

Survey Highlights Shifts in IT-enabled Business Innovation, Changing Role of the CIO

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Companies with IT-driven business innovation in DNA use technology to optimize business strategy and customer engagement, a Harvard Business Review Analytic Services survey sponsored by Red Hat shows

RALEIGH, N.C.--(BUSINESS WIRE)-- It is no surprise that businesses are being transformed by new technologies, especially those that bring more intelligence and mobility to their operations and products. Some companies - known as "Innovation Accelerators"- are driving this transformation by pursuing IT-enabled business innovation as a core strategy throughout their organization, according to the results of the "Business Transformation and the CIO Role" survey announced today by Red Hat, Inc. (NYSE: RHT), the world's leading provider of open source solutions.

The survey of 420 global business leaders, commissioned by Red Hat through Harvard Business Review Analytic Services, found that these Innovation Accelerators (32 percent of survey respondents) are anticipating significant change over the next three years, particularly in how they engage with and learn about customers, as well as in their business models, products and services, and end user processes.

Specifically, Innovation Accelerators are more than twice as likely to invest in the creation of new applications compared to peers in companies where innovation is not a priority (72 percent vs. 34 percent). They are also more likely to focus on revenue generating opportunities with new customer experience strategies (71 percent), business model innovation (69 percent) and service innovation (68 percent). By contrast, companies for which innovation is not a priority will focus more internally on the automation of business processes (70 percent).

The way organizations engage with and understand their customers leads the list of areas that will be changed the most by IT-enabled innovation, with 55 percent of all survey respondents saying it will be changed significantly and 20 percent saying it will be completely transformed (rating it a 10 on a scale of 1-10). Respondents also believe IT-enabled innovation will change the way employees do their work (48 percent say it will be significantly changed; 15 percent say it will be completely transformed); the company's products/services (46 percent say it will be significantly changed; 11 percent project it will be completely transformed); and business models (42 percent expect it will be significantly changed; 13 percent say it will be completely transformed). For Innovation Accelerators, the numbers are significantly higher: 70 percent say their approach to customer engagement and insight will be significantly changed, and 33 percent indicate it will be completely transformed.

These changes translate to a number of specific projects that respondents expect to engage in over the next three years. More than half of survey respondents are planning to automate business processes (67 percent); execute customer experience strategies (66 percent); create new applications (60 percent); and innovate their services (57 percent) and business models (56 percent).

Additional survey findings include:

Business intelligence/analytics and mobile technologies and apps lead the list of technologies that survey respondents expect to drive business innovation over the next three years, at 66 percent and 53 percent, respectively. These are followed by process automation (44 percent), collaboration tools (29 percent), cloud computing (28 percent) and social media (24 percent).

C-level leadership plays a significant role in driving technology-driven business innovation. According to survey respondents, CIOs lead this type of innovation in 41 percent of organizations (25 percent alone and an additional 16 percent in tandem with another executive), CEOs lead technology-driven business innovation in 16 percent of organizations, and other C-level executives account for 16 percent. In approximately one-fifth of organization (18 percent), a senior cross-functional committee or innovation board leads IT-driven business innovation.

According to survey results, Innovation Accelerator organizations value this cross-functional collaboration, with nearly half (48 percent) reporting that IT and the business typically engage together to identify innovation opportunities.

While CIOs have a mandate to help drive this innovation, daily responsibilities of running IT and limited resources may be hindering their ability to do this. According to survey respondents, while 57 percent believe the CIO should drive innovation and strategy, only 12 percent say their CIO actually does that. Survey results indicate that CIOs at Innovation Accelerator companies perform more strategic roles, developing and refining business strategy (26 percent), driving business innovation (30 percent), and identifying opportunities for competitive differentiation (26 percent).

"It is clear from survey results that every organization should strive to become an Innovation Accelerator," said Lee Congdon, CIO, Red Hat. "These companies have moved from a 'keep the lights on' strategy to one where they are driving strategic initiatives like customer experience and service innovation. It is clear to me that the role of the CIO is changing as a result too, now playing an essential role in IT-driven business innovation."

See the results of the Business Transformation and the CIO Role survey in an infographic, available at <http://enterpriseproject.com/hbr-infographic>, or download Harvard Business Review Analytic Services report, available at <http://enterpriseproject.com/hbr-report>.

Methodology and Demographics

Harvard Business Review Analytic Services conducted an online survey on behalf of Red Hat to examine business transformation and the

role of the CIO, followed by 12 phone interviews with 12 hand-selected survey participants. The survey polled 420 individuals in executive management or board-level positions in companies with 500 or more employees. Forty-five percent (45 percent) of respondents were from organizations of 10,000 or more employees. Respondents represented major sectors, including technology, financial, manufacturing, healthcare, and government. Respondents were from North America (40 percent), Asia (24 percent), and Europe (23 percent). Thirteen percent (13 percent) were from the rest of the world.

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Red Hat, Inc.

Stephanie Wonderlick, 571-421-8169

swonderl@redhat.com

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