Press release

|  |  |
| --- | --- |
| *Date* | EMBARGO – 09.00 New York time Thursday, 27rd March 2014 |
| *Contact**Pages* | Mike DaviesTel: +44 (0) 20 7804 2378Mobile: + 44 (0) 7803 974 136Email: mike.davies@uk.pwc.com3  |

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**4 in 5 global CEOs rank technology a top priority, but only 1 in 5 companies claim an excellent Digital IQ, says PwC survey**

* **PwC identifies five behaviours that accelerate value from**

**digital investments**

* **Organisations that excel in these are twice as likely to be top**

**performers in revenue growth, profitability, and innovation**

**March 27, 2014** Though many organisations lay claim to being a digital enterprise, only a minority – 20 percent – are truly there, according to the 6th Annual Digital IQ Survey report released today by PwC. In the report, PwC explores organisations’ ability to understand, value, and weave technology throughout the enterprise—their Digital IQ.

In this year’s study of nearly 1,500 executives—split equally among business and IT executives—PwC has identified the actions and investments that are integral in high-performing digital enterprises today. Companies that demonstrate these five digital behaviours, as described below, are more than twice as likely to be top-performing companies in revenue growth, profitability, and innovation.

“Today, all roads lead to digital. From business strategy to execution, digital technology has become the foundation for everything we do,” says Chris Curran, PwC Advisory principal and Chief Technologist. “Simply put, you can’t afford to underestimate digital. Through all of our research, CEOs have made it clear that they see both the promise and the peril of digital technology; and we believe that charting their company’s course in the digital age is the number-one challenge business leaders will face in 2014.”

According to [PwC’s 17th Annual Global CEO Survey](http://www.pwc.com/gx/en/ceo-survey/), 81% of global CEOs reported that technological breakthroughs would be one of the most important impacts on their business in the next five years.

As noted above, the following five behaviours enable organisations to accelerate value from their digital investments, exploiting their virtual value chain to alter business models and capture new markets:

* **Behaviour 1: CEO actively champions digital**

A digital CEO sets and steers the company’s digital vision and tackles the inevitable challenges that come with new ways of doing business. PwC’s analysis reveals that 81% of top performers say their CEO is an active champion in the use of IT to achieve business strategy, compared with 68% of other companies.

Company leaders need to consider the digital dimension of everything the business does—its products and services, partnerships, marketing and customer engagement, talent acquisition and retention, operations and more. For every strategic question, the CEO must ask: What are the digital opportunities here? Does digital introduce new challenges? CEOs will be the ones to pose the questions, but to answer them will require the collective knowledge and insight from other functional leaders.

* **Behaviour 2: Strong CIO-CMO relationship**
According to the survey, the relationship between the Chief Information Officer (CIO) and the Chief Marketing Officer (CMO) has become critical: 70% of top-performing companies say they have a strong CIO-CMO relationship, compared with just 45% for non-top performers. The CIO continues to be internally focused and there has been virtually no change in involvement around customer and product innovation during the last six years. The CEO must ensure that marketing and development teams engage the CIO in early discussions around product, service, and customer innovation.

“Failing to involve the CIO in market-facing innovation—where digital technology is a primary driver—is counter-intuitive,” adds Andrea Fishman, a PwC Advisory principal. “Don’t leave any room for interpretation when it comes to market-facing digital technology like consumer apps, websites, or customer analytics. Get explicit agreement between the CIO and CMO on who owns the initiatives, the role each leader will take on, and when and how they are expected to work together.”
* **Behaviour 3: Outside-in approach to digital innovation**
Top performers in PwC’s study are more likely to look to outside sources such as - industry analysts, vendors, universities and labs- to fill their idea pipelines, in addition to internal sources. But all companies tend to rely most heavily on traditional sources like internal planning sessions and workshops.

“A better approach is what PwC refers to as ‘outside-in’ innovation because it embraces new ideas and experimentation that comes from unlikely sources and industries. The outside-in approach can even be applied inside the company, where companies can seek out hidden innovators, such as enthusiasts of the maker movement who might work in operations or customer service,” adds Curran.

* **Behaviour 4: Significant New IT platform investments**

While investing in disruptive technology is crucial for innovation, top-performing companies realize they need to think bigger. They are innovating how they think about IT and remaking it to better meet the needs of the business. PwC refers to this model as the New IT Platform -- a thorough approach, addressing how IT’s mandate, processes, architecture, organisation, and governance must change to keep up with the business.

“The IT organisation’s role should be established as a services orchestrator, instead of a centralised authority that aims to control and own all IT,” says Mike Pearl, PwC Advisory principal. “The new model takes into account the dynamic business environment and supports a broad architecture, also called a secure integration fabric, which gives companies the flexibility to add whatever digital technology they need at a given time.”

This includes effectively dealing with new business services, constantly evolving devices, emerging cyber threats, third-party data sources and ever-larger volumes of data, business analytics, and whatever promising technology comes next.

* **Behaviour 5: View digital as an enterprise capability**PwC suggests organisations should begin broadening how they think about their digitally-savvy resources, realising that it is becoming essential to have an IT capability that is woven throughout the business rather than only centralised in a single function.

With a balanced digital capability that spans the business, what matters more than where the specific skills or resources are located is having a shared understanding of how it all fits together to accomplish the organisation’s goals, who is responsible for each aspect, and a way to keep everyone in the loop. Achieving this level of collaboration requires IT to fully understand all aspects of the business—and for business to understand IT equally well.

“Companies that demonstrate these five behaviours are twice as likely to be top-performing companies, in revenue growth, profitability and innovation,” concludes Curran. “With digital at the top of the agenda for nearly every company, the question now becomes: ‘*How do we use digital technology to improve products and services, create new ones, or change our business models before competitors do?’*”

 **NOTES TO EDITORS**

PwC’s 6th Annual Digital IQ Survey included 1,494 respondents from 38 countries. Answers were aggregated into five regions and 11 industries. Respondents were evenly divided between IT and business leaders. Two-thirds of respondents work in organisations with revenues of $1 billion or greater and 37 percent have revenues greater than $5 billion.

**About PwC**

PwC helps organisations and individuals create the value they’re looking for. We’re a network of firms in 157 countries with more than 184,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at [www.pwc.com](http://www.pwc.com/gx).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

2014 PricewaterhouseCoopers. All rights reserved.