



# CIO Survey 2016

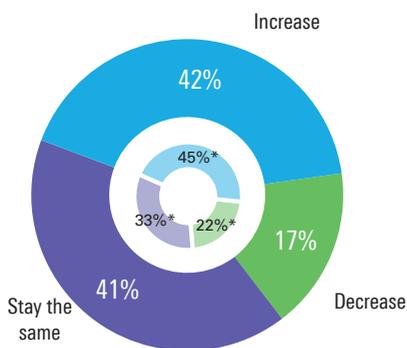
## Manufacturing Sector Findings

The Harvey Nash / KPMG CIO Survey is the largest IT leadership study in the world. Almost 3,400 respondents across 82 countries representing over US\$200bn of IT budget spend.

This **Manufacturing industry** sector snapshot provides survey responses from over 250 Manufacturing companies on some of the key topics and highlights several areas where this sector's responses were significantly different from those from across all industries.

### KEY TOPICS

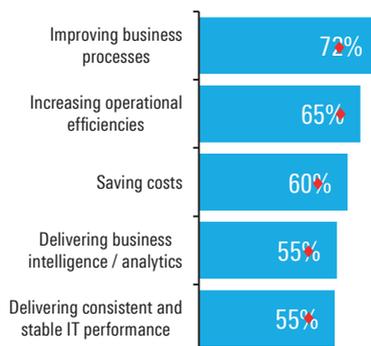
Looking forward, over the next 12 months, do you expect your IT budget to?



42% of manufacturing companies expect their IT budgets to increase next year and 17% expect their IT budgets to decrease, both **in line with the all industries** averages of 45% and 22%.

\*All-industries average

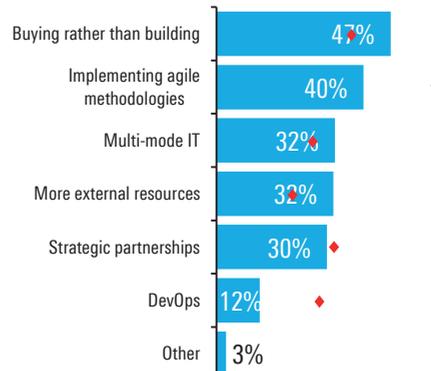
What are the key business issues that your management Board are looking for IT to address (top 5)?



Compared to the all-industries average, manufacturing companies **place a higher priority on improving business processes** (72% vs. 56% for all industries), **increasing operational efficiencies** (65% vs. 57%) and **saving costs** (60% vs. 50%).

◆ All-industries average

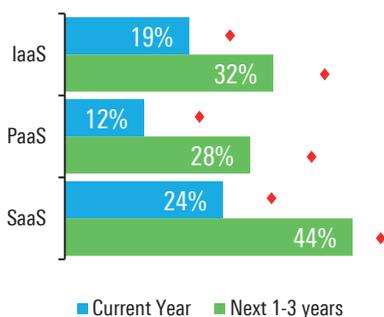
What steps are you taking to become more agile and responsive?



To become more agile and responsive, manufacturing companies are **more likely to buy rather than build** (47% vs. 37% for all industries), and **less likely to utilize agile methodologies** (40% vs. 59%) and **DevOps** (12% vs. 28%).

### CLOUD

How would you characterize your current investment in the following cloud services and how do you expect that to change over time? (Significant investment)



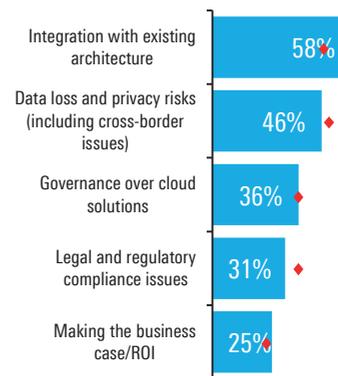
While manufacturing companies plan to spend close to the all-industries average on SaaS cloud services in the next 1-3 years, **they plan to invest less heavily in IaaS** (32% vs. 39% for all industries) and **PaaS** (28% vs. 37%).

What are your top three reasons for using cloud technology?



Manufacturing companies are **more likely to invest in cloud services due to simplified management** (35% vs. 21% for all industries), and are **less likely to invest to save money** (27% vs. 33%).

What are your top three biggest challenges when adopting cloud?



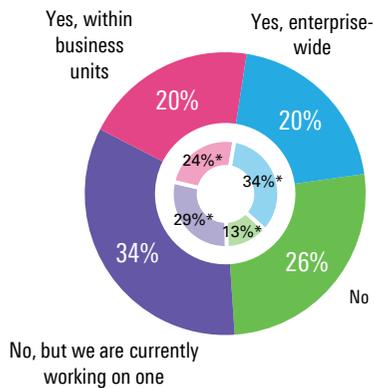
While the cloud adoption challenges in manufacturing largely reflect those of the all-industries average, manufacturing companies are **more likely to face challenges around integration with existing architecture** (58% vs. 47% for all industries).



Source: Harvey Nash/KPMG CIO Survey 2016

## DIGITAL DISRUPTION

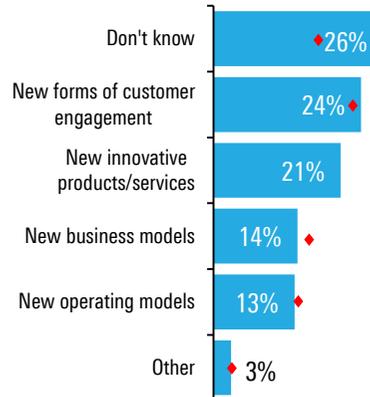
Does your organization have a clear digital business vision and strategy?



Manufacturing companies, with their non-consumer orientation, are **much less likely to have a digital business strategy** within business units or enterprise-wide, than the all-industries average (40% vs. 58% for all industries).

\*All-industries average

If you are currently experiencing digital disruption, what is the primary source of disruption?



IT leaders at manufacturing companies are **much more likely to respond that they do not know the primary source of digital disruption** facing their companies (26% vs. 17 for all industries).

◆ All-industries average

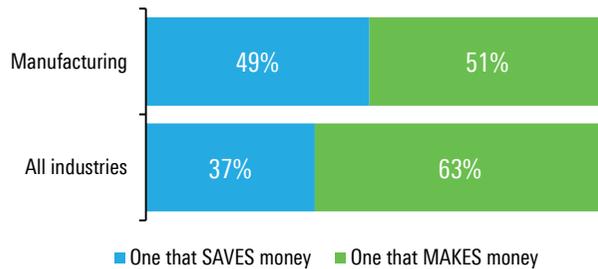
What is the primary method you use for coping with digital disruption?



Manufacturing companies are **more likely to turn to external resources to cope with digital disruption** by contracting (31% vs. 21% for all industries) or partnering (29% vs. 21% for all industries), and are **less likely to hire people** (14% vs. 26%).

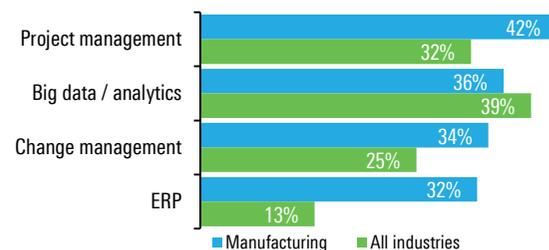
## SIGNIFICANT DIFFERENCES

What type of IT project is most appealing to your CEO?



Manufacturing company CEOs are **much more focused on IT as a vehicle to reduce costs** than the all industries average. 49% of respondents report that IT projects that save money appeal most to their CEOs, compared to 37% for all industries.

Which functions do you feel suffer from a skills shortage?



Manufacturing companies **face greater IT skills shortages in many functions than other industries**, most notably in project management (42% vs. 32% for all industries), change management (34% vs. 25%) and ERP (32% vs. 13%).

## CONCLUSIONS

CIOs in the Manufacturing Sector report that their management leaders want IT to focus on enabling better process throughput, reduced waste and improved outcomes. There is less emphasis on developing business intelligence / data analytics capabilities. This may indicate that the business leaders have come to understand that to the extent the underlying processes can be digitized and automated, there will be an immediate pick up in real time data thus avoiding a two-step transformation.

When it comes to the adoption of cloud, Manufacturing CIOs have highlighted 'integrating existing legacy architecture' as a key challenge. Many of today's discrete manufacturing companies have been in business more than 50 years, and some more than 100. The growth of these companies has taken place through multiple acquisitions and, despite everyone's best intentions to integrate systems, commonize data and adopt global processes, it has not always happened. Therefore adopting or migrating to a cloud technology is a much bigger proposition than it might be for other industries.

It is becoming clearer that the Office of the CIO should establish a capability to evaluate new technologies and disruptors that will drive efficiencies and effectiveness, as well as potentially provide some self-funding from the savings. CIOs in the Manufacturing sector can enhance the value in their organizations by learning to think and act as a digital disruptor, and bring small scale projects or proof of concepts inside, learning through disruption internally. The evolution of the CIO is at a critical juncture that may provide competitive advantage for the Manufacturing companies that can balance the see-saw of cost, and business enablement to support organizational growth.

## FURTHER INFORMATION

**Tim McCabe**  
 Managing Director, CIO Advisory  
 KPMG in the US  
 T: +1 248-765-3370  
 E: [timothymccabe@kpmg.com](mailto:timothymccabe@kpmg.com)

**Donna Meshaka**  
 Managing Director, CIO Advisory  
 KPMG in the US  
 T: +1 954-629-9134  
 E: [dmeshaka@kpmg.com](mailto:dmeshaka@kpmg.com)

[www.kpmginfo.com/cioagenda](http://www.kpmginfo.com/cioagenda)

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