



Save-to-transform as a catalyst for embracing digital disruption

Deloitte's Second Biennial Global Cost Survey:
Cost management practices and trends
in the technology sector

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Foreword

Digital technology and digital disruption have burst onto the scene as key levers for cost management and business transformation around the world and throughout the technology industry. In Deloitte's 2017 Biennial Global Cost Survey, digital disruption was identified as an emerging risk by respondents in the United States but was barely visible elsewhere. Now, however, digital risks—including digital disruption and cybersecurity—rank among the top external risks for technology companies in all regions.

Tech companies today face a wide range of unique challenges, including:

- **Cloud adoption continues to grow, but apprehensions linger.** A recent FileCloud report² states that 50% of companies do not plan to move mission-critical workloads to the public cloud, while Symantec reports that more than half of organizations face challenges protecting their workloads³.
- **Importance of AI is increasingly recognized.** Globally, there is a growing realization of AI's importance, including its potential to provide competitive advantage and change work for the better. According to Deloitte's 2019 State of AI in the Enterprise Survey⁴, 38% of US-based IT and line-of-business executives believe AI will be of critical strategic importance within two years, compared to only 10% in 2019⁵.
- **Hybrid and multicloud environments are becoming the norm.** Companies will likely embrace flexible consumption through hybrid and multicloud environments. Gartner predicts⁶ that by 2020, 90% of organizations will adopt hybrid infrastructure management. Also, according to a 2019 Kentik report⁷, 58% of businesses are already using a combination of AWS, Microsoft Azure and Google Cloud in their multicloud networks.
- **Edge computing is on the rise.** IoT devices, combined with the portability of computing power and AI-driven tools, will likely drive growth of edge computing. According to Gartner⁸, companies generated only 10% of their data outside a data center or cloud in 2019, but that number will likely grow to 75% over the next six years. IDC predicts that in three years, 45% of IoT-generated data will likely be stored, processed, analyzed and acted upon close to or at the edge of networks.
- **The edge AI chip industry is poised for growth.** Deloitte's Technology, Media and Telecommunications Predictions 2020 report⁹ predicts that more than 750 million edge AI chips will be sold in 2020, and that the market for such chips will likely grow twice as fast as the overall chip market—with smartphones driving the majority of the growth.
- **Partnering strategies are shifting.** Today's ultra-competitive, highly complex technology environment demands a shift in partnering strategies. Multiplayer alliances will likely be needed to create end-to-end solutions from best-of-breed assets. Lines will blur as everything-as-a-service (XaaS) expands into security-as-a-service, data-as-a-service and device-as-a-service. Indirect channel partners will remain crucial but must transform to deliver new forms of value.

In this challenging environment, cost management remains a strong imperative for technology companies; however, the prevailing mindset across the sector seems to be expanding from save-to-grow to save-to-transform. Most tech companies continue to have very positive expectations for revenue growth, and many are using cost reduction as a tool to help fund their required growth investments. However, in today's increasingly digital world, more and more tech companies also recognize the need to transform their operations and capabilities with infrastructure investments in key digital innovations such as robotic process automation, cognitive technologies, business intelligence and cloud-based ERP systems.

These digital technologies and innovations can deliver dramatic improvements in competitiveness, performance, operating efficiency and, increasingly, cost savings. Just as important, they can strengthen a company's positioning against adverse future events, including economic downturns and digital disruption.

With digital innovation emerging as a critical enabler for both cost reduction and business transformation, we are delighted to present the results from our latest global cost survey. The study includes responses from 169 executives and senior leaders representing major technology companies from around the world.

This report provides an up-to-date view of the cost management practices and trends shaping the future of the tech industry and global business. It also takes a detailed look at how the latest digital technologies and cost management strategies are acting as a catalyst for transformation in a world being actively redefined by digital disruption.

We hope you find these insights useful and look forward to hearing your thoughts and feedback.



Omar Aguilar
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3. Anthony Spadafora, "Companies Don't Think Their Cloud Can Keep Up with Security", Tech Radar, August 7, 2019
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Executive summary



How is the technology sector different?

Cost reduction is more prevalent in the technology sector than globally across industries.

In the tech sector, 79% of the surveyed companies plan to undertake cost reduction initiatives over the next 24 months, significantly higher than the global average across industries (71%). However, the percentage of tech companies with cost reduction targets of 10% or higher is essentially the same as the global average.

The failure rate for tech sector cost programs is lower than the global average but still high.

According to the survey results, 76% of tech companies failed to fully achieve their cost reduction targets, which is not quite as high as the global average across industries (81%).

The save-to-transform mindset is even more prevalent in the tech sector than globally.

The save-to-transform mindset is characterized by a simultaneous strategic focus on sales growth, cost reduction, product profitability, technology implementation, and digital enablement. According to the survey results, this mindset is even more prevalent in the tech sector than globally across industries.

Technology implementation rates in the tech sector are similar to the global average.

In the tech sector, implementation rates for digital technologies over the next 24 months are expected to be very similar to the global averages across industries. The biggest difference is for cognitive/AI technologies, where the tech sector's expected implementation rate (58%) is lower than the global average (63%).

Digital leaders have an even bigger impact in the tech sector than globally.

On average, technology sector companies with a designated digital leader have a higher level of technology implementation (+165%) than those without one. That number is even higher than the highly positive impact of digital leaders globally across industries (+118%).



Technology sector survey results: Detailed insights

Cost reduction is particularly prevalent among tech companies in the United States.

For technology companies, the likelihood of undertaking cost reduction initiatives over the next 24 months is significantly higher in the:

86%

United States than

79%

Europe

77%

Asia Pacific

77%

Latin America

US tech companies have the most aggressive cost reduction targets.

67%

The vast majority of surveyed tech companies have cost reduction targets above 10%.

41%

Tech companies in the United States have cost reduction targets of more than 20%.

Cost program failure rates in the tech sector are highest for Latin America and Europe.

Failure rates for tech sector cost programs are high (76%), but not as high as the global average across industries (81%).

The failure rates are highest in

85%

Latin America

85%

and Europe

Lowest in

68%

Asia Pacific

69%

United States



Technology sector survey results: Detailed insights

Growth expectations in the tech sector are very positive.

Technology sector respondents have a very positive growth outlook:

91%

reported revenue growth over the past 24 months

92%

expect revenue growth over the next 24 months.

Macroeconomic concerns are the top-rated external risk.

72%

Tech companies consider macroeconomic concerns are the top-rated external risk, in contrast to the global results where cybersecurity tops the list

66%

Cybersecurity and digital disruption are tied for second.

Talent and lack of strategic plans are the top internal risks.

The top internal risks in the technology sector are:

29%

recruitment, development, and retention of talent

28%

lack of strategic plans/execution.

Strategic priorities align with save-to-transform with extra emphasis on transformation.

In the technology sector, the top-rated strategic priorities over the next 24 months are all fairly balanced:

82%

technology implementation

80%

sales growth

77%

product profitability

77%

technology implementation

72%

organization and talent

73%

digital enablement

71%

cost reduction

This broad set of balanced priorities typifies the save-to-transform mindset.

Strategic priorities vary significantly by region.

Strategic priorities for cost reduction vary significantly by region, with noteworthy changes over time. The priorities of APAC tech companies over the next 24 months appear to be the most closely aligned with a save-to-transform mindset.

Competition is expected to be the top cost reduction driver.

Over the next 24 months, the technology sector's three top drivers for cost reduction are:

76%

intensified competition

74%

required investment in growth areas.

71%

international growth opportunities.

Cost reduction drivers vary widely by region.

In the technology sector, cost reduction drivers vary widely by region and are expected to evolve significantly over the next 24 months, particularly in the United States and Europe.

Capability development in the tech sector resembles the global results.

Capability development resembles the global pattern across all industries. The biggest difference is that tech companies have a significantly greater focus on automation.

54%

technology

48%

across industries.



Technology sector survey results: Detailed insights

Tech companies have favored tactical cost actions.

According to the survey results, technology companies tended to favor tactical cost actions over strategic cost actions during the past 24 months. This resembles the global pattern across industries but is even more pronounced.

Strategic cost actions will be favored in the future.

Looking ahead to the next 24 months, tech companies expect to favor

62%

strategic cost reduction actions

Over

58%

tactical cost actions

Erosion of savings is the top barrier to cost reduction.

In the technology sector, the three top barriers to successful cost reduction are:

71%

erosion of savings

68%

implementation challenges

67%

lack of an effective ERP system.

Lessons learned.

The top lessons learned in the technology sector are:

76%

design a solid tracking and reporting process

76%

assess, validate, and adjust targets reasonably to reflect reality throughout the implementation phase

75%

and invest in technology improvements to enable data availability, reliability, and decision-making processes

Tech companies report a high level of cost management maturity.

Overall cost management maturity levels in the technology sector are significantly higher than the global averages across industries. The percentage of companies that rate themselves high maturity are:

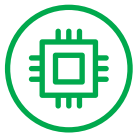
43%

technology

35%

global average

However, maturity ratings vary widely by region.



Digital and technology solutions applied to cost management in the technology sector

Cloud leads the pack.

Among the technologies covered by the survey, the most widely implemented in the tech sector over the past 24 months was:

51%

cloud

44%

business intelligence

36%

cognitive

However, implementation levels varied widely by technology and region.

Top reasons for applying digital technologies.

In the tech sector, reducing costs and increasing productivity is the main reason for applying cloud, robotic process automation (RPA), and cognitive/AI technologies.

Most technology implementations meet or exceed expectations.

When implementing each of the technologies covered by the survey, more than

72%

of tech companies had their expectations met or exceeded.

High levels of technology implementation are expected.

Consistent with the global results across industries, the technologies expected to be most actively implemented in the tech sector over the next 24 months are:

63%

automation

59%

cognitive

The technology expected to be least actively implemented is

47% cloud

most likely because current implementation levels for cloud are already very high.

Digital leaders make a difference.

+165%

Although the impact varies by region and technology, on average tech companies with a designated digital leader achieve much higher levels of technology implementation

+118%

which is even greater than the impact of a digital leader globally across industries.



Save-to-transform as a catalyst for embracing digital disruption

Digital disruption and cybersecurity are critical risks.

Cybersecurity and digital disruption are both recognized as critical risks in the technology sector. Meanwhile, technology implementation has emerged as the tech sector's top strategic priority over the next 24 months.

Save-to-grow.

Most tech companies have been firmly grounded in save-to-grow mode where cost and growth are the main business levers, with talent (including capabilities) as another key component. In this mode, cost reduction is a high priority, with cost savings used to fund growth initiatives and strategic investments that support a differentiated business strategy.

Save-to-grow expands into save-to-transform.

Many tech companies are now shifting into save-to-transform mode, with the save-to-grow mindset expanding to include a strong focus on digital enablement and technologies. This shift can transform a company and help it capitalize on digital opportunities, while at the same time positioning the business for potential adversity that may be on the horizon—such as an economic downturn or credit crisis—using digital innovations to unlock new levels of cost savings, efficiency, and financial performance.

About the survey

Deloitte Consulting LLP (Deloitte or Deloitte Consulting) engaged Dynata to conduct a global cost-management survey to better understand business leaders' perspectives on current and future cost-reduction initiatives within large companies, multinationals, and other companies that are representative of the regions surveyed.

Study objectives

Understand factors, approaches, actions, and targets related to cost initiatives

Assess the effectiveness of the cost actions, including lessons learned from previous efforts

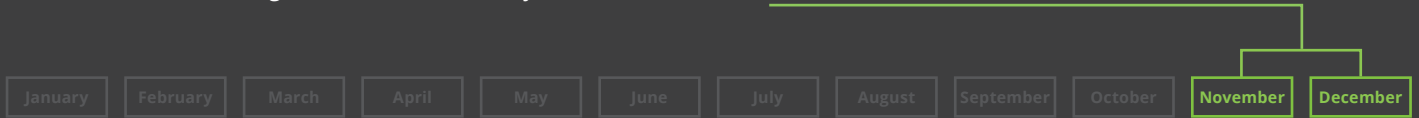
Understand the drivers and scope of past and future cost initiatives

Provide context on how digital disruption and advanced digital technologies are affecting cost management

Assess industry results, and provide insights on different behaviors related to cost reduction

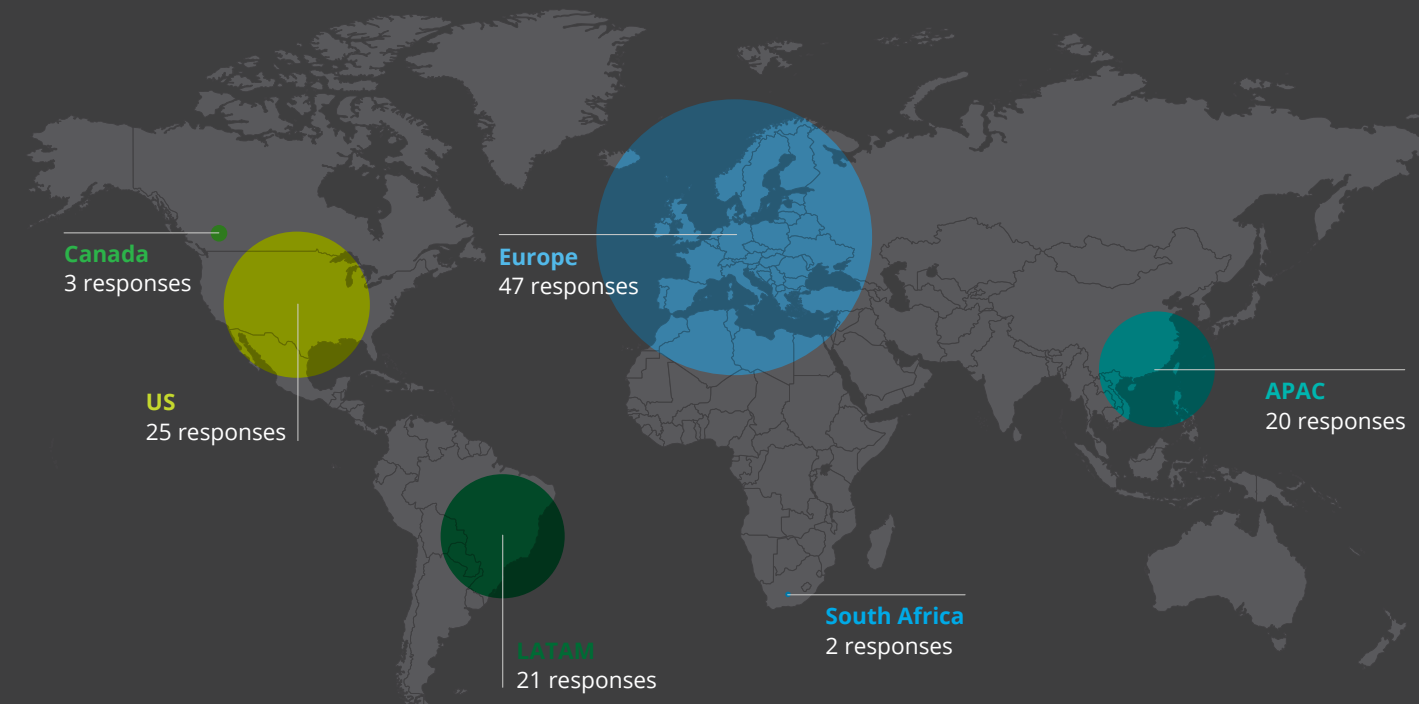
Methodology

Data was collected through detailed online surveys conducted between **November and December 2018**.



Firmographics

The global survey of more than **1,200 executives and senior leaders** with direct involvement in cost management decisions and actions included **169 respondents from the technology sector**.





How is the technology sector different?



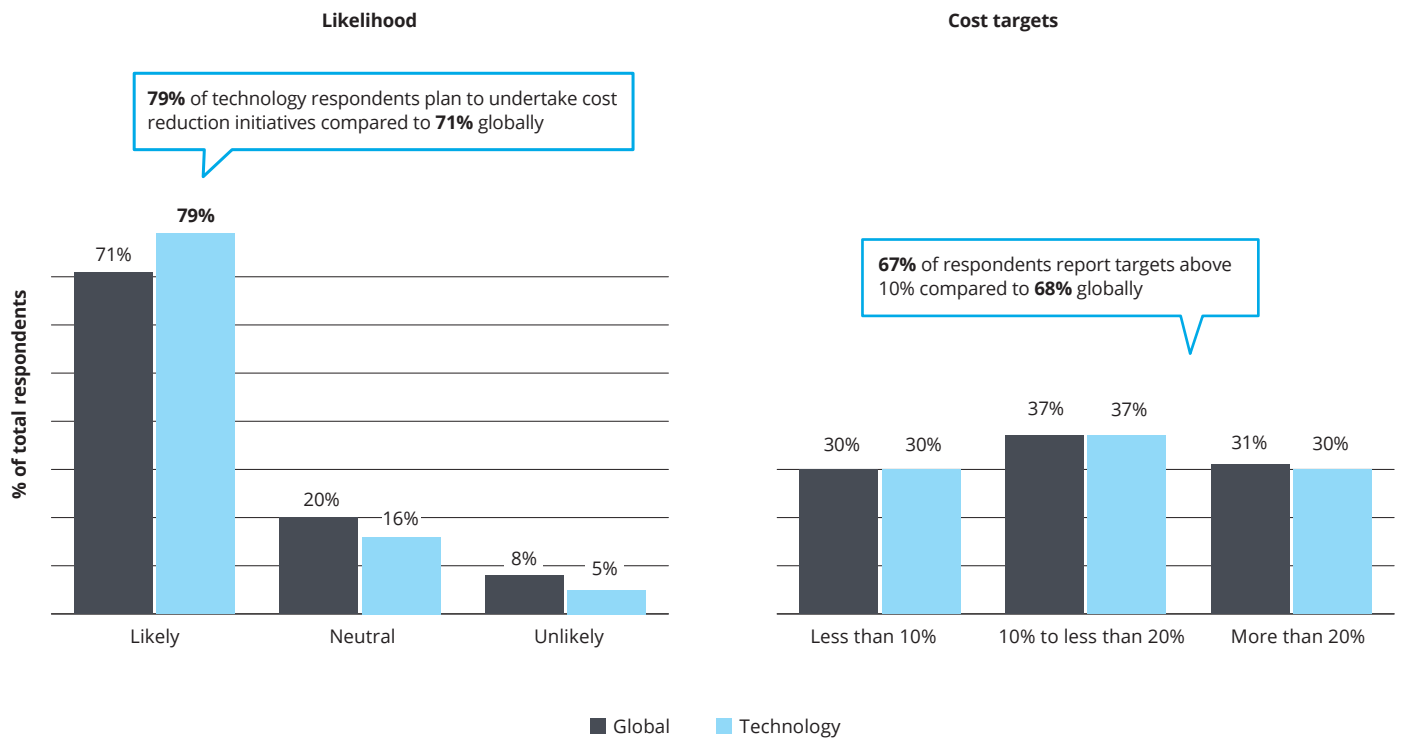
Most findings from this year's global cost-management survey are directionally consistent across all industries and major geographic regions. However, there are a handful of key differences between the technology sector results and the global survey results, which include data from all industries.

Cost reduction is more prevalent in the technology sector than globally across industries

In the tech sector, 79% of the surveyed companies plan to undertake cost reduction initiatives over the next 24 months, significantly higher than the global average across industries (71%). Meanwhile, the percentage of tech companies with

cost reduction targets of 10% or higher is essentially the same as the global average (67% in the tech sector versus 68% globally across industries).

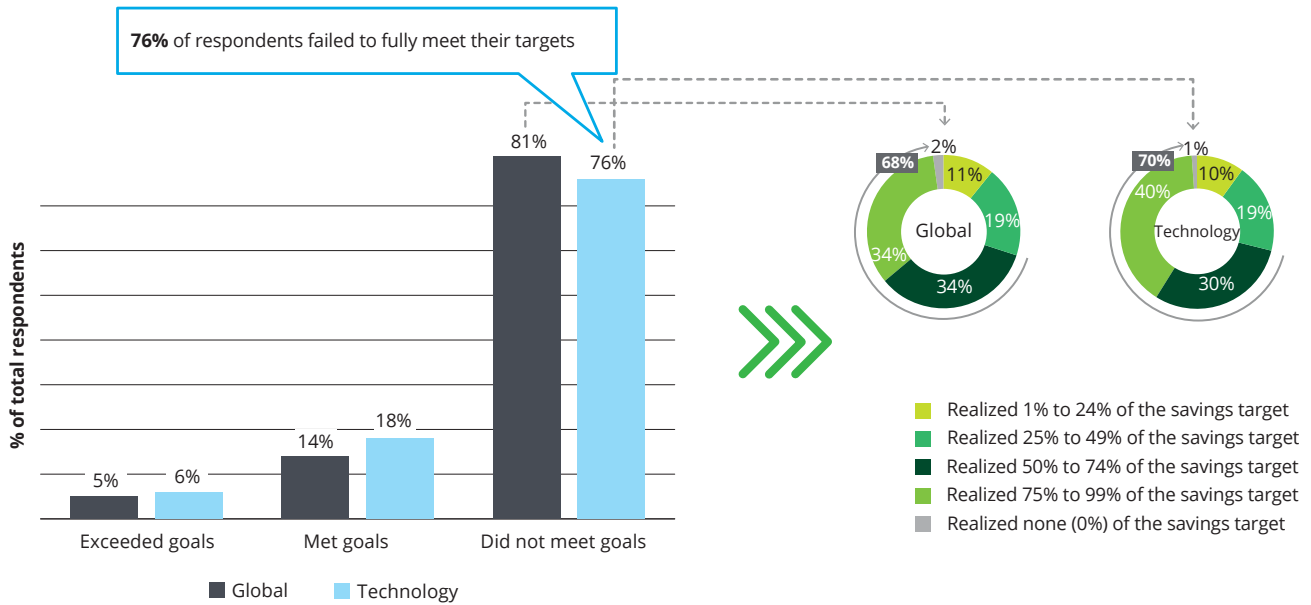
Figure 1. Cost reduction trends



The failure rate for tech sector cost programs is lower than the global average but still high

According to the survey results, 76% of tech companies failed to fully achieve their cost reduction targets, which is not quite as high as the global average across industries (81%) (see figure 2).

Figure 2. Cost program success analysis



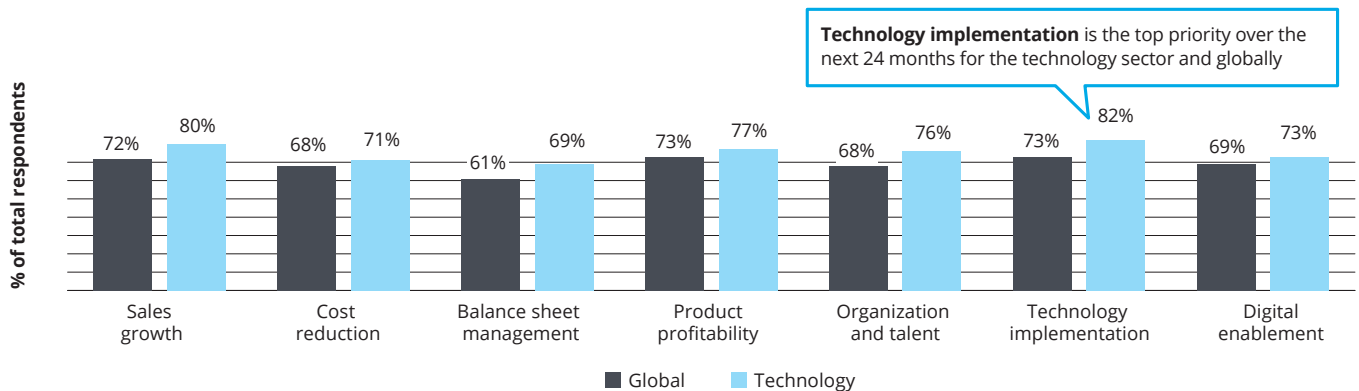
Survey findings

- Out of the 76% of technology sector respondents that failed to meet their targets, 70% were able to realize more than 50% of their savings target, which is similar to the global average across all industries (68%).
- The percentage of tech companies that achieved 75% - 99% of their savings targets is 6 percentage points higher than the global average across industries (40% for tech companies versus 34% globally).

The save-to-transform mindset is even more prevalent in the tech sector than globally

The survey results show that the save-to-transform mindset is even more prevalent in the tech sector than globally across industries. This cost management philosophy is characterized by a simultaneous strategic focus on sales growth, cost reduction, product profitability, technology implementation, and digital enablement. Relative to the global averages across industries, tech sector respondents report higher priority levels in all of those areas: cost (+3 percentage points), digital enablement (+4 percentage points), profitability (+4 percentage points), technology (+9 percentage points), and growth (+8 percentage points) (see figure 3).

Figure 3. Strategic priorities (next 24 months)

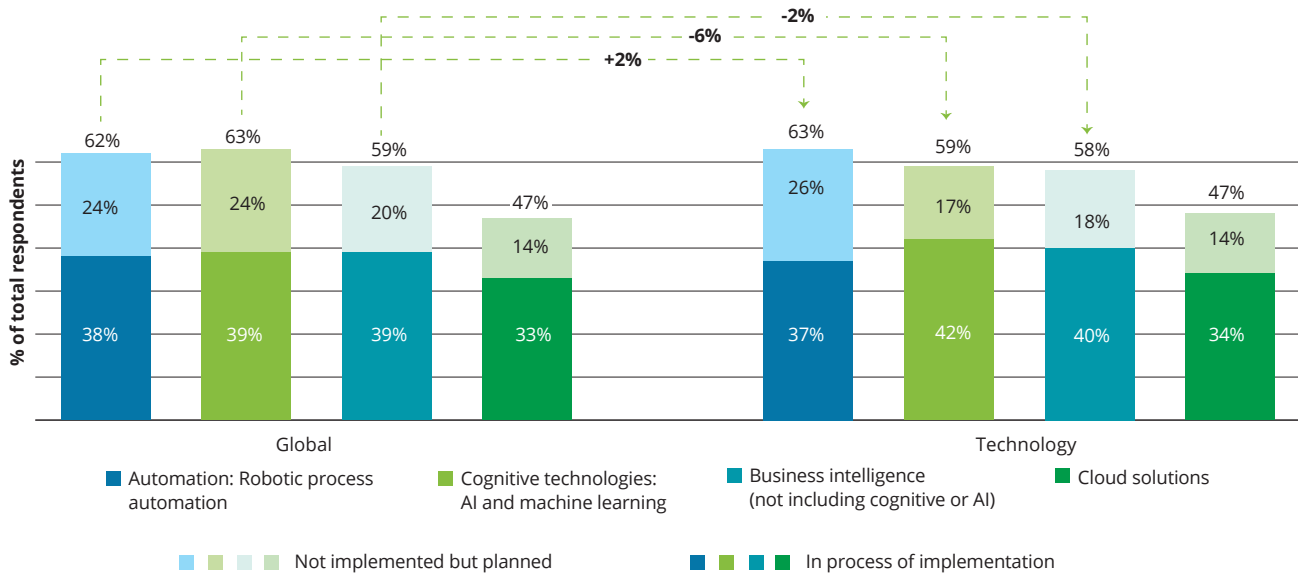


Technology implementation rates in the tech sector are similar to the global average

In the tech sector, implementation rates for digital technologies over the next 24 months are expected to be very similar to the global averages across industries. The biggest difference is for cognitive technologies, where the

expected implementation rate for tech companies is 58% (in-process or planned), 6% lower than the global average (63% in-process or planned) (see figure 4).

Figure 4. Technology implementation levels (next 24 months)

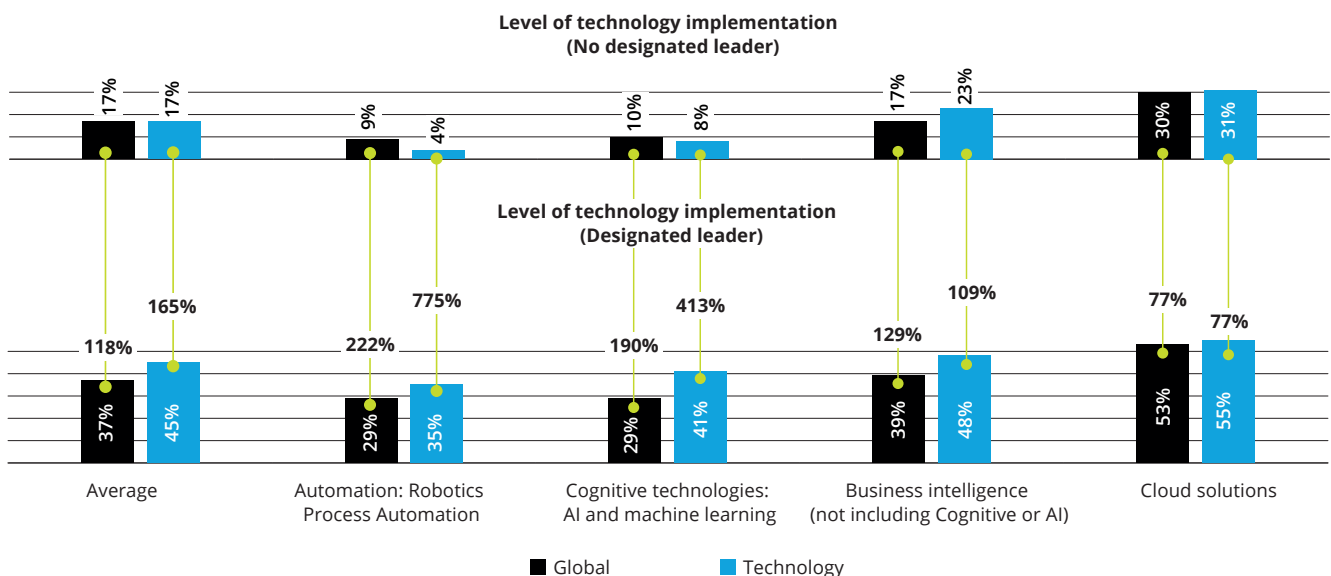


Digital leaders have an even bigger impact in the tech sector than globally

On average, technology sector companies with a designated digital leader have a higher level of technology implementation (+165%) than those without one. That number is even higher than the highly

positive impact of digital leaders globally across industries (+118%) (see figure 5).

Figure 5. Impact of a designated digital leader

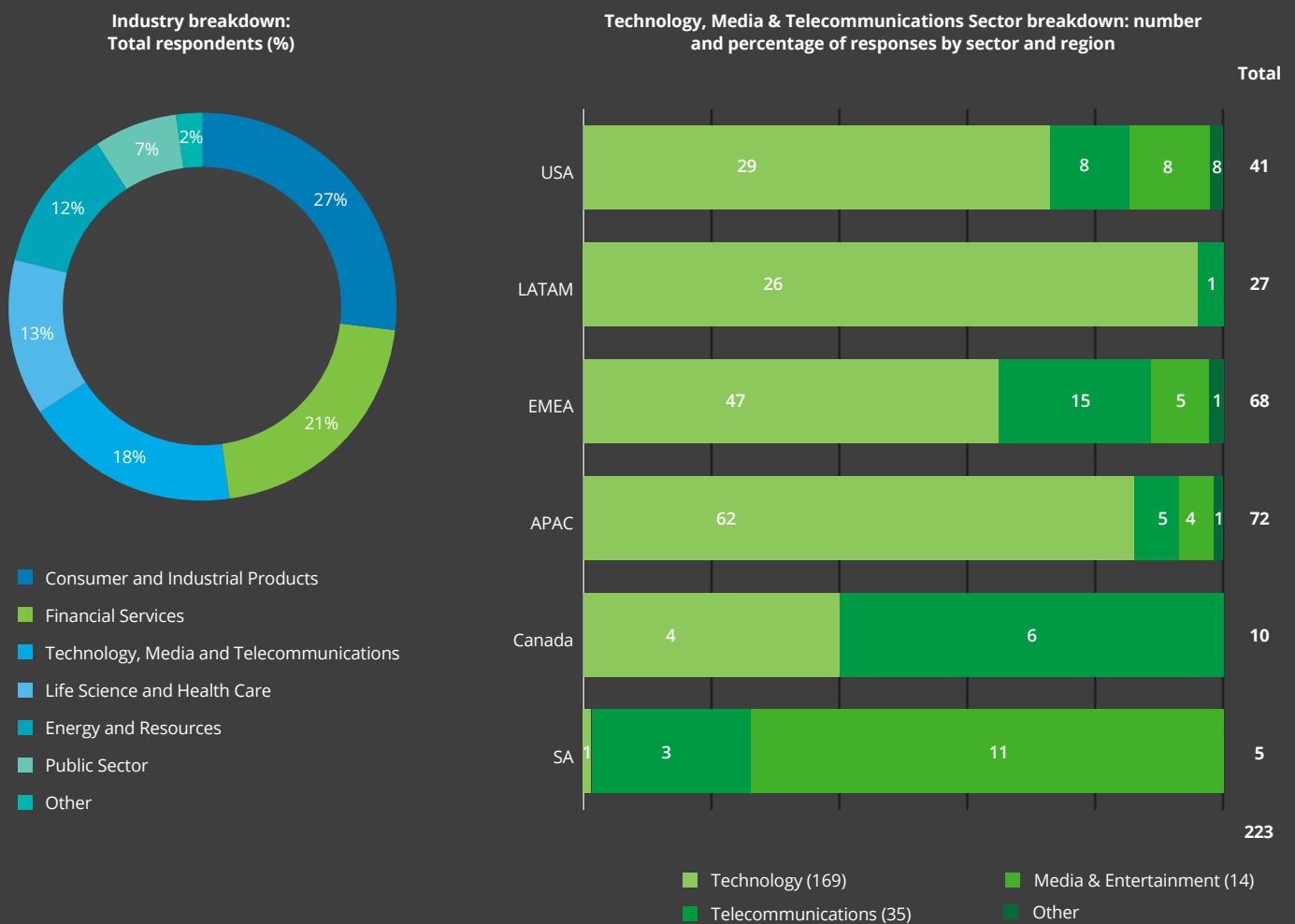


*Averages calculated for global and life sciences results are weighted averages.

Firmographics

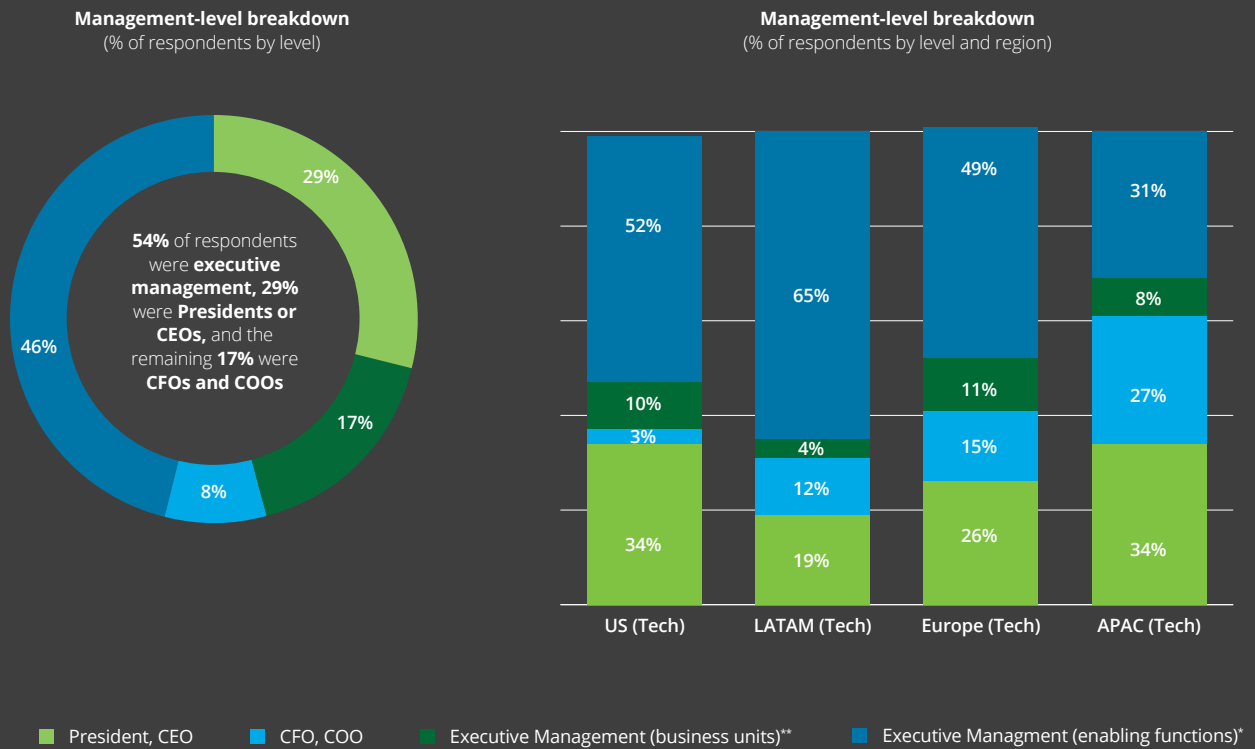
Global information for the technology sector was collected to provide meaningful insights across regions. Within TMT (technology, media, and telecommunications), the technology sector had the largest number of respondents (169), representing 76% of all TMT responses (see figure 6).

Figure 6. Respondents' breakdown by industry and sector



Only relevant executive positions with cost management decision capabilities were surveyed: 54% of respondents were executive management, 29% were Presidents or CEOs, and the remaining 17% were CFOs and COOs (see figure 7).

Figure 7. Respondents' breakdown by management level and region

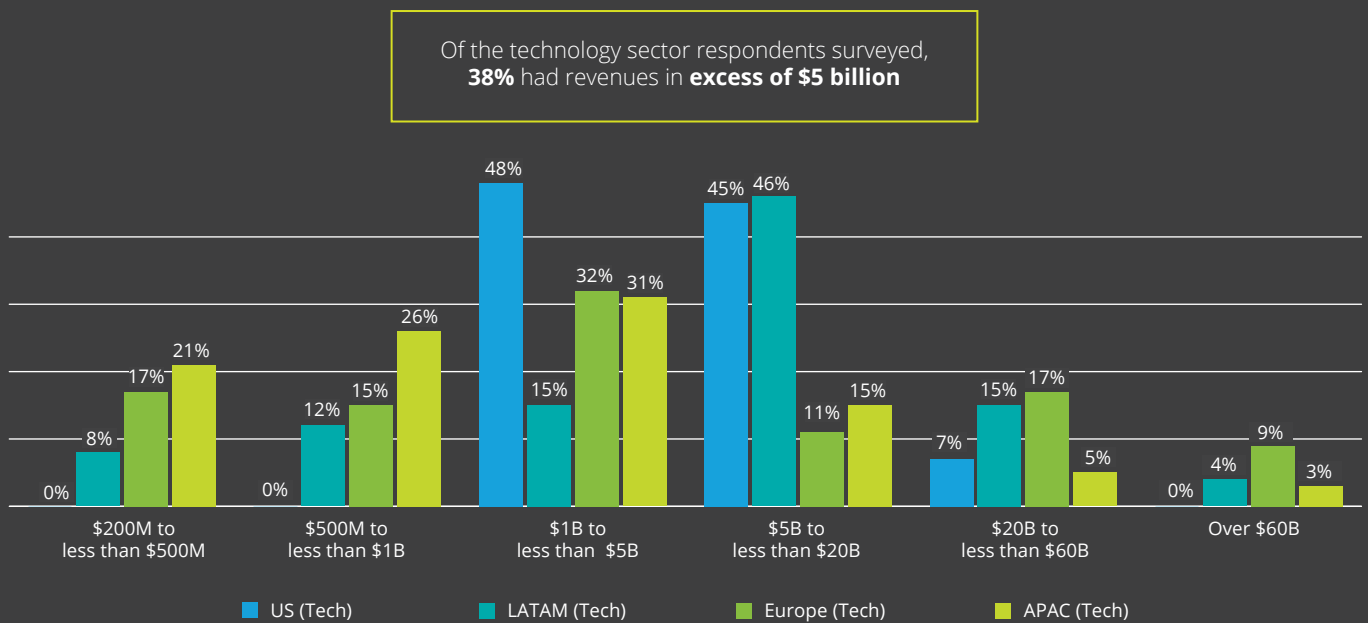


* Executives Management (enabling functions): VP or above in finance, logistics, IT, HR, marketing, etc.

** Executives Management (business functions): VP or above business units, regions, or countries

More than 50% of technology respondents across regions reported revenues above \$1 billion, with 100% of US respondents and 69% of European respondents above that threshold (see figure 8).

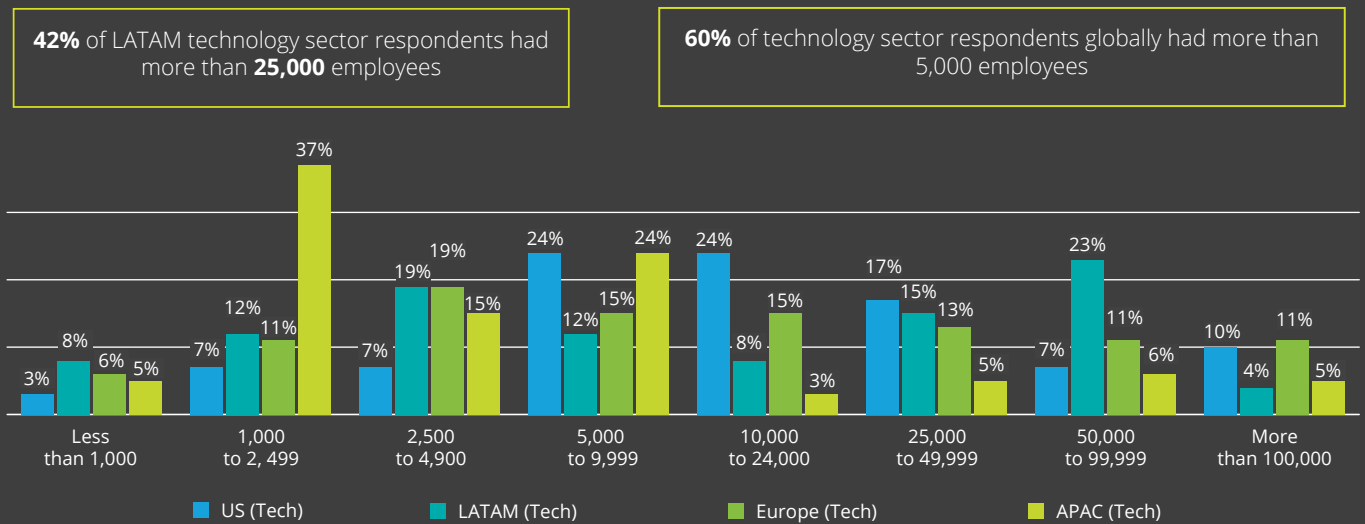
Figure 8. Respondents' annual revenue (US dollars)



Note: The survey was conducted in local currencies. For analysis purposes they have been converted to US dollars.

In all regions except Asia Pacific, at least a third of technology sector respondents had more than 25,000 employees, and a significant percentage had more than 100,000 employees, particularly in Europe (11%) and the United States (10%) (see figure 9).

Figure 9: Respondents' employee headcount





Technology sector results: Key insights

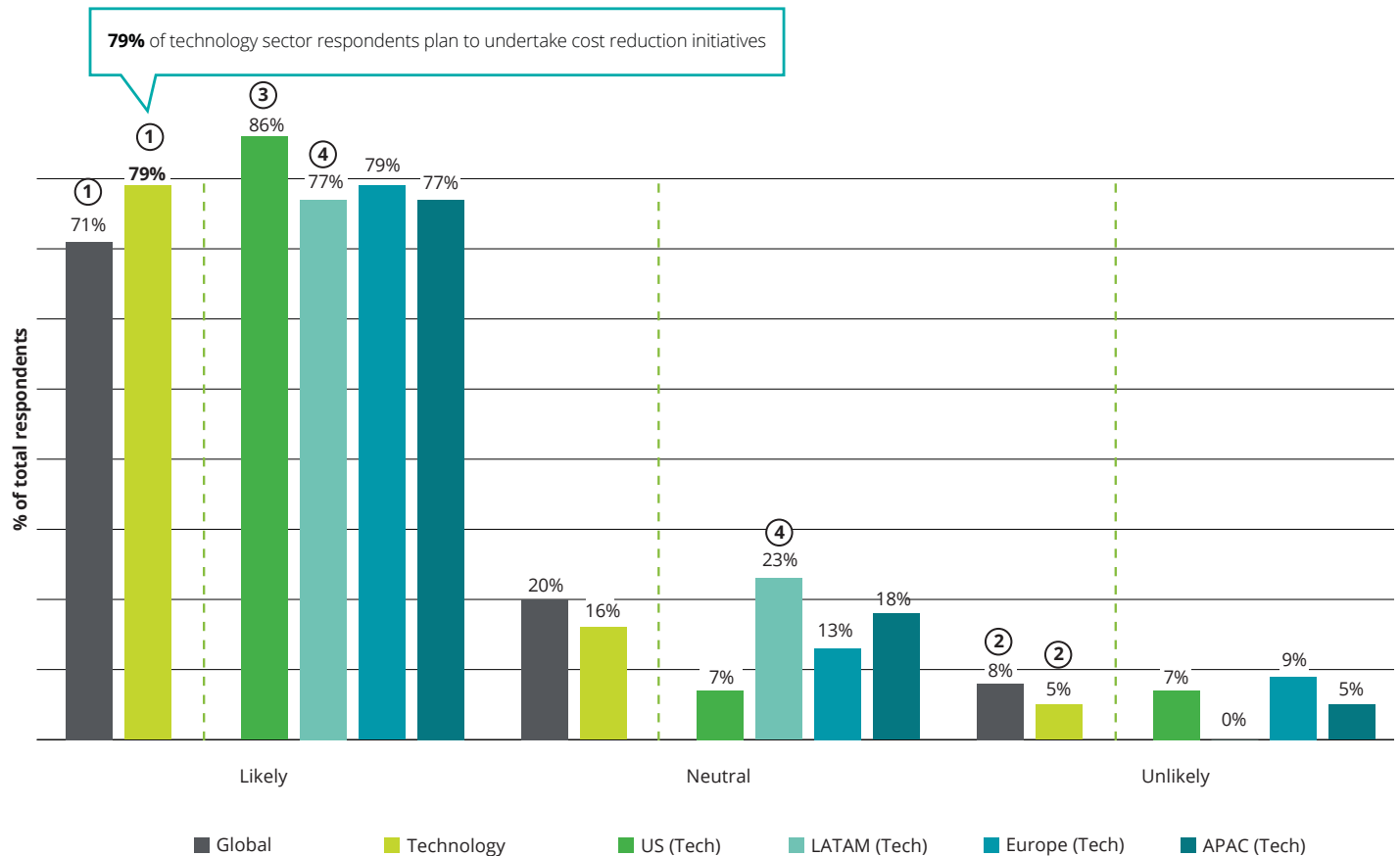


Cost reduction is particularly prevalent among tech companies in the United States

For technology companies, the likelihood of undertaking cost reduction initiatives over the next 24 months is significantly

higher in the United States (86%) than in Europe (79%), Latin America (77%), and Asia Pacific (77%) (see figure 10).

Figure 10: Likelihood of cost reduction over the next 24 months



Survey findings

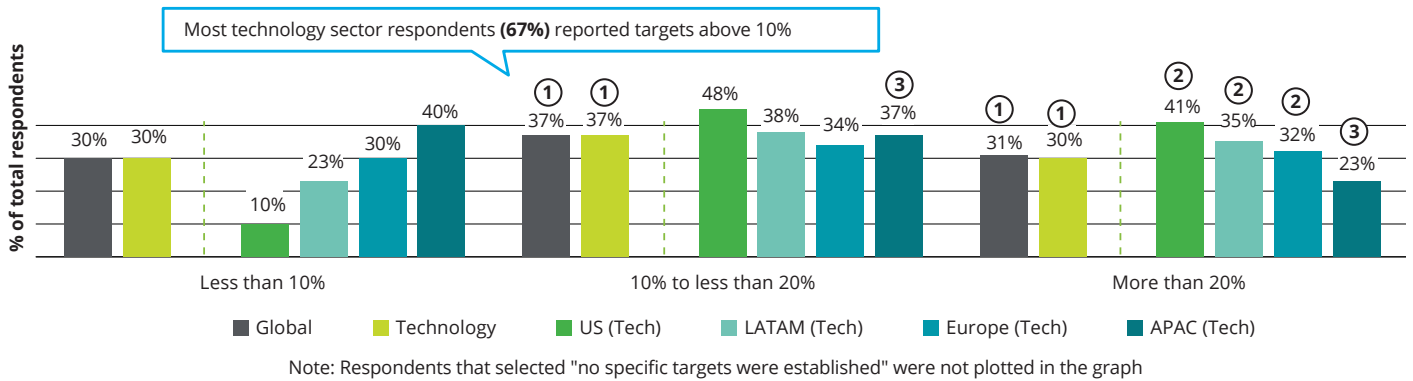
- ① On average, 79% of tech companies plan to undertake cost reduction initiatives, significantly higher than the global average across all industries (71%).
- ② In the tech sector, only 5% of respondents say they are unlikely to undertake cost reduction initiatives over the next 24 months, compared to 8% globally across industries.
- ③ US tech companies are the most likely to undertake cost reduction initiatives (86%), higher than the overall averages for the technology sector (79%) and globally across industries (71%).
- ④ In Latin America, all tech sector respondents view their likelihood of undertaking cost reduction as either likely (77%) or neutral (23%).

US tech companies have the most aggressive cost reduction targets

The vast majority of surveyed tech companies (67%) have cost reduction targets above 10%. Tech companies in the United States have the most aggressive targets, with 41%

pursuing cost reduction of more than 20%. APAC tech companies have the least aggressive targets, with 77% pursuing cost reductions of less than 20% (see figure 11).

Figure 11. Cost targets



Survey findings

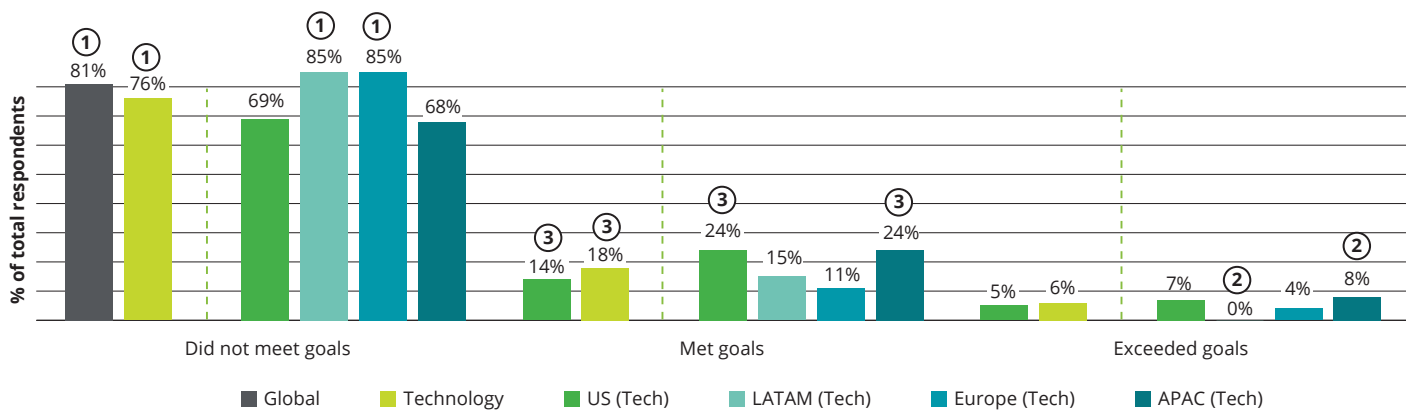
- ① On average, 67% of technology sector respondents have cost reduction targets of 10% or higher, on par with the global average across industries (68%).
- ② The percentage of tech companies with targets above 20% is higher than the overall tech sector average (30%) and the global average across industries (31%) in the United States (41%), Latin America (35%), and Europe (32%).
- ③ Asia Pacific (at 60%) has the lowest percentage of tech companies with targets of 10% or more, much lower than the global average (68%) and overall tech sector average (67%).

Cost program failure rates in the tech sector are highest for Latin America and Europe

Failure rates for tech sector cost programs are high (76%), but not as high as the global average across industries (81%). The failure rates are highest in Latin America (85%)

and Europe (85%), and lowest in Asia Pacific (68%) and the United States (69%) (see figure 12).

Figure 12. Cost program success and failure analysis



Survey findings

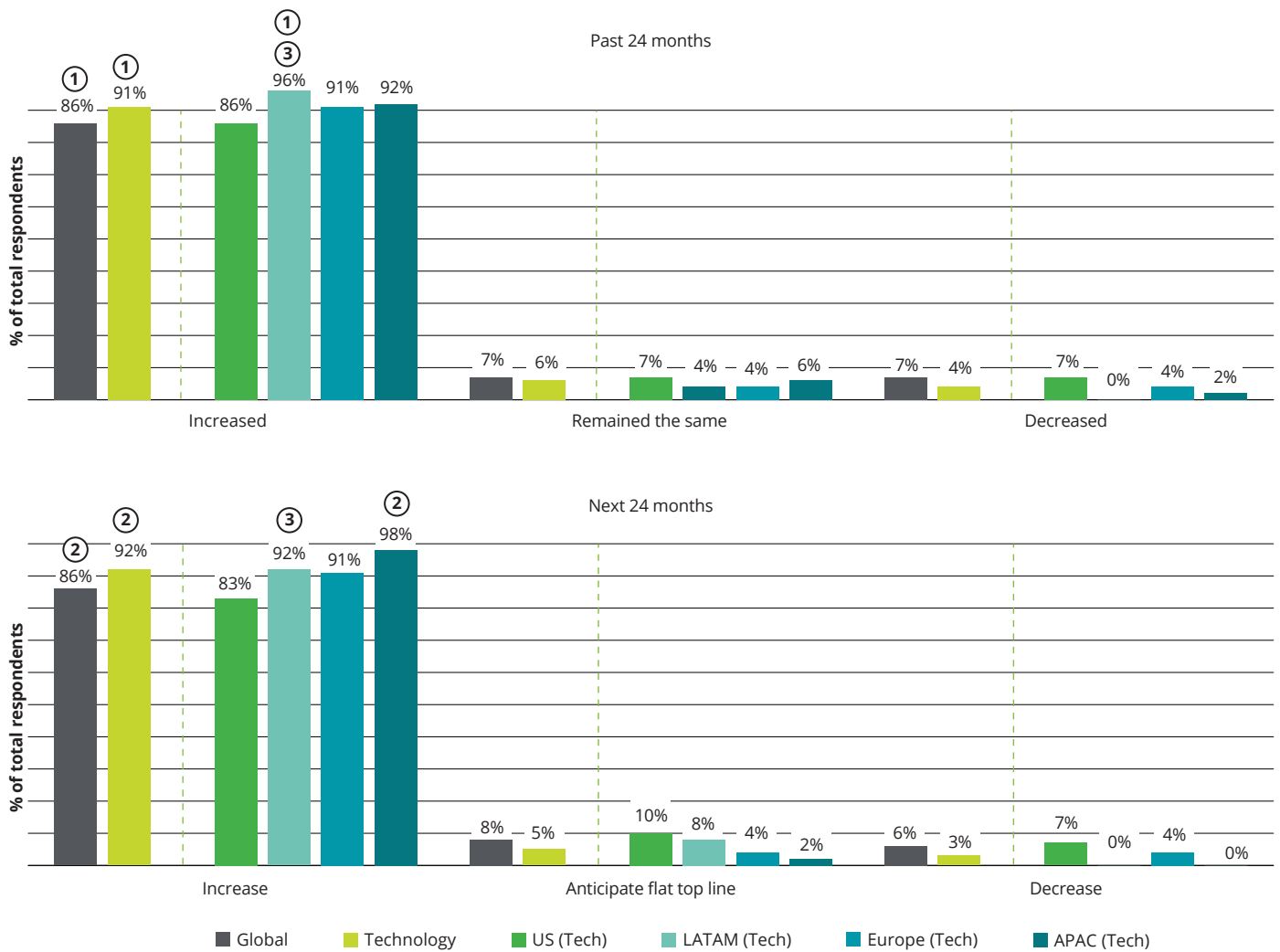
- ① LATAM and Europe have the highest failure rate than the rest of the regions at 85%; APAC has the lowest failure rate at 68%, lower than the global (81%) and technology sector (76%) averages.
- ② APAC has the highest percentage of companies exceeding goals at 8%, whereas LATAM has 0% respondents exceeding goals.
- ③ Technology sector at 18% has higher rates at meeting goals than global average companies (14%); specially, due to the performance of US and APAC (both at 24%).

Growth expectations in the tech sector are very positive

Technology sector respondents have a very positive growth outlook, with 91% reporting revenue growth over the past 24 months and 92% expecting revenue growth over the next 24 months. Both of those numbers exceed the global averages across industries (86% for both). LATAM tech companies

had the most positive revenue results over the past 24 months (96%), while APAC tech companies have the most positive growth expectations over the next 24 months (98%) (see figure 13).

Figure 13: Revenue performance and expectations for growth



Survey findings

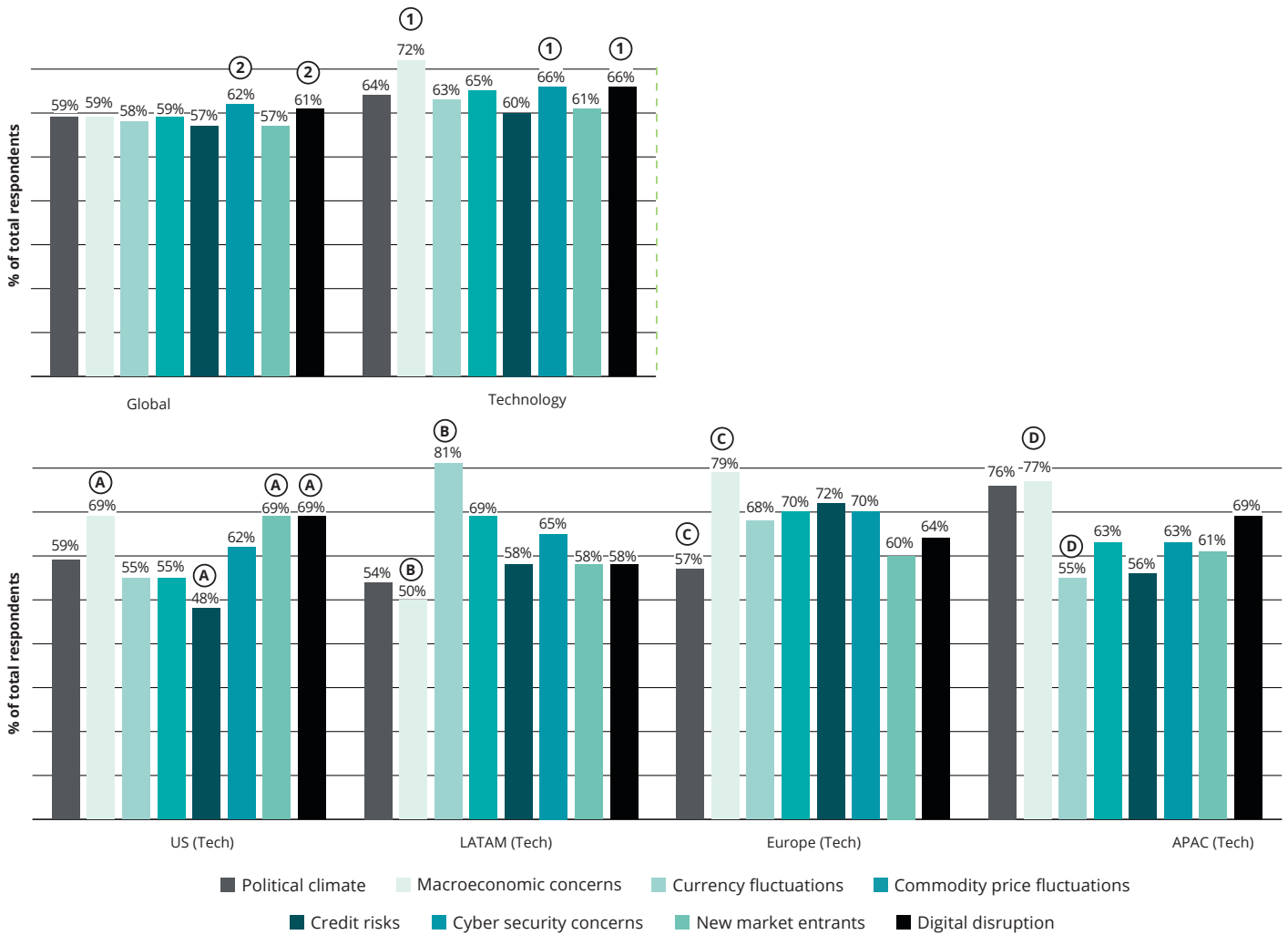
- ① Over the past 24 months, LATAM tech companies had the most positive revenue growth results (96%), higher than the overall average for the technology sector (91%) as well as the global average across industries (86%).
- ② Over the next 24 months, APAC tech companies have the most positive growth outlook (98%), higher than the overall average for the tech sector (92%) as well as the global average across industries (86%).
- ③ In Latin America, the percentage of tech companies expecting future revenue growth (92%) is 4 points lower than the percentage of tech companies reporting past revenue growth (96%).

Macroeconomic concerns are the top-rated external risk

In contrast to the global results where cybersecurity tops the list of external risks, macroeconomic concerns are the top-rated external risk (72%) for tech companies. Cybersecurity

and digital disruption are tied for second, both at 66% (see figure 14).

Figure 14. Top external risks



Survey findings

- ① The top-rated external risks among technology sector respondents are macroeconomic concerns (72%), followed by cybersecurity (66%) and digital disruption (66%).
- ② Globally, cybersecurity (62%) and digital disruption (61%) are among the three top risks as well, with macroeconomics in a three-way tie for third at 59%.
- ③ Overall ratings for external risks in the technology sector tend to be significantly higher than the global averages across industries.

Region-specific findings for the technology sector

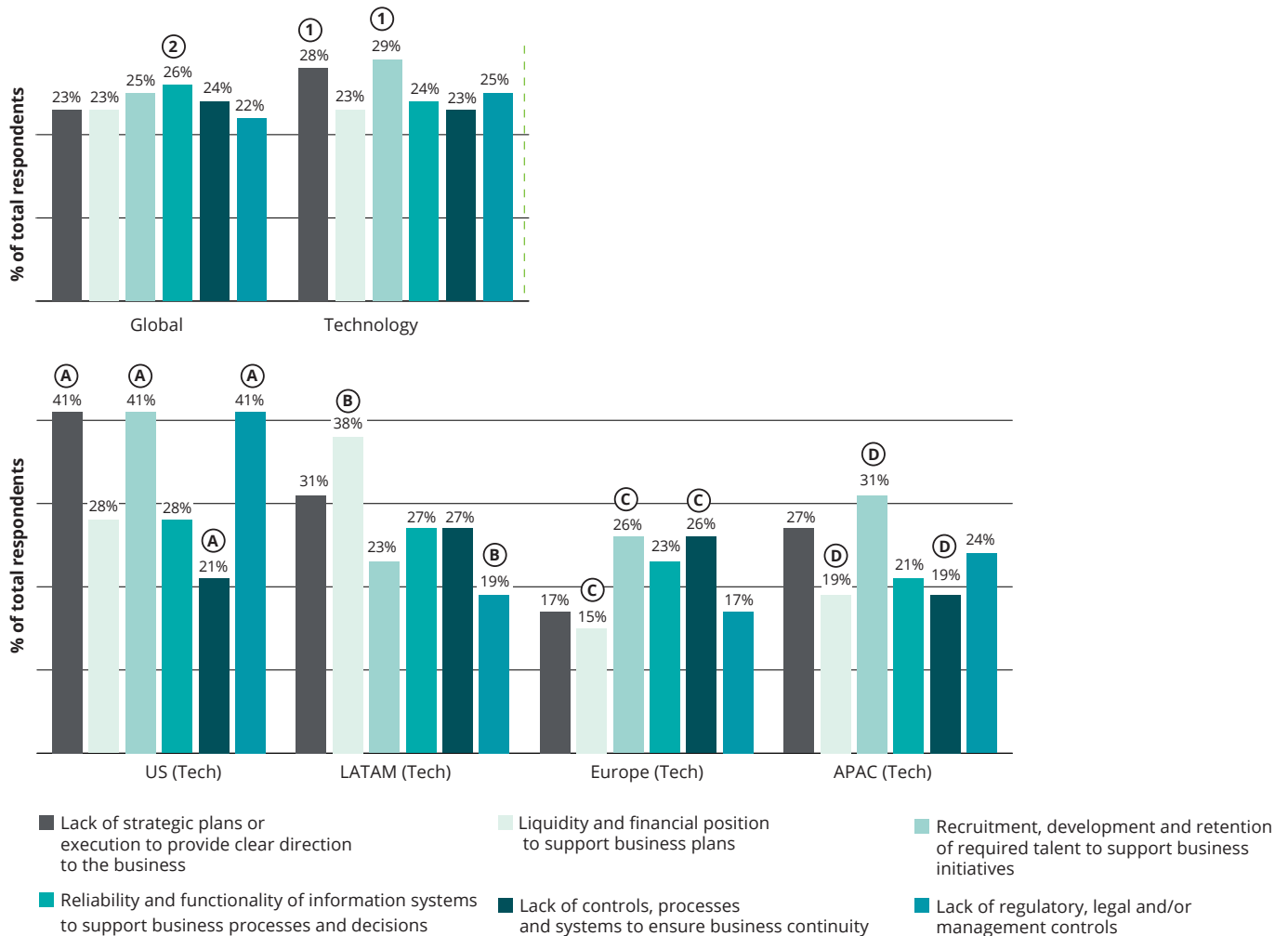
- Ⓐ **United States** – The top-rated external risks are macroeconomic concerns (69%), new market entrants (69%), and digital disruption (69%); credit risks rank last at 48%, the lowest rating among all regions.
- Ⓑ **Latin America** – Currency fluctuations are the top-rated risk in Latin America at 81%, the highest rating among all regions; unlike all other regions, macroeconomic concerns are the lowest-rated (50%).
- Ⓒ **Europe** – Macroeconomic concerns are the top-rated external risk (79%); political climate is the lowest-rated (57%).
- Ⓓ **Asia Pacific** – Macroeconomic concerns are the top-rated external risk (77%); currency fluctuations are the lowest-rated (at 55%).

Talent and lack of strategic plans are the top internal risks

The top internal risks in the technology sector are recruitment, development, and retention of talent (29%) and lack of strategic plans/execution (28%). Tech companies in

the United States had particularly high ratings for those same two risks, as well as lack of controls (all at 41%) (see figure 15).

Figure 15. Top internal risks



Survey findings

- ① The top internal risk for tech companies is talent (29%), followed by lack of strategic plans/execution (28%).
- ② In contrast to the technology sector, the top internal risk globally across industries is reliability and functionality of information systems (26%).
- ③ Talent is rated higher as a risk in the tech sector (29%) than globally (25%).

Region-specific findings for the technology sector

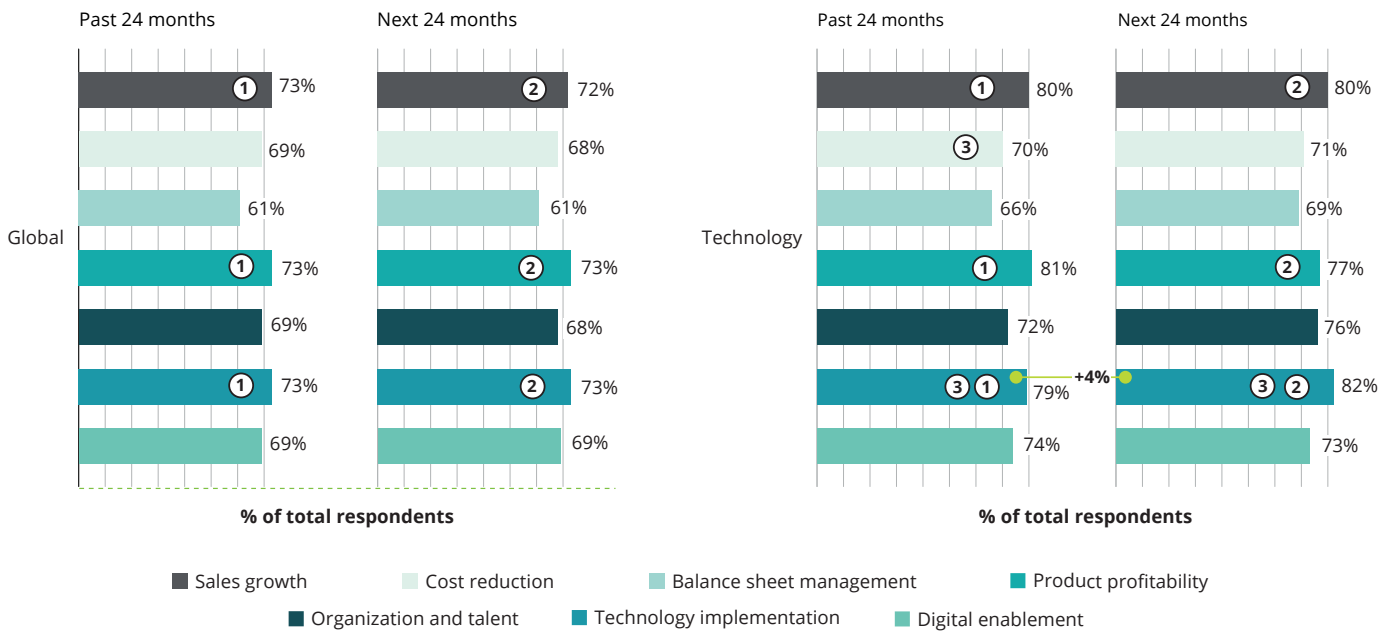
- Ⓐ **United States** – The top-rated internal risks are lack of strategic plans/execution (41%), talent (41%), and lack of regulatory controls (41%)—the highest ratings for any internal risks in any region.
- Ⓑ **Latin America** – The top-rated internal risk is liquidity and financial position (38%); the lowest-rated is lack of controls (19%).
- Ⓒ **Europe** – The top-rated internal risks are talent (26%) and lack of controls (26%); the lowest-rated is liquidity and financial position at 15% (its lowest rating for any region).
- Ⓓ **Asia Pacific** – The top-rated internal risk is talent (31%); the lowest-rated internal risks are liquidity and financial position (19%) and lack of controls (19%).

Strategic priorities align with save-to-transform — with extra emphasis on transformation

The save-to-transform cost management approach uses cost reduction to fund investments in growth and transformational digital technologies, while in turn using many of those same digital technologies to boost the efficiency and effectiveness of cost reduction programs. In the technology sector, the top-rated strategic priorities over the next 24 months are all

fairly balanced: technology implementation (82%); sales growth (80%); product profitability (77%); technology implementation (77%); organization and talent (72%); digital enablement (73%); and cost reduction (71%). This broad set of balanced priorities typifies the save-to-transform mindset (see figure 16).

Figure 16. Strategic priorities (tech sector versus global across industries)



Survey findings

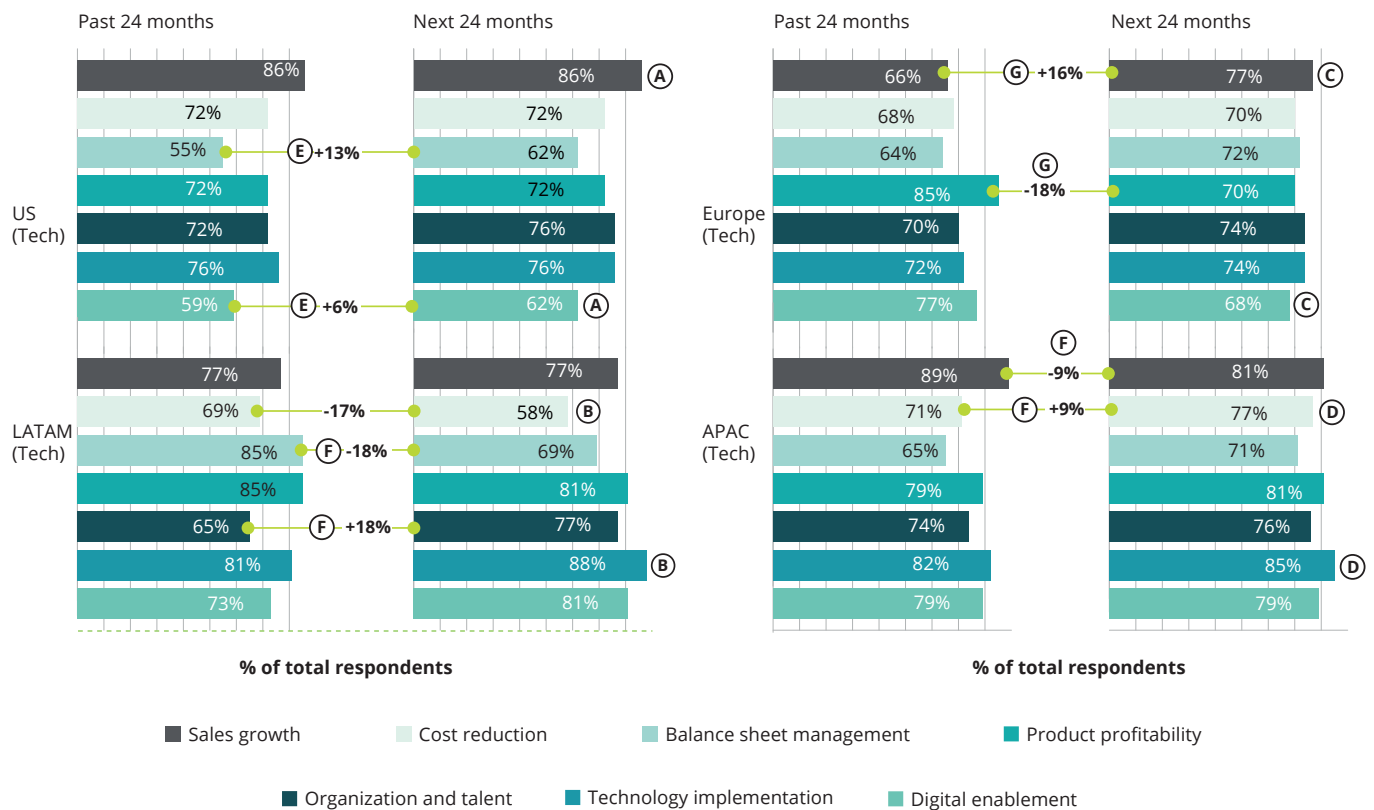
- ① The technology sector’s three top strategic priorities over the past 24 months were product profitability (81%), sales growth (80%), and technology implementation (79%); those were also the three top priorities globally across industries.
- ② The sector’s top priorities over the next 24 months are technology implementation (82%), sales growth (80%), and product profitability (77%); those are also the three top priorities globally.
- ③ In the technology sector, the priority for technology implementation is expected to increase by 4% from the past 24 months to the next 24 months.

Strategic priorities vary significantly by region

Strategic priorities for cost reduction vary significantly by region, with noteworthy changes over time. The priorities of APAC tech companies over the next 24 months appear to be

the most closely aligned with a save-to-transform mindset (see figure 17).

Figure 17. Strategic priorities



Region-specific findings for the technology sector over the next 24 months

- Ⓐ **United States** – The top priority is sales growth (86%); the lowest are balance sheet management (62%) and digital enablement (62%).
- Ⓑ **Latin America** – The top priority is technology implementation (88%), with a higher rating in Latin America than in any other region; the lowest priority is cost reduction at 58%, the lowest rating among all regions.
- Ⓒ **Europe** – The top priority is sales growth (77%); the lowest is digital enablement (68%).
- Ⓓ **Asia Pacific** – The top priority is technology implementation (85%); the lowest is balance sheet management (71%).

Comparison to past 24 months

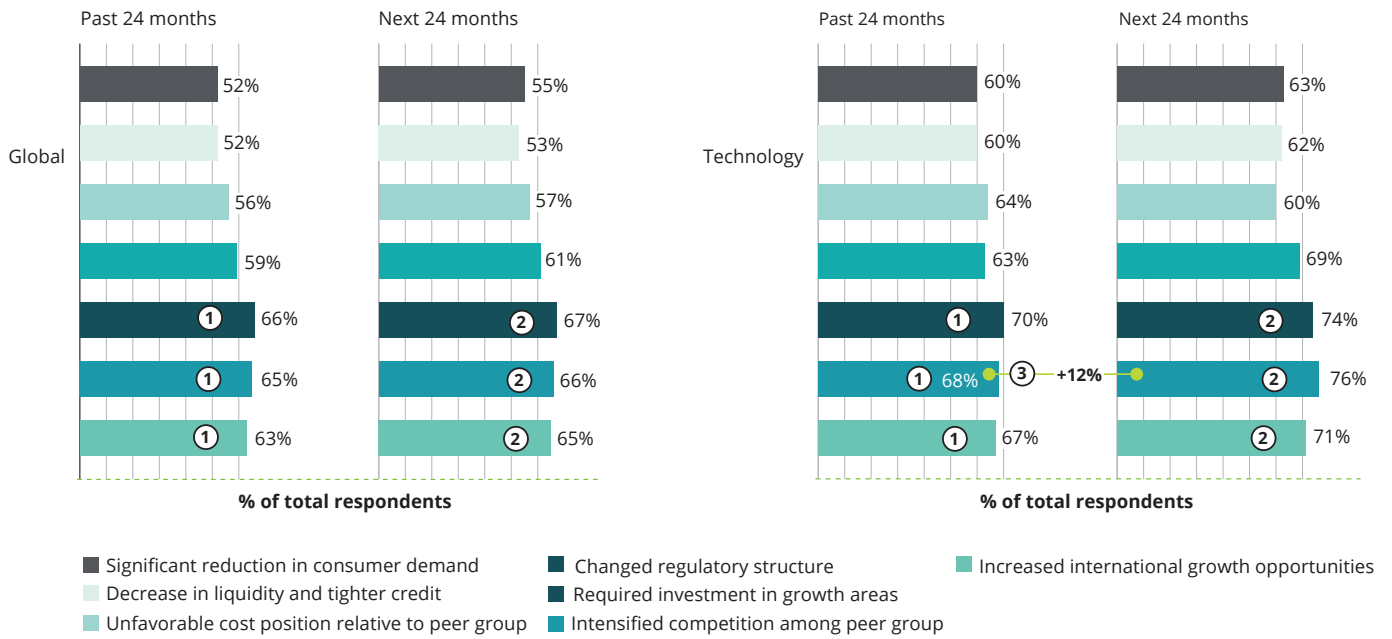
- Ⓔ **United States** – Balance sheet management as a priority increases by 13%; digital enablement increases by 6%.
- Ⓕ **Latin America** – Organization and talent increases by 18%; balance sheet management decreases by 18%.
- Ⓖ **Europe** – Sales growth as a priority increases by 16%; product profitability decreases by 18%.
- Ⓗ **Asia Pacific** – Cost reduction increases by 9%; sales growth decreases by 9%.

Competition is expected to be the top cost reduction driver

Over the next 24 months, the technology sector's three top drivers for cost reduction are intensified competition (76%), required investment in growth areas (74%), and international

growth opportunities (71%). Those results are fairly consistent with the past 24 months, except for a sharply increased focus on competition (see figure 18).

Figure 18. Cost reduction drivers



Survey findings

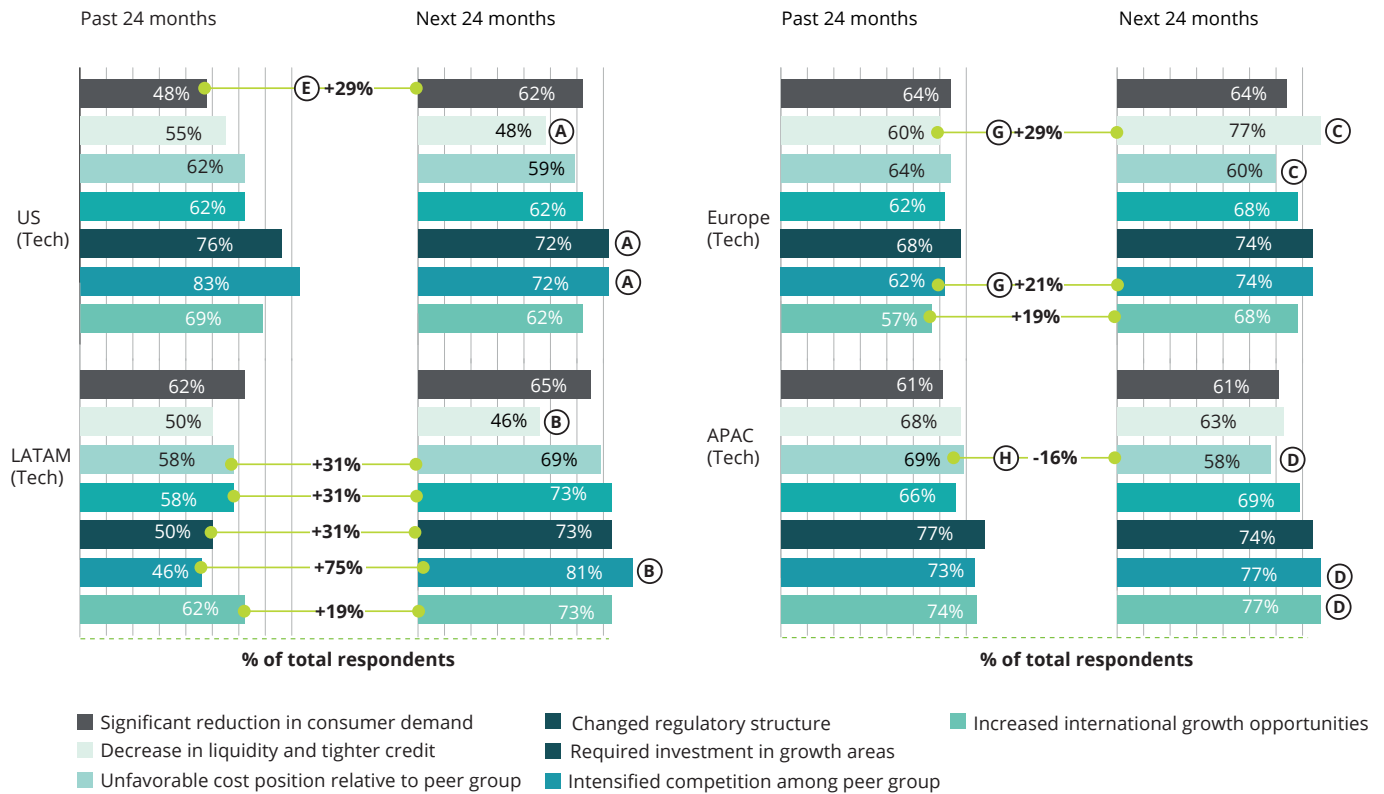
- ① The tech sector's three top drivers over the past 24 months were investment in growth areas (70%), intensified competition (68%), and international growth opportunities (67%); those same three drivers topped the list globally across all industries.
- ② The tech sector's three top drivers over the next 24 months remain the same, except that intensified competition tops the list at 76%, followed by investment in growth areas at 74%, and international growth opportunities at 71%.
- ③ Looking ahead, tech companies expect competition to rise sharply as a cost driver (+12%).

Cost reduction drivers vary widely by region

In the technology sector, cost reduction drivers vary widely by region and are expected to evolve significantly over the

next 24 months, particularly in the United States and Europe (see figure 19).

Figure 19. Cost reduction drivers by region



Region-specific findings for the technology sector over the next 24 months

- (A) United States** – The top-rated cost reduction drivers are investment in growth areas (72%) and intensified competition (72%); the lowest-rated is decrease in liquidity (48%).
- (B) Latin America** – The top-rated driver is intensified competition at 81%, the highest rating for any driver in any region; at the other extreme, the lowest-rated is decrease in liquidity at 46%, the lowest rating for any driver in any region.
- (C) Europe** – The top-rated driver is decrease in liquidity (77%); the lowest is unfavorable cost position (60%).
- (D) Asia Pacific** – The top-rated drivers are intensified competition (77%) and international growth opportunities (77%); the lowest is unfavorable cost position (58%).

Comparison to past 24 months

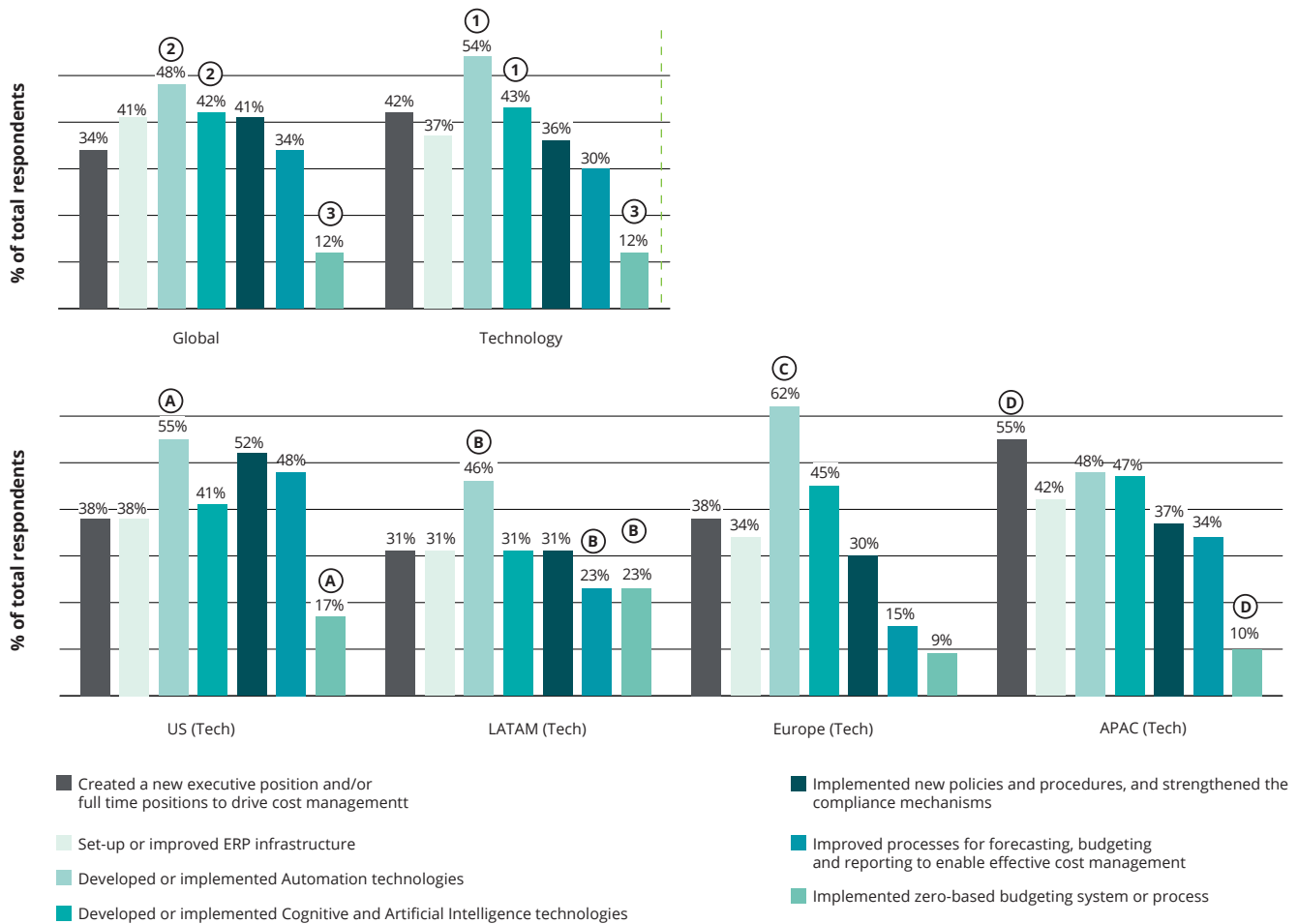
- (E) United States** – The focus on reduced consumer demand is expected to rise by 29%.
- (F) Latin America** – All cost reduction drivers are expected to increase over the next 24 months (+32%, on average) except decrease in liquidity (-8%).
- (G) Europe** – Greater focus is expected on decreased liquidity (+ 29%) and intensified competition (+21%).
- (H) Asia Pacific** – Unfavorable cost position is expected to be less of a focus (-16%).

Capability development in the tech sector resembles the global results

Capability development in the technology sector resembles the global pattern across all industries. The biggest difference is that

tech companies have a significantly greater focus on automation (54% versus 48% across industries) (see figure 20).

Figure 20. Capabilities developed over the past 24 months



Survey findings

- ① The technology sector’s most commonly developed capabilities were automation (54%) and cognitive solutions (43%).
- ② Similarly, automation was the most commonly developed capability globally (48%).
- ③ Zero-based budgeting (ZBB) was the least commonly developed capability in the tech sector (12%), matching the global average (12%).

Region-specific findings for the technology sector

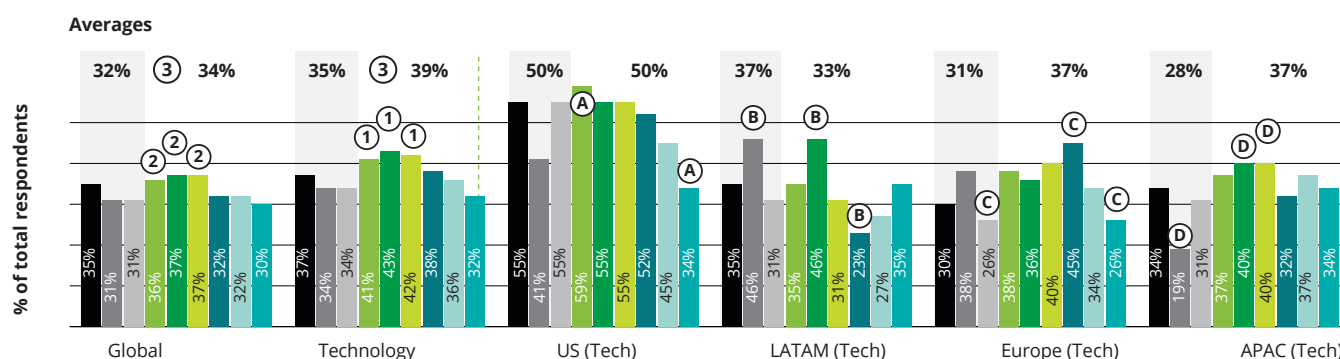
- Ⓐ **United States** – The most commonly developed capability over the past 24 months was automation (55%); the least common was ZBB (17%).
- Ⓑ **Latin America** – The most commonly developed capability was automation (46%); the least common were improved processes for forecasting, budgeting, and reporting (23%) and ZBB (23%, which was by far the highest frequency of ZBB development in any region).
- Ⓒ **Europe** – The most commonly developed capability was automation at 62% (the highest rating for any capability in any region); the least common was ZBB at 9% (the lowest rating for any capability in any region).
- Ⓓ **APAC** – The most commonly developed capability was creating a new executive position (55%); the least common was ZBB (10%).

Tech companies have favored tactical cost actions

According to the survey results, technology companies tended to favor tactical cost actions over strategic cost actions during the past 24 months. This resembles the global pattern across industries, but is even more pronounced (see figure 21).

Tactical actions tend to produce incremental improvements and relatively small cost savings, whereas strategic actions have a much broader and deeper impact. Examples of strategic actions include: centralizing business activities (action 1 in the chart); structurally reconfiguring the business (action 2); and outsourcing/offshoring (action 3).

Figure 21. Implemented cost reduction actions over the past 24 months



Action 1	Increased centralization - Integrated business units and functions into the corporate center	Strategic
Action 2	Changed business configuration - Divested underperforming assets, adjusted number of products/services, geographies, customers, etc.	
Action 3	Outsourced/Off-shored business processes to low cost service providers	
Action 4	Streamlined organization structure - Increased spans of control, and modified reporting relationships	Tactical
Action 5	Streamlined business processes	
Action 6	Improved policy compliance	
Action 7	Reduced external spend by leveraging scale to source purchased materials/services and reduced demand for materials and services	
Action 8	Implementation of specific automation or cognitive technologies	
Action 9	Aligned incentives of executives or employees to cost reduction objectives	

Survey findings

- ① The tech sector's most commonly implemented cost reduction actions over the past 24 months were streamlined business processes (43%), improved policy compliance (42%), and streamlined organization structure (41%).
- ② Similar to tech sector, the most commonly implemented cost actions globally were streamlined business processes (37%), improved policy compliance (37%), and streamlined organization structure (36%).
- ③ Tech companies have focused more on tactical cost actions (39%) than strategic cost actions (35%).

Region-specific findings

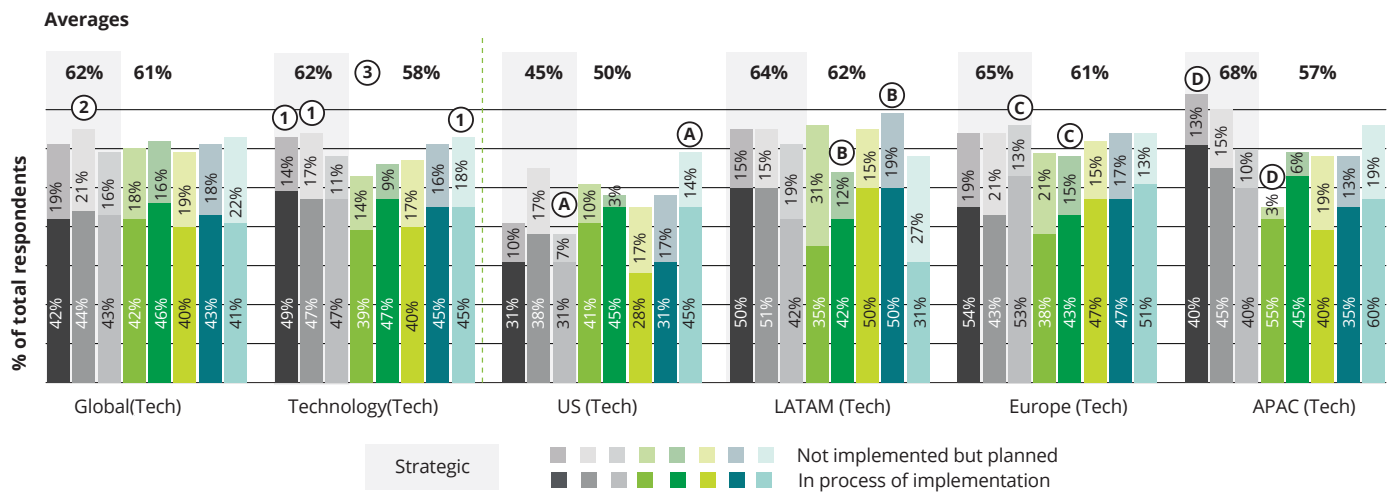
- United States** – The most commonly implemented cost action was streamlined organization structure at 59% (the highest rating for any cost action in any region); the least commonly implemented was aligned incentives of executives (34%).
- Latin America** – The most common cost actions were changed business configuration (46%) and streamlined business processes (46%); the least common was reduced external spend (23%).
- Europe** – The most common cost action was reduced external spend (45%); the least common were outsourced business processes (26%) and aligned incentives of executives (26%).
- Asia Pacific** – The most common cost actions were streamlined business processes (40%) and improved policy compliance (40%); the least common was changed business configuration at 19% (the lowest rating for any cost action in any region).

Strategic cost actions will be favored in the future

Looking ahead to the next 24 months, tech companies expect to favor strategic cost reduction actions (62%) over tactical cost actions (58%). The notable exception is the United States, where the data shows tech companies shifting from a balanced approach over the past 24 months (50%

average rating for strategic cost actions, 50% average rating for tactical cost actions – see figure 21) to a bias for tactical cost actions (45% average rating for strategic cost actions versus a 50% average rating for tactical cost actions) (see figure 22).

Figure 22. Expected cost reduction actions over the next 24 months



Action 1	Increase centralization - Integrated business units and functions into the corporate center	Strategic
Action 2	Change business configuration - Divested underperforming assets, adjusted number of products/services, geographies, customers, etc.	
Action 3	Outsource/Off-shore business processes to low cost service providers	
Action 4	Streamline organization structure - Increased spans of control, and modified reporting relationships	Tactical
Action 5	Streamline business processes	
Action 6	Improve policy compliance	
Action 7	Reduce external spend by leveraging scale to source purchased materials/services and reduced demand for materials and services	
Action 8	Implementation of specific automation or cognitive technologies	

Survey findings

- ① The tech sector's most expected cost reduction actions over the next 24 months are change business configuration (64% in-process or planned), increase centralization (63%), and implement technology (63%).
- ② Globally across industries, change business configuration is also the most expected cost action (65%).
- ③ Tech sector respondents expect an increased focus on strategic cost actions (62%) versus tactical cost actions (58%) over the next 24 months.

Region-specific findings

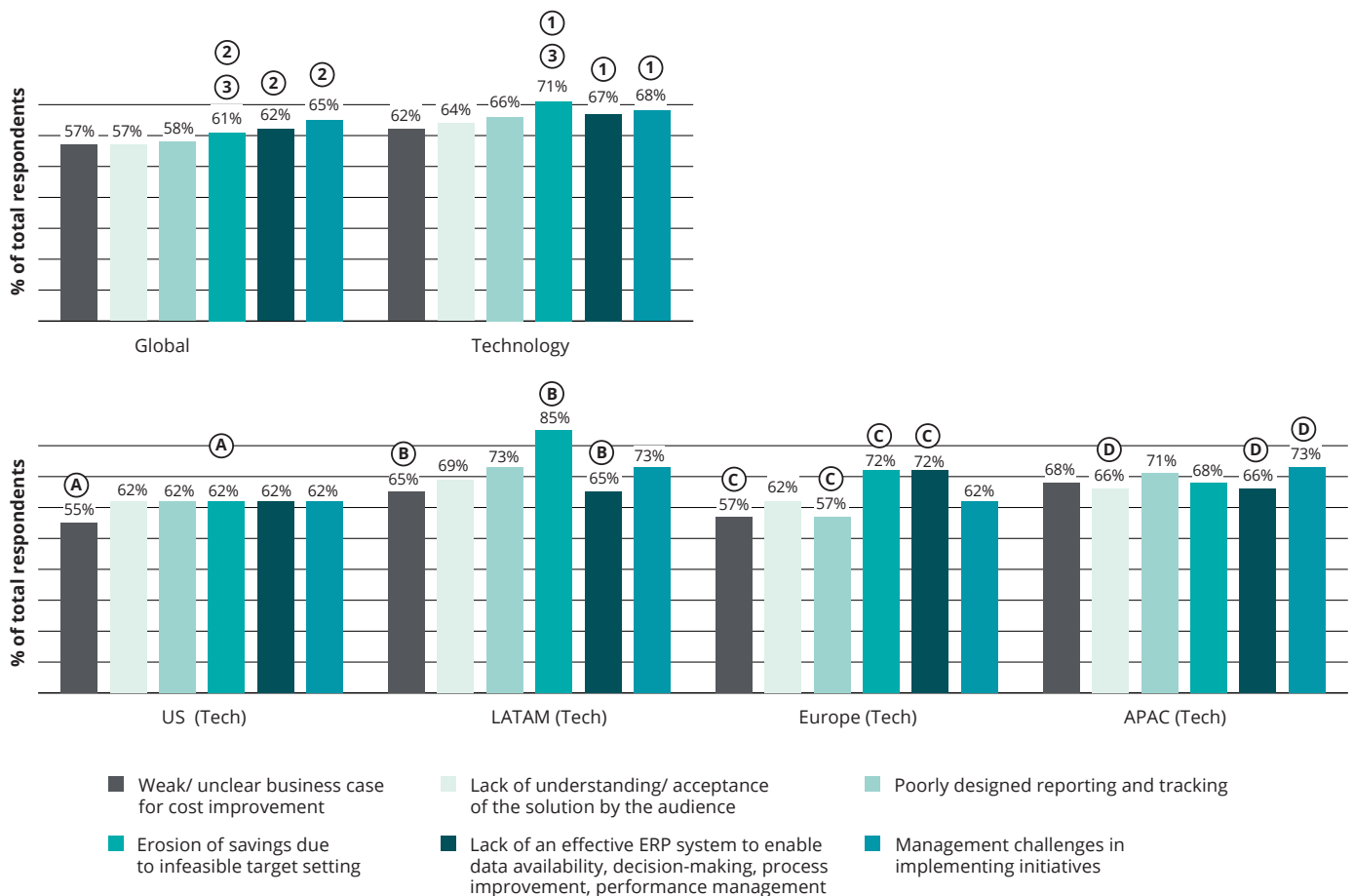
- Ⓐ **United States** – The most expected cost action over the next 24 months is implement technology (59%); the least expected cost action is outsource business processes (38%, the lowest rating for any cost action in any region).
- Ⓑ **Latin America** – The most expected cost action is reduce external spend (69%); the least expected is streamline business processes (64%).
- Ⓒ **Europe** – The most expected cost action is outsource business processes (66%); the least expected is streamline business processes (58%).
- Ⓓ **Asia Pacific** – The most expected cost action is increase centralization (74%, the highest rating for any cost action in any region); the least expected is streamline organization structure (45%).

Erosion of savings is the top barrier to cost reduction

In the technology sector, the three top barriers to successful cost reduction are erosion of savings (71%), implementation challenges (68%), and lack of an effective ERP system (67%).

Those same barriers top the list globally across industries, except that erosion of savings only ranks third (see figure 23).

Figure 23. Barriers to successful cost reduction



Survey findings

- ① The tech sector's three top barriers to successful cost reduction are erosion of savings (71%), implementation challenges (68%), and lack of an effective ERP system (67%).
- ② The three top barriers globally across industries are implementation challenges (65%), lack of an effective ERP system (62%), and erosion of savings (61%).
- ③ Implementation challenges are the number one barrier globally but only number two in the technology sector; however, the tech sector's rating for implementation challenges (68%) is actually higher than the global rating (65%).

Region-specific findings

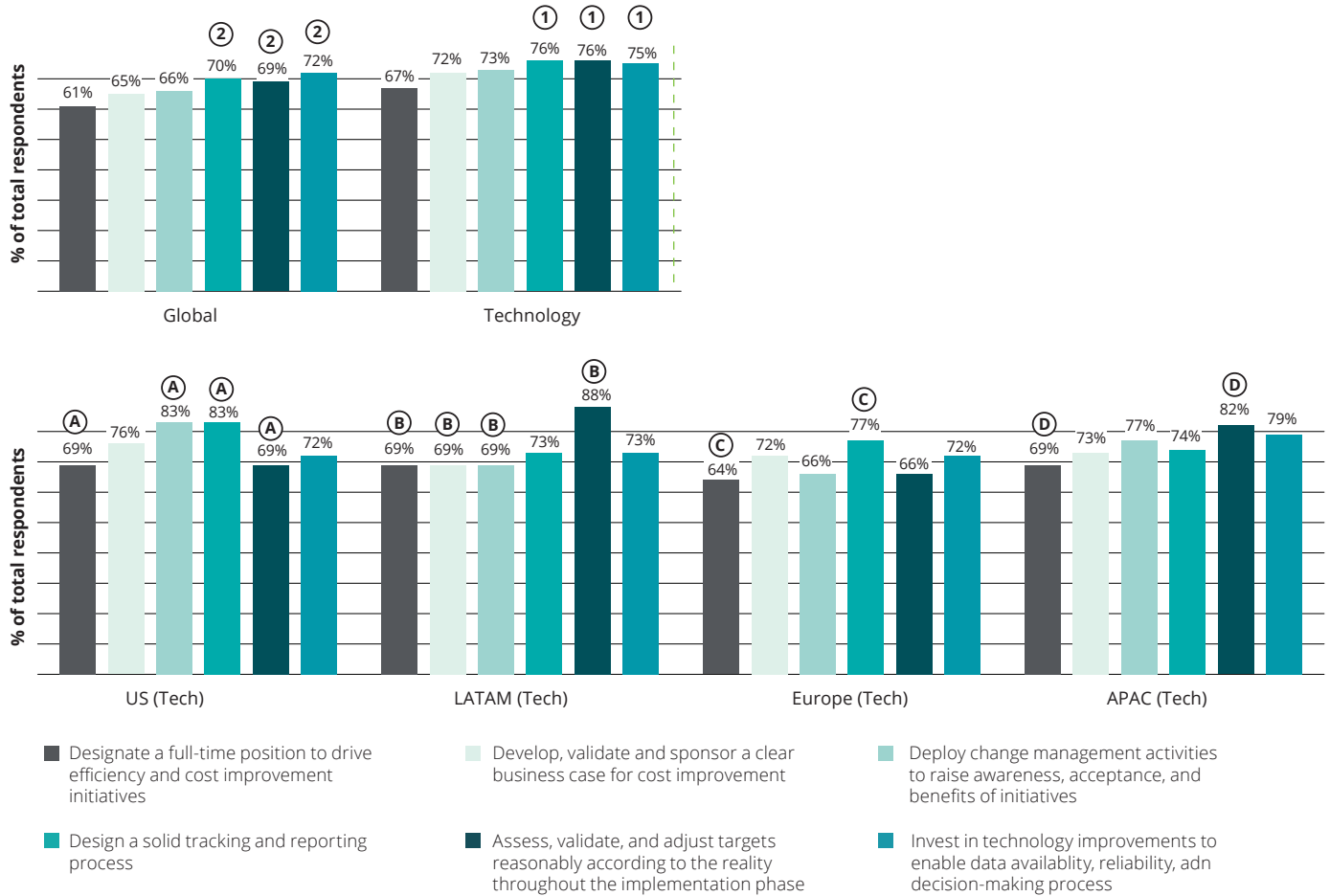
- United States** – All barriers have equal ratings (62%), except for weak/unclear business case (55%, the lowest rating for any barrier in any region).
- Latin America** – The top-rated barrier is erosion of savings (85%, the highest rating for any barrier in any region); the lowest-rated are weak/unclear business case (65%) and lack of an effective ERP system (65%).
- Europe** – The top-rated barriers are erosion of savings (72%) and lack of an effective ERP systems (72%); the lowest-rated are weak/unclear business case (57%) and poorly designed reporting (57%).
- Asia Pacific** – Similar to the global results, the top-rated barrier is implementation challenges (73%), while the lowest-rated barriers are lack of solution understanding (66%) and lack of an effective ERP system (66%).

Lessons learned

The top lessons learned in the technology sector are: design a solid tracking and reporting process (76%); assess, validate, and adjust targets reasonably to reflect reality throughout the implementation phase (76%); and invest in technology

improvements to enable data availability, reliability, and decision-making processes (75%). Those same three lessons top the list globally across industries, although their relative rankings are different (see figure 24).

Figure 24. Lessons learned for effective cost management



Survey findings

- ① The tech sector's three top lessons learned are: design a solid tracking/reporting process (76%); adjust targets to reflect reality (76%); and invest in technology improvements (75%).
- ② The three top lessons globally are: invest in technology improvements (72%); design a solid tracking/reporting process (70%); and adjust targets to reflect reality (69%).
- ③ Tech sector respondents rate all lessons significantly higher than the global averages.

Region-specific findings

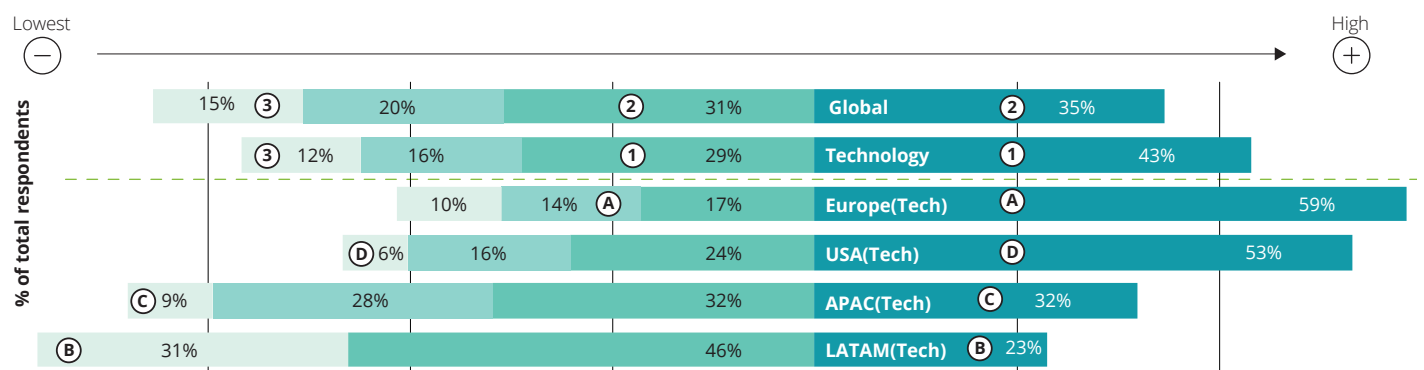
- Ⓐ **United States** – The top-rated lessons learned are to deploy change management (83%) and design a solid tracking/reporting process (83%); the lowest-rated are to designate a full-time position for cost improvement (69%) and adjust targets to reflect reality (69%).
- Ⓑ **Latin America** –The top-rated lesson is to adjust targets to reflect reality (88%, the highest rating for any lesson in any region); the lowest-rated are to designate a full-time position for cost improvement (69%), establish a clear business case (69%), and deploy change management (69%).
- Ⓒ **Europe** – The top-rated lesson is to design a solid tracking/reporting process (77%); the lowest-rated is to designate a full-time position for cost improvement (64%, the lowest rating for any lesson in any region).
- Ⓓ **Asia Pacific** – The top-rated lesson is to adjust targets to reflect reality (82%); the lowest-rated is to designate a full-time position for cost improvement (69%).

Tech companies report a high level of cost management maturity

Overall cost management maturity levels in the technology sector are significantly higher than the global averages across industries. In particular, the percentage of tech companies that rate themselves high maturity (43%) is well above the global average (35%). However, maturity ratings vary widely

by region. For example, only 23% of LATAM tech companies consider themselves high maturity, far lower than the 59% of US tech companies that rate themselves at that highest level (see figure 25).

Figure 25. Cost management maturity levels



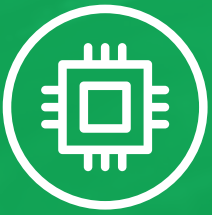
High	Cost policies and procedures are continually reviewed and examined to ensure best practices around efficiency and cost management
Intermediate	Relevant cost policies and procedures are typically well known, and personnel are trained and generally comply
Low	There may be written cost policies and procedures documented but not readily available and essentially not followed
Lowest	Few or no formal cost policies or procedures are employed or documented, or they are significantly fragmented

Survey findings

- ① In the technology sector across all regions, 43% of companies rate themselves high maturity at cost management, and 29% rate themselves intermediate maturity.
- ② Globally, 35% of companies across all industries rate themselves high maturity and 31% rate themselves intermediate maturity.
- ③ Only 12% of technology sector respondents rate themselves at the lowest levels of maturity, compared to 15% globally across industries.

Region-specific findings

- ① **United States** – 59% of US tech companies rate themselves high maturity at cost management, the highest maturity rating of any region and significantly higher than the overall averages for technology (43%) and globally across industries (35%); only 10% of US tech sector respondents rate themselves at the lowest level of maturity.
- ② **Latin America** – Latin America has the lowest percentage of tech companies that rate themselves high maturity (23%), and the highest proportion of tech companies that rate themselves at the lowest level of maturity (31%).
- ③ **Europe** – 32% of European tech companies rate themselves high maturity; only 9% rate themselves lowest maturity.
- ④ **Asia Pacific** – 53% of APAC tech companies rate themselves high maturity at cost management; only 6% rate themselves at the lowest level of maturity (a smaller percentage of lowest maturity companies than any other region).



Digital and technology solutions applied to cost management in the technology sector



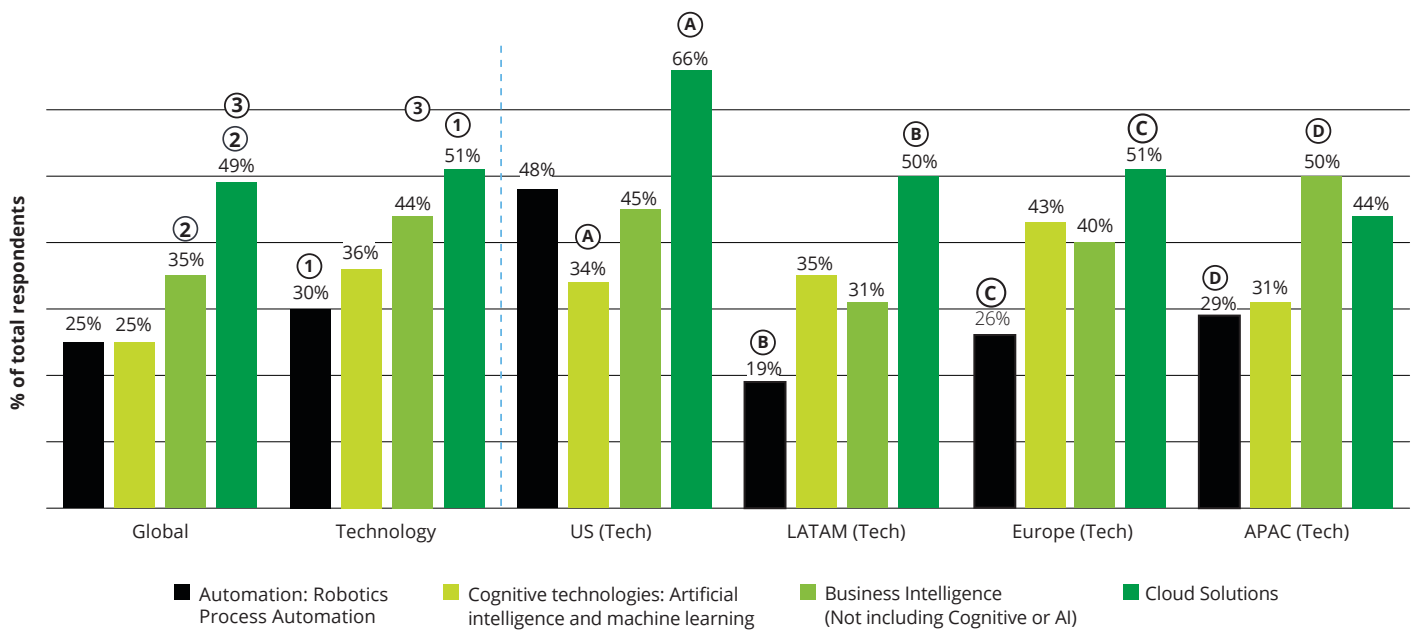
Digital technologies are having a major impact on all aspects of business in the technology sector—including cost management. Breakthrough innovations made possible by digital technology are enabling companies to operate and compete more effectively in an increasingly digital world. They also have the potential to enable new levels of cost savings

Cloud leads the pack

Among the technologies covered by the survey, the most widely implemented in the tech sector over the past 24 months was cloud (51%), followed by business intelligence (44%) and cognitive (36%). Cloud was also the most widely implemented technology globally across industries

(49%). However, implementation levels varied widely by technology and region. For example, the US level of cloud implementation was 66%, by far the highest level for any of the surveyed technologies in any region (see figure 26).

Figure 26. Technology implementation levels (past 24 months)



Survey findings

- ① In the tech sector, cloud was the most widely implemented technology covered by the survey (51%); automation was the least widely implemented (30%).
- ② Cloud was also the most widely implemented globally across industries (49%), followed by business intelligence (35%).
- ③ Implementation levels in the tech sector were consistently higher than the global averages for all technologies.

Region-specific findings

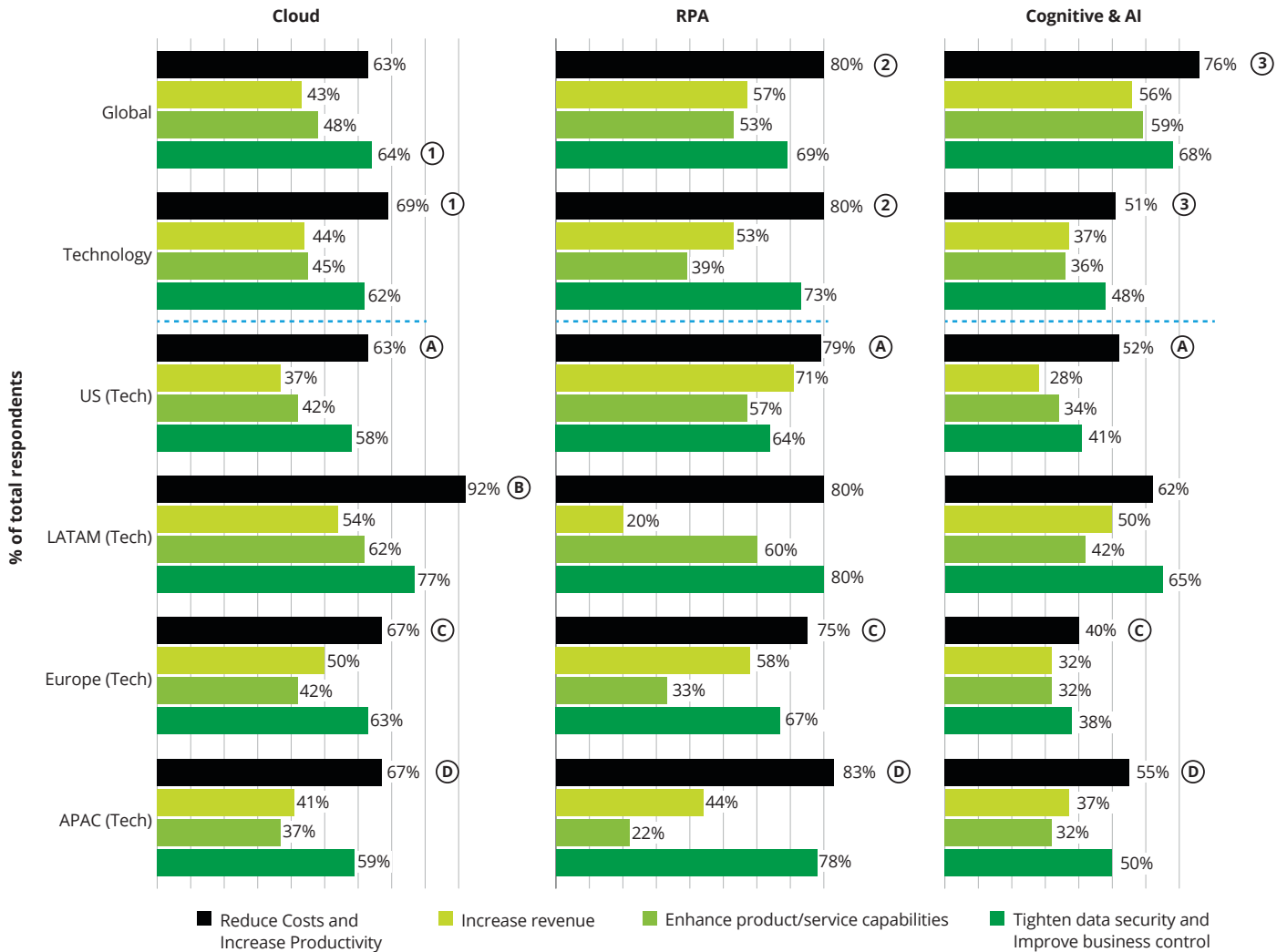
- Ⓐ **United States** – Cloud was the most widely implemented technology (66%); cognitive was the least (34%).
- Ⓑ **Latin America** – Cloud was the most widely implemented technology (50%); automation was the least (19%, lowest of any technology in any region)
- Ⓒ **Europe** – Cloud was the most widely implemented technology (51%); automation was the least (26%).
- Ⓓ **Asia Pacific** – Unlike all other regions, business intelligence was the most implemented technology in Asia Pacific (50%); automation was the least (29%).

Top reasons for applying digital technologies

In the tech sector, reducing costs and increasing productivity is the main reason for applying cloud, robotic process

automation (RPA), and cognitive/AI technologies (see figure 27).

Figure 27. Reasons for applying technologies



Survey findings

- ① In the tech sector, the top reason for applying cloud is to reduce costs and increase productivity (69%); globally, the top reason is to tighten data security and improve business control (64%).
- ② For RPA, reducing costs and increasing productivity is the top reason both in the tech sector (80%) and globally across industries (80%).
- ③ For cognitive/AI, reducing costs and increasing productivity is also the top reason both in the tech sector (51%) and globally across industries (76%).

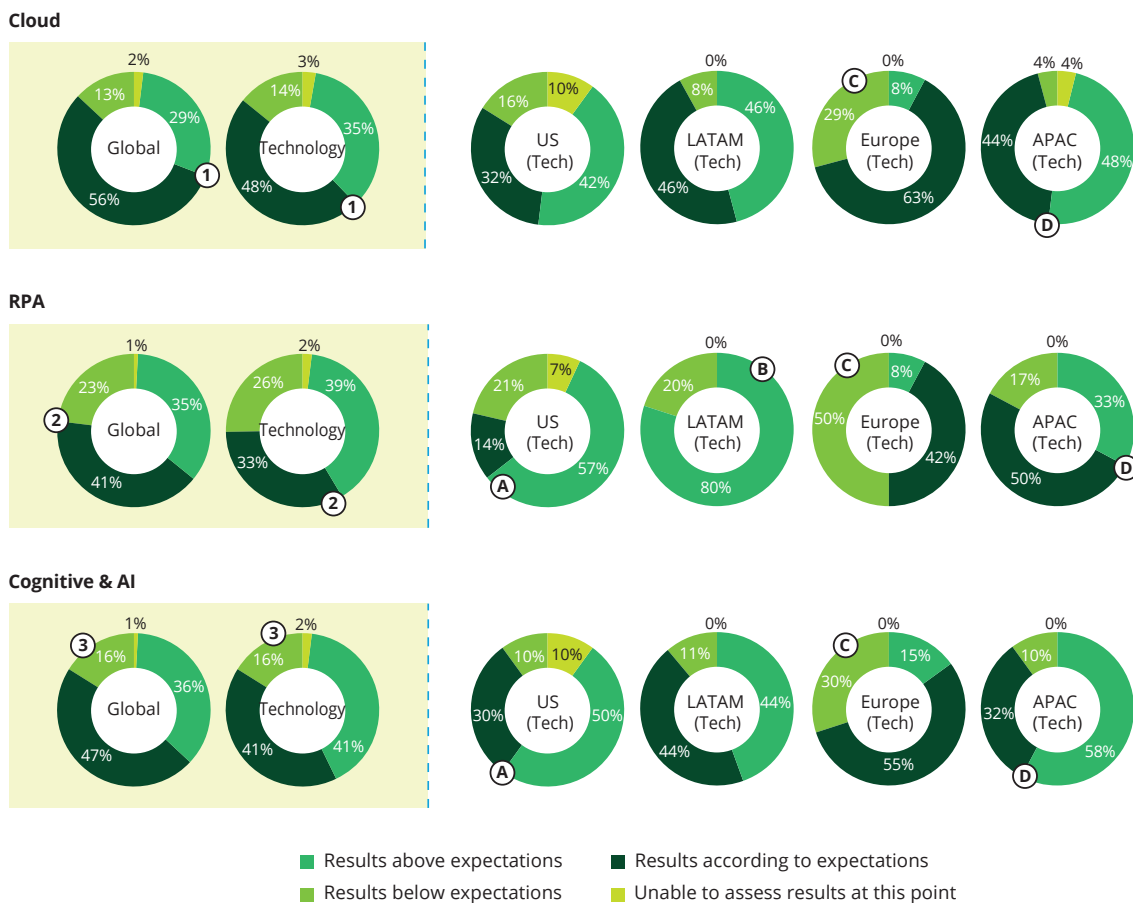
Region-specific findings

- (A) **United States** – Reducing costs and increasing productivity is the top reason for applying each of the three technologies: cloud (63%), RPA (79%), and cognitive (52%).
- (B) **Latin America** – Reducing cost and increasing productivity is the top reason for applying cloud in Latin America (92%, the highest number for any technology in any region).
- (C) **Europe** – Consistent with the overall results for the technology sector, reducing costs and increasing productivity is the main reason for applying each of the three technologies in Europe: cloud (67%), RPA (75%), and cognitive (40%).
- (D) **Asia Pacific** – Reducing costs and increasing productivity is the key reason for applying of the three technologies: cloud (67%), RPA (83%), and cognitive/AI (55%).

Most technology implementations meet or exceed expectations

When implementing each of the technologies covered by the survey, more than 72% of tech companies had their expectations met or exceeded (see figure 28).

Figure 28. Results of implementing technologies



Survey findings

- ① When implementing cloud, 51% of tech companies had their expectations met and 35% had their expectations exceeded, similar to the global results.
- ② When implementing RPA, 33% of tech companies had their expectations met and 39% had their expectations exceeded, lower than the global results.
- ③ When implementing cognitive/AI, 41% of tech companies had their expectations met and 41% had their expectations exceeded, similar to the global results.

Region-specific findings

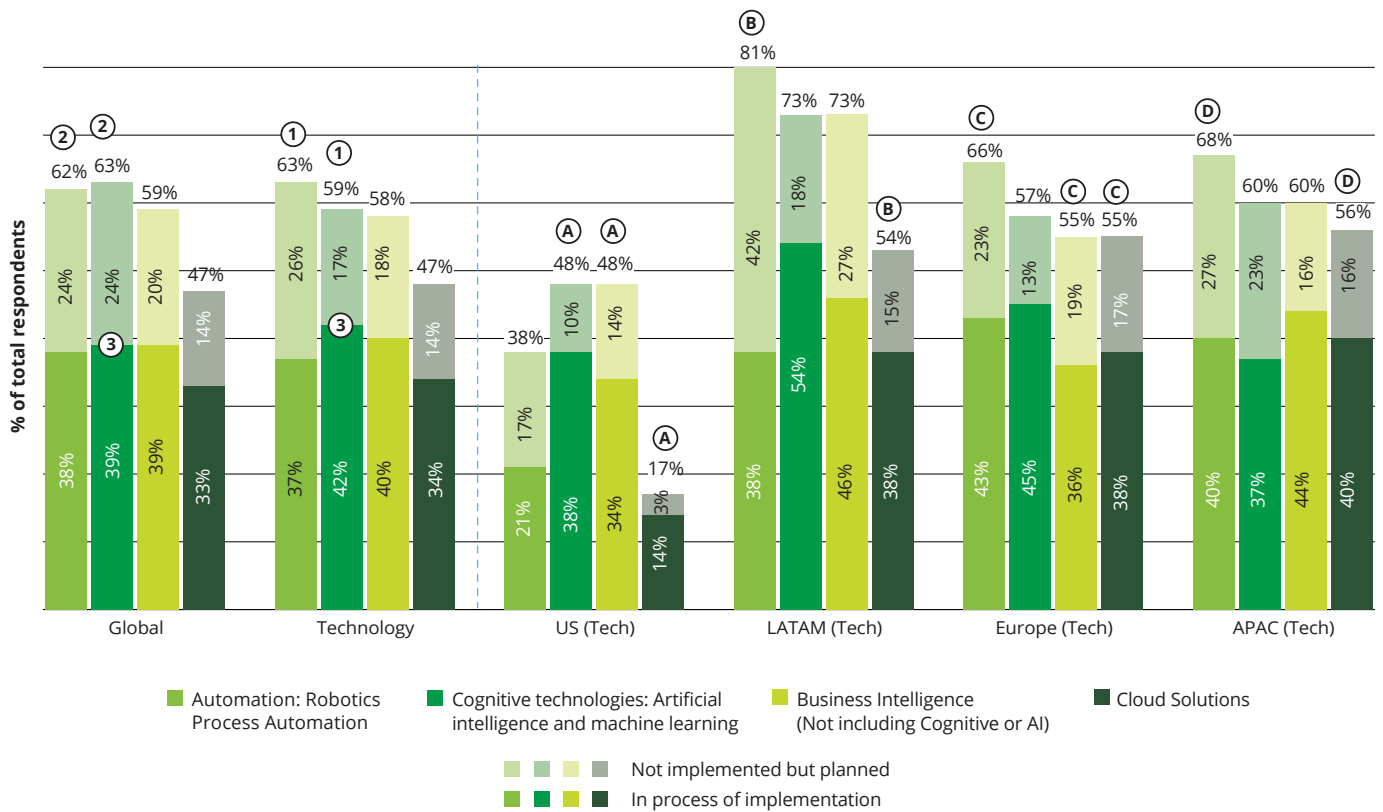
- Ⓐ **United States** – Cognitive/AI had the highest percentage of respondents whose expectations were met or exceeded (80%); RPA had the lowest (71%).
- Ⓑ **Latin America** – RPA had the highest percentage of respondents whose expectations were exceeded (80%, the highest level for any technology in any region).
- Ⓒ **Europe** – On average, Europe had the highest percentage of respondents with results that were below expectations: cloud (29%), RPA (50%), and cognitive/AI (30%).
- Ⓓ **Asia Pacific** – Across all technologies, more than 83% of APAC respondents had their expectations met or exceeded.

High levels of technology implementation are expected

Consistent with the global results across industries, the technologies expected to be most actively implemented in the tech sector over the next 24 months are automation (63%) and cognitive (59%). The technology expected to be

least actively implemented is cloud (47%), most likely because current implementation levels for cloud are already very high (see figure 29).

Figure 29. Technology implementation levels over the next 24 months



Survey findings

- ① Automation (63%) and cognitive/AI (59%) are expected to be the most actively implemented technologies in the tech sector over the next 24 months.
- ② Similar to the tech sector, automation (62%) and cognitive/AI (63%) are expected to be the most actively implemented technologies globally across industries.
- ③ The expected implementation level for cognitive/AI is higher globally across industries than in the tech sector alone (+4 percentage points).

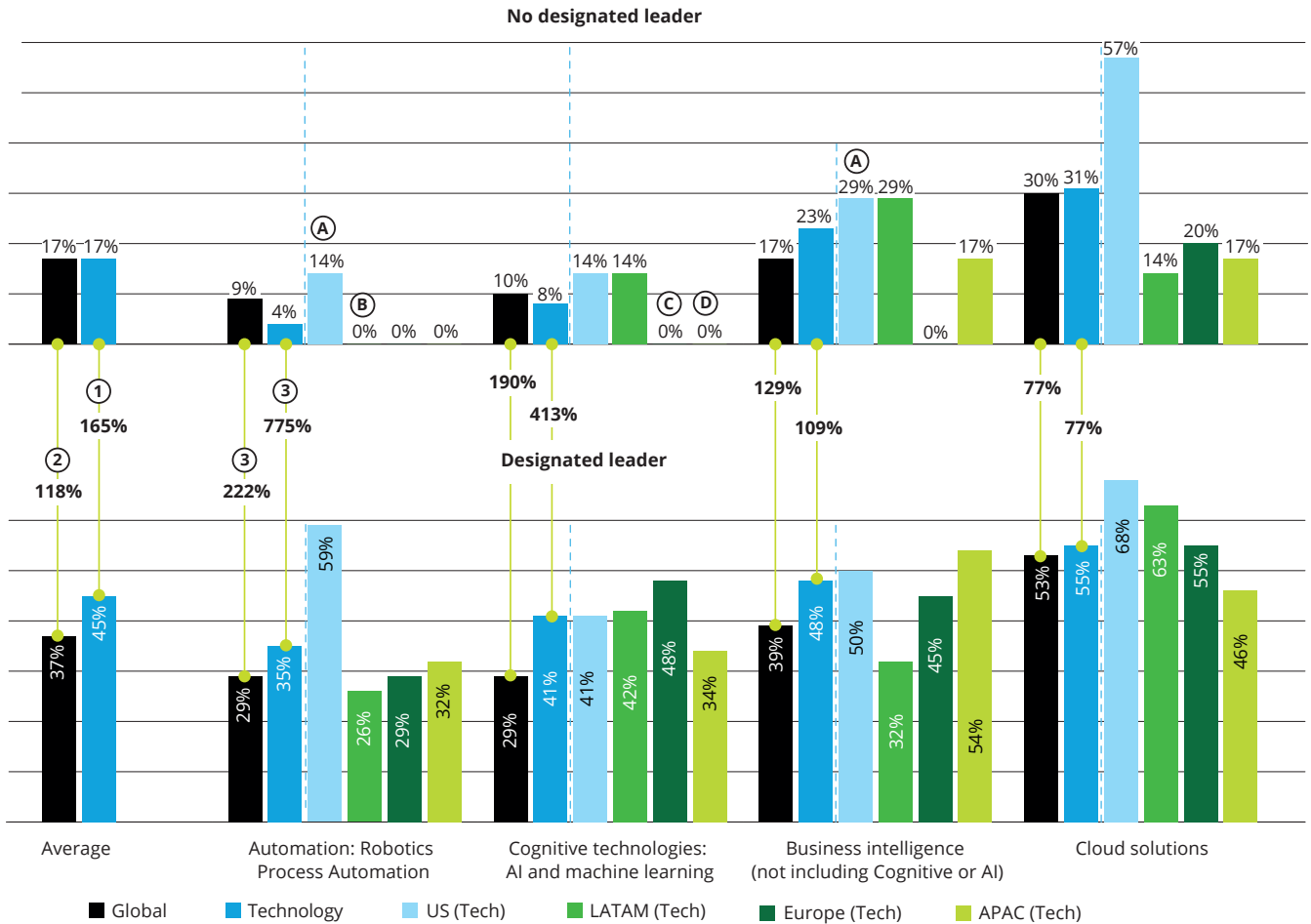
Region-specific findings

- Ⓐ **United States** – Over the next 24 months the most actively implemented technologies are expected to be cognitive/AI (48%) and business intelligence (48%); the least actively implemented technology is expected to be cloud (17%), the lowest level for any of the technologies in any region.
- Ⓑ **Latin America** –Automation is expected to be the most actively implemented technology (81%, the highest level for any of the technologies in any region); cloud is expected to be the least actively implemented (54%).
- Ⓒ **Europe** – The most actively implemented technology is expected to be automation (66%); the least actively implemented technologies are expected to be cloud (55%) and business intelligence (55%).
- Ⓓ **APAC** – Automation is expected to be the most actively implemented technology (68%); cloud is expected to be the least actively implemented (56%).

Digital leaders make a difference

Although the impact varies by region and technology, on average tech companies with a designated digital leader achieve much higher levels of technology implementation (+165%), which is even greater than the impact of a digital leader globally across industries (+118%) (see figure 30).

Figure 30. Impact of a designated digital leader



Survey findings

- ① Tech companies with a designated digital leader achieve much higher levels of technology implementation (+165%).
- ② Globally across industries, the impact of a designated digital leader on technology implementation levels is very high (+118%), but not as high as in the tech sector.
- ③ In the tech sector, a designated digital leader has the greatest impact on implementation levels for automation (+775% for the tech sector, +222% globally across industries).

Region-specific findings

- Ⓐ **United States** – A designated digital leader appears to have the largest impact on automation implementation (+321%); the smallest impact appears to be on implementation of cloud (+20%).
- Ⓑ **Latin America** – For automation, the level of implementation increases from 0% to 26% with the presence of a designated digital leader.
- Ⓒ **Europe** – A designated digital leader appears to have the largest impact on cognitive technologies (0% to 48%).
- Ⓓ **Asia Pacific** – Cognitive technologies see a significant increase in implementation due to the presence of a designated digital leader (0% to 34%).



Save-to-transform as a catalyst for embracing digital disruption



Cost management practices and approaches have grown increasingly sophisticated over time, with digital solutions—although still maturing—now representing the most advanced level of cost management. Companies that relied on more traditional cost management methods in the past are now finding that digital solutions can open the door to a whole new level of savings—as well as enable new and more innovative business models.

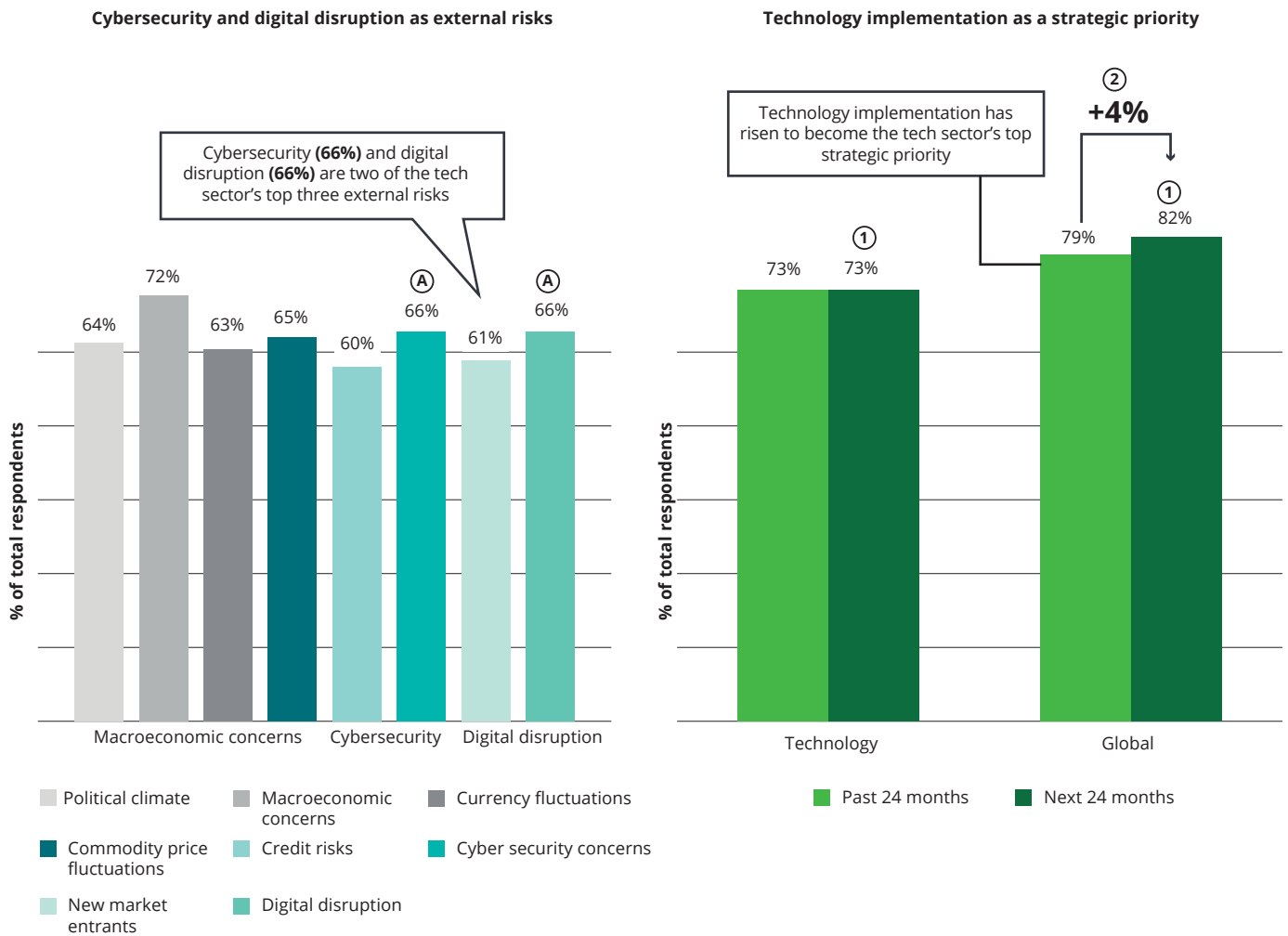
The rise of digital technologies and innovations is also contributing to a shift in how technology companies around the world approach cost management, with the save-to-grow mindset from 2017 steadily expanding into a save-to-transform mindset where investments in digital enablement and transformational technologies play a key role.

Digital rises to the top of the agenda

Cybersecurity and digital disruption are both recognized as critical risks in the technology sector. Meanwhile, technology implementation has emerged as the tech sector's top

strategic priority over the next 24 months (82%)—a 4% increase over the past 24 months (see figure 31).

Figure 31. Digital-related business trends



Ⓐ Cybersecurity and digital disruption are among the top three external risks in the technology sector (both at 66%), only surpassed by macroeconomic concerns (72%).

① Over the next 24 months, technology implementation is expected to be the top strategic priority for the tech sector (82%), exceeding the global average (73%).

② Technology implementation as a strategic priority is expected to increase by 4% from the past 24 months.

Save-to-grow

In the recent past, most technology companies were firmly grounded in save-to-grow mode. Cost and growth were the main business levers, with talent (including capabilities) as another key component (see figure 32). In this mode, cost

reduction is a high priority, with cost savings used to fund growth initiatives and strategic investments that support a differentiated business strategy.

Figure 32. The continuum of cost management approaches

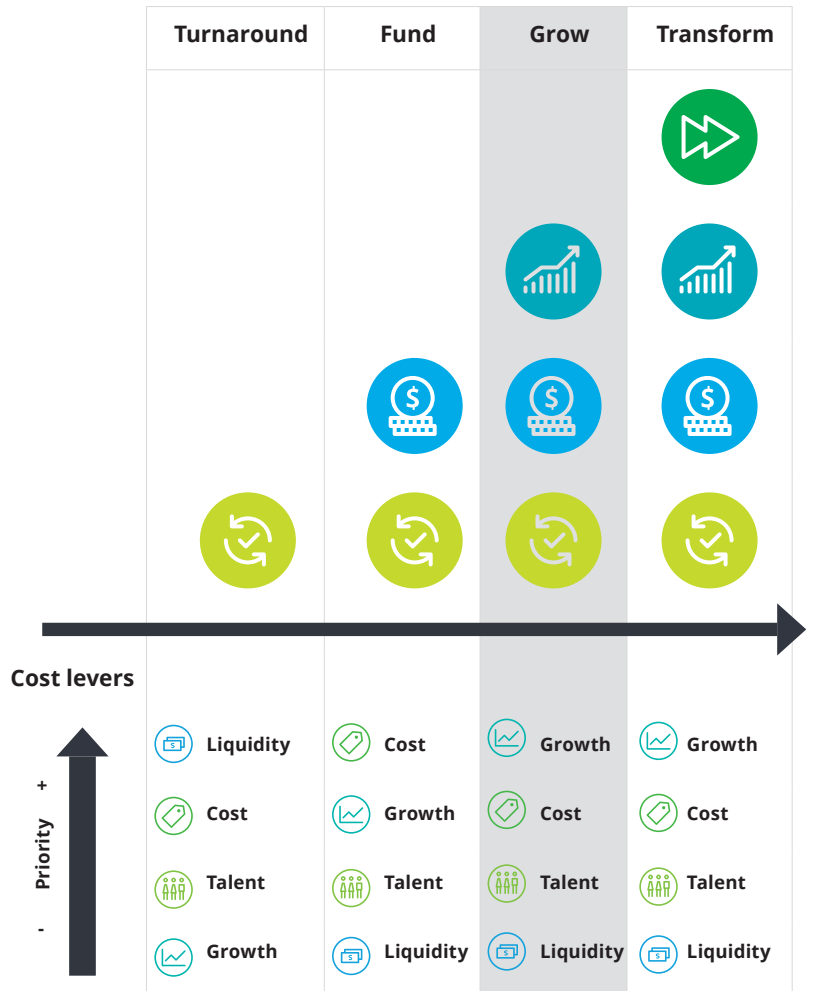
- 

Turnaround
Save-to-turnaround. Save-to-turnaround. Focus on immediate actions to reduce costs, maximize liquidity, achieve stability, and capture savings to avoid further deterioration of the business
- 

Fund
Save-to-fund. Focus on actions that help improve cost and competitive position; avoid cuts that might inhibit future growth; rebalance costs to fund investment in business strategy enablers.
- 

Grow
Save-to-grow. Enable or develop a scalable cost/business platform to fuel growth and investment in core capabilities while supporting a differentiated business strategy.
- 

Transform
Save-to-transform. Invest in digital technologies and technology infrastructure to make operations more efficient and effective, enabling new and more agile business models to prosper in a digitally disrupted market.

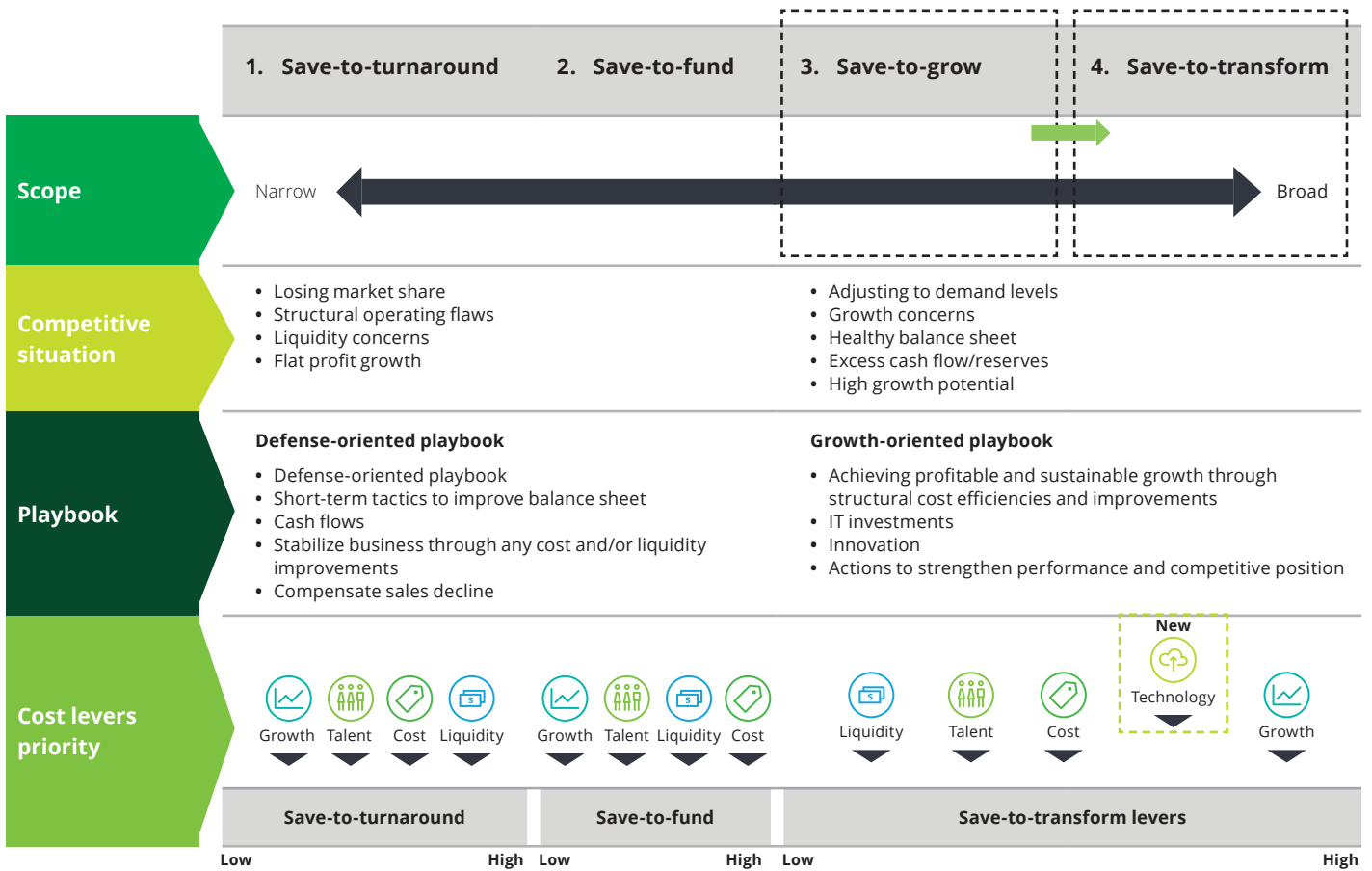


Save-to-transform

Now, many technology companies are moving into save-to-transform mode, with the save-to-grow mindset expanding to include a strong focus on digital enablement and technologies that can transform a business and help it

capitalize on the vast opportunities in an increasingly digital world. Shifting into save-to-transform mode means that in addition to cost, growth, talent, and liquidity, technology is also a high priority (see figure 33).

Figure 33. Save-to-grow expands into save-to-transform



Save-to-transform not only helps a company capitalize on digital opportunities, it can also position the business to withstand potential adversity that may be on the horizon –

such as an economic downturn or credit crisis – by using the power of digital solutions as the key to unlock new levels of cost savings, efficiency, and financial performance.

Looking ahead

Save-to-transform can not only help a company capitalize on digital opportunities, it can also position the company to withstand potential adversity that may be on the horizon by using the power of digital solutions as the key to unlock new levels of cost savings.



Conclusion

This year's survey findings—consistent with our direct experience working with leading technology companies around the world—highlight the continued importance of effective cost management throughout the sector. Cost management and digital investment are very common among tech companies, not just as a way to ease the traditional trade-offs between price, customer value, and convenience, but also as a way to fund investments in technology and transformation that can help organizations position themselves for long-term success in a marketplace that is constantly evolving.

Although the survey results show that many technology companies are struggling to fully achieve their cost management goals, this should not deter their efforts. With save-to-transform, the ultimate goal is to strategically position the business for a digitally-disrupted future—not just to meet its short-term financial targets. Keeping this larger transformation objective in mind is essential to achieving sustained cost management success.

Also, while tech companies face unique challenges, the survey data shows that many of the challenges associated with cost reduction and digital transformation are common globally across industries. Leveraging external insights and lessons learned can accelerate the learning curve and help companies in the technology sector achieve their savings and transformation goals more quickly and easily.

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