



Executive Summary Study IT-Trends 2011

Organizations ask for innovation again



The lotus effect lends self-cleaning properties to facades. It was discovered in lotus plants, whose leaves repel nearly all water-soluble substances.

Preface

There is a great demand for innovation, especially IT innovation, after the crises. It is about developing something new in order to improve the products and services of a company. This is not an unknown but an unfamiliar challenge for many CIOs, because in recent years many of them have mainly focused on cost reduction and increasing the efficiency of IT services. Now they are to leverage technology to tap into new sources of revenue.

The need for innovation has an impact on almost all IT areas: it leads to higher budgets, influences the role of the CIO and demands changes in the IT organisation, as the IT services of many companies outside the high-tech and consumer electronics industries are not yet equipped to develop services and products for end customers. How do the CIOs address this challenge? Which companies develop most effectively?

In this context, Web 2.0 is now also on the agenda, after CIOs had more or less ignored this topic in the past years. Now the user experience on portals and web-applications is to be improved to optimise the market presence and client services. Furthermore, there is an urge to develop applications for mobile devices. Will the need for innovation bring more social media to the companies?

You can find answers to these questions and many other interesting results in the IT-Trends Study 2011. We look forward to receiving your questions and suggestions, and hope for exciting discussions of the contents via Twitter (@CapgeminiDE) or by e-mail (IT-Trends.de@capgemini.com).



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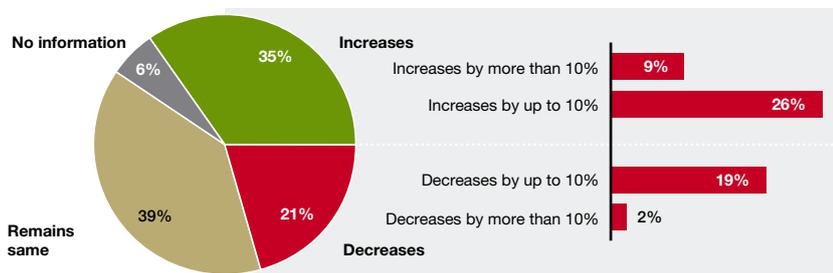


Dr. Peter Lempp,
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Executive Summary

Fig. 1: IT budget - change

How will the IT budget change in the subsequent years compared to the budget 2010?



Basis: All respondents (n = 115)

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Budgets

Many CIOs got larger budgets last year – this year there are clearly lesser increases, but also lesser cuts. A majority of the respondents (39 percent, previous year 28 percent) assume that they will have the same amount of funds at their disposal in 2011 as in 2010. In spite of the fact that the economic situation has eased, many CIOs are again apprehensive about the negative effects on the day-to-day business and competitiveness, in the event of a cut in budget.

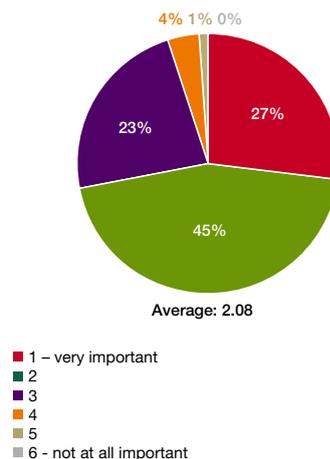
Innovation

Innovation by way of IT is an important topic this year. After the corresponding budgets had been continuously reduced for a long time, central European companies are raising them by almost 2 percent in 2011. The expenditure is going up from 14.6 percent of the total budget, to 16.3 percent.

Investments are mainly in new software: On an average every company implements 6.7 innovative applications per year, in case of hardware and IT services they are approximately half in each case. Companies with a turnover of EUR 500 million to 5 billion are the most productive. They come up with over 13 innovations per year. Groups with a turnover of over EUR 5 billion only manage more than 11. Smaller companies with up to EUR 500 million turnovers are somewhere in between and thus exploit their budgets very effectively. In their case the IT head attests that the company management has a good understanding of technology and he himself claims to have a good knowledge of the market and the economic environment. The close relations between business and IT appear to be one of the success factors for an innovative IT department.

Fig. 2: Innovation

How important are IT innovations or the increased use of modern technologies for your business operations?



Basis: All respondents (n = 167), average

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IT organisation

The IT departments have received greater support from the board of directors this year. Besides, the communication with the functional department has improved and there is less politics overall. For the first time since ages one finds an increasing number of CIOs who deplore the lack of knowhow and technical problems

in project implementation – which indicates that the shortage of specialists has increased noticeably.

This year the IT department has two tasks: On the one hand it should render the standard services in a flexible manner and at a reasonable cost; on the other hand it has to be innovative. Innovation should improve the primary processes and make the infrastructure flexible. However it should also lead to new products and services of the company, which can directly generate revenue.

In order to be able to make this contribution IT and business must work closely together. In the area of development of business strategy this works very well, the majority of those responsible for IT are integrated very early, either directly or indirectly. Beyond that the collaboration appears to be difficult, as the CIOs do not think much of the IT capabilities of their management. As against that, 79 percent of the respondents certify that they themselves have a good understanding of the competitive environment of the company. Interestingly, the discrepancy between their own certified knowhow and that of the business side is substantially greater in groups than in small companies.

The construction of the parachute was based on the principle of dandelion seeds.



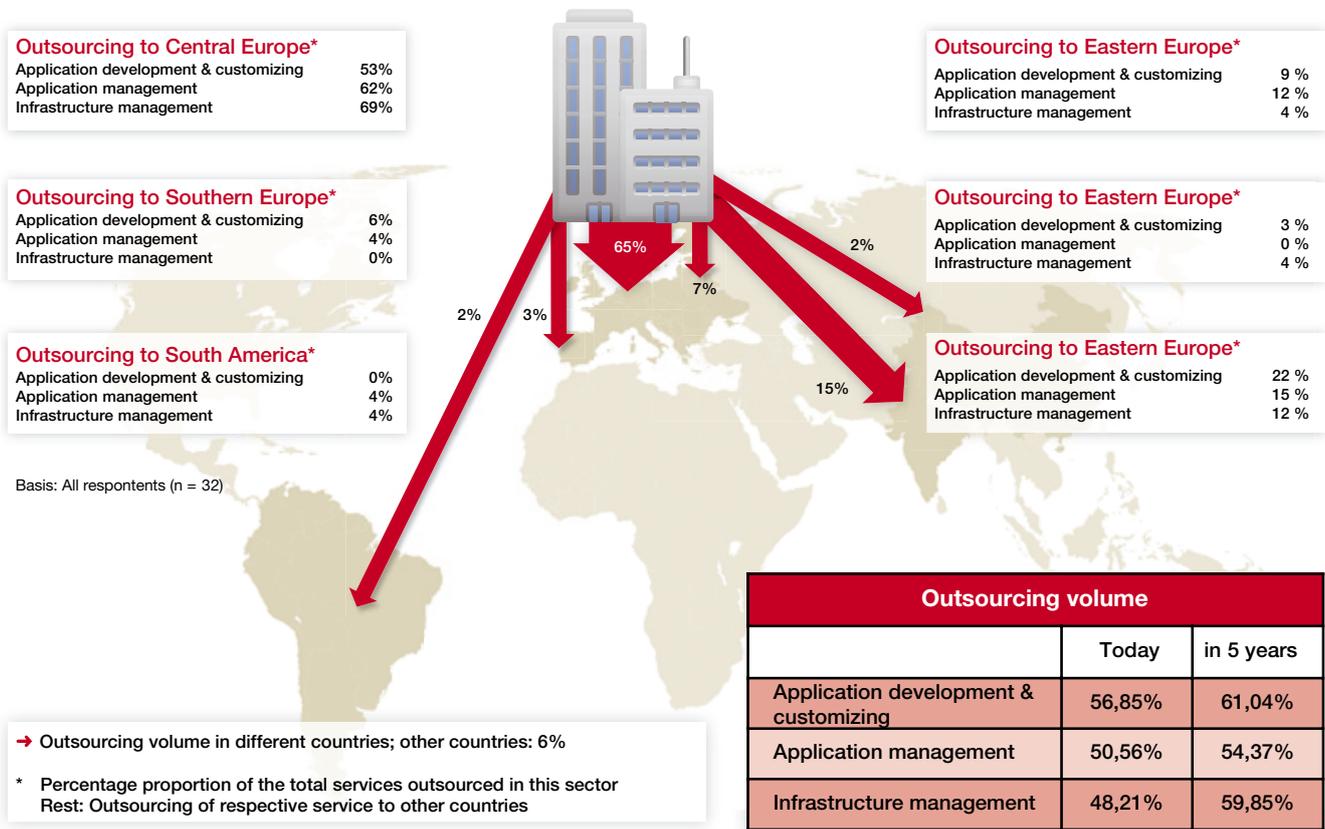
Industrialisation

After many companies had, in the light of the financial crisis and the uncertain economic situation, drastically cut down on their in-house efforts towards the end of 2009, to some extent even up to 20 percent – the trend reversed itself at the end of 2010. In-house efforts in infrastructure and application management were increased, although by just 2 percent points. The internal software development accelerated

greatly, it increased on an average by 10 percent as compared to the previous year. Simultaneously the degree of automation and standardisation of IT processes reduced, whereas hardware and software were again unified. In software architecture, the layers presentation, logic and data management are still tightly interwoven with one another in many companies, so that new applications or services can be integrated only with great difficulty.

In spite of the slight increase in in-house efforts, companies are still outsourcing a lot of work. The largest part of the jobs goes to Central Europe (on an average 65 percent). Indian service providers obtain only about 15 percent of the total volume, of which a disproportionate number are software development projects.

Fig. 3: Outsourcing



Basis: All respondents (n = 156)

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Leader und follower

Companies with little in-house effort and a high degree of standardisation, automation and modularisation of the software architecture are rated as industrialisation leaders as per the index. Their counterparts at the other end of the scale are called industrialisation followers.

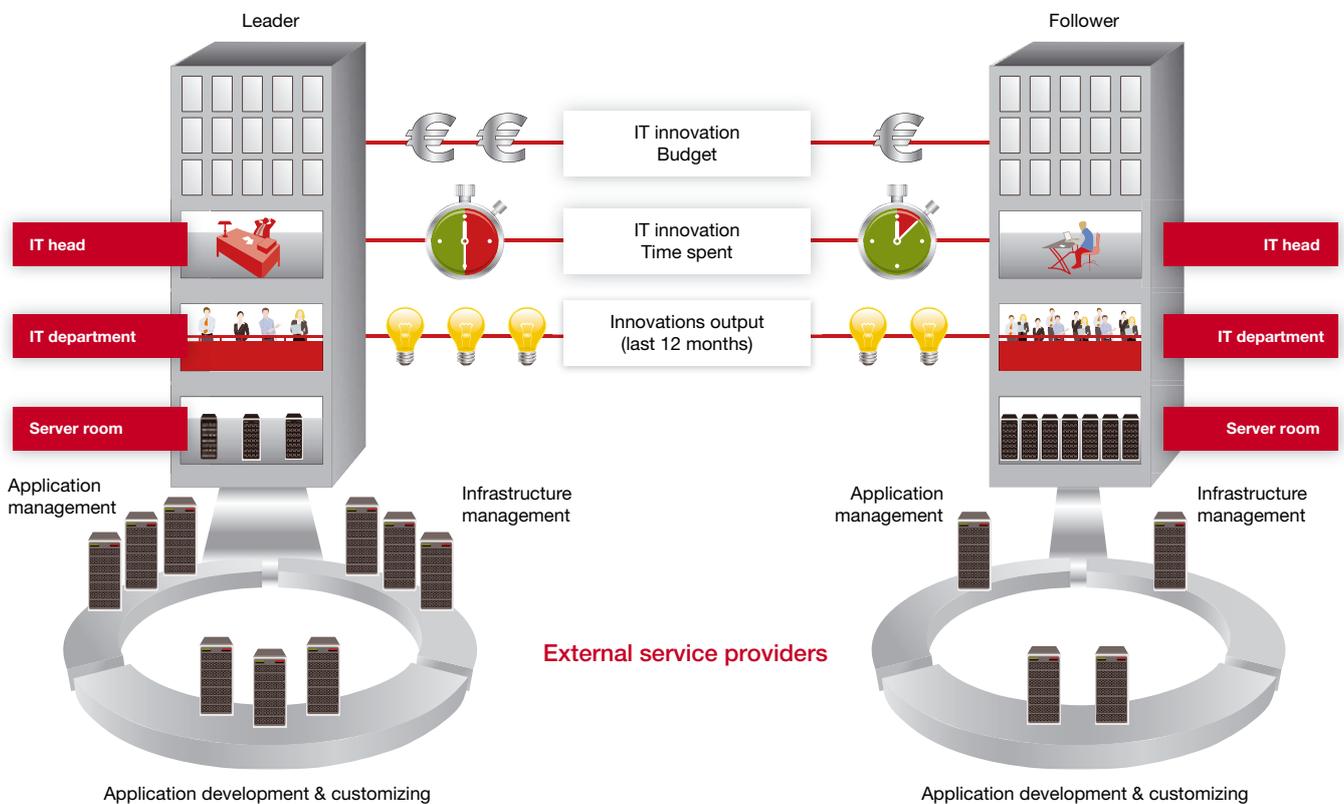
As a rule, the IT department of leaders is small, as a larger proportion of the work is done by partners (over 60 percent). In case of IT innovations, they concentrate on the primary processes and the development of new end-products and services for their company. Leaders drive the

greater part of the technical innovation themselves, invest more time and money than followers and have a higher innovation output. As the IT of the leaders is generally more lean and flexible, they worry less about the negative consequences of budget cuts as compared to their colleagues, whose departments are not highly industrialised. Moreover, the business and IT in case of leader companies are closely interlocked with one another.

Followers have large IT departments and outsource only a little over 40 percent of the services. They invest less in IT innovations than leaders. This proportion was inverse just 12

months ago. Followers concentrate on new developments for core applications and are strongly driven by the functional departments in matters of innovation. CIOs of follower companies, unlike leaders, credit their management with a lesser amount of technological knowhow and themselves with less knowledge about the business operations of the company. With reference to the contribution which the IT makes to the value creation and cost reduction in the company, the attitude of the CIOs of both groups has converged over the past two years.

Fig. 4: Characteristics of industrialisation leaders as compared to followers



Tops and flops

The five most important topics of the year are virtualisation, integration of standard and individual applications, risk management as well as master data and data quality management. The participants selected their favourites from a list of 32 topics. According to this list, mashup-integration, internal company blogs, social CRM, Google Apps and a company's internal micro blogging are of little significance this year. In the next 12 months people will work on improving the user experience on portals and for web applications and thereby optimise the external image and customer service. In addition, applications for mobile terminals are being developed at full speed.

CIOs are assuming that Web 2.0 will gain significance in the next two years, mainly social CRM, company Wikis, company blogs, rich internet applications, forums and internal micro blogging. The significance of platforms for integrating customers in product development was something which was grossly underestimated. Contrary to the estimates last year, the analysis of unstructured data, green IT, shared services, application service providing und semantic Web have lost their importance. That is partly due to the fact that these methods are now moving into day-to-day life. In case of the Semantic Web it is because the development is taking longer than expected and the technology is not yet ready for use.

Fig. 5: Tops and flops – importance of IT topics

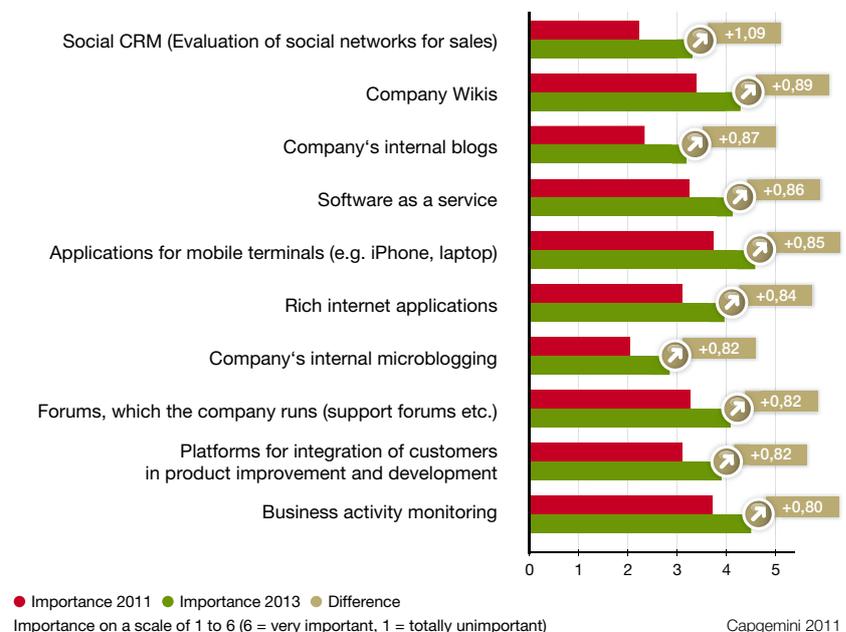
|  Top topics of the year - 2011 | |  Flops of the year - 2011 | |
|--|------|---|------|
| Virtualisation | 5,23 | Mashup integration | 2,51 |
| Integration of standard and individual software | 5,03 | Company's internal blogs | 2,35 |
| Risk management (e.g. risk of supplier default) | 4,78 | Social CRM (Evaluation of social networks for sales) | 2,24 |
| Master data management | 4,66 | Google apps | 2,15 |
| Data quality management | 4,58 | Company's internal microblogging | 2,06 |

Importance on a scale of 1 to 6 (6 = very important, 1 = totally unimportant)

Basis: All respondents (n = 94)

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Fig. 6: Tops and Flops - IT topics with most increasing importance for the next two years



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When engineers developed the monocopter at the beginning of the last century, they looked to maple seeds for inspiration.



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