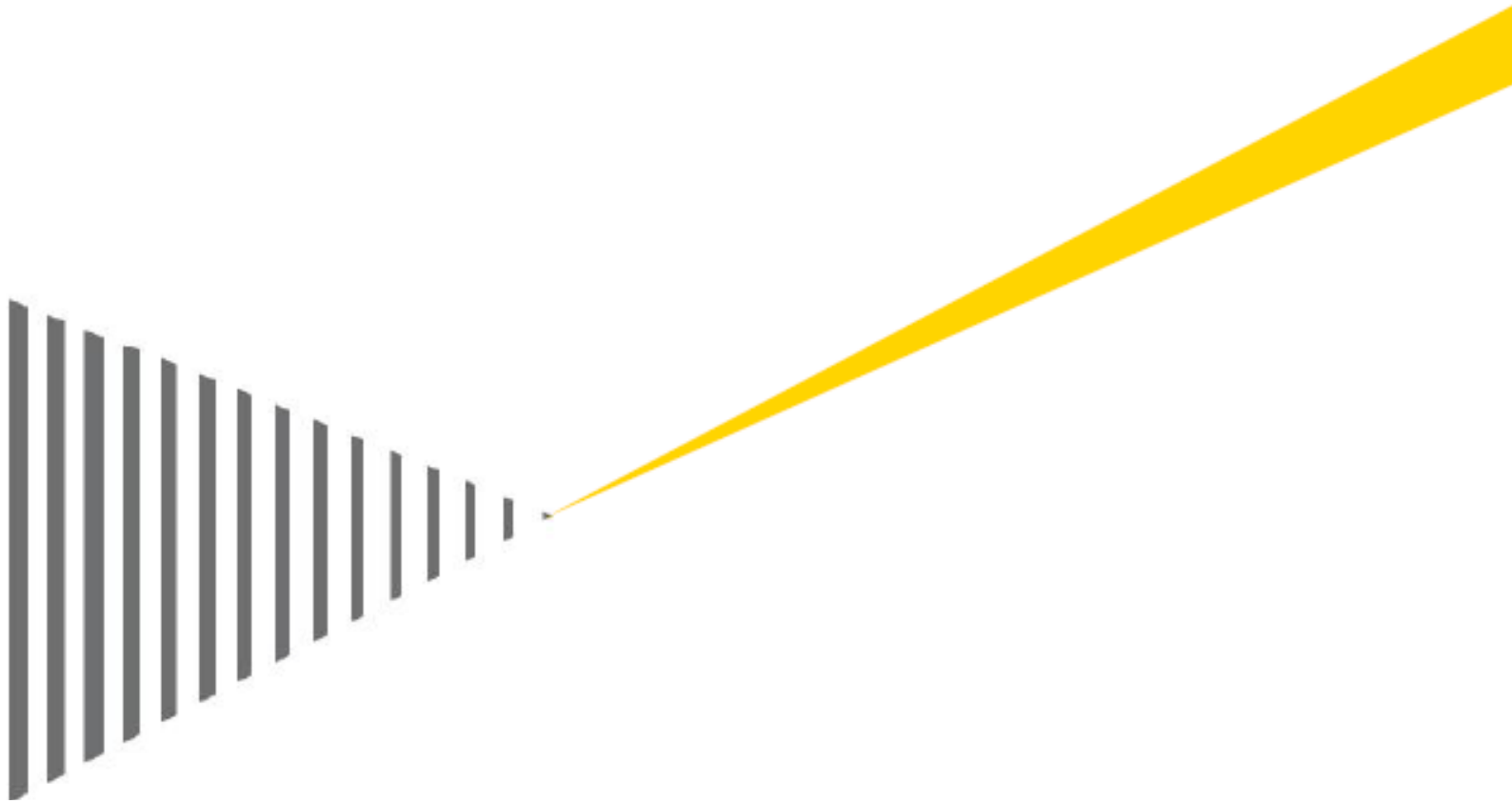


Gearing up for growth

Enterprise IT investment trends 2010

Executive Summary



Foreword



Ashish Kumar Chauhan
President, CIO Association

CIO KLUB

CIO Association's initiative The CIO KLUB, a strong group of 425 CIOs spanning Mumbai, New Delhi, Bengaluru, Ahmedabad and Pune is celebrating its second anniversary on 23 April 2010. This year again, the KLUB along with Ernst & Young, as knowledge partners have conducted the 'Enterprise IT investment trends survey 2010' to gauge the IT spending of companies in the financial year FY 2010-11. It gives us immense pleasure to present this detailed report on survey findings, which captures current sentiments and trends vis-à-vis information technology. It is the 2nd annual survey in continuation of the CIO KLUB member community and I am glad to see overwhelming participation and response from a number of KLUB members. The survey provides an objective assessment of the IT spend in the FY 2010-11. It provides meaningful insights into various IT trends and initiatives that the member companies are planning and provides comparison within the community.

The information presented in this survey is also valuable to the product vendors, system integrators and professional services firms for understanding this community's IT spend plans for FY 2010-11.

Ernst & Young, our knowledge partners, have assisted the CIO KLUB in preparing the relevant questionnaire, collating responses and analysis of data. Being an independent consulting firm with vast experience in IT consulting, Ernst & Young was uniquely positioned to provide this assistance. This study provides an insight into the following:

- Strategic investments in new solutions/ technologies
- Investment priorities in upgrades/ new purchases and maintenance
 - Hardware
 - Licenses
 - Security devices
 - Business applications
 - Operating systems
 - Storage solutions
 - Network devices and bandwidth
- IT outsourcing

This year's study is based on a survey of over 125 CIOs conducted in April 2010. I am sure that you will find content of the report useful and provide knowledge and insight into IT trends and spending patterns.



Vikas Gadre
VP, CIO Association
& Survey coordinator



Radhakrishna Pillai
Treasurer, CIO Association
& Survey Coordinator



Terry Thomas

India IT Risk & Assurance
Leader, Ernst & Young

Ernst & Young

Over the last year, Indian economy has evolved rapidly, firstly to address the increased pressure to reduce costs and secondly to support the quick recovery that Indian companies are experiencing. Fears of prolonged recession seem to be evaporating and Indian economy is seeing an upward growth trend again. Survey results are encouraging as many respondents have indicated that they are taking steps to increase spend on IT with a focus on improving efficiency, managing risk and providing value to business.

This year again we are excited to provide you with the results of the “Enterprise IT Investment Trends Survey 2010” and our insights into the strategy adopted by various CIOs to aid business growth.

The results of our survey indicate these top five priorities of the CIOs for the year 2010-11:

- IT process and performance improvement
- Information security
- Business continuity and disaster recovery planning
- Implementing customer centric and business intelligence applications (CRM/BI/DW)
- IT cost reduction



Pinakiranjan Mishra

Partner, Ernst & Young

It is our privilege to be associated with CIO KLUB as knowledge partners for the survey. This survey aims to capture key IT trends and investment patterns across various sectors. We would like to extend our warmest thanks to all participant CIOs for taking the time to share their views on IT investments and priorities. Since this is commissioned by the CIO community itself, the findings are very reliable and we are confident that you will find the survey report useful, informative and insightful. We are also confident that it will be a valuable resource available to IT professionals and companies to understand IT trends in India. We plan to work closely with the CIO KLUB in jointly publishing this report year on year.

Introduction

Gearing up for Growth

Since the downturn hit the global economy and with forecasts of delayed signs of recovery, most organizations initiated cost rationalization exercises. IT cost reduction ended up being one of the major activities of the overall exercise. This situation was echoed by the CIOs during the 2009-10 survey. Since then, India has seen accelerated recovery as compared to the other global economies and organizations are again charting along the growth path. Hence, from 'keeping the light on', IT organizations are embracing new IT initiatives that support organizations growth strategy

Organizations are responding to the challenge of enabling business growth and containing costs at the same time by adopting a three-fold strategy: Improve IT operational efficiencies and performance; Enhance Information security particularly address confidentiality and availability of information; and maintain momentum for the cost rationalization drive.

The enterprise IT investment trends survey 2010, 2nd such annual survey by the CIO KLUB in succession provides similar insights and CIOs strategy, plans, priorities and initiatives to address this challenge. The survey was conducted online, over a period of three weeks. It spanned across 18 sectors and companies with annual revenue ranging from less than 100 Cr to greater than 1000 Cr. within the CIO KLUB community. The aggregated analysis of the responses obtained has been presented in the subsequent sections. Though 153 responses were received, only 126 completed responses have been considered for the analysis. 27 partial responses were excluded from the analysis.

Survey questionnaire and analysis

The questions were designed to capture key aspects of IT investments and sought very specific and objective responses from the participating CIOs. Questions were targeted at two broad areas viz. IT strategy and operations. The questions covered areas such as key priorities for 2010-11, investment rationale and spends in IT infrastructure, operations, and applications. The survey also attempted to address aspects of Information security, outsourcing and technologies as they relate to CIO community.

Though 153 responses were received, only 126 completed responses have been considered for the analysis. 27 partial responses were excluded from the analysis.

Key findings and trends for 2010-11

Comparing these with last year, IT process and performance improvement has replaced IT cost reduction as the top most priority, rest of the priorities remaining the same. IT cost reduction managed to keep its position in the list at the 5th position.

The survey clearly indicates that while IT budgets have seen an increase over previous years, it is not substantial and companies are adopting cost conscious approach. Companies are keen to extend the investments in ERP applications to advanced enterprise applications such as business intelligence to use information effectively for better decision making.

Some of the trends for the year as seen from the survey responses are given below:

- IT is no longer expected to just keep the lights on, but also help organizations achieve competitive advantage. Though a large part of IT budgets are spent on routine activities and compliance requirements, IT is also investing into innovation and providing a competitive edge.
- Investments in IT are in the range of 1-3 percent of the revenue, consistent across sector and revenue segments.
- Though we see an increasing trend of IT becoming profit center and charging business on usage, it still largely depends on central corporate funding to meet its investment and spend needs
- IT investments and spends are increasing compared to last year and are in line with the overall aim of sustaining business performance.
- Companies will implement a number of emerging technologies to achieve improved performance and rationalized costs. Some of the technologies include cloud computing, Green IT, Virtualization, and Data Protection.
- Leading standards and practices continue to gain momentum. ISO 27001 and ISO 20000/ ITIL being the most popular.
- We did not find any definite answer to question on outsourcing. CIOs prefer to keep some of the core activities such as procurement, quality assurance, and security management in-house and outsource areas such as facilities management. For all other IT areas such as application development, maintenance, database administration, helpdesk, data center operations, etc, opinion is divided and there is no clear trend. However most of the respondents will continue existing arrangement and only few respondents will attempt to change.

- Information security remains to be a key priority and companies will continue to spend on information security. Spend on information security will continue and it is expected to increase up to 10%.
- Storage area networks (SAN) are preferred by most CIOs for data storage over network attached storage (NAS)
- Spend on improving network connectivity is expected to continue
- Open source software is here to stay. Majority of the respondents who have implemented open source software are happy with the results.
- Companies will continue using existing mail solution and services. Challenges in migrating to new service or solution outweigh the expected benefits.
- Recurring expenses such as annual maintenance, licenses, consulting, and upgrades are expected to increase. Companies also expect increase in spend on external professional services firms in the area of IT audits, ERP audits, information security, management consulting and technical support for implementation.

Our approach and analysis

Approach

Ernst & Young and CIOKLUB's second enterprise IT investment trends survey brought to you by Ernst & Young on behalf of the CIOKLUB gauges the current investment patterns and future investment plans of the companies.

This year's survey was conducted from 01 March 2010 to 24 March 2010. Nearly 150 CIOs from various companies across all major industries participated.

The questionnaire used in this survey was designed to gather the IT investment information on the IT strategy and operations domains.

This survey was conducted through a secure online tool with a specific URL that was mailed to designated members of the CIOKLUB, along with instructions for completing the survey. Personal interviews were conducted with randomly selected respondents to obtain their response.

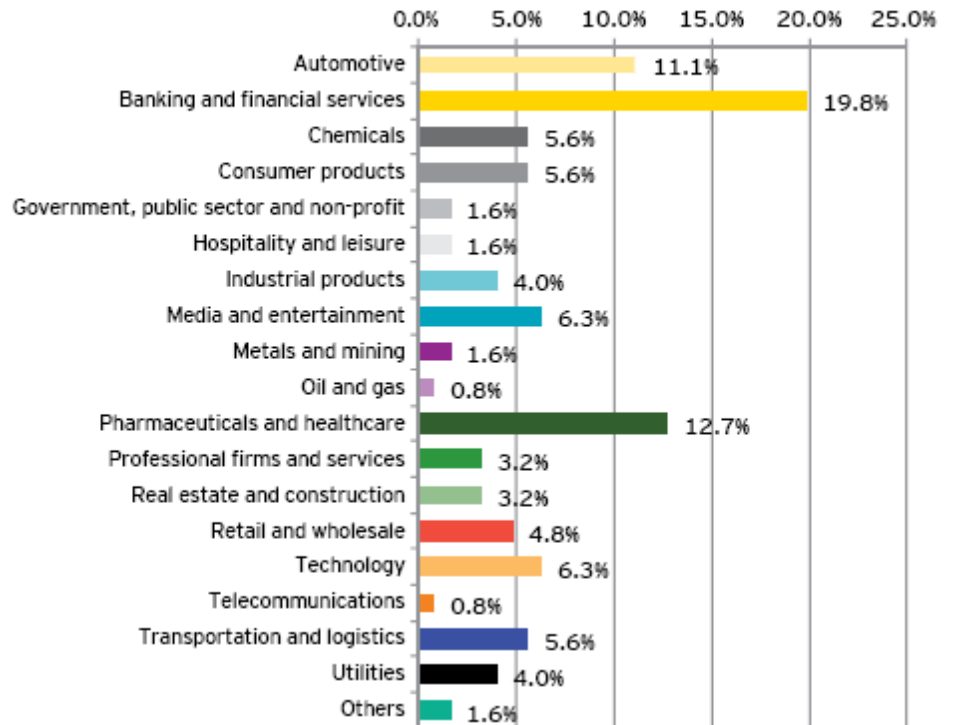
Ernst & Young downloaded the results of the survey to conduct an analysis and present in this report. Cross tabs were used to identify the spend industry wise, annual revenue, type of industry against strategy and operations domains.

The total number of completed and usable responses to the survey was 126 out of 153 survey participants. We have considered only completed responses. 27 partial responses have been ignored for the purpose of this analysis.

Profiles of 2010 survey participants

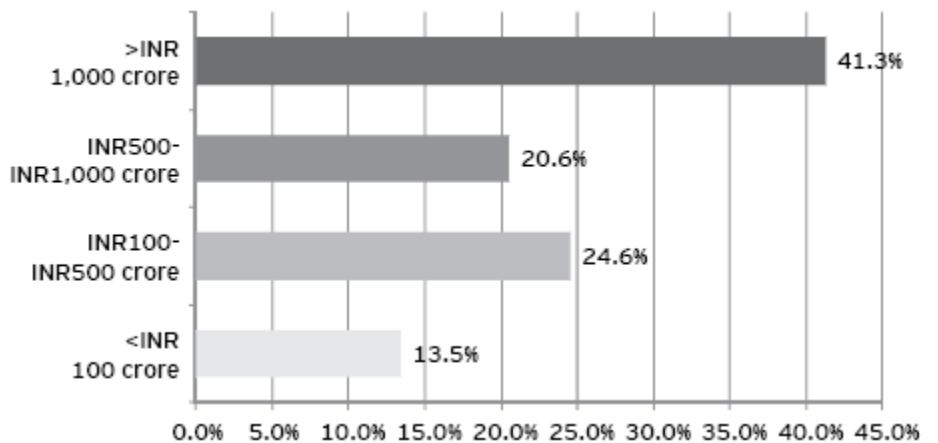
Survey participants by industry group

Survey participant by industry

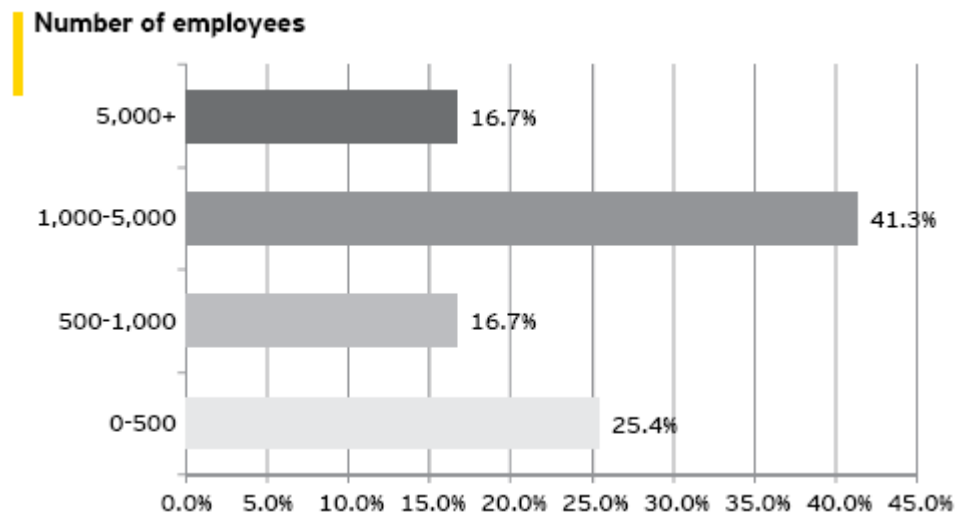


Survey participants by annual revenue (INR)

Annual revenue



Survey participant by organization size in terms of number of employees



About CIO KLUB

There has been a revolutionary change in the use of IT in Indian Enterprises across all verticals, moving from the traditional EDP setup to today's role of a strategic business partner/ unit. The challenges we face today have created a need for a platform to have a stronger relationship between IT vendors, IT trade publications and the CIO community which will also benefit the CXO community and the Indian Enterprise as a whole.

With a motto to "Share experience, Enhance Knowledge, Explore Business Solutions" by leveraging the collective wisdom, CIO KLUB's primary objective is to drive the business benefit to the organizations of the member CIOs and also help CIOs in their professional growth. The CIO KLUB will also represent the IT user community to governmental bodies, support government's E-governance initiative, interact directly with vendors and the media for delivering CIO needs from time to time.

CIO KLUB is unique in the sense that it provides an interactive platform for vendors, media and CIOs for exchange of best practices, ideas and derives strategy to address common IT issues. CIO KLUB also proposes to create collaborative test labs for new IT products and solutions with industry participation that will provide vendor neutral environment.

The KLUB encourages the entrepreneur spirit by providing platform for sharing and breeding innovative ideas in the larger interest of the community.

The CIO KLUB is governed by a managing committee of the founder members and supported by strong focused group of sub-committees. The CIO Association is a registered entity and CIO KLUB is one of the initiatives of the CIO Association. We have currently around 425 members from all over India. CIO Association currently have local chapters in Mumbai, Delhi and Pune. Shortly CIO KLUB will open chapters in Bangalore and Ahmedabad to achieve association objectives of knowledge sharing and networking.

For more information about CIO KLUB, please visit www.cioklub.com or email us at anjani@cioklub.com.

About Ernst & Young

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About Ernst & Young's Advisory Services

The relationship between risk and performance improvement is an increasingly complex and central business challenge, with business performance directly connected to the recognition and effective management of risk. Whether your focus is on business transformation or sustaining achievement, having the right advisors on your side can make all the difference. Our 18,000 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 superior client experience.

We use proven, integrated methodologies to help you achieve your strategic priorities and make improvements that are sustainable for the longer term. We understand that to achieve your potential as an organization, you require services that respond to your specific 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 the strategy is delivering the value your business needs. It's how Ernst & Young makes a difference.