

News Release

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Technology does matter

- **CIOs need seat at the table to prepare for a transformation future**
- **Technology must play lead role to drive innovation and change agenda**
- **CIOs and Boards need stronger relationship or risk missing opportunities**

Business needs to significantly elevate the role of Information Technology (IT) to prepare for a transformation future says Ernst & Young.

Following the findings of the *Innovating for growth* survey released today, Ernst & Young found more than 60% of respondents in Australia agree the Chief Information Officers (CIO) could increasingly become a key figure in driving business change. However just nine percent believe the IT function is 'very well prepared' for future demands.

In a number of organisations the CIO reports to a Chief Operating Officer (COO) or a Senior Executive responsible for IT and other back office functions, meaning the Board often has little visibility of IT function and the value the CIO could bring if they were appointed to Boards or at a minimum, had a seat at the management board table.

Oceania Performance Improvement Advisory Leader Mike Emmett says: "At the very least Boards should ensure the appointment of at least one Non Executive Director is accomplished and experienced in IT delivery and operations".

The survey, based on interviews with 869 CIOs, C-suite and board members in 15 countries and across 12 industry sectors, showed 88% of Australian respondents say the role and contribution of IT will be important in managing economic trends such as consolidating markets, geographic shifts in economic power and increasing regulation.

“There’s no doubt IT has made a significant contribution to business success in the past decade. However, given a tighter and more competitive global marketplace, expectations placed on this function will continue to intensify.

“Management is looking to areas such as IT to up the ante in both innovation and cost efficiencies,” Mr Emmett said.

The survey found however, that only 27 per cent of Australian respondents strongly agree the board has a good understanding of the potential of IT to help transform how the business operates.

“More than ever, Boards, CEOs and their executive teams need a solid understanding of IT and to have in place skilled, capable teams that can help them deliver growth.

“Technology is embedded in almost every business process. It is at the core of a company’s cost centre, and in particular sectors is inextricably linked to productivity and a company’s core value proposition,” Mr Emmett says.

The survey found that to play a more central role in improving business performance, IT needs to get closer to the business by better understanding its needs (68%), embedding stronger communication (77%) and spear-heading innovation and change (75%).

“Some companies have had this right for a long time. Others continue to have technology play a supporting role, limited to administrative and operational tasks rather than being part of the strategy, and will miss critical opportunities for growth and seizing market share.

“Of course, CIOs must continue to widen their lens to include more than just a focus on IT and become a true business partner. In particular, IT is expected to provide essential data management to help analyse markets and customers and focus on profitable segments.”

Mr Emmett says by aligning their teams with the needs of the business, CIOs can provide strategic as well as operational support from increasing revenue to cutting costs and, driving innovation and business transformation.

“In order to meet the needs of the business, IT will need to develop its skills in a number of key areas. These include communication, budget planning and managing risk. CIOs must work hard to build the case for finding innovative solutions to business transformation such as leveraging emerging technologies.

“With a renewed focus on cost reduction in most sectors, IT can also help create a permanently lower-cost business model,” Mr Emmett added.

Mr Emmett says that while IT underpins business across every sector, CIOs were not being appointed to boards and management teams in the business-as-usual manner as might have been expected.

“This report reinforces the need for diverse skill sets on boards, and none could be more relevant at this time than the core skill-set of a CIO. While inevitably it will take some time to catch on, CIO directors can bring vital skills and experience to the executive.

“At the very least, there is no doubt the relationship between boards and the IT function needs to be much stronger to be able to tackle the transformation agenda ahead.

“Notwithstanding, both boards and their heads of IT are equally responsible for leveraging technology to drive business growth, reduce costs and drive innovation. Otherwise they risk being left behind by others who have seized the immeasurable opportunities technology offers,” Mr Emmett says.

Key Findings

Australia

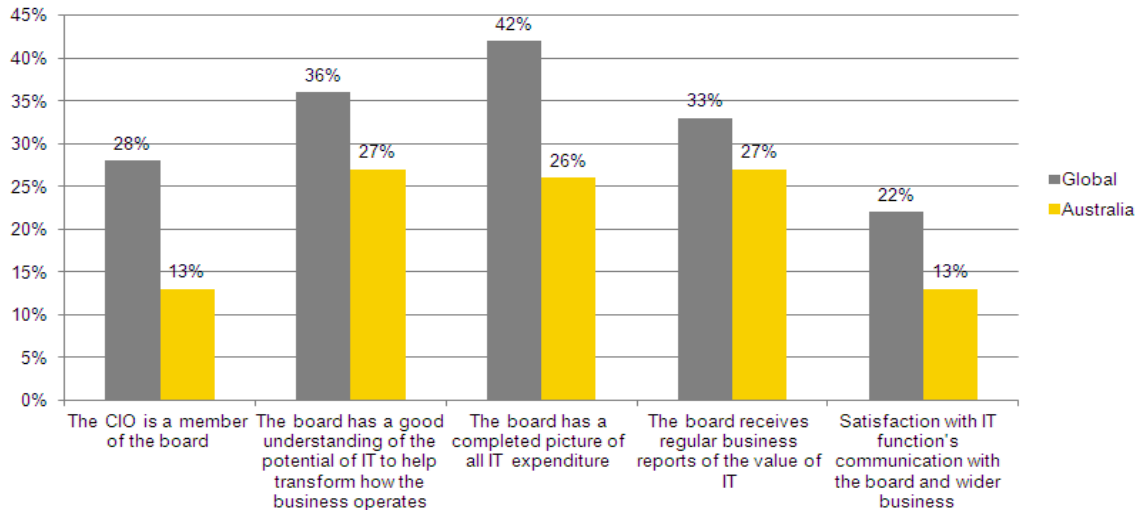
- 42% of respondents globally said that IT spend had risen in the previous 12 months, with Australia in the top five (52% of respondents). However, just 39% of respondents say their organisation has measures in place to quantify the return on expenditure.
- 61% of Australian respondents say they report business value created by IT, compared to 50% for global. Only 26% of Australian respondents say they are very confident that their board has a complete picture of IT expenditure in the organisation.
- 63% of Australian respondents feel that IT could take a more active role in innovation.

Global

- Globally, only 55% of non-board respondents are satisfied with the IT function's budget planning and control. In contrast, 73% of CIO respondents are satisfied with budget planning and control. CIOs also have differing views on how much the organisation is actually spending on IT, quoting a lower figure than their C-suite counterparts: 73% of CIOs are very or fairly satisfied with the IT function's management of budget planning and control versus 61% of C-suite, 55% of non-board and 63% of global respondents.
- A large majority of respondents, 81%, believe IT should better understand business needs and work on improving its ability to communicate. However, about three in ten respondents are not satisfied with the way IT communicates with the business, rising to four in ten for non-board members. Generally, respondents from larger companies (US\$5 billion plus annual turnover) are the most critical of IT's ability to understand and communicate with the business.

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A large gap between the CIO and the board



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Methodology

Ernst & Young carried out a worldwide survey of chief information officers / chief technology officers and IT Director (or equivalent), C-suite and board directors, from a variety of organizations across a wide selection of industries.

A total of 869 telephone interviews were conducted in 15 countries.

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