

Press Release

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Only 10% of European businesses are very good at aligning ICT and business strategies

PwC has carried out, in conjunction with K.U.Leuven, a unique European survey into the relationship between businesses' investments in ICT and their business objectives. To this end, a questionnaire was completed by around 640 respondents within companies of varying sizes in a variety of sectors. 34% of the participating businesses have workforces of over 3,000. 14% of them have workforces under 100 employees.

Belgium accounted for 22% of the participating companies, with the rest coming from the United Kingdom, Spain, France, the Netherlands, Italy and Germany. Using a list of questions based on an evaluation model, the respondents assessed to what extent their investments in ICT are aligned with their business objectives. An analysis of the results shows that businesses that adopt a cost-focused strategy and a conservative ICT strategy achieve a lower level of alignment. Firms with an innovative ICT strategy come out best in matching their ICT investments with their business objectives. However, only 15% of the businesses have such an ICT strategy. However, aligning both strategies does not in itself suffice to maximise the investments in information science and telecommunications.

Analysis of the data further reveals that the following elements tend to contribute to higher levels of alignment:

- preparation of a thorough business case for new ICT investments, as well as due and proper evaluation of the relevant business case;
- the degree to which the ICT department functions as a service-provider for the rest of the organisation. Specifically, this covers the use of techniques such as project management, performance management, strategic ICT planning, risk management and other areas.

These two categories of factors are consequently concrete areas in which all businesses could do with recommendations for improving their ICT management and thus improving the alignment between their ICT investments and their business objectives.

On the basis of the question of what **business strategy** applies to their own undertaking, the participants themselves placed themselves in one of the following three categories:

- focused on managing **costs** and optimising processes (27% of respondents);
- focused on very innovative **products** that are quickly brought to market (19%);
- focused on **customers**, with an accent on service-provision and flexibility (54%).

Regarding **ICT strategy**, the following division is made:

- ICT strategy is **conservative** and based on proven technology (40%);
- ICT is seen as **essential** and plays a crucial role within the business (45%);
- ICT is **innovative** and is used to gain a competitive advantage (15%).

Survey participants were specifically submitted a questionnaire to probe for the actual degree of alignment between their investments in ICT and their business objectives. On the basis of this questionnaire, covering several alignment components, an alignment score was compiled that can be expressed as a percentage. Of note is the fact that only 10% of the respondents can claim that their ICT investments and business objectives are more than 75% aligned.

Further notable conclusions from the study:

- Businesses that mainly deploy a cost-management policy form only 37% of the best performers;
- Also, businesses with a conservative ICT strategy generally score poorly on alignment. Businesses with innovative ICT score best. However, this concerns only 15% of businesses, albeit 64% of them can claim high alignment.
- Most businesses mainly concentrate their ICT investments in the continuity of the business, but score less well in terms of alignment. Businesses that focus more on ICT investments that have an impact on the firm's competitiveness generally achieve a better score.
- The farther along the scale a business is from conservative – through essential – to an innovative ICT strategy, the more the business appears to invest in strategic ICT projects rather than infrastructure projects.
- If the conjunction between ICT investments and business objectives is high, this in practice means that there is also greater maturity in the applications the firm has at its disposal. Businesses that achieve the lowest alignment scores are predominantly less well developed in the fields of B2B integration, corporate-performance management and product life-cycle management.

Daniel Evrard, the Partner with PwC in charge of the firm's ICT strategy advisory service, says, "We are concerned that only 10% of businesses score very well in this survey. But aligning ICT investments to business objectives must/may not be a one-off, closed exercise. In order truly to draw maximum value from ICT investments, we observe that using a structured approach and a number of good practices helps. As independent consultants in ICT Management & Process Improvement, we recommend that a business case should be developed around each ICT investment. Of importance in this is that the results of the investment should be measured or evaluated in some other way. Moreover, we note that, the more businesses professionally gear their ICT service-provision so as to accommodate the rest of their 'clients' in-house, the more they also achieve clearly better results in terms of alignment. In this regard, all sorts of ICT instruments are available, from service-level management, through risk management to change management." He goes on, "But the final conclusion is nonetheless clear that alignment is needed not only at the strategic level but just as much at structural and operational levels within the undertaking."

Information for editors:

The “European Survey on ICT Value Management” is available on www.pwc.be or can be obtained on request:

- by journalists: from Elsie Van Linthout at Luna: 02 658 02 70 or elsie@luna.be;
- by other interested parties: from Marie Pivetta at PwC: 02 710 72 59 or marie.pivetta@pwc.be.

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