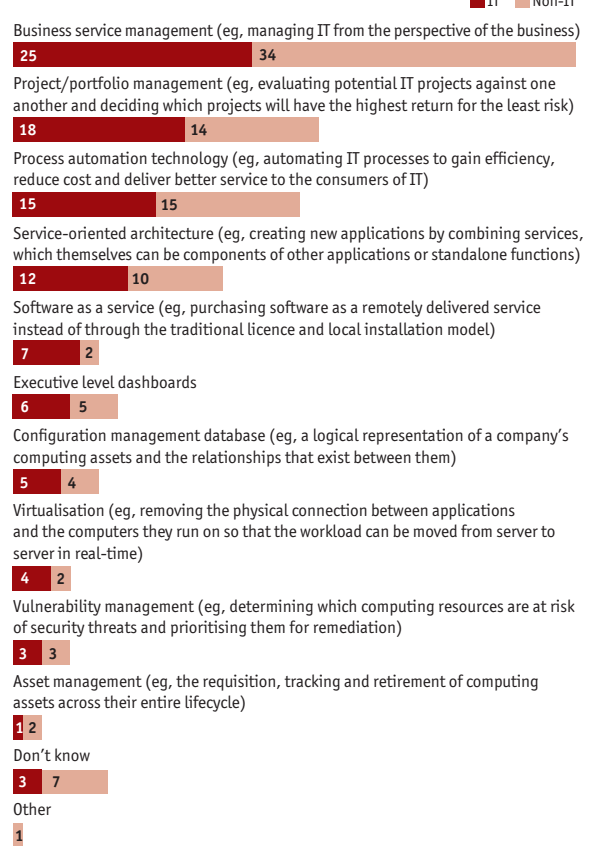
To expand the role of the CIO successfully, it is important for IT executives and business leaders to understand how IT should support business objectives. By managing IT from the perspective of the business, CIOs can become a strategic force within the business organisation.

When asked the best way to enable IT to become more business-focused at their organisations, more

Global results.

Which of the following could best be used by IT to enable it to become more business-focused at your company?

(% respondents)



Source: Economist Intelligence Unit survey.

respondents chose Business Service Management (BSM) than any other approach. (BSM is aimed at helping network executives rank the importance of IT projects to the overall business, and align IT with business goals.) In fact, 30% of all respondents selected BSM — nearly 14% more than those who chose the next highest option.



Conclusion

The survey shows that both IT and non-IT executives have work to do if they are to improve alignment between IT and the business. If business leaders want IT to perform better, they need to know how to get the best out of IT and understand what it is capable of. At the same time, IT heads need to gain a better understanding of the business and ultimately become a true partner in driving business results.

Deciding how IT is measured and who is responsible for IT's performance are key factors in maximising IT's value to the organisation. Both IT and business executives need to work together more closely to ensure that business requirements are translated into systems that IT can deliver effectively, on time and on budget.

Appendix

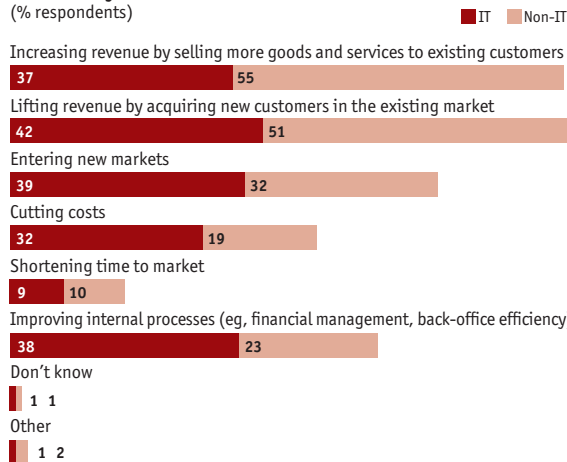
Dissolving the silo around IT Europe results

Appendix—Europe results

The survey was carried out in October 2006 among 565 respondents worldwide (200 based in Europe, 146 in North America, 188 in Asia Pacific and 31 in the rest of the world).

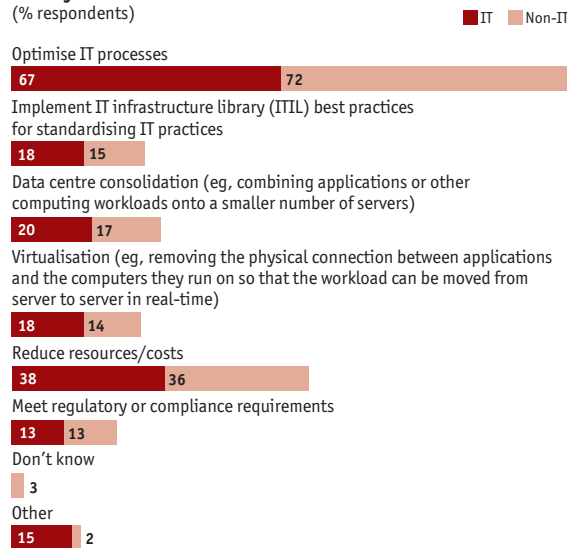
1. What are your company's key business objectives over the next three years?

(% respondents)



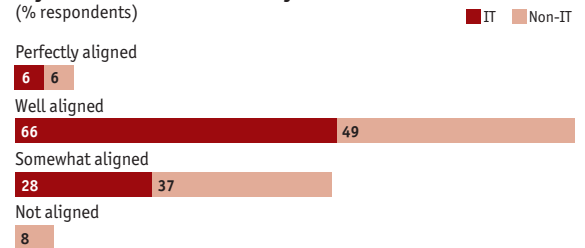
2. What are your company's key IT objectives over the next three years?

(% respondents)



3. In your opinion, how well aligned are your organisation's IT objectives with its business objectives?

(% respondents)



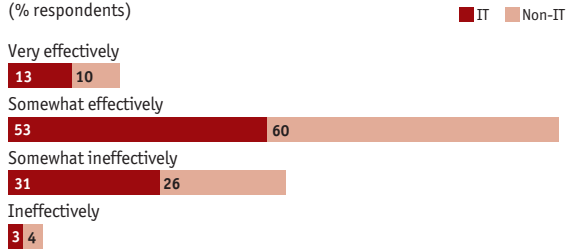
4. In your opinion, what are the chief obstacles to your organisation's ability to align IT's objectives with the aims of the overall business?

(% respondents)



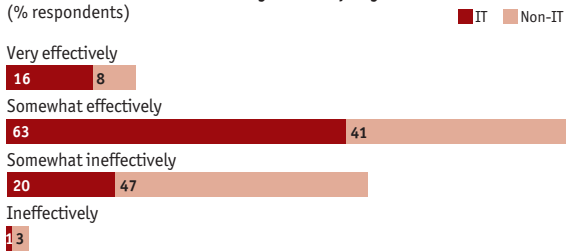
5. How effectively does your business express and prioritise its IT needs?

(% respondents)



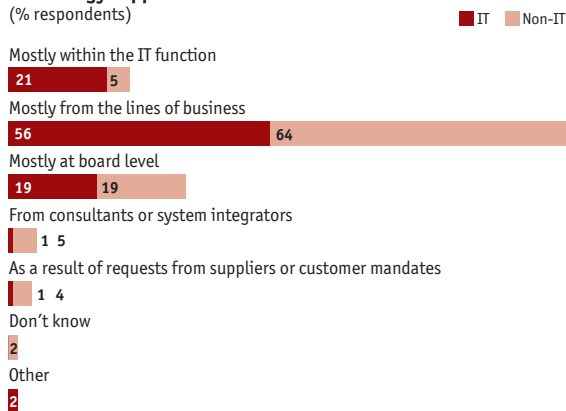
6. How well do you think IT articulates its ability to support the needs of the business at your company?

(% respondents)



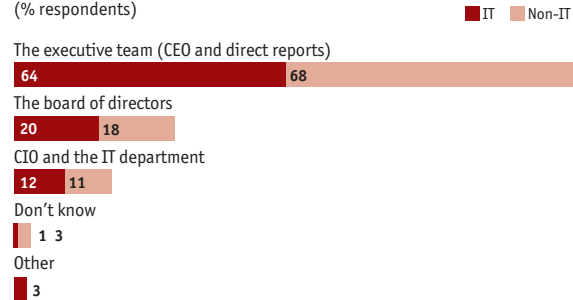
7. Where do most business initiatives originate that require technology support?

(% respondents)



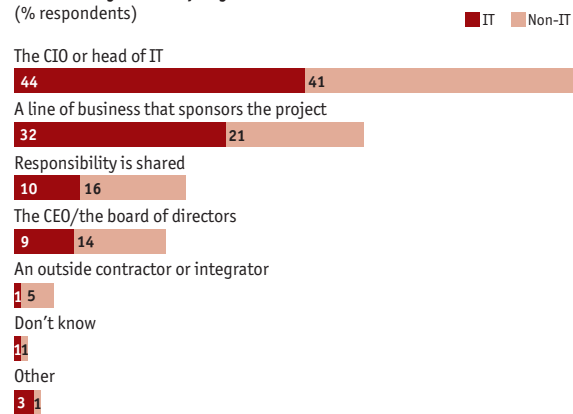
8. Who has the final say over strategic and/or major decisions about IT investments at your company?

(% respondents)



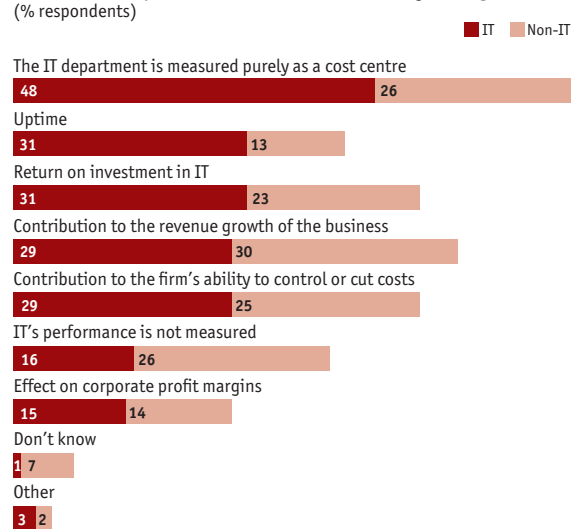
9. Who "owns" IT projects and takes responsibility for their success at your company?

(% respondents)



10. How is the performance of IT measured in your organisation?

(% respondents)

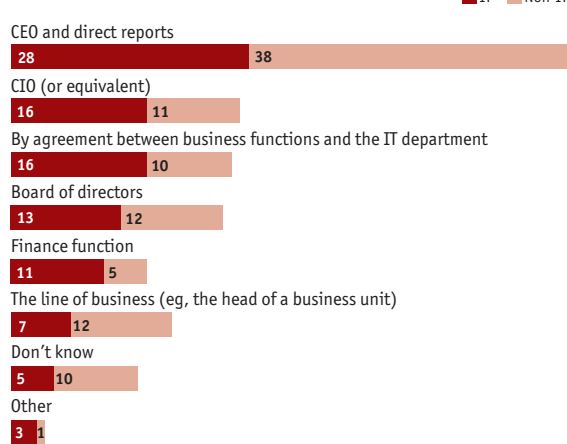


Appendix

Dissolving the silo around IT Europe results

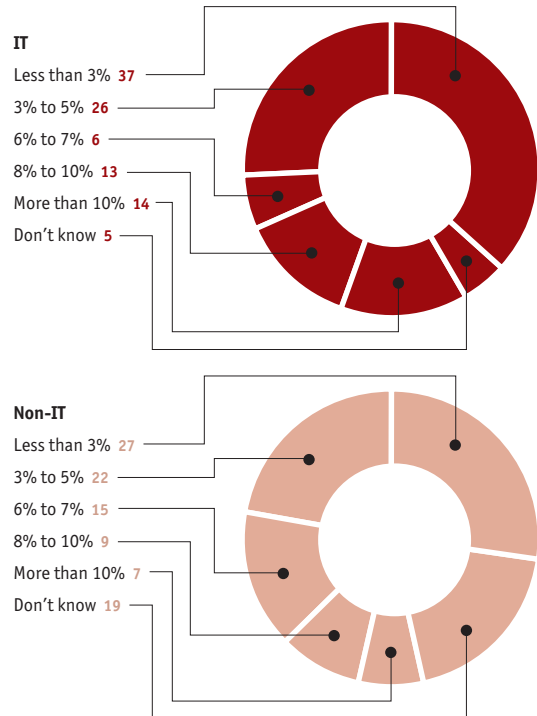
11. Who determines how the performance of the IT department is measured?

(% respondents)



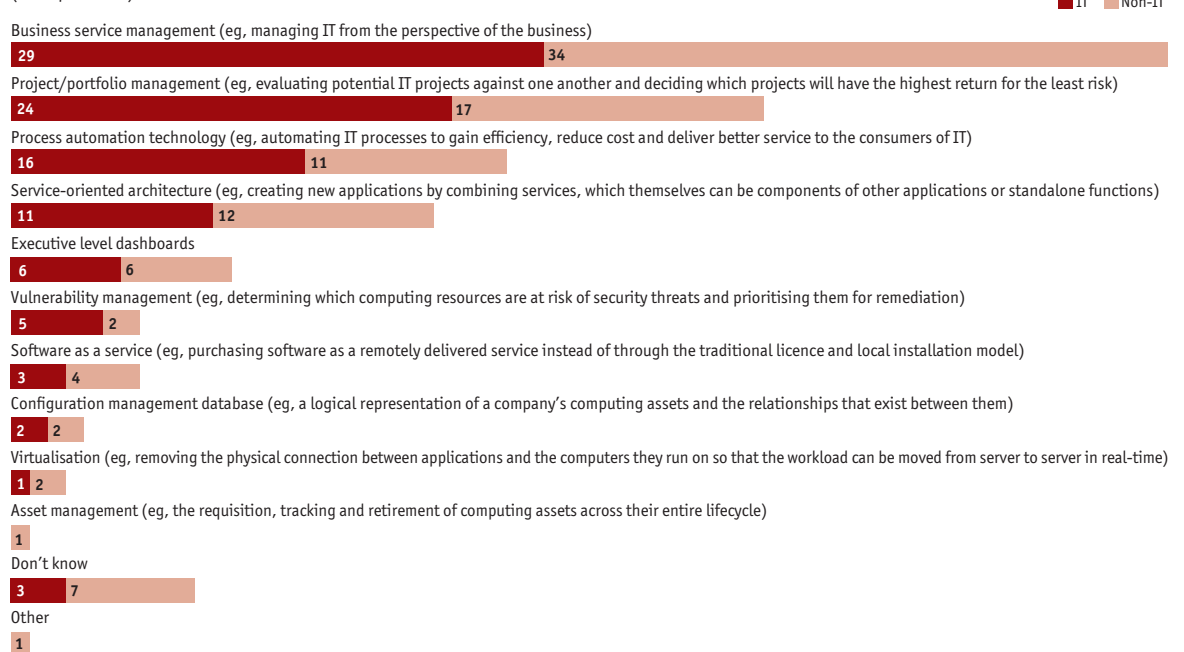
13. Approximately what percentage of annual global revenue does your organisation spend on IT?

(% respondents)

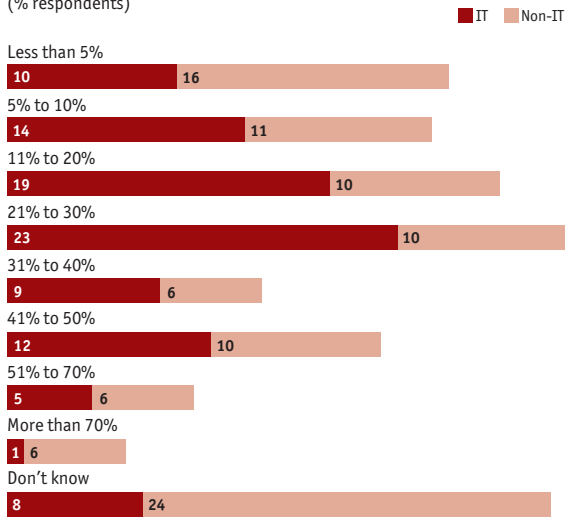


12. Which of the following could best be used by IT to enable it to become more business-focused at your company?

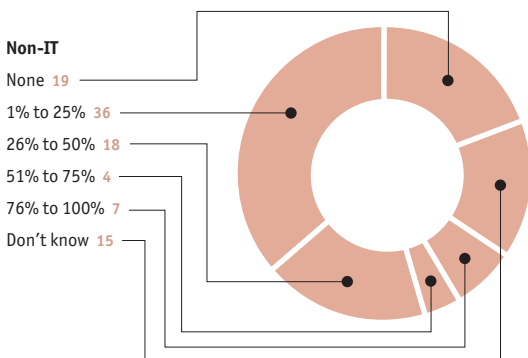
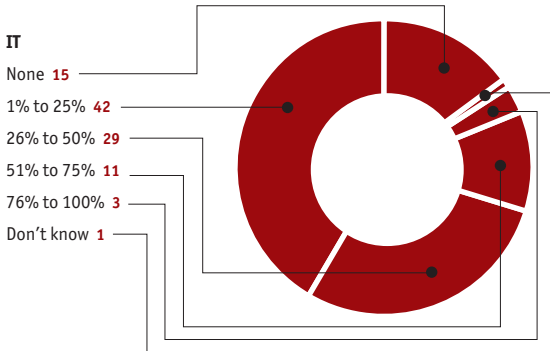
(% respondents)



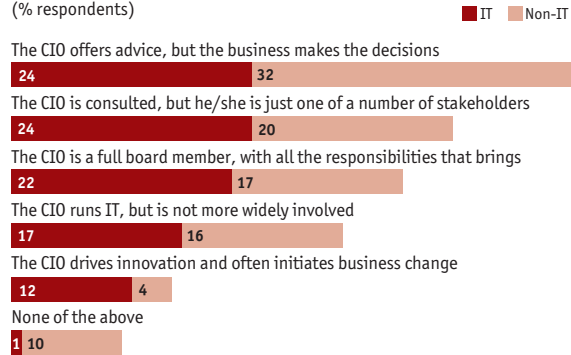
14. Approximately what percentage of your company's overall IT spending over the next year will go to new investments (instead of ongoing operations and maintenance)?
(% respondents)



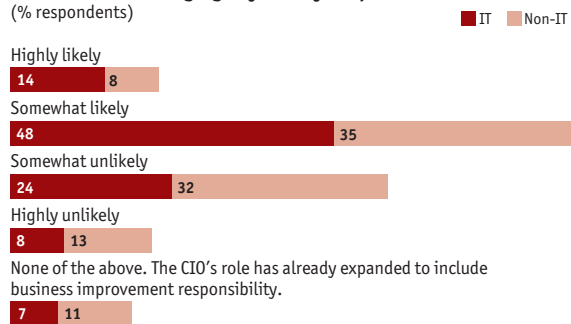
15. Approximately what percentage of your IT resources are outsourced?
(% respondents)



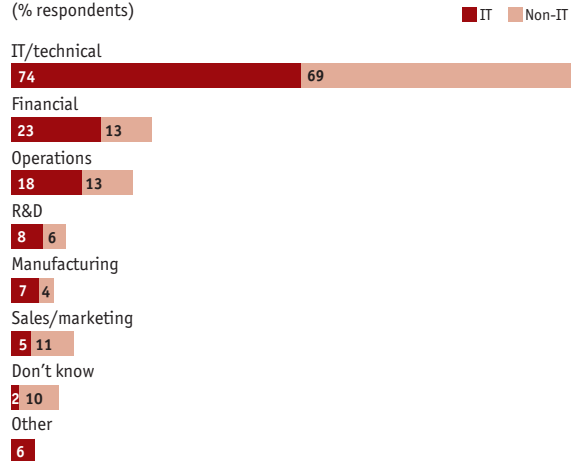
16. To what extent is the CIO (or equivalent) currently involved in decision-making outside of IT?
(% respondents)



17. Do you expect the CIO's role to expand and become more involved in business improvement over the next year, in addition to managing day-to-day IT operations?
(% respondents)



18. What is the career background of the CIO/Senior IT executive at your company?
(% respondents)

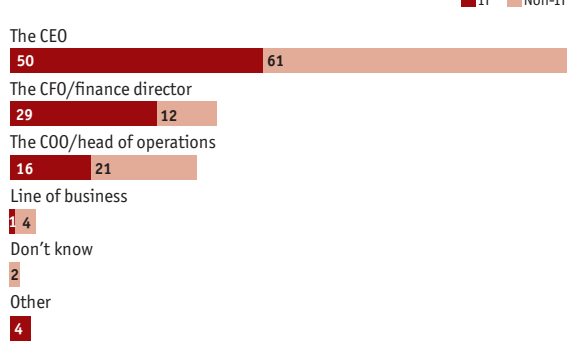


Appendix

Dissolving the silo around IT Europe results

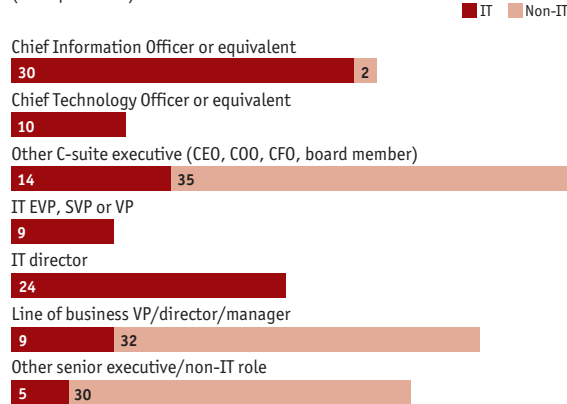
19. To whom does the CIO/Senior IT executive of IT report?

(% respondents)



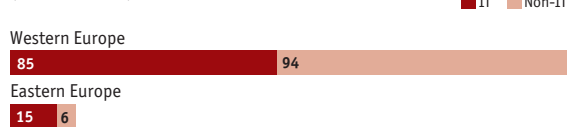
20. Which of the following best describes your job title?

(% respondents)



21. In which region are you personally based?

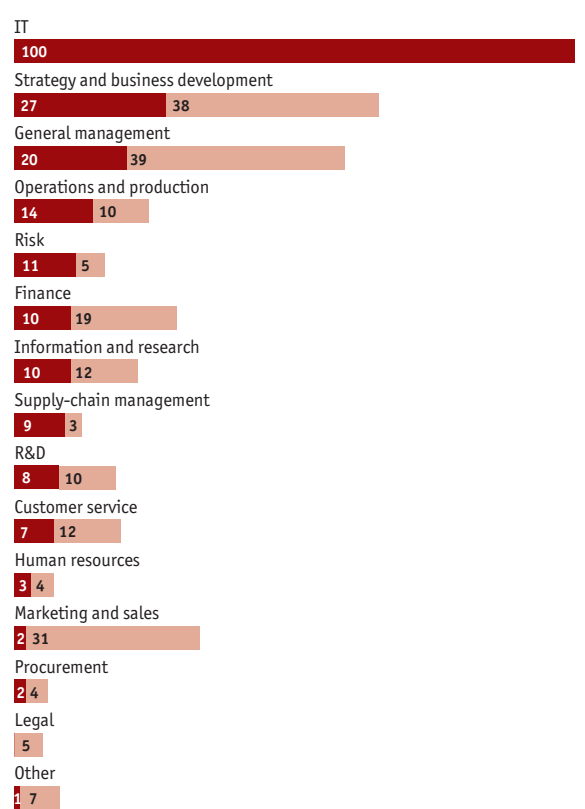
(% respondents)



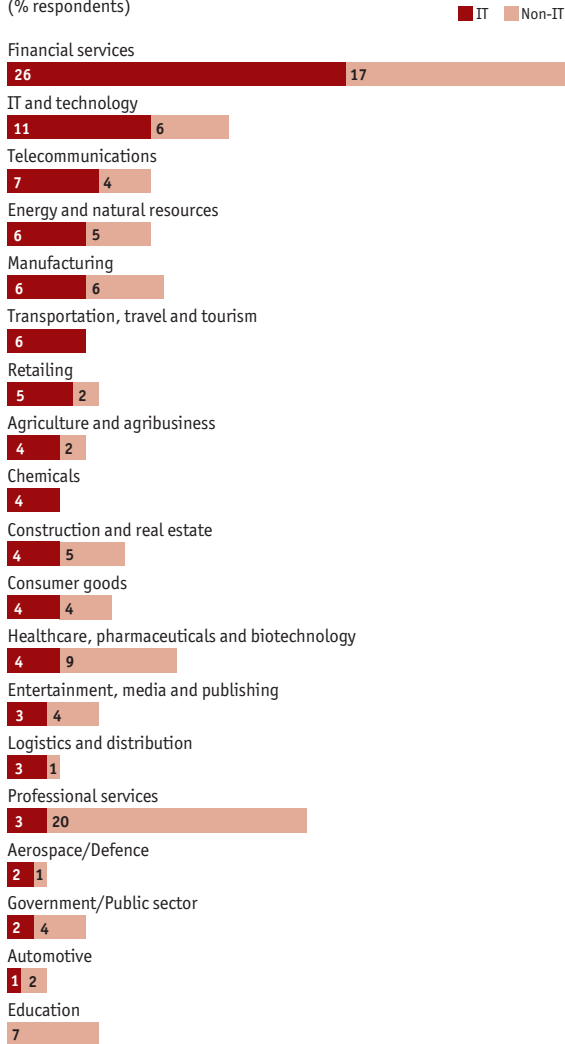
22. What are your main functional roles?

Please choose no more than three functions.

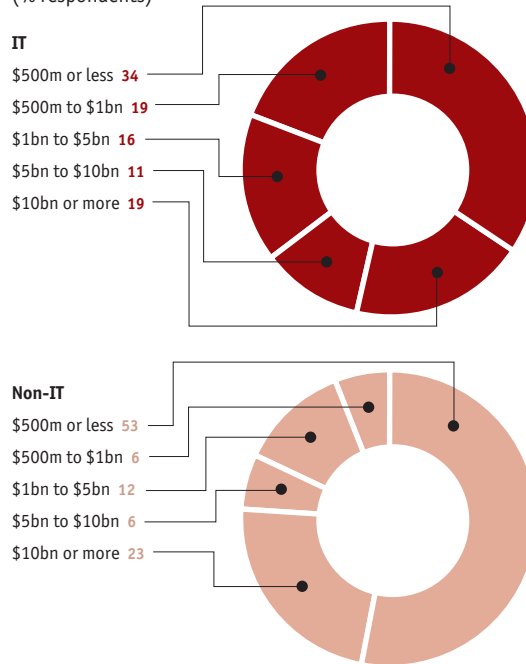
(% respondents)



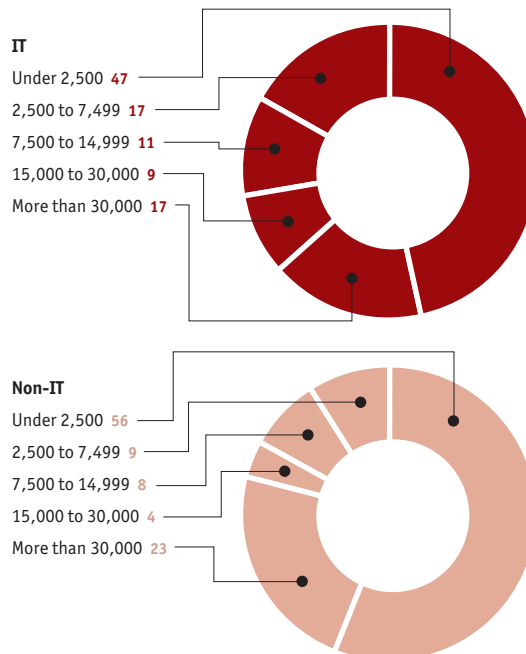
23. What is your primary industry?
(% respondents)



24. What is your organisation's global annual revenue in US dollars?
(% respondents)



25. How many employees are there in your organisation globally?
(% respondents)



While every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in the white paper.



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