Business Pulse

Exploring dual perspectives on the top 10 risks and opportunities in 2013 and beyond

The CIO perspective
The CIO perspective – at a glance

Your time is precious. In order to get you the insights you need, as quickly as possible, we have designed The CIO perspective. It is a series of short executive briefing papers that provide a quick overview of the main findings of recent EY reports, specifically tailored to be relevant to you.

What is Business Pulse about?

Five years from the crash, global business is reconciled to “the new reality.” Multinational companies are not waiting for markets to recover. Instead, and particularly in mature markets, they are seeking to optimize their business by cutting costs and increasing efficiency. They are facing risks around pricing pressure, while innovation in products, services and operations bring new opportunities. As their mature markets continue to stagnate, companies are exploring emerging markets for growth.

Against this background, Business Pulse looks at the top global risks and opportunities facing companies in the period 2013–15. The report proposes actions to help organizations meet these challenges. The findings and recommendations are presented in four sections:

- Cost competitiveness
- Stakeholder confidence
- Customer reach
- Operational agility

Business Pulse was published in 2013 and is based on a large-scale survey of 641 senior executives from global companies in 21 countries across a broad range of sectors. EY identified 15 risks and opportunities for multinational organizations in the period 2013–15, and then asked the respondents to rank these in order of priority. Follow-up interviews with business leaders and EY practice professionals provide insight and recommendations.

Why does Business Pulse matter to CIOs?

CIOs play a crucial role in enabling organizations to deal with the strategic challenges ahead. But, given the pressures faced in dealing with daily operational issues, it is easy to lose sight of the broader picture. Accordingly, Business Pulse helps by providing insights on the key risks and opportunities looming, and links these back to the specific areas of relevance for CIOs.
Risk and opportunity radars

A snapshot of the top 10 risks and opportunities is captured within the two radar charts below, with those bringing the biggest impact located closest to the center of the charts. The yellow risks and opportunities are most relevant to CIOs.

The top 10 risks

The top 10 opportunities
Critical areas for the CIO

There are four areas where CIO-led initiatives can help to minimize risks while exploiting opportunities.

Cost competitiveness: the new reality in companies

With modest growth prospects in mature markets, and aggressive competition in the emerging markets, cost competitiveness addresses the top risks for global companies. Getting to grips with this risk can bring a compelling payoff: EY estimates that cutting costs by just 1% can yield the same bottom-line results as a 10% boost in sales.

CIOs can play a strategic role here, driving the deployment of technology to help companies reduce cost and optimize the organization, and ensuring competitive advantage. Areas to consider include:

- Investigate how IT can support more flexible working practices through offshoring or outsourcing
- Assess how technological innovation can simultaneously improve productivity and deliver more value to customers: equipping the sales force with networked devices, for example, can let companies manage operations more efficiently while simultaneously boosting customer satisfaction
- Investigate how re-engineering supply chains can improve operational challenges and meet strategic goals by moving into low-cost countries
- Standardize and consolidate legacy back-office systems to drive efficiency and reduce costs

Stakeholder confidence: sustainable stakeholder relationships

IT is critical to operational improvements, as well as strategy, to ensure the organization complies with stakeholder expectations around IT and information security. By virtue of their seniority and oversight, CIOs can ensure these issues receive urgent attention in the C-suite and across functional departments. Furthermore, they can also support related strategic opportunities, such as in relation to cleantech, not least as regulatory requirements continue to grow here.

Areas where CIOs can introduce monitoring and controls to support compliance include:

- Putting a regulatory intelligence and reporting system in place to monitor compliance with all applicable requirements
- Making IT and information security a regular agenda item in the boardroom, and ensuring it is part of all their transformation efforts
- Making sure that both the business and the IT function are focused on the right controls and implementing continuous controls monitoring to reduce costs of compliance further
- Bolstering the organization’s risk management processes, by ensuring that relevant IT risks are factored into all planning
Compliance is not always enough: organizations need to show that they comply with current regulations and have adequate risk policies in place to deal with emerging ones. Therefore, CIOs should ensure their organization is communicating publicly about their risks and control measures (including information security).

Customer reach: innovation is the biggest opportunity

Companies see innovation as the key to success, whether in terms of new products or services, or within operations. The emergence of new marketing channels, the rise of social media, cloud computing and data insights all offer growth opportunities. At the same time, companies are increasingly aware of the new threats and challenges that this technology brings into the business.

Seizing the digital opportunity while anticipating the various implications can allow the CIO to take a central role in the strategic development and growth of the business. Areas for the CIO to consider include:

- Identify and evaluate the potential benefits and risks of integrating throughout the value chain, and how IT can enable additional value generation across it
- Perform a risk assessment on the various distribution channels per geography and enhance technology and information security measures where necessary
- Align IT investment strategy with the company’s strategic goals
- Enhance communication and transparency around technology and information security requirements and efforts
- Deploy analytics to gain more insight into customers and use this knowledge to drive better customer communication, service and product innovation
- Investigate how to use technologies such as social media and mobile apps to monitor and drive customer loyalty

Operational agility: fine-tuning for greater performance

Operational agility is crucial to surviving – and flourishing – in a volatile world economy. Global companies see IT investment as a critical enabler.

In order to maintain their agility – and build their execution capability – companies need to stay abreast of IT developments that could help them improve performance and reduce risks. Key criteria for CIOs to consider when making investment decisions are:

- Integrate IT services with the company’s business operations, make it a part of the business organization and align IT department KPIs and service level agreements (SLAs) with the departments they support
- Enhance information security by assessing the information security technology market and implementing newer technologies where applicable
- Evaluate the current analytics systems against available options
- Assess the information security functions (as well as their risk management and compliance functions) and enhance their effectiveness and efficiency (enhance maturity level and risk convergence)
The CIO’s Business Pulse checklist

☑️ How extensively do you use technology to accelerate and drive the adoption of new ideas and programs?

☑️ Do you regularly conduct market technology scans to identify new tools to protect critical systems and data?

☑️ To what extent do you use predictive analytics to measure and forecast the impact of innovation and business growth opportunities in your organization?

☑️ How well are operational improvements aligned with meeting strategic goals in new markets?

☑️ How can you ensure you have a unified 100% engagement platform in place for customers? Could you benefit from working more closely with the marketing function?

☑️ Do you have an active program in place to use IT to drive productivity gains in key areas of the business?

☑️ How secure are your new go-to-market strategies (e.g., websites, mobile apps and social media), including digital payment systems, to ensure customer confidence and maintain brand reputation?

☑️ How well do your information security and compliance functions perform and efficiently integrate with other risk functions?

☑️ How do you assess technology and information security when you are launching a new product or entering a new geographical market?

☑️ Have you developed a policy for social media use by your employees? Do you have procedures to monitor what people are saying on social media about your organization? Have you got action plans in place to respond?

Further reading:


For a copy of the full report, please visit www.ey.com/businesspulse
How is it aligned to the CIO agenda?

*Business Pulse* has a strong relevance for a CIO’s role. The yellow wedges highlight those areas that are influenced the most.

For more on these insights, please go to www.ey.com/cio, email cio@ey.com or contact your local EY representative.
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Improving business performance while managing risk is an increasingly complex business challenge. Whether your focus is on broad business transformation or more specifically on achieving growth, optimizing or protecting your business having the right advisors on your side can make all the difference. Our 30,000 advisory professionals form one of the broadest global advisory networks of any professional organization, delivering seasoned multidisciplinary teams that work with our clients to deliver a powerful and exceptional client service. We use proven, integrated methodologies to help you solve your most challenging business problems, deliver a strong performance in complex market conditions and build sustainable stakeholder confidence for the longer term. We understand that, you need services that are adapted to your industry issues, so we bring our broad sector experience and deep subject-matter knowledge to bear in a proactive and objective way. Above all, we are committed to measuring the gains and identifying where your strategy and change initiatives are delivering the value your business needs.

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