

## 9 Reasons C-Level Customers will talk to YOU!



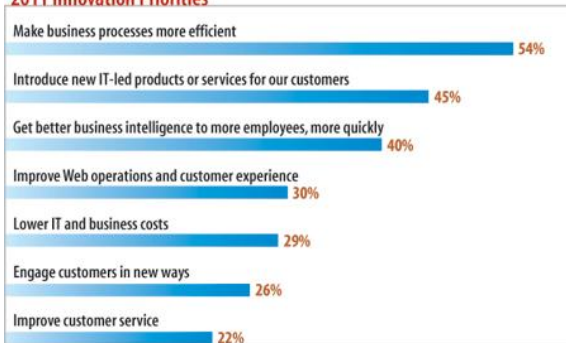
Need an idea for someone new to contact? Looking for new logo opportunities? Need a different approach to contact existing customers? As you read through this issue there are reasons to contact prospective buyers and topics worth starting conversations. Learn from the analysis of this year's top business technology teams and the qualifying data to support what purchasing decisions were founded upon. Then, position XO Products to support the growing customer demands. The companies surveyed in this report are masters of today's key issues--from making IT part of the product to cashing in on cloud computing. By the way, **XO Communications is ranked #46 in the Top 500**. Something else to boast about!

September 14, 2011. For the new look of business technology innovation, consider a virtual-reality headset at a Lehigh Valley Health hospital that distracts a burn patient while her bandages are changed, replacing heavy-duty painkillers.

Some of the most interesting uses of information technology today have it as part of the product that a customer experiences, not just supporting back-end processes. IT as part of the product accelerates the speed at which business technology teams must work, as they need to be out front helping lead the innovation cycle. We also see IT teams adopting technology approaches like cloud computing and agile development in order to meet business needs more quickly.

The *InformationWeek 500* data offers insights into the strategies of the U.S.'s most innovative business technology users. The extensive research includes both statistical analysis and qualitative assessments of these 500 companies' innovation projects. In analyzing the research results of this year's *InformationWeek 500* ranking, nine critical trends are presented.

### 2011 Innovation Priorities



Data: *InformationWeek* Survey of 2011 *InformationWeek 500* executives, June 2011

### 1. IT Is Part of the Product at a Growing Number of *IW 500* Companies

Forty-five percent of companies in our ranking put "introduce new IT-led products or services for our customers" among the top three ways they plan to innovate this year. Perhaps that finding isn't surprising, given the renewed focus on growth as companies emerge from the recession.

This product focus will change how IT organizations operate. Those that focus too much on internal matters--exclusively on operational efficiency and cost cutting -- risk losing relevance. IT teams must embrace a build-learn-adapt mentality, a flexibility that lets them anticipate and react quickly to the changing needs of customers.

### 2. The Consumerization of IT Isn't a Free-For-All

Let's be careful about what we mean when we talk about the "consumerization of IT." There's zero doubt that consumer technology is driving innovation, and it's putting a lot of pressure on IT teams to let people use consumer devices and apps at work. In another survey this year, *InformationWeek* found that 63% of respondents' companies let employees connect personal devices to the company network. IT shops that maintain a blanket ban on the company's network are running out of excuses. The U.S. Army is experimenting with iPhones and Android smartphones for troops in the field. Your company's information is more sensitive than theirs?

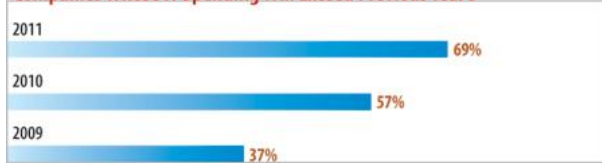
### 3. Enterprise 2.0: Collaboration, Yes; Integration, No

As with the consumerization of IT, let's distinguish between what is and isn't taking off in what's known as Enterprise 2.0. Business collaboration is changing dramatically thanks to Web and consumer technology. In 2009 just 42% of *IW 500* companies used wikis, blogs, or social networking tools to collaborate with customers, suppliers, and partners. Today, 77% do. That's about as fast as we've ever seen a technology area move from experiment to standard operating procedure.

### 4. The Cloud Is Real, So Get On With It

IT pros grumble that they're tired of hearing about the cloud. Fine, then call it something else, but don't pretend there's not a really good reason everyone's talking about cloud computing. What's critical is to articulate what kind of cloud computing is worth talking about. Seventy-nine percent of *IW 500* companies say they use software as a service, compared with 61% two years ago. Core ERP or any other transaction-heavy application is still a stretch for SaaS, but if IT organizations are shopping for CRM, HR, email, collaboration, and most other software, it needs to at least consider SaaS options.

### Companies Whose IT Spending Will Exceed Previous Year's



Data: InformationWeek Survey of 2011 InformationWeek 500 executives, June 2011

Fifty-nine percent of *IW 500* companies are using infrastructure as a service. Speed is often the driver here, especially in application development and testing environments, letting users scale capacity up and down quickly. But some companies are giving employees outside IT access to cloud infrastructure, to let them speed up their work. Eli Lilly scientists, for example, are using Amazon's cloud-based server service in support of early-stage research.

Security remains the biggest concern, and we aren't seeing many vital production systems run on public infrastructure services. But we are seeing companies turn their own data centers into private clouds that mimic the public cloud's flexibility. AMD, for example, is putting 15,000 servers and storage devices on a common software infrastructure--operating system, file system, storage management, and cluster software--so it can shift workloads to meet demand.

### 5. Budget Pressure Has Eased

Given the weak economic recovery, it's surprising how much the pressure to cut business and IT spending has eased in the past year. Just 11% of *IW 500* companies expected their IT budgets would be reduced this year. Only 29% of *IW 500* companies put "lower IT or business costs" among their top three innovation plans for this year. In 2009, 47% had that cost-cutting agenda among their top priorities--an 18-point swing that's the biggest move in our data from recession to recovery.

It's surprising to see cost cutting fall so much on the priority list. Many IT shops we talk with have parallel goals--help grow revenue, yes, but also help cut business costs.

### 6. Budget Discipline Remains

While IT budgets the past two year are rebounding from the 2009 plunge, spending remains tight as a percentage of revenue, at 3%. So while budgets fall and rise, the general trend we've seen over the past decade has been smaller IT spending as a share of revenue. Between 2001 and 2004, IT spending ranged from 3.4% to 3.9%. Between 2008 and 2011, it ranged from 2.7% to 3.0%.

### 7. The "Great IT Globalization" Has Leveled Off

Fifty-nine percent of *IW 500* companies outsource some of their IT to vendors outside the U.S., compared with 58% last year and 57% in 2009. Most companies have figured out whether offshore outsourcing is a strategy that works for them.

One offshore outsourcing growth area to watch is mobile application development, the hottest area in enterprise software, an InformationWeek survey earlier this year found. Anecdotally, it seems like a lot of this work is being done by local specialists, much the same way Web development was done in its early days. And since mobile apps are so critical to making customer connections, companies also have begun to develop some of that talent in-house.

### 8. Banks Are Still Spending

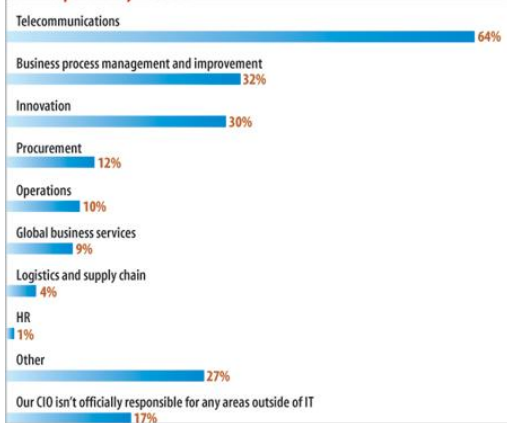
The recession centered on the banking industry, so it's notable to see banks spending aggressively on IT. They're spending on average 8.7% of revenue on IT, compared with 7.6% in 2009, at the trough of the financial crisis, and 10% back in 2005, when the industry's IT spending as a percentage of revenue reached its peak. Banks remain the biggest spenders on IT, by far, in the *IW 500*. IT vendors are second, spending on average 5% of revenue on IT.

### 9. Innovation Is the CIO's Job

In 30% of *IW 500* companies, the CIO has formal responsibility for innovation, up from 25% last year and twice the number that had that responsibility in 2009. That trend might be driven by some of the forces we describe above. IT is part of the product, so its masters need to deliver new ideas. Software as a service eases some of the care and feeding of apps, freeing up IT teams to focus more on innovation.

The CIOs of our top *IW 500* companies understand that innovation is a fundamental part of what they do, regardless of whether it's a formal part of their job descriptions. The companies and projects profiled as leaders in our InformationWeek 500 articles are at the leading edge.

### CIO Responsibility Outside IT



Data: InformationWeek Survey of 2011 InformationWeek 500 executives, June 2011

For the full results, see InformationWeek's full article by **Chris Murphy** September 14, 2011 12:02 AM [InformationWeek](#)