



A Luxembourgish outlook on the Global 2014 Deloitte CIO survey

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Introduction

For the second consecutive year, Deloitte ran its global survey for Chief Information Officers (CIOs) and equivalent Information Technology (IT) leaders, gathering insights from over 900 CIOs across 49 countries within the Americas, Europe, the Middle East, Africa, Asia and Australia. Participation by Luxembourg technology leaders has given us the opportunity to understand how IT organisations in Luxembourg currently compare with their global counterparts.

Last year we explored the effectiveness of CIOs as business partners and the need for them to step up to make a greater impact in the boardroom. This year we extend that concept and turn the spotlight on the role of the CIO as a business leader of growth through innovation.

The global Deloitte CIO survey took place over a period of two months, covering 28 questions, with an increase in participants of approximately 20% compared with 2013. The high response rate achieved across the globe has allowed us to make better geographical comparisons and draw stronger conclusions on regional and country-specific trends.

Luxembourg CIOs continue to allocate the lion's share of their budget towards routine IT activities

We are delighted to present some of the preliminary key findings from the survey, based on our local market knowledge, delivering insights focused on Luxembourg. We have carefully selected the results for our local market, which we believe would be of most interest to you, whether in terms of local or global outcomes. The article is structured around the key themes in the survey, presenting one section per area.

We will soon be issuing the complete set of our international survey findings in a separate Deloitte CIO survey report.

We hope you find this report a valuable tool to help further develop your role as a trusted IT leader. To the many executives who have provided input into the 2014 Deloitte CIO Survey, thank you for your time and insight.

IT budget trend

79% of Luxembourg CIOs saw their budgets increase or stay the same in 2014 compared to 71% last year which is quite encouraging for the country.

The results of our survey confirm the observation from our 2013 report that the worst of IT budget cuts are behind us, with only 21% of Luxembourg CIOs reporting a decrease in budget. 30% of Luxembourg CIOs reported a budget increase and 49% saw no change in their IT budgets compared with a year earlier. An analysis of IT budget trends in the local Financial Services (FS) sector shows that the local market is no different from the global players. 84% of local FS respondents reported either an increase or no change in their budgets, with only 16% experiencing a decrease. This result is in line with global findings, with 19% of CIOs globally reporting a decrease in their budgets.

Luxembourg CIOs continue to allocate the lion's share of their budget towards routine IT activities. 56% of 2014 Luxembourg IT budgets is spent on Business As Usual (BAU) activities and 44% on Change activities.

Contrary to last year's findings, local results reveal an increase in the IT budget by 3% for "keeping the lights on". In the 2013 CIO Survey, we observed local players allocating 53% of their IT budgets to BAU activities and 47% to support change.

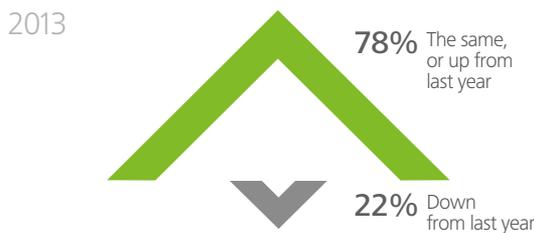
CIOs globally reported a slight positive focus towards change and growth activities with a 3% shift from BAU activities compared with last year. This slight shift supports the macroeconomic trend of business growth and expansion.

This is a discouraging result for Luxembourg compared with global findings.

Do Luxembourg CIOs allocate the same share of their IT budget to transforming their services across industries? As expected, the answer is no. The FS sector allocates 46% of its budget to supporting business growth and change activities, while the public sector spends only 29% of its budget on this area.

IT budgets

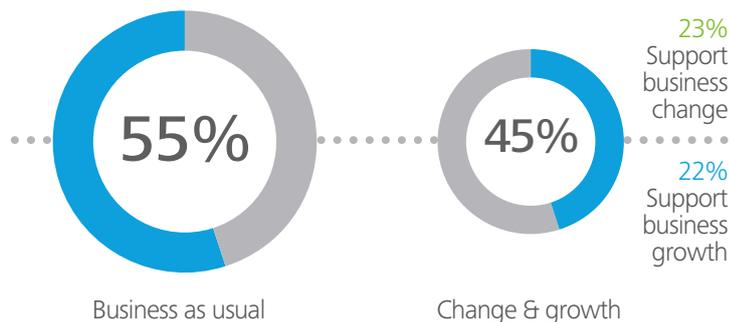
Annual shifts



Contrary to global findings, an increase is observed in the share of local IT budgets spent on routine IT activities compared with last year

Budget allocation

Business as usual vs. change & growth





IT priorities for Luxembourg IT leaders

Innovation continues to be a low priority in the Luxembourg CIO agenda, while responding to new business needs is once again the highest priority for local CIOs.

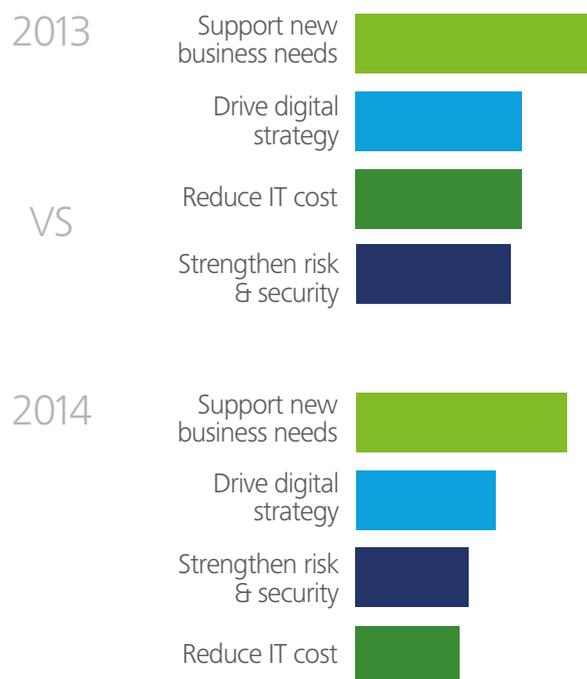
A significant majority of global and local CIOs still state that responding to new business needs is their top priority for the next 12-18 months. Confirming last year's CIO survey results, developing IT sourcing strategies and increasing offshoring of the IT function are seen as very low priorities on most CIOs' agendas, both locally and globally.

A comparison of global and local findings, however, reveals that driving the digital strategy has a much lower priority in Luxembourg than what is observed globally. Driving the digital strategy is among the top three priorities on the CIO agenda globally but only seventh in Luxembourg.

Innovation is still not a high priority. In line with global findings, almost 40% of local CIOs are ring-fencing less than 10% of their budget for innovation. Interestingly, global findings reveal that those who ring-fence more than 10% tend to be smaller organisations with fewer than 2,000 employees. This perhaps reflects the entrepreneurial mindset of the smaller organisations.

IT priorities

In next 12-18 months



Luxembourg differentiates itself from global findings with a stronger willingness to enhance the customer experience through technology

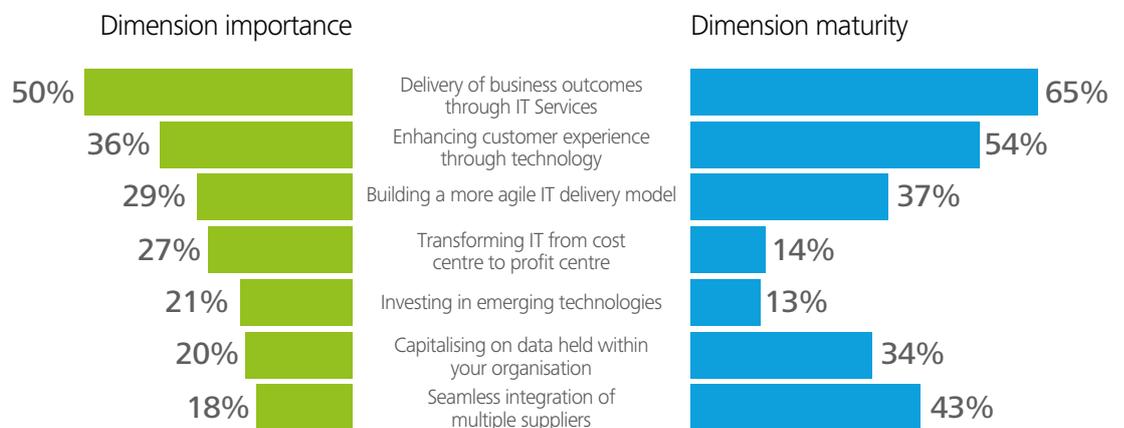
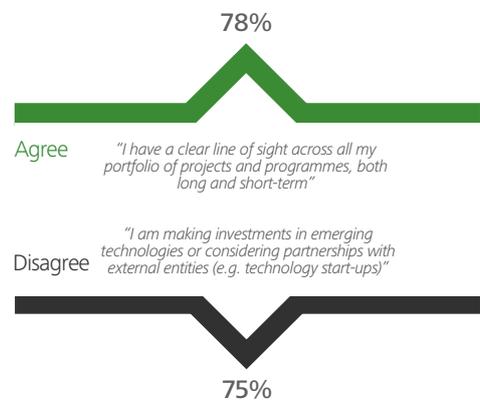
CIO portfolio management

CIO portfolios prioritise delivery of IT services over growth and might lack the capabilities to transform their organisations from a cost to profit centre.

In line with last year's survey, CIOs continue to prioritise the delivery of IT services over innovation and growth. For example, CIOs are twice as likely to prioritise IT delivery over 'transforming IT from a cost centre to a profit centre' or 'investing in new technologies'. This entrenched perspective may act as a restraint on those CIOs looking to pursue growth agendas through their IT portfolios.

Luxembourg differentiates itself from global findings with a stronger willingness to enhance the customer experience through technology. It comes in as a second priority, after service delivery, in all sectors except in the public sector. Our local market is also showing a stronger focus on building a more agile IT delivery model.

Significant capability gaps may prevent innovation-driven CIOs globally from managing and assessing their portfolios more effectively. Just one in five CIOs has the operational capability to invest in emerging technologies or prioritise transforming their organisations from a cost to profit centre. CIOs also identify capability gaps with respect to monetising data with fewer than four in 10 having a 'mature capability' in that respect. Luxembourg numbers show even less encouraging figures than global findings.



IT leaders report a good level of maturity in terms of portfolio management, but opportunities exist to improve measurements of return on investments

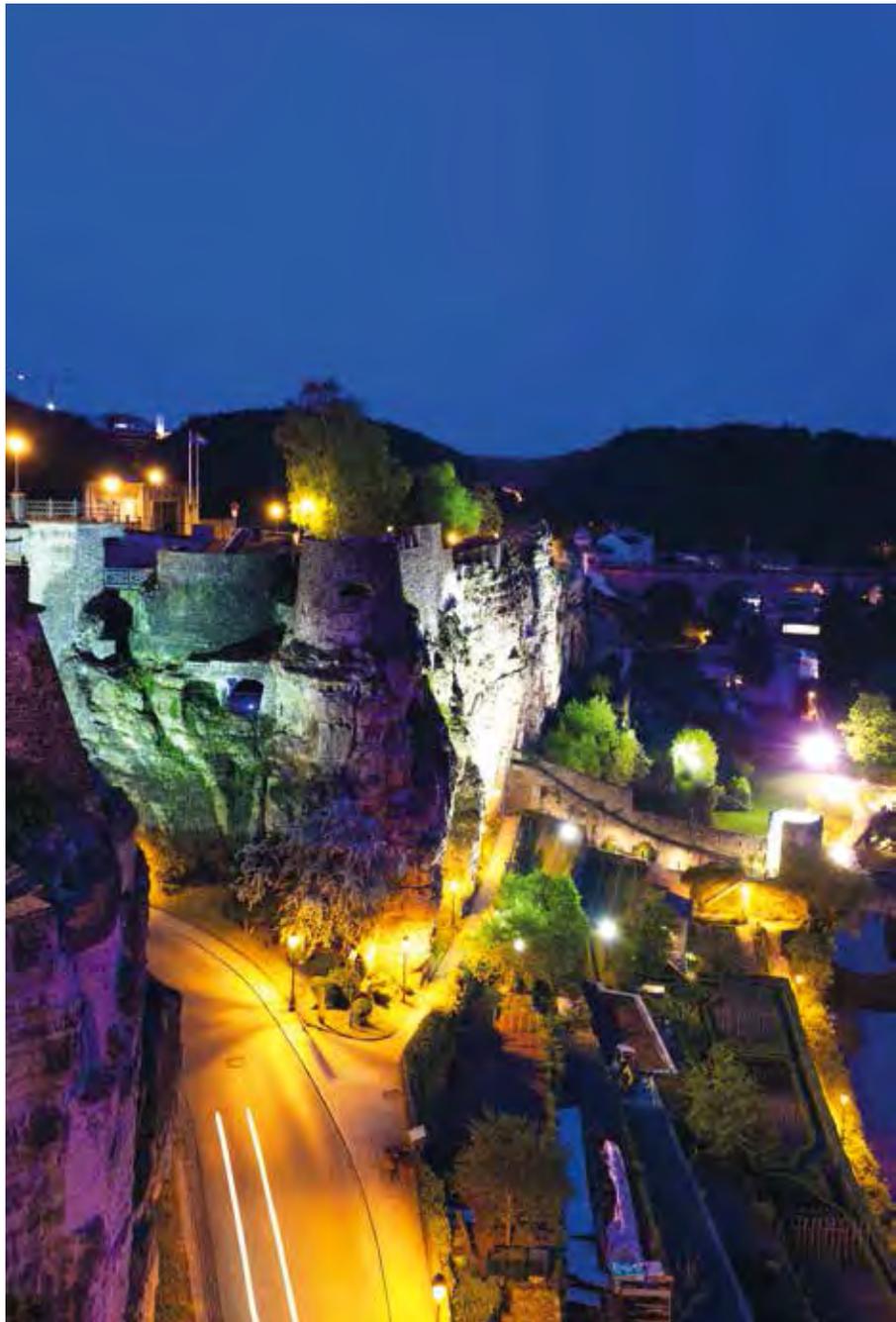
Almost 80% of Luxembourg IT leaders have a clear line of sight across their entire portfolio of projects and programmes, in line with global findings. Results are even better in the Luxembourg public sector, with a 100% score, while the private sector reports a less impressive 61%. On the other hand, public sector leaders seem unable to adapt their portfolio priorities in response to changing conditions, while this score exceeds 80% in the FSI sector. This indicates great variations in this domain. Overall, Luxembourg is reporting slightly better agility for adapting to changing market conditions than global findings indicate.

The results also outline great variations in measurement of ROI, which is globally not used by more than a third of respondents, except in the Luxembourg public sector where all leaders actively evaluate the performance of their technology portfolio in terms of value, risk and reward. A well designed demand management process with clear and measurable expectations defined in business cases could help starting analysing project portfolio throughout several axes, be it from a technical or a business point of view.

Technology adoption and trends

Luxembourg IT leaders share more similar technological priorities than their global counterparts, with an increased focus on digital and less on public cloud and analytics.

Results from this year confirm the trends that were observed last year. Adoption of new technology is globally improving relatively slowly, with the largest increase being made in the domain of analytics. The local market clearly remains focused on the adoption of private cloud, followed by digital, which comes second this year, ahead of Bring-Your-Own-Device (BYOD) and mobile applications. Luxembourg differentiates itself from the global results by its lack of adoption of analytics and end-user device convergence, as well as its lack of interest in gamification and augmented reality.



Private cloud continues to be the most widely adopted new technology, globally and locally, where the level of adoption now reaches 40%, compared with 32% last year. Adoption is particularly strong in FS, where CIOs have to comply with more stringent regulatory constraints. This is followed by the private sector, where the adoption rate now exceeds 20%. The public sector is still only piloting research activities on cloud technologies this year.

Despite the fact that digital strategy is less of a priority for Luxembourg CIOs, it is the second most adopted technology with more than 20% adoption, contrary to global findings where mobile applications came second, as they did last year. This evolution outlines the willingness of the Luxembourg market to actively support the digital disruption that most businesses are facing. Even so, this trend varies significantly across the participants in the survey. It is certainly perceived as a must-have, especially in the public sector, which shows the highest implementation rate. BYOD comes third in the results of the survey, with a 20% level of adoption, exceeding global results. It is followed by mobile applications and social media, where Luxembourg still lags behind the global adoption level.

Finally, the field of analytics/big data is clearly lagging behind in Luxembourg as no participant reported adoption, compared with 12% on a global level. The local market is nevertheless making headway with 14% of participants in the implementation phase, and 26% of them wishing they could invest more in that area, before digital and private cloud.

CIOs could do more to enhance relationships with CEOs

The survey shows that the Luxembourg results with regard to CIOs' relationship with internal stakeholders, Chief Executive Officers (CEO) in particular, are not very different from global findings. Although CIOs widely believe in the importance of a good relationship with their peers, just under 40% of Luxembourg CIOs stated that they had strong relationships with CEOs, compared with around 43% found in the global results. Therefore, Luxembourg CIOs are on the right track but still need to find ways to strengthen this relationship, in order to convince CEOs of the benefits of IT investments.

It would be of great mutual benefit for CIOs and CEOs to share the business strategy and better align IT with business needs.



Around 37% of Luxembourg CIOs stated that they had very good relationships with CEOs.

Interestingly, the survey also shows that in a world of emerging tech trends such as the cloud, BYOD, mobility and big data, new additions to the C-suite are being highlighted in both the global and the Luxembourg findings. These roles include the Chief Data Officer, the Chief Digital Officer and the Chief Marketing Officer. However, the majority of Luxembourg CIOs do not consider or rate their relationship with these new stakeholders as important or strong as with the other CxO with whom they are used to working.

With the rise of social media, other digital technologies, and the significant power that data and analytics have today in changing the business landscape, it is becoming crucial for CIOs to develop their working relationship with the new stakeholders in order to nurture innovation and contribute to business growth.

Therefore, mindsets need to be shifted in this area to embrace the emerging roles required to cope with today's fast-paced digitalised environment.

Missing opportunities with external stakeholders

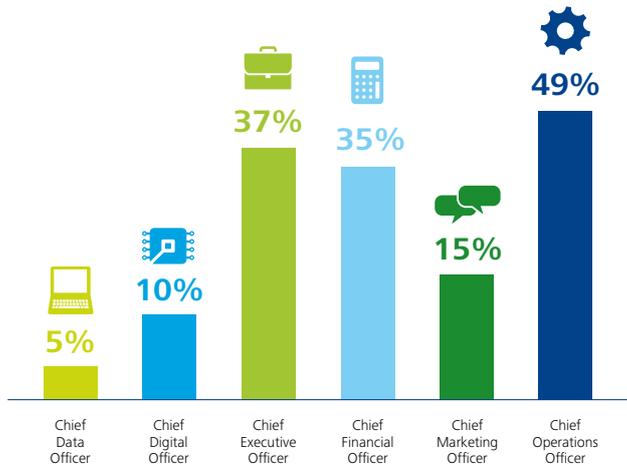
Confirming the global results, the majority of Luxembourg CIOs do not consider their relationships with alliance partners, technology analysts and CIO networks important. It is also confirmed that Luxembourg CIOs still need to enhance their relationships with external customers, suppliers and vendors.

Luxembourg IT leaders need to be aware that there could be a lot to gain from strong relationships with external stakeholders. A strong relationship with suppliers and vendors could lead CIOs to an increased value of services delivered, whether in a better service quality, delivering beyond contractual value, or in gaining extra money by lowering costs. Other external stakeholders, such as technology analysts and CIO networks, could also introduce them to new technology trends and innovative ideas to deliver more value to the business.

CIOs still strive to become true business partners

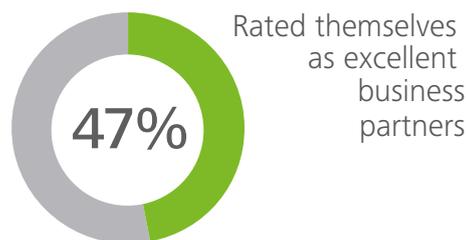
Our survey results reveal that the majority of Luxembourg CIOs are aware of the strategic role IT plays in driving business growth, and they recognise the importance of engaging as business leaders and strategic partners. However, they are still struggling to achieve this role.

This year, around 47% of CIOs consider themselves excellent business partners—a significant progress compared with last year's 26%. Luxembourg findings are now in line with the global figures in this area. Although this is considered an important step forward, it still highlights the need for more progress on this topic in order to enhance the IT/Bbusiness relationship.



The total percentage is not 100% as the purpose of this graph is to show the different percentages of CIOs having very good relationships with some of the internal stakeholders.

IT business partnering Effectiveness



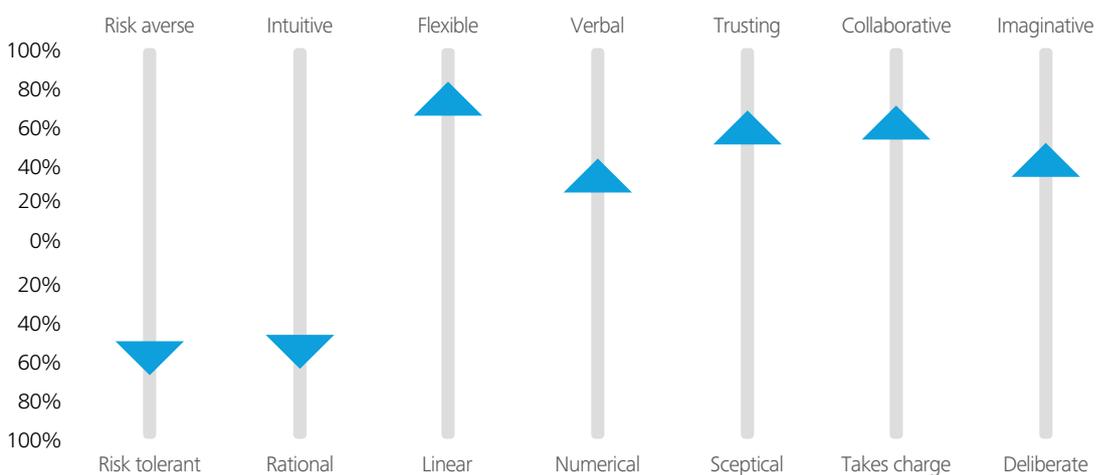


CIO pulse

Re-invent behaviour and style

Luxembourg results, as well as global findings, reveal that a quarter of CIOs describe themselves as taking charge of situations; a sharp contrast to the perceived abilities of CEOs and Chief Operating Officers (COO). Also, two-thirds tend to be more rational than intuitive. Although it is very rewarding in many situations, this is probably less advantageous in innovating for business growth. Taking into account the constraints of their organisations, two-thirds of CIOs lean towards risk tolerance that may be in line with the business support role of the IT function.

Describe yourself as a CIO: The ends of the spectrum



The CIO's discretion in developing self-awareness of personal style in different business situations is essential to adapt behaviour when dealing with other business leaders and making an impact in the C-suite.

Riskier IT investments vs IT budget constraints

Unlike the global findings, 41% of Luxembourg CIOs see IT budget as the main constraining factor for riskier IT investments.

The survey results suggest that CIOs are willing to take intelligent risks with regard to IT investments, but two main factors should be observed more closely to enable riskier investments.

Firstly, in contrast to global findings, IT budget is the biggest constraint on initiating risky IT investments for innovation and growth rather than the business leadership's attitude to risk.

Secondly, 32% of CIOs in Luxembourg see the business leadership's attitude to risk as an obstacle. This trend is not in line with the global results. Moreover, in Luxembourg, business leaderships may be more inclined to adopt risk portfolios to foster growth through innovation.

In the Financial Services sector, the third constraint is regulation with 24%.

One strategy that may effectively help to clarify the overall contribution of investments to business value is reporting to senior business leaders on net business value.

Innovation within IT organisation

For businesses that aspire to grow through technology innovation, there is still work to be done to change attitudes and embed an innovation culture in the IT organisation. In accordance with global findings, less than a third of CIOs consider IT innovation important to the IT function. 47% of CIOs consider innovation to be important to their organisation but receive little funding in the IT budget to effectively deliver it. The culture of innovation in the private sector tends to be much more formalised with structured approaches and programmes.

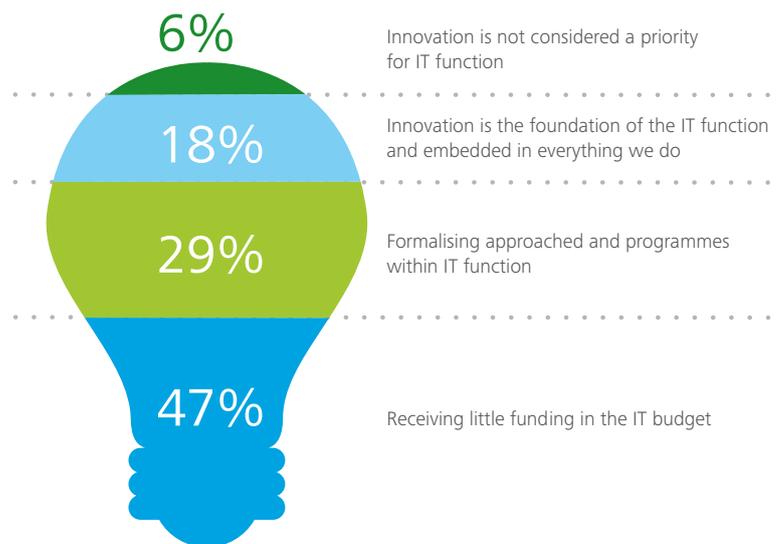
Being at the heart of technology innovation would help sharpen business instincts and identify growth opportunities. Not every investment will pay off, but despite the fact that most of the CIO investment portfolio is likely to remain BAU IT services, outcomes on those investments should not be compromised by innovating for business growth.

Investment barriers

Face by IT leaders



Perception of culture of innovation



CIOs are uniquely positioned to act as central hubs in aligning analytics strategy with the business

Hot topic: analytics - key findings

While, at global level, 63% of CIOs recognise that analytics support their business strategy and even represent a strong driver for business strategy elicitation, 60% of Luxembourg CIOs acknowledge that analytics are mostly tactical and not closely related to business strategy. Only 16% of Luxembourg CIOs can say that analytics are able to provide some competitive advantage.

Aligned with global trends, the survey results indicate that the CIO's role in analytics is mainly focused on delivering technology capabilities, rather than insight. In addition, a third of Luxembourg CIOs either have limited responsibility for delivering analytics or say their role in delivering analytics is unclear. At global level, this indicator accounts for only a fifth of the respondents. Therefore, an opportunity exists to change the CIO's responsibilities to a more holistic-insight and information-driven role.

All the indicators in the survey show that Luxembourg lags behind the global recognition of the power of analytics

At global level, a third of CIOs do not know their executive sponsor for analytics, or claim that no single sponsor has been defined. This ratio is even more dramatic in Luxembourg where half of the CIOs point towards the same situation.

At both global and Luxembourg level, the survey suggests that the lack of a single clear sponsor appears to be a key hindrance to widespread adoption. In Luxembourg, more than 40% of respondents say that the most important barriers are the absence of a centralised approach towards capturing and analysing data, and that leadership does not understand or support the use of analytics.

Other major challenges of equal importance are budget limitations, the lack of proper technology and infrastructure, and the well-publicised analytics talent crunch.

Hot topic: analytics - insights

The impact of recent regulations and European directives, such as Solvency II, Basel III or the Single Supervisory Mechanism, highlights the importance of data for making critical decisions based on facts as opposed to instinct. The challenge is to marshal, analyse and interpret data whose quality has been checked and to apply the results to the decision-making process.

CIOs are uniquely positioned to act as central hubs in aligning analytics strategy with the business. The lack of a coherent approach to analytics is not a data or a technology issue; it is a governance, people and process issue. Because CIOs manage and answer the needs of a diverse set of stakeholders, and because they are the custodians of enterprise data, they are well-positioned to bring together diverse actors to generate optimal solutions.

Conclusion

After a prolonged economic downturn, the vast majority of Luxembourg organisations benefit from stable or increasing IT budgets. Nevertheless, the lion's share is assigned to BAU activities, while responding to new business needs and strengthening risk and security management are the top priorities in the next 12 to 18 months. Innovation continues to be given a very low priority, and local CIOs see IT budget as the main constraint for more risky investments.

Compared with their peers, Luxembourg CIOs are more consistent in the application of technology trends, although they appear to be more followers than early adopters. Private cloud is the most widely adapted tech trend and continues to grow, but all indicators show that Luxembourg lags behind globally when it comes to analytics and big data. Despite being the second most adopted technology trend in Luxembourg, Digital/multi-channel seems not to be a priority in the coming months despite not being deployed to its full extent and being a must for Financial Services Industry.

Despite the prioritisation of CIOs' budgets for delivering core IT services, there is still room for improvement when it comes to measuring the ROI of their project portfolio and analysing

it from a risk perspective. Yet local CIOs are more capable of adapting to market changes compared with global ones.

The role of CIOs is changing with emerging technologies, which requires people with a blend of both technology and business capabilities. This will, in turn, force CIOs to reconsider their relationships both internally and externally. Internally to become a trusted strategic business partner, and externally to leverage new trends and share experiences, in order to foster innovative ideas and speed up delivery of business objectives.

More than just delivering technology to support business goals, CIOs can embrace the opportunity to change their responsibilities to a more holistic positioning and become business leaders. There is an opportunity to be able to convince business to make riskier, but transparently, monitored investments and be able to demonstrate business opportunities through new technology capabilities.

Now is the time for CIOs to choose whether to remain custodians of core IT systems or become drivers of growth through technological innovation.