

# *7th Digital IQ Survey* The India story

March 2016



**pwc**



# 10 critical attributes that fuel your digital growth engine

01

CEO is a champion for digital

02

Digital leaders are involved in business strategy

03

Business-aligned digital strategy is shared at the C-suite level

04

Business and digital strategies are well communicated

05

Engaging with external sources to gather new ideas

06

Making digital investments for competitive advantage

07

Effective use of data to drive business value

08

Proactive plan for cyber and privacy risks

09

A single, multi-year roadmap

10

Measure outcomes of digital investments

Digital technologies are impacting industries and businesses alike. The impact technology has today as an enabler of business was not witnessed before. It can be safely assumed that businesses today rely on technology. With new-age start-ups changing the market dynamics with digital technologies, the message to the incumbents is clear—either you innovate or you perish.

Since 2007, we have been studying the practices and performance of global companies—drawn from the experience of nearly 2,000 business and technology executives—to understand what actions business leaders are taking towards digital investments and how they are channelised to deliver and sustain value. Last year too, we conducted a similar study and the India results has been presented in this report.

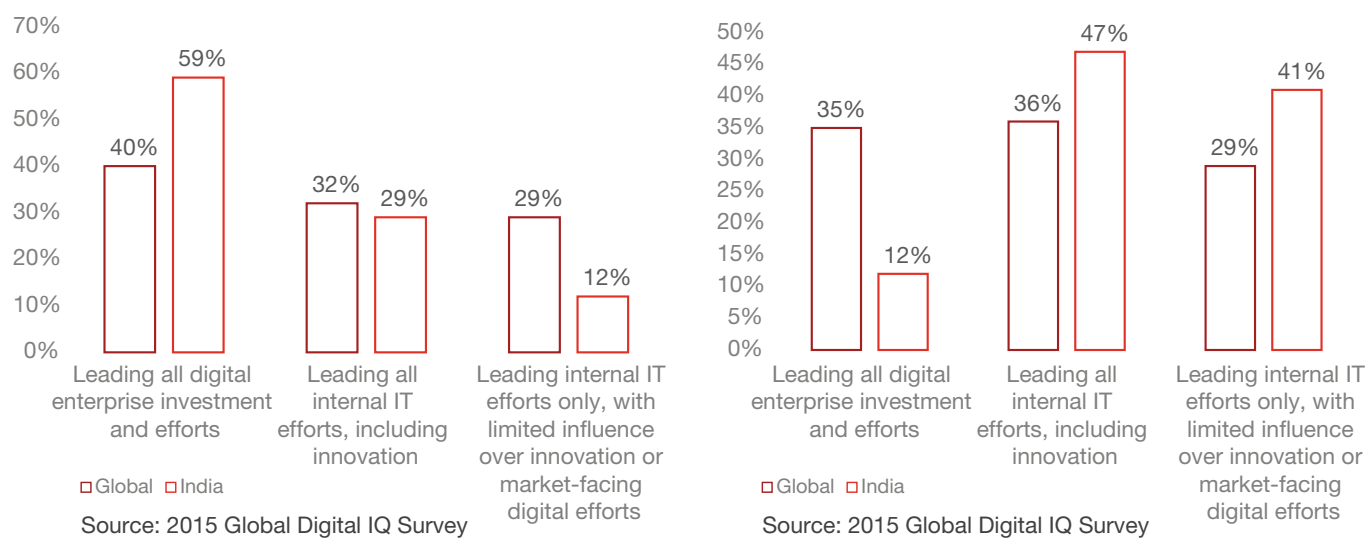
Though the term ‘digital’ is the most widely used terminology

in the business world these days, its interpretation varies across enterprises. According to our survey, in India, more than half (55%) of the companies surveyed viewed digital as technology innovation-related activities vs 53% globally. And nearly half (48%) of the respondents in India said that digital is synonymous with IT (globally, 37%). While 39% believed that digital refers to customer-facing technology activities, 29% said that digital means investments being made to integrate technology into every part of their business. Business leaders are missing the point that digital refers to a new way of doing business, or an operating model that allows enterprises to engage more effectively with their stakeholders, fine-tune their operational effectiveness and strengthen risk management strategies, and that it is not just an investment in newer technologies. This disconnect is not unique for India; we found it resonating across enterprises globally.

## Leveraging digital investments for revenue growth

Creating better customer experience and growing revenue are the key expectations of companies along with improving operational efficiency through increased profit and reduced cost from their digital investments. Our analysis reveals that revenue growth is the top priority for digital investments. In India, 43% of the respondents pointed to creating customer experiences as the most important consideration for digital investments, and 49 see revenue growth as a priority. To meet these goals, companies in India are spending somewhat aggressively, with 34% allocating more than 15% of revenue to digital investments (globally, 31%).

### What leaders expect from digital enterprise investments



#### Q. What value do you expect from your digital enterprise investments?

Respondents who rated their organisation between 1–3 out of 10 (with one being the highest) across each of the outcomes from digital investments

Base: All respondents (1,988); India (100)

## Digital IQ: India vs top performers

Companies with high Digital IQ scores are twice as likely to achieve rapid revenue and profit growth compared with the laggards in our study.

As we do each year, our analysis seeks to answer the question: what actions can leaders take to ensure their digital investments deliver and sustain value? Digital enterprises today span many dimensions, and we analysed more than two-dozen factors—covering strategy, innovation and execution. In the end, we identified 10 attributes that correlate with stronger financial performance and this is what comprises our digital IQ score. We found that companies with high digital IQ scores (those in the top quartile) are twice as likely to achieve rapid revenue and profit growth compared with the laggards in our study.



## India's score on each of the 10 digital IQ attributes



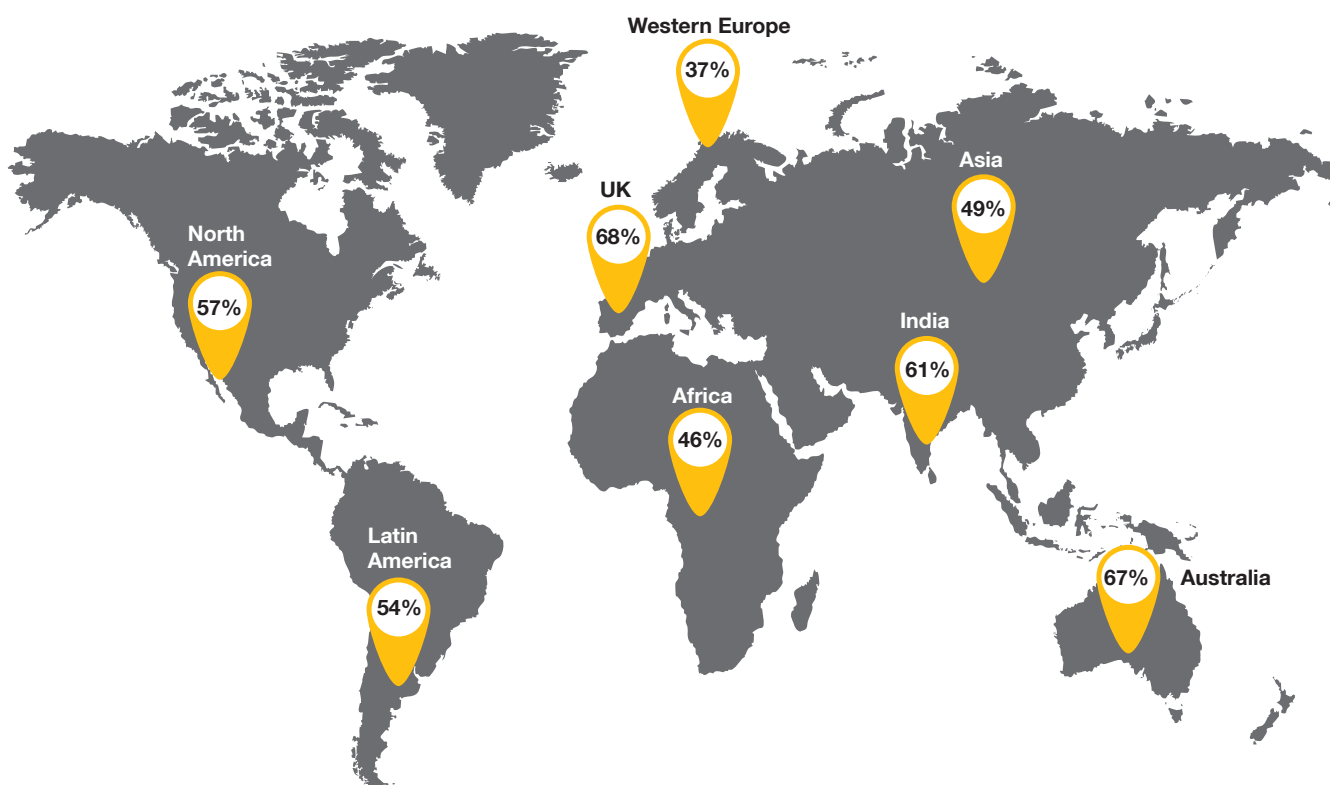
■ India's digital IQ score  
■ Top performers' digital IQ score

# The digital IQ of Indian companies

## How we define digital IQ

We think about it in terms of a company's acumen in understanding, valuing and weaving technology throughout the enterprise to change the traditional operating or business model.

When it comes to digital IQ, companies in India are relatively confident about how they are driving digital throughout the enterprise. Almost two-third (61%) of the Indian companies surveyed reported a very strong digital IQ. In contrast, we found the numbers to be lesser in *North America* (57%), *Latin America* (54%) and significantly lesser in *Asia* (49%) and *Africa* (46%). However, *Australia* (67%) and the *UK* (68%) indicated a stronger digital IQ.



**Q. Rate your organisation's digital IQ. (Digital IQ is how well a company understands the value of digital technology and weaves it into the fabric of its organisation.)**

*Respondents who rated their organisation between 1–3 out of 10 with one being the highest*

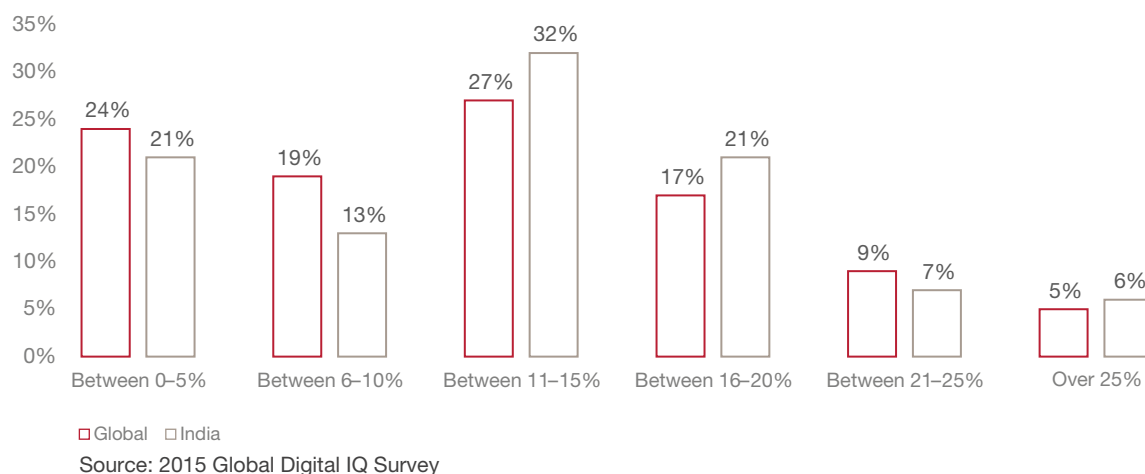
Base: All respondents (1,988); India (100)

Source: 2015 Global Digital IQ Survey

## Where companies are investing and how much

Businesses across the world are ramping up their digital investments. Around half of the companies surveyed—53% in India and 44% globally—responded saying that their digital enterprise investments are between 11–20% of their revenue. The same trend resonates among Indian companies as well. We believe this is a positive sign and expect similar trends in the coming years as well.

### Percentage of revenue spent on digital enterprise investments



#### Q. What percentage of revenue are you spending on digital enterprise investments?

Base: All respondents (1,988); India (100)

When it comes to channelising their digital investments, we found that business leaders in India are focussing more on IT and marketing and investing less when compared with the global average in other areas, including customer service (9%) and operations (8%). Though higher digital investments on the marketing front is an encouraging sign, more focus should be given to IT mainly because businesses tend to correlate digital with IT. Instead, business leaders will need to understand the correct meaning of digital in their respective industry context and focus on other aspects of their value chain to leverage the full potential a digital business has to offer.

### Areas where companies are investing



#### IT

32% globally  
37% India



#### Sales

12% globally  
7% India



#### Marketing

27% globally  
36% India



## Who is driving the digital agenda

The vast majority (86%) of CEOs we spoke with in our annual survey globally felt it was crucial to champion the use of digital technologies. Are they talking the talk? Yes—according to the nearly three-quarters of businesses and IT executives in our Digital IQ Survey. The same trend is being reverberated in the Indian scenario as well. Enterprise digital investments in around 43% of Indian companies are being driven by the CEOs, which is significantly higher than those driven by the CIOs (only 16%). With the CEOs influencing digital investments in a major way, these companies are explicitly incorporating digital strategies into their corporate strategy (69% of Indian companies surveyed responded along these lines) rather than operating as two separate streams. This we believe is a key aspect in embedding the digital culture in the DNA of an organisation and the stepping stone to a digital business. This is a clear trend we have been experiencing over the last three years and is expected to continue in the future as well. This trend strengthens our definition of digital as a new operating/business model rather than a mere technology investment.

## Change in roles expected

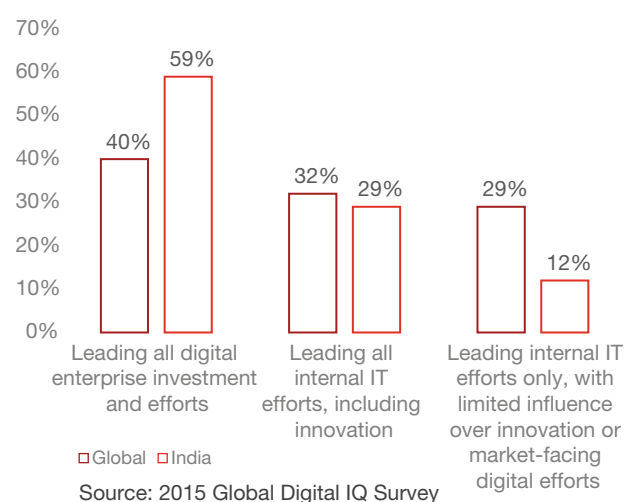
Our survey highlighted a stark contrast when nearly half (41%) of the respondents from Indian companies suggested that in three years' time, the CIO may be tasked with only internal IT efforts with limited influence over digital investments, and only 12% suggested the CIO will be leading enterprise digital investments and efforts, including innovation and market-facing initiatives.

This clearly is a sign for today's CIOs and points towards the changing role of the CIO today. Much has been said about this, but it is important to reiterate the fact that gone are the days when the CIO was mainly responsible for supporting business operations and ensuring cost reduction. Today, a CIO has to focus on enterprise growth and profitability. He or she has to be a strategist as well as a visionary with a forward-looking approach. According to our publication titled 'How to drive innovation and business growth', the CIO's role must evolve from being the chief information officer to that of a chief innovation officer.

## Who is leading the digital efforts

Though the CEO champions the digital agenda within an organisation, we find that CIOs are being looked up to for leading the digital efforts. More than half of the respondents in India (59%) said that the CIO's chief responsibility is to lead all digital investments and efforts, including innovation and market-facing initiatives, versus 40% globally. Nearly one-third (29%) believe that the CIO is tasked with leading all internal IT efforts, including innovation (globally, 32%).

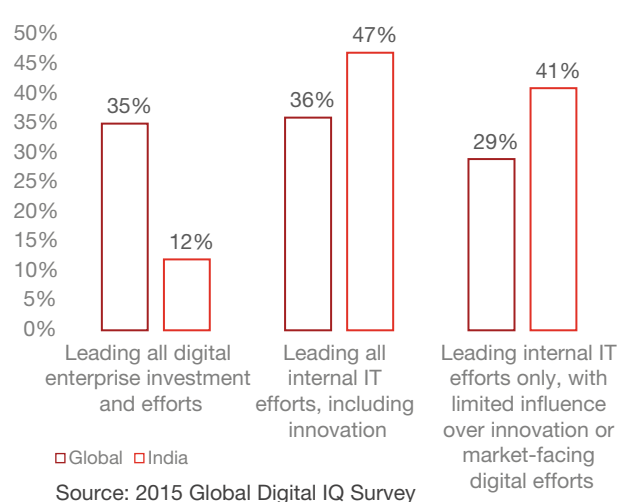
### CIO's key responsibilities today



**Q. Which of the above-mentioned best describes your CIO's key responsibilities today?**

Base: All respondents (1,988); India (100)

### CIO's key responsibilities in three years

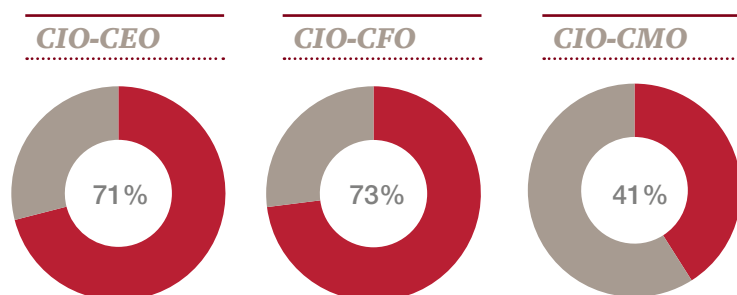


**Q. Which of the above-mentioned best describes your CIO's key responsibilities in three years?**

Base: All respondents (1,988); India (100)

## How strong is the collaboration of the CIO with key C-suite executives

An effective digital strategy cannot be executed in silos. Hence, it is vital for the CIO to collaborate with members of the C-suite, sharing the same level of understanding of corporate strategy, opportunities and risks, while at the same time, chalking out a digital technology roadmap. One major shift we see for India this year is the decline in the percentage of respondents suggesting a strong CIO-CEO (71% vs 90% last year), CIO-CFO (73% vs 87% last year) and CIO-CMO (41% vs 77% last year) relationship over the last year.



**Q. How would you describe the working relationship between the CIO and other C-suite executives at your company?**

*Respondents from India who answered 'very strong' and 'somewhat strong'.*

Base: India (100)

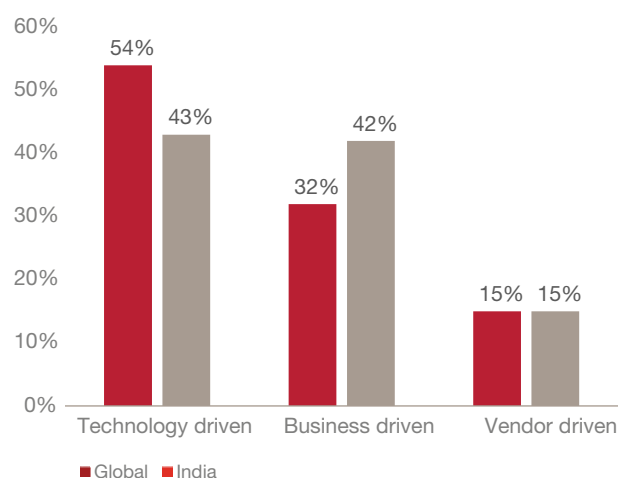
*The trend points towards a changing role of the CIO within an organisation, and the emergence of new roles like the chief innovation officer and the chief digital officer. Though the CIO is seen as the primary go-to person for driving digital at present, our survey suggests that three years down the line his responsibility may be restricted to internal IT efforts only, limited to no ownership of or influence over innovation or market-facing digital efforts.*

## Approach to digital adoption

Most companies globally are primarily adopting a technology-driven approach towards adoption of digital technologies rather than a business-driven approach. This is particularly true for the US where 18% of digital adoption is driven through business vis-à-vis 66% through technology. However, their Indian counterparts are giving equal importance to technology (43%) and business (42%), though the UK leads with the maximum focus on business (79% over 16% on technology). More focus on technology drivers reiterates the basic flaw we have been highlighting in this report—the approach businesses are taking towards digital. We at PwC believe digital investments should be business driven rather than a technology driven.

Moreover, setting up a dedicated group for incubating innovation and hiring a third party are the two approaches Indian companies seem to prefer for exploring and acting on high-priority digital technology innovations within the organisation.

### Approach to digital adoption

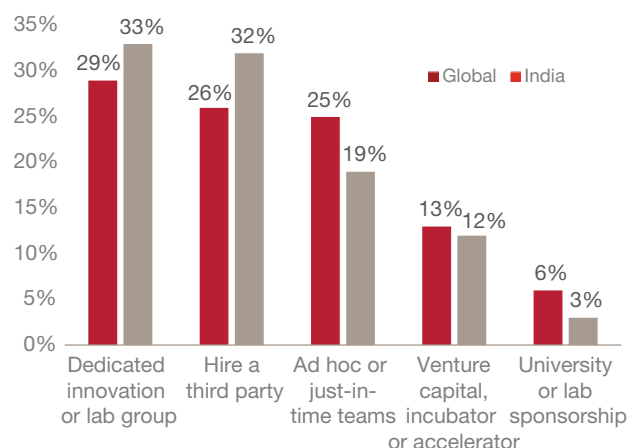


Source: 2015 Global Digital IQ Survey

**Q. How do you characterise your approach towards adopting new and emerging technologies?**

Base: All respondents (1,988); India (100)

### Ways to explore digital technology innovations within the organisation



Source: 2015 Global Digital IQ Survey

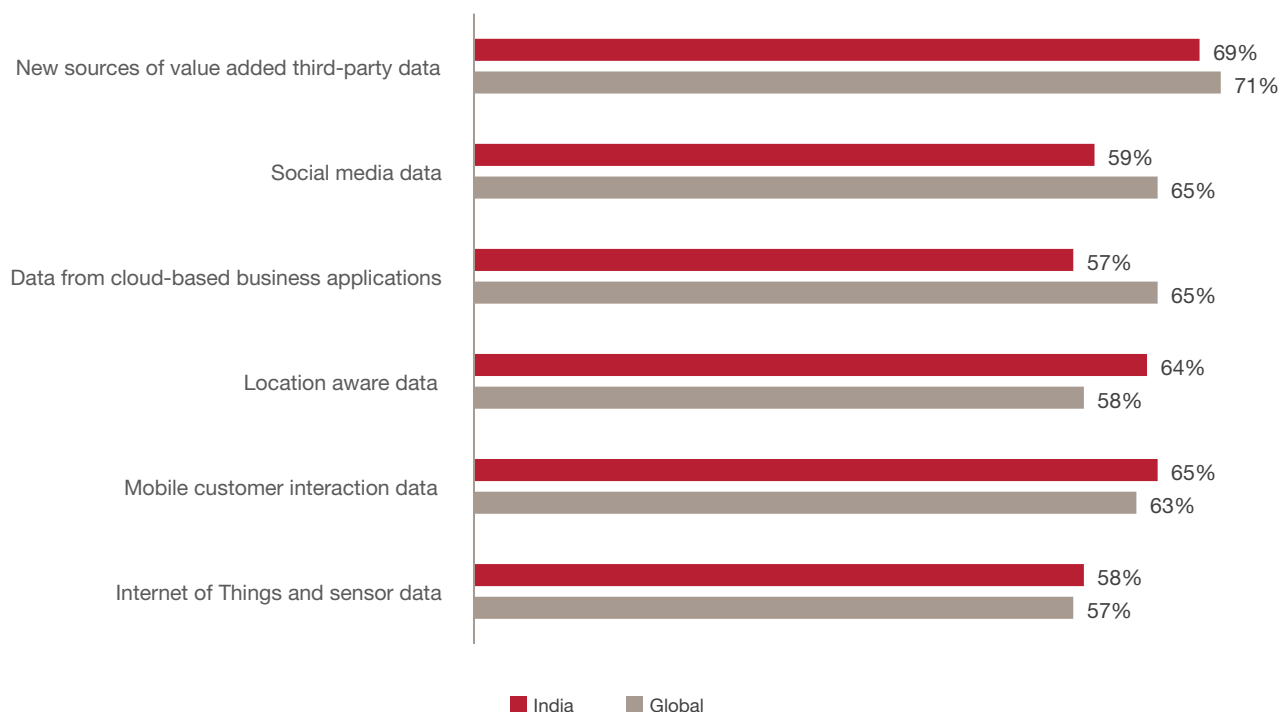
**Q. What is the primary way you explore and act on high-priority emerging and disruptive technology innovations in your organisation?**

Base: All respondents (1,988); India (100)

## Importance of data to drive business competitiveness

Most companies we surveyed consider digital investments for increasing their competitiveness through better customer experiences and revenue growth, and they correctly view the data—primarily about their customers, partners, employees and competitors—as a source of this competitiveness. The data is generated from multiple sources, however, carefully focussing on the right source and harnessing the same is critical. Value-added data from third-party sources (71% vs 69% globally) tops the list followed by mobile customer interaction data (65%) and location-aware data (64%), which are the key sources of data being harnessed by Indian companies. This clearly points towards a trend of leveraging not just any data but data that makes business sense.

### Data sources for organisational competitiveness



Source: 2015 Global Digital IQ Survey

#### Q. . How important do you believe effective use of each type of data will be to your competitiveness?

*Respondents who answered 'highly important' and 'quite important'*

Base: All respondents (1,988); India (100)



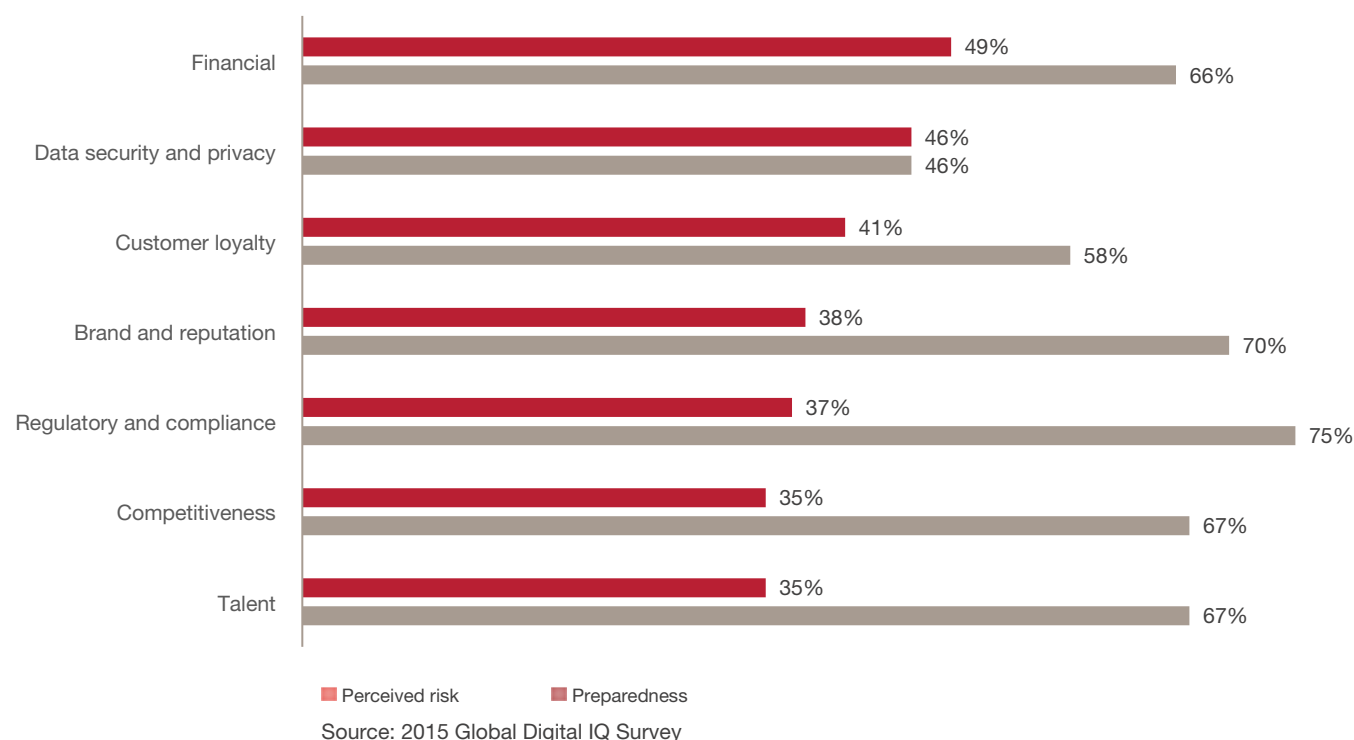
## Where they look for innovation

In India, 68% of executives say they rely on industry analysts as sources for applying emerging technologies in new ways to solve business problems (globally, 63%). Fifty-four per cent point to competitive intelligence as a source for gathering ideas for innovation (globally, 44%), and 51% rely on customer advisory groups and surveys (globally, 52%).

## Perceived risks and preparedness

About one-half of the Indian companies we spoke with highlighted financial risks (49%), data security and privacy challenges (46%) and impact on customer loyalty (41%) as the top three risks associated with digital. This is aligned with the global outlook, with data security and privacy seen as the major risk by the global companies (45%). Having highlighted the risks, it is critical to see the level of preparedness of the Indian companies for each of the identified risk areas. This shows the commitment of Indian companies towards the digital trend.

### Perceived business risks and preparedness associated with digital



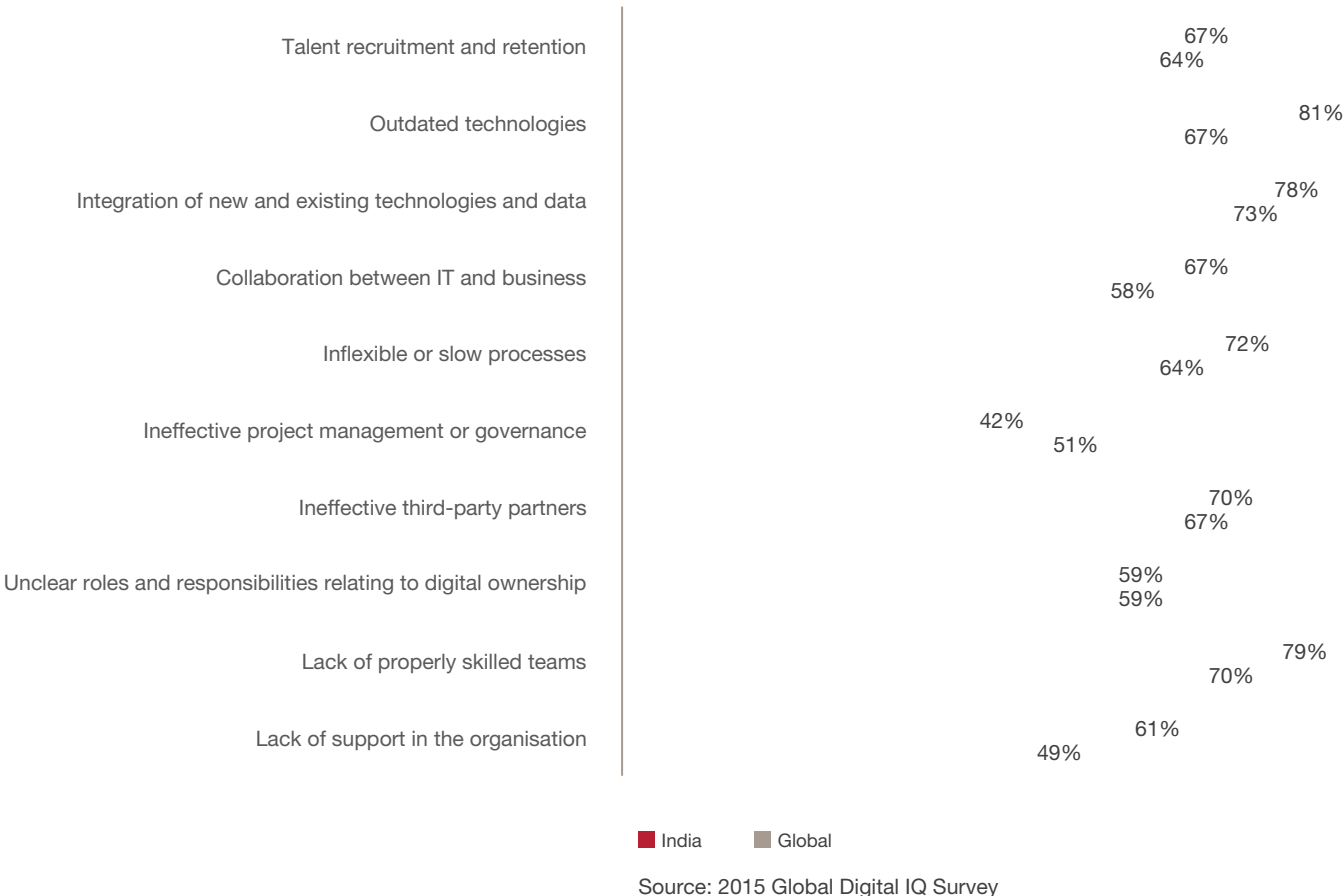
**Q. To what extent has your digital enterprise strategy created risks for your business in the above-mentioned areas and how prepared are you to manage these risks?**

Base: All respondents (1,988); India (100)

# Barriers they see

In addition to the perceived risks presented above, there are barriers that need to be overcome to become a full-fledged digital business. A majority of companies in India (81%) point to outdated technologies as an obstacle to achieving the desired results from digital initiatives, as opposed to 67% globally. In India, 79% view lack of properly skilled teams as a barrier (globally, 70%). And 79% believe that integration of new and existing technologies is an obstacle (globally, 73%).

## Obstacles in the way of digital enterprise initiatives



**Q. How would you characterise the following obstacles to achieve the desired results from your digital enterprise initiatives?**  
*Respondents who answered 'existing barrier' and 'emerging barrier'*  
 Base: All respondents (1,988); India (100)

## Skills they value

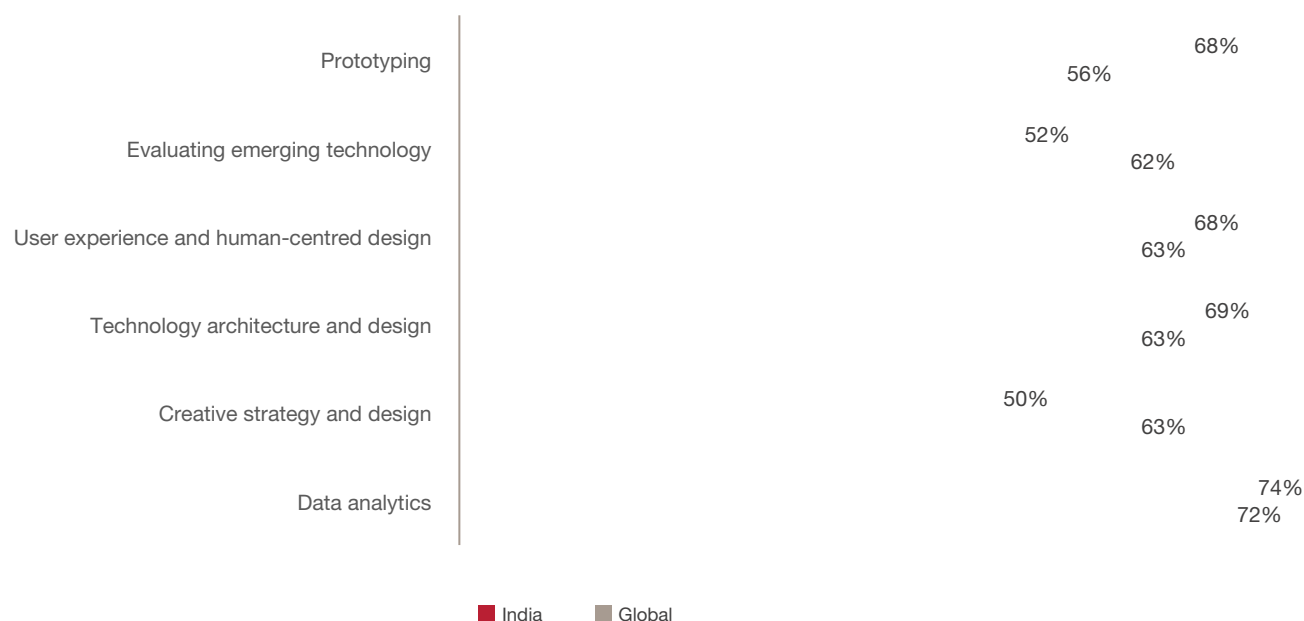
Companies need to focus on specialised skill sets to overcome the challenges. Technology, architecture and design skills top the chart along with data analytics, user experience, creative strategy and design. Eighty-four per cent of companies in India view technology architecture and designs skills as most important to their business (69% see their skills in this area as developed). And 81% point to data analytics skills as most important (74% see their skills as developed). In addition, 64% agree that they systematically evaluate and update their talent model to address the changing digital enterprise resource needs.

*We believe that focussing on the architectural aspects of IT infrastructure is critical for laying a solid foundation for digital transformation within an enterprise. With cloud computing being fundamental to this digital transformation, it becomes particularly important in this scenario. Key aspects include understanding hybrid cloud and multi-cloud models, managing data portability, interoperability issues in the cloud, rapid development, and automated deployment of applications in cloud environments.*

Though our survey results indicate high level of preparedness, it is important for companies to actively evaluate their in-house skill set vis-à-vis the market on a regular basis and aggressively focus on upgrading or adding new skill sets. With the technology landscape changing at a never-seen-before faster pace, continuous skills upgradation is crucial.



## Current organisational digital skills and capabilities



Source: 2015 Global Digital IQ Survey

**Q. How would you rate your organisation's digital skills in terms of its capabilities in the above-mentioned areas?**

Base: All respondents (1,988); India (100)

# Next steps for raising the digital IQ

Businesses have embraced digital technologies and expect investments to drive growth and create competitive advantage. While it is pertinent that digital technologies will drive innovation, even the best of the best technologies cannot deliver success without a structured approach and a well-defined strategy. Enterprises will have to develop a comprehensive strategy around the manner in which they wish to organise their traditional business model to become a true digital business and identify ways to achieve the best possible results from it. Most importantly, enterprises need to integrate digital into the fabric of their corporate culture.

Our analysis demonstrates that the goal is attainable if business leaders take a systematic approach towards their efforts. The first step is to get a personal baseline of where you think your organisation stands with our digital IQ assessment. Then, consider these next steps:



## Steps to raise digital IQ in organisations

01

### Dig into your digital IQ

Take the assessment with your business and IT leadership team.

02

### Conduct a digital strategy workshop

Use the session to evaluate the areas for improvement surfaced by the survey and develop a shared perspective on organisational challenges around digital.

### Start a digital dialogue

Consider an enterprise-wide digital IQ benchmark to serve as a way to begin engaging around digital strategy with the entire organisation.

03

### Expand your ecosystems

You can't excel at digital growth, disrupt markets, or keep up with tech talent alone.

05

### Develop a disruption strategy

Create an explicit strategy and approach regarding disruption.

04



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To have a deeper conversation about how topics related to digital IQ can affect your business, please contact:

**Arnab Basu**  
Partner, Technology Consulting and Digital  
[arnab.basu@in.pwc.com](mailto:arnab.basu@in.pwc.com)  
+91 33 2341 4290

**Ashootosh Chand**  
Executive Director  
[ashootosh.chand@in.pwc.com](mailto:ashootosh.chand@in.pwc.com)  
+91 80 4079 4024

**Vijay Kannan**  
Director  
[vijay.kannan@in.pwc.com](mailto:vijay.kannan@in.pwc.com)  
+91 80 4079 4008

## Author

**Ritesh Pal**  
Manager  
[ritesh.pal@in.pwc.com](mailto:ritesh.pal@in.pwc.com)  
+91 99038 64256

www.pwc.in

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