

FONTS OF INNOVATION

MOBILE DEVELOPMENT IN THE BUSINESS

A report from the Economist Intelligence Unit

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Preface

Fonts of innovation: Mobile development in the business is an Economist Intelligence Unit report, sponsored by Symantec. It explores how the IT function is working with the rest of the organisation to deliver mobile innovation. The Economist Intelligence Unit bears sole responsibility for the content of this report. The findings do not necessarily reflect the views of the sponsor.

The report draws on two main research inputs for its findings:

- A survey, conducted in September-October 2012, of 280 executives from across Europe, the Middle East and Africa, representing both the IT function (23% of the sample) and

the wider business (77%). All respondents were at a senior management level, with 33% from the board or C-suite. Respondents hailed from a wide range of industries, with financial services (18%), technology (13%) and manufacturing firms (12%) being particularly prominent. Over one-half (55%) of firms polled had annual revenue of over US\$500m, while about one-quarter (24%) had revenue of US\$5bn or more.

- In-depth interviews with senior technology executives, complemented with extensive desk research.

We would like to thank all survey respondents and the interviewees for their time and insights.

Executive summary

It is an understatement to say that mobile technology has permeated organisations. One result of the “consumerisation” phenomenon is that, for employees in many firms, personal smartphones, tablets and laptops are now also preferred devices for working. Employees are customers, too, and as the latter they are equally if not more demanding of organisations to interact with them using advanced mobile channels.

Information technology (IT) departments thus find themselves under enormous pressure to deliver innovative mobile services for the business and its customers, all the while ensuring a secure environment. And the IT professionals are finding that they are not the only source of new ideas for mobile innovation—other parts of the business are increasingly active innovators in this regard.

This report, supported by a survey of 280 executives in Europe, the Middle East and Africa, seeks to ascertain how organisations are going about delivering mobile innovation. Following are the key findings:

- A rift exists between IT and non-IT professionals when it comes to mobile innovation. Less than 10% of non-IT respondents believe IT is “highly innovative” in this area. Over

one-half think the IT function is resistant to new mobile ideas emanating from elsewhere. This tension runs especially deep among financial services firms.

- The IT department is held to be the main initiator within the organisation of ideas to improve employees’ mobile working. When it comes to using mobile technology to improve interaction with customers, however, sales and marketing emerge as the main sources of ideas. Even where IT is the major initiator of new ideas, however, few regard it as “highly innovative” in this regard.

- A hopeful sign is that IT departments appear much less isolated within organisations than previously. Around one-third of survey respondents say that the IT function is “extremely collaborative” in developing mobile services, while only 13% thought this was the case two years ago.

Amid all the evidence of tension between IT and the business, there is a clear recognition from all quarters that delivering genuine mobile innovation requires the active collaboration of both IT and non-IT staff. As one of our interviewees argues, the onus is on IT to make such co-operation happen.

1

The brains behind the innovation

Buy a smartphone or an iPad and the chances are you'll want to use it for work as well as pleasure. From managing e-mail to accessing the corporate database, high-end personal mobile devices are invading the workplace. Staff from across the organisation—no longer just the technology experts or creative marketing types—now brandish their tablets or smartphones at work.

The 'bring-your-own-device' trend seems to augur well for sparking ideas about new ways of working. A survey of European firms conducted by the Economist Intelligence Unit finds overwhelming agreement that the pace of mobile innovation has quickened because of so-called IT consumerisation, where workers use their preferred personal devices at work. "Employees believe they can be more innovative if they can take their own hardware to work," says Jeanne Harris, executive research fellow and senior executive at Accenture, a consultancy.

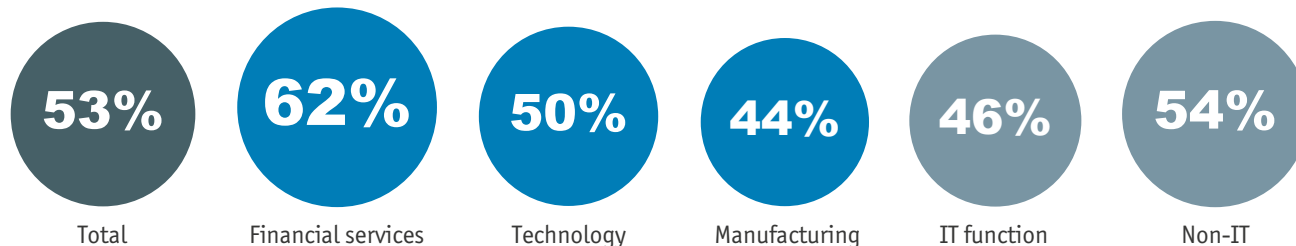
The consumerisation trend might suggest that multiple parts of the organisation are collaborating to generate new ideas for mobile development. The truth is more complicated. Survey respondents sense that most new services originate from either the IT department or a team from a non-IT business unit, but there is some dispute about which parts of the organisation are the brains behind them. IT staff tend to credit their own departments, while non-IT staff often point to other business units.

In many organisations, squabbles over ideas are not just harmless point-scoring. They point to a rift between IT and non-IT professionals. Fewer than 10% of non-IT survey respondents believe IT colleagues are "highly innovative", whether it comes to developing mobile services internally or to creating customer-facing tools. Over one-half think IT departments are actually resistant to any new ideas they might have.

Chart 1

Do you agree or disagree? "The IT department tends to be resistant to ideas from non-IT employees and business units for new mobile services and tools."

(% of respondents saying "strongly agree" or "agree")



Tensions between IT and non-IT staff perhaps run deeper in financial services. Over half (62%) of survey respondents from this sector say IT departments push back against ideas that come from other parts of the organisation. It is not something that IT departments are necessarily apologetic about, either. Almost half (46%) of IT employees admit to erecting barriers.

“You do not want to let innovation run riot,” cautions Steve Chambers, CIO of Visa Europe. Running a payments platform used by 4,000 European banks and other service providers, which, collectively, have issued more than 380m Visa cards, the security and smooth running of that platform is Mr Chambers’ number one priority. Visa Europe employees, for the time being, are not allowed to bring their own devices to work.

“We protect our core transaction systems like gold dust,” says Mr Chambers, although he

recognises the dangers of stifling innovation if there are no lines of communication between IT and other business units to exchange ideas. He says he is working on a transformation project within Visa Europe to encourage better interaction between different parts of the organisation.

Striking a balance between encouraging mobile innovation and preserving security will be the aim of most companies, but finance firms tend to emphasise the security side more than others. Around one-quarter of survey respondents working in finance believe that getting up to speed on security is essential for innovating with mobile technologies. Only 14% of survey respondents from technology firms think the same, while a mere 6% in manufacturing companies prioritise security awareness.



2

More innovative than you think

If non-IT employees think their IT colleagues lack a bit of creative spark, Mr Chambers argues this is often down to a misunderstanding about the IT function. The role of an IT leader, he says, is not to deliver blindly what other business units want, but to add long-term value to the organisation.

“The mobile payments space is very chaotic, with different companies coming at it from different angles, so there are many ideas about how to deliver these services,” says Mr Chambers. “From an IT perspective, however, I look at the entire end-to-end chain and the individual capabilities involved.”

This means identifying common components which are required for a mobile payments service—such as device authentication and the

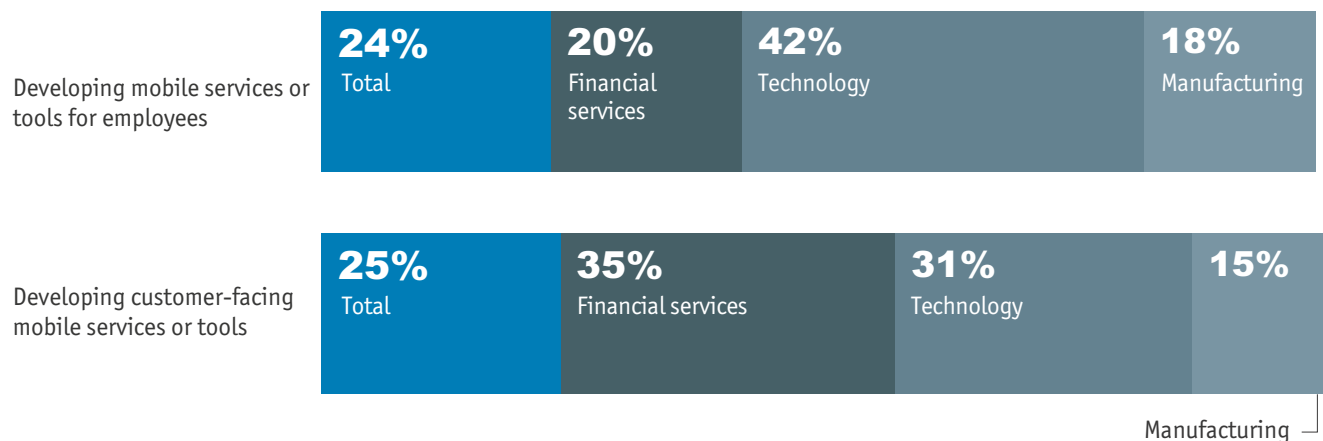
ability to send offers or alerts down the mobile channel—which can then be re-used in other services. “If you build components that can be re-used over and over again, you have a much more robust platform,” says Mr Chambers. But if other business units are in the dark about what IT is trying to achieve behind the scenes, seeing only their ideas getting short shrift, then IT departments are unlikely to be viewed favourably. Better communication would help.

In technology firms, the survey finds IT departments’ innovative ability is held in higher regard than in other industry sectors, particularly for developing mobile services for internal use. Strong R&D departments, bristling with ideas, no doubt play a part in keeping IT staff on their toes. “We know if we don’t engage with the rest of the

Chart 2

How innovative is the IT function in your organisation in the following areas?

(% of respondents giving a 1 or 2 rating on a 1-5 scale where 1=highly innovative and 5=not innovative at all)



business and respond to ideas, R&D will just go off and do it themselves," says Mark Burrows, senior IT director at Arm Holdings, a UK-headquartered chipset designer for mobile devices.

Arm's IT department has shown it can innovate and move quickly. Only weeks before the company's twentieth anniversary in November 2010, management decided it would mark the occasion by providing each of its 2,000-strong workforce, spread across 27 countries, with a first-generation iPad capable of accessing the corporate network. As many of the enterprise tools needed for mobile device management and network authentication were still young at that time, Arm's IT department had to build its own systems. It then educated employees about how to store data securely on devices.

Sharp deadlines, then, can be the mother of invention. But IT departments can also be motivated to develop new mobile services if they also see a benefit in using them. "I can have

my networks team log in, look at firewalls and routers, and solve issues from wherever they are on a smartphone," enthuses Mr Burrows.

Although Arm allows personal devices at work, exerting control is still a priority. Arm employees know that if they come up with an idea to improve productivity or efficiency, they need to take it to an Arm investment board, which works with the IT function. If the investment board agrees, then resources will be allocated to the idea. "We're in a fast-moving mobile world, so we have to make sure that the focus is targeted at the right area," says Mr Burrows.

Mobile innovation, both for Visa Europe and Arm, needs to have some direction. Neither Mr Burrows nor Mr Chambers can recall any "light bulb" movements, where one flash of inspiration has radically altered ways of working. Innovation is more incremental, honing ideas and working in teams.

Visa Europe: Making mobile innovation pay

Mobile payment services are a boon for banks and retailers – more transactions mean more revenue. And processing transactions securely is the main business of Visa Europe.

The firm's CIO, Steve Chambers, has been involved in the recent launch of two mobile services: alerts and peer-to-peer (P2P) payments. A fraud prevention measure, mobile alerts warn customers instantly by text if their Visa card is being used abroad. P2P payments allow registered users to transfer funds to any Visa cardholder in Europe from their mobile phone.

In both cases, Mr Chambers can't recall which parts of the organisation the idea came from. Getting the service to market, however, required heavy IT involvement. "Coming up with ideas is not a problem. The challenge is developing the service proposition around an idea like Visa Alerts when you're in the middle of a complex payments network already," he says. "Implementation is where the innovation really is."

For mobile alerts, Visa Europe adapted its existing ATM profiling system – designed to identify suspicious Visa card

behaviour at individual ATM to send real-time transaction information to the mobile number associated with the card. Visa Europe's IT department oversaw how the service worked with employees before presenting it to banks. "We gave them proof that it works," says Mr Chambers.

Greater agility, too, is needed in the fast-moving world of mobile. "In our core transactions business, we have long planning cycles," says Mr Chambers. "In mobile, where service turnover is moving very quickly, that's not appropriate."

The mobile P2P service is a prime example of the new, speedier mindset required. When launched, Mr Chambers says P2P "was not as complete as it needed to be", with transactions handled only in sterling and not other currencies. But getting the service out into market, while still maintaining security, took priority. "It will evolve into a more sophisticated service," says Mr Chambers, "but the first step is always the longest because you've got to get the basic infrastructure in place."

Innovation, for Visa Europe's CIO, is nearly always incremental.

3

The competition for ideas

When it comes to ideas aimed at improving employees' mobile working, most survey respondents think that management and the IT department are the most active. This is especially true in financial services. Customer-facing roles, such as sales and marketing, have little input. This could be a red flag for many companies. Is management really best placed to come up with innovative and workable ideas that improve employees' mobile efficiency and productivity?

Suggestion boxes dominated by bosses' ideas might come at the price of slowing down innovation.

Management, however, may not be as prolific in the ideas department as it first appears. "I wouldn't suggest for a second that management is where the ideas or drivers originate for better ways of working," says Mr Chambers. "It's just that management tends to have a louder voice."

Chart 3

Which parts of your organisation tend to be the most active in initiating ideas to improve employees' mobile working?

(Top responses; % of respondents)

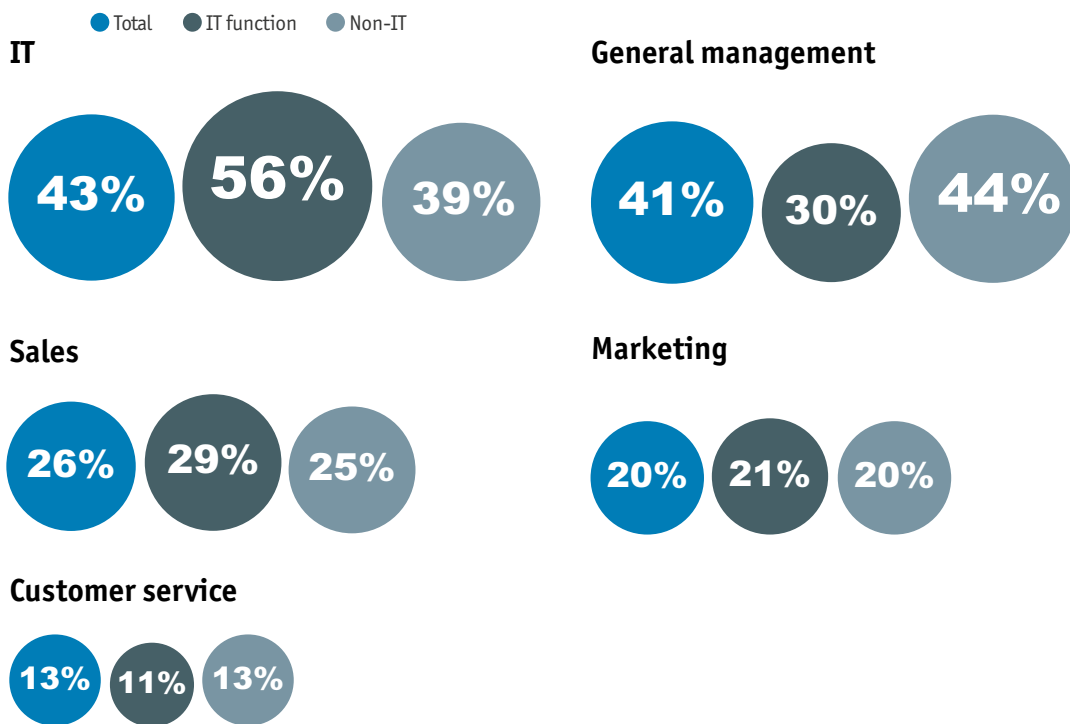
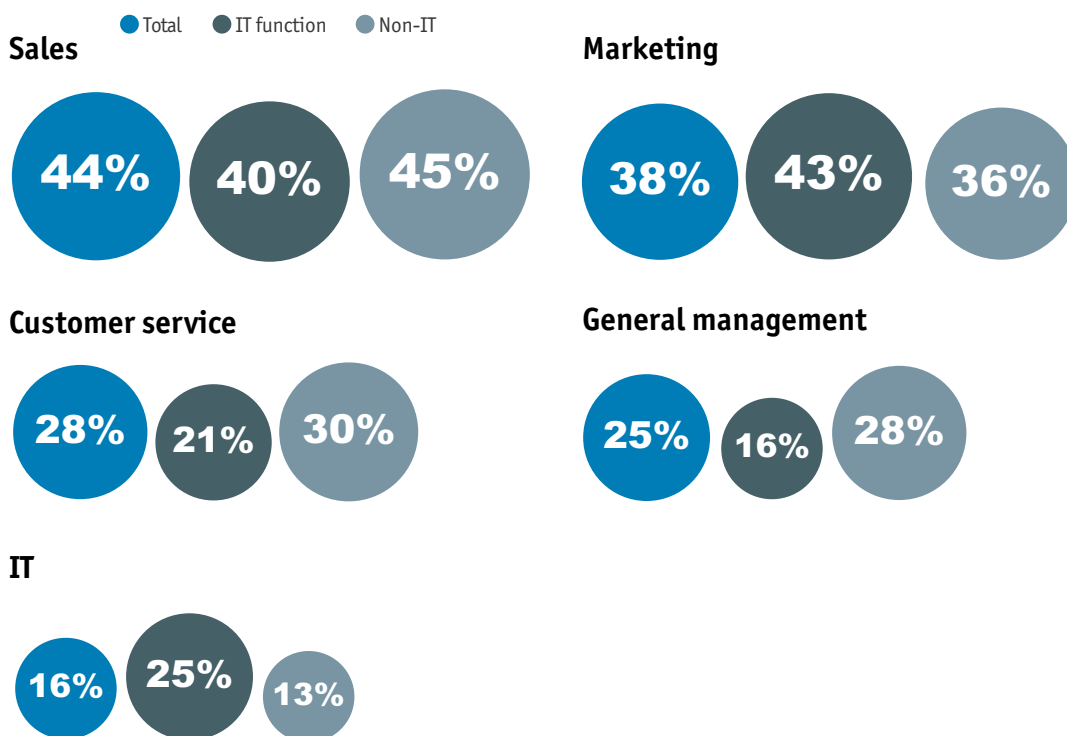


Chart 4

Which parts of your organisation tend to be the most active in initiating ideas to improve customers' interaction with the business or their access to its products and services?

(Top responses; % of respondents)



Mr Chambers' IT view, to some extent, is reflected in the survey. Less than one-third of IT staff see management as dominant in initiating ideas for internal working, but 44% of non-IT staff have that impression. But establishing the true picture is difficult. IT respondents, perhaps not surprisingly, see themselves as much more creative than non-IT colleagues. Likewise, more than half of C-level managers think they are the ones coming up with most ideas. If there is a land grab for ideas between IT and management in the workplace, then non-IT business units are apparently being pushed out in the process.

For shaping mobile interactions with customers, non-IT business units look to have a much bigger influence. The survey finds that sales, marketing and customer services—which are in constant contact with clients—are the dominant creative

thinkers here. On the whole, management and IT staff agree (although a good number of C-level respondents, 34%, stubbornly maintain it is they who supply most of the customer-facing ideas).

For Mr Chambers, the logic of devoting more time to the needs of customer-facing business units is all the more compelling in that external services will scale much better than those developed for internal use. "You have many different roles and interactions internally, and every one of those interactions has its own case, to different degrees, for mobile working." The case for supporting customer-facing roles with mobile services, on the other hand, is much stronger, he believes.

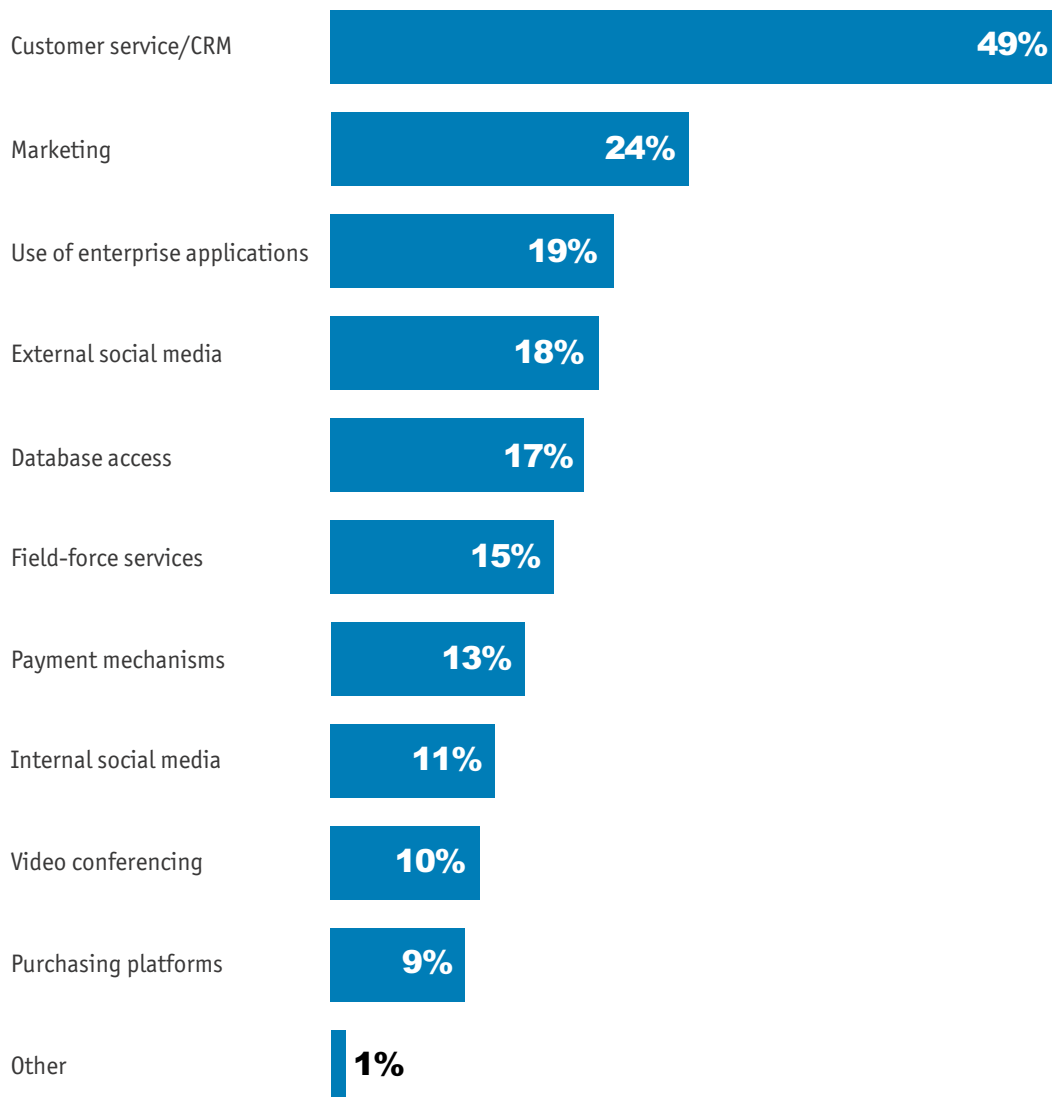
And given that three-quarters of survey respondents think that non-IT staff are the

most frequent source of ideas in general about new mobile services and tools—and most IT staff go along with that—the jostling between management and IT about internal working practices seems less important. The bulk of innovative effort exerted by companies on mobile technologies, in order to grow their businesses, seems to revolve around creative input from non-IT employees who are working directly with customers.

Little wonder, then, that most ideas from non-IT staff are focussed on improving customer interactions. Customer relationship management (CRM) systems are the hottest area for innovation, and the smaller the firm, the higher up the agenda CRM rises.

Chart 5

When ideas for mobile innovation originate from non-IT business units or individual employees, which areas or types of services do they most frequently address?
(% of respondents)



4

Getting closer

When it comes to mobile innovation, IT departments look much less isolated within organisations than they did two years ago. Around one-third of survey respondents say that the IT function is “extremely collaborative”, while only 13% thought this was the case two years ago. At first glance this response seems to contradict the majority feeling, discussed

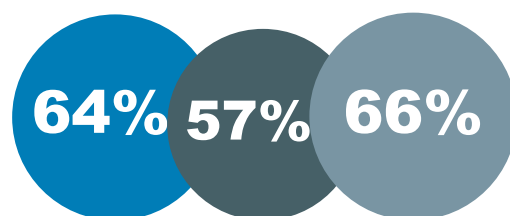
earlier, that IT remains resistant to new ideas from other parts of the business. However, when considering that most survey respondents also believe the IT function has become more innovative with mobile technology during the last two years, the impression is gained that IT is especially collaborative in taking its own ideas further.

Chart 6

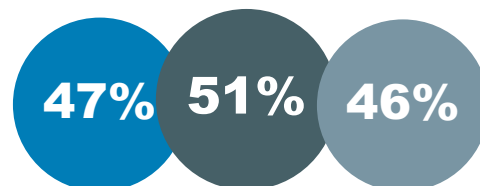
What types of skills or attributes are most required in both IT and business functions for innovating with mobile technologies?

(Top responses; % of respondents)

● Total ● IT function ● Non-IT



Knowledge/understanding of customers' needs and behaviours



Knowledge of mobile devices, applications and platforms



Knowledge/understanding of mobile worker practices and needs



Ability to work easily in cross-functional teams



Awareness of risks and security procedures

There is growing recognition within organisations that co-operation between IT and business units, and the pooling of different skills, is necessary if organisations are going to get the most out of mobile technologies. When asked to select the types of skills and attributes that IT and business functions most require for innovating with mobile technology, respondents' top answer (64%) is knowledge about customer behaviour—something which sales and marketing people know most about. Yet 47% of survey respondents also cite knowledge about devices, platforms and applications—an area in which IT departments are likely to focus. If nothing else, this makes clear that IT and non-business units need each other to innovate.

Mr Burrows says that sales and marketing, while pushing the IT department to enable new ways

to get messages across to customers—using the likes of Facebook and Twitter—do so in partnership with their IT colleagues. “We provide a stable and reliable platform for all the things that sales and marketing want to happen,” he says. Mr Chambers, too, underlines the necessity of working together: “Whenever you are in any product or ideas development cycle, it never gets to first base unless you bind in different departments within the organisation.”

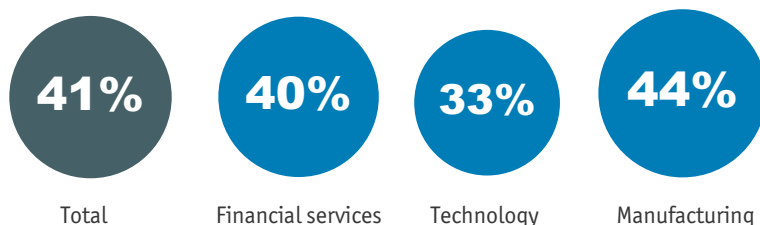
The relative newness of sophisticated mobile devices in the workplace, however, means that many organisations do not feel adequately prepared to develop new services. Two-fifths of survey respondents think organisations lack the requisite skills to engage effectively in mobile innovation. Among IT respondents, a skills shortage is felt even more acutely. Nearly half of this group believe the companies they work for are ill-prepared for mobile innovation. Moreover, two-thirds of IT staff see mobile services as distinct from other types of innovation they normally engage in.

There are no early fixes to plugging these gaps. It is likely, however, that the relevant skills will gradually accumulate among staff and new recruits across the organisation, not just in the IT department. This should prove to be one more driver of closer co-operation between the technology and other functions in the organisation.

Chart 7

Do you agree or disagree? “We currently have the requisite skills within the organisation to engage in effective mobile innovation.”

(% of respondents saying “strongly agree” or “agree”)





Conclusion

Our survey has brought to the surface yet one more area of tension between the IT function and the rest of the business. Relatively few respondents consider IT to be highly innovative when it comes to developing mobile services, and many view it as resistant to ideas for mobile innovation coming from elsewhere. Many employees working in marketing, R&D, operations and other functions consider themselves no less knowledgeable than IT about means of mobile working and understandably chafe against opposition to their ideas.

Competitive tensions can be creative, but to the extent they reflect closed ears—an unwillingness to co-operate—the tensions are likely to be counterproductive. Demands for faster and more creative mobile innovation now touch all parts of the business, and collaboration in this endeavour is vital.

Yet the research also provides grounds for optimism that the barriers to closer working may be coming down. Although not a majority, a

large share of non-IT respondents in the survey believe the IT function is considerably more collaborative in developing services than it had been just two years ago. This appears to be the case at Arm, for example, where Mr Burrows reports that IT regularly shares ideas with their sales and marketing colleagues on improving mobile services. He also says that IT is keen to demonstrate it is listening, canvassing opinion from the rest of the organisation about how they are doing in this and other areas.

The onus for making collaboration in mobile innovation work is on IT, believes Mr Burrows. “It’s the responsibility of IT departments to engage with the business, or to give business units enough confidence in IT to support and enable them,” he says. IT departments have little choice but to embrace such collaboration, as the increasingly skilled and enthusiastic mobile users in their organisations will surely carry on innovating.

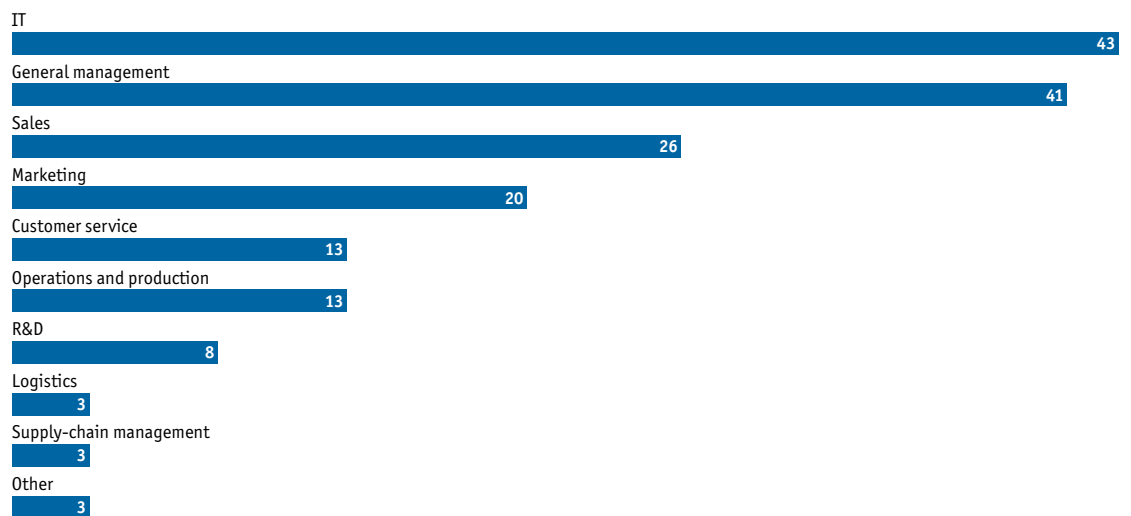
Appendix

Survey results

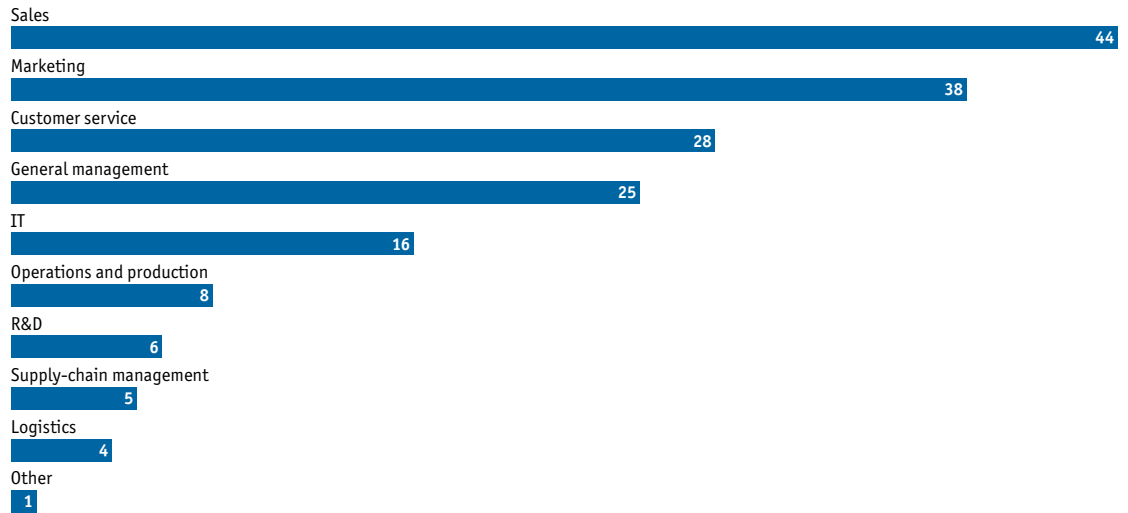
In September-October 2012 the Economist Intelligence Unit conducted a survey of 280 executives across Europe, the Middle East and Africa. Our sincere thanks go to all those who took part.

Please note that not all answers add up to 100%, either because of rounding or because respondents were able to provide multiple answers to some questions.

Which parts of your organisation tend to be the most active in initiating ideas to improve employees' mobile working?
Please select up to two.
(% respondents)



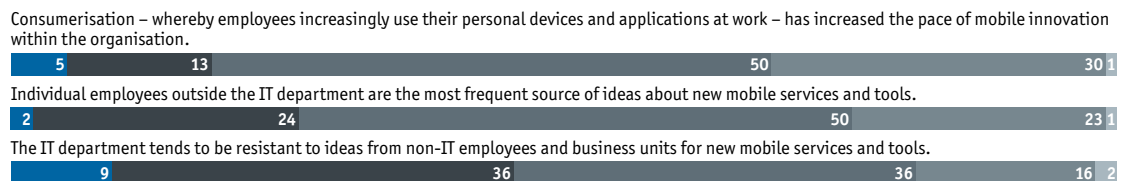
Which parts of your organisation tend to be the most active in initiating ideas to improve customers' interaction with the business or their access to its products and services? Please select up to two.
(% respondents)



Please state the extent to which you agree with the following statements:

(% respondents)

Strongly disagree Disagree Agree Strongly agree Don't know/Not applicable



How collaborative would you say that the IT function was two years ago in working with other business units to develop new mobile services and tools?

(% respondents)

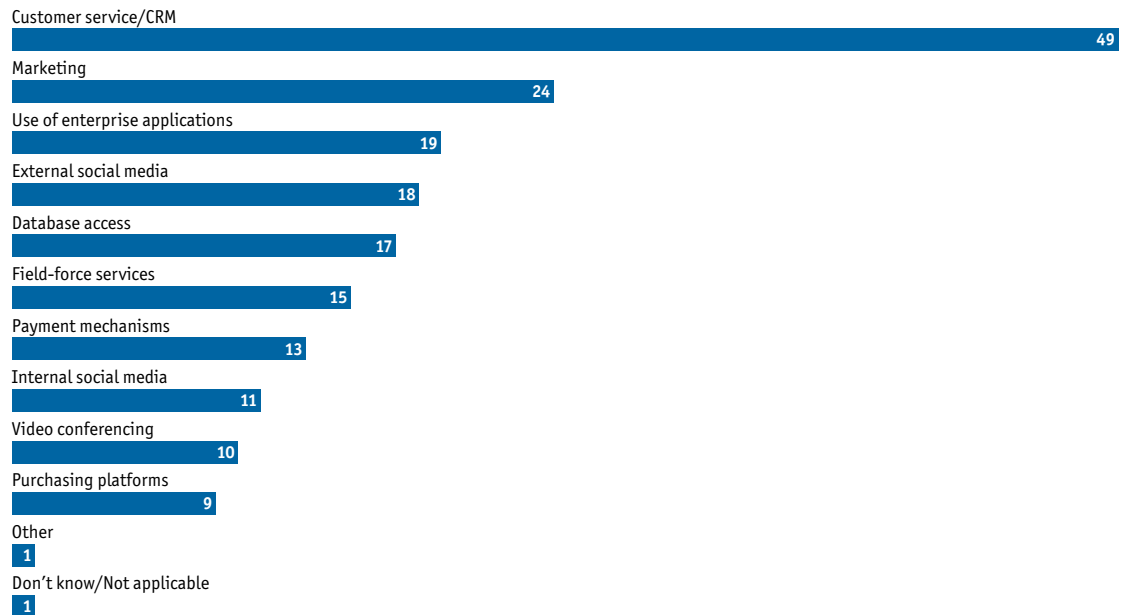


How collaborative is the IT function today in working with other business units to develop new mobile services and tools?

(% respondents)



When ideas for mobile innovation originate from non-IT business units or individual employees, which areas or types of services do they most frequently address? Please select up to two.
(% respondents)



How innovative is the IT function in your organisation in the following areas?

(% respondents)

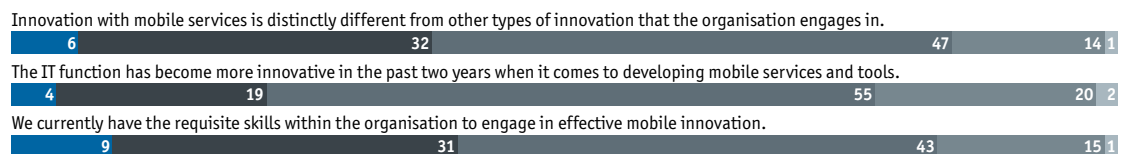
1 Highly innovative 2 3 Moderately innovative 4 5 Not innovative at all



Please state the extent to which you agree with the following statements:

(% respondents)

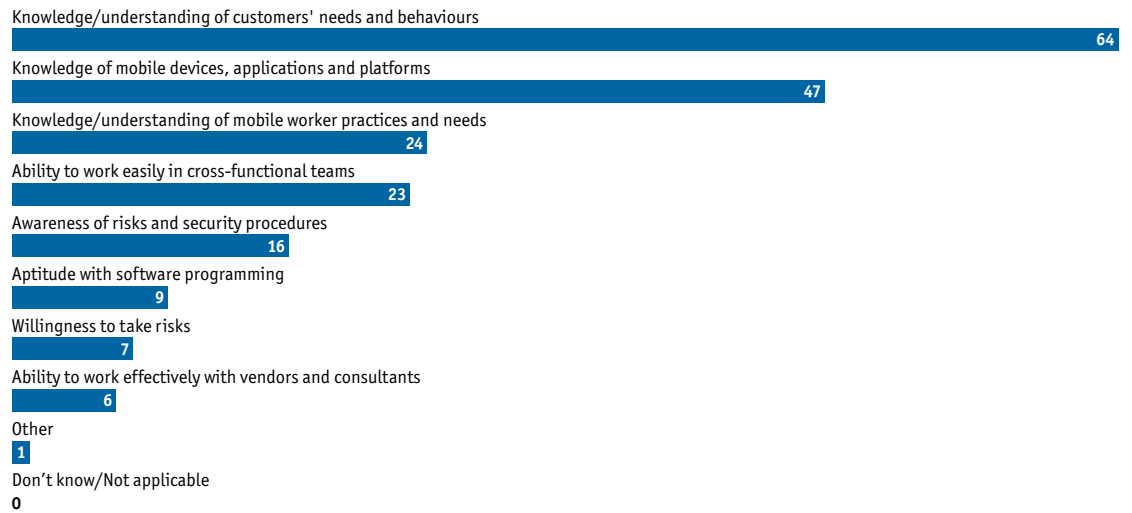
Strongly disagree Disagree Agree Strongly agree Don't know/Not applicable



What types of skills or attributes are most required in both IT and business functions for innovating with mobile technologies?

Please select up to two.

(% respondents)

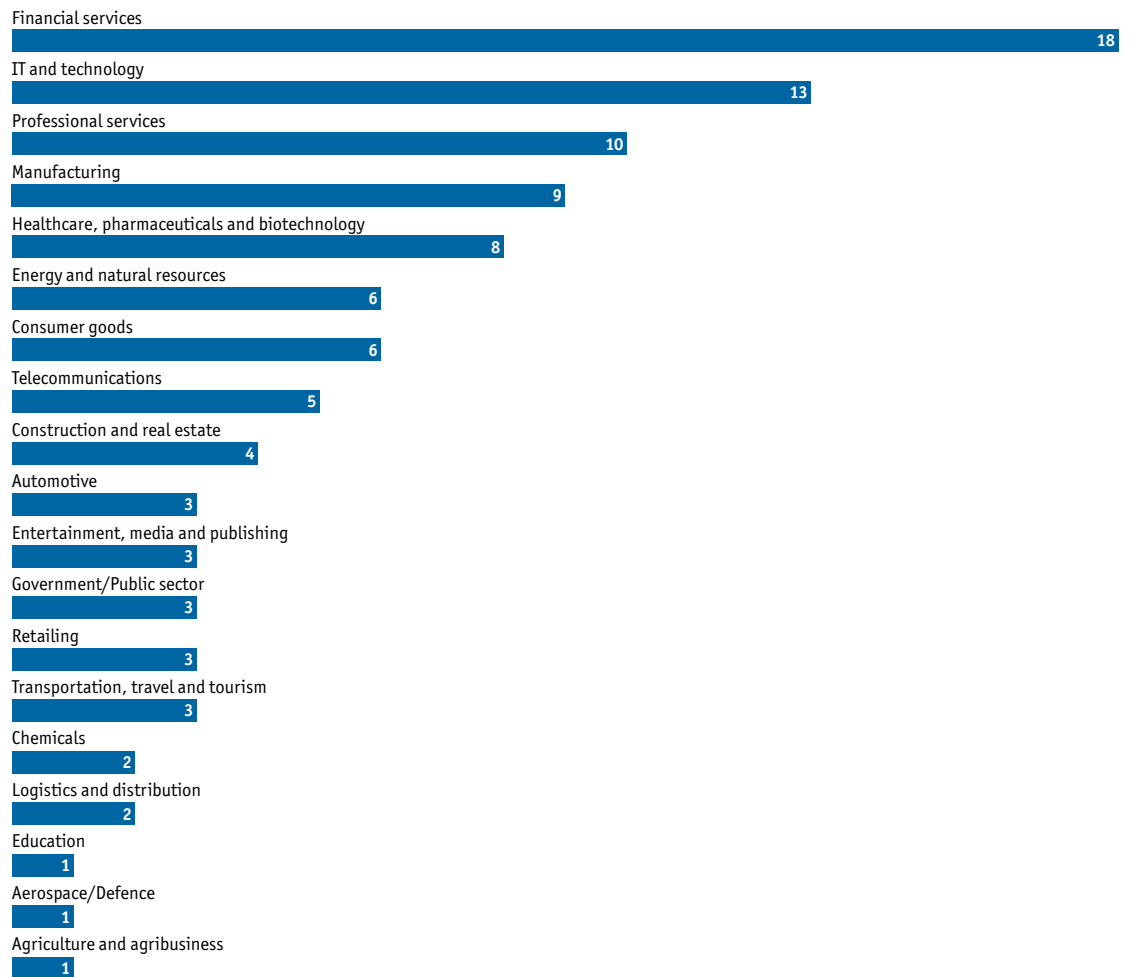
**In which region are you personally based?**

(% respondents)

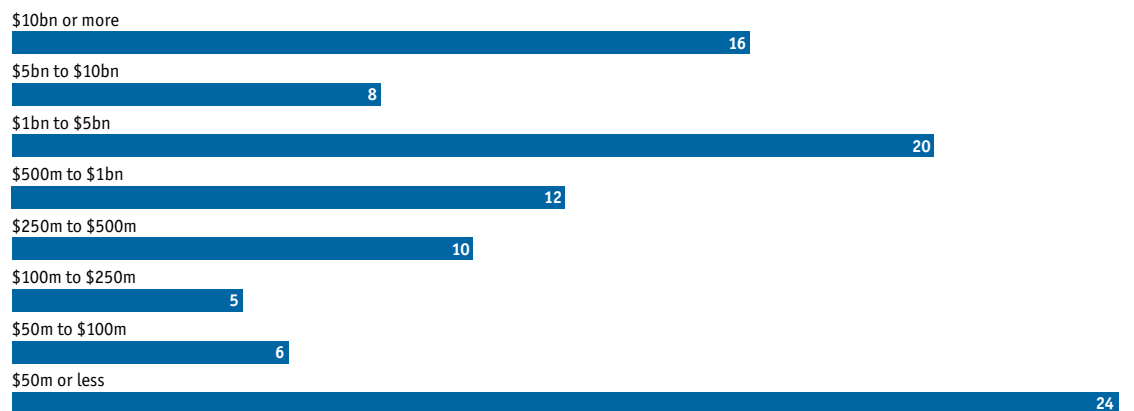


What is your primary industry?

(% respondents)

**What are your organisation's global annual revenues in US dollars?**

(% respondents)

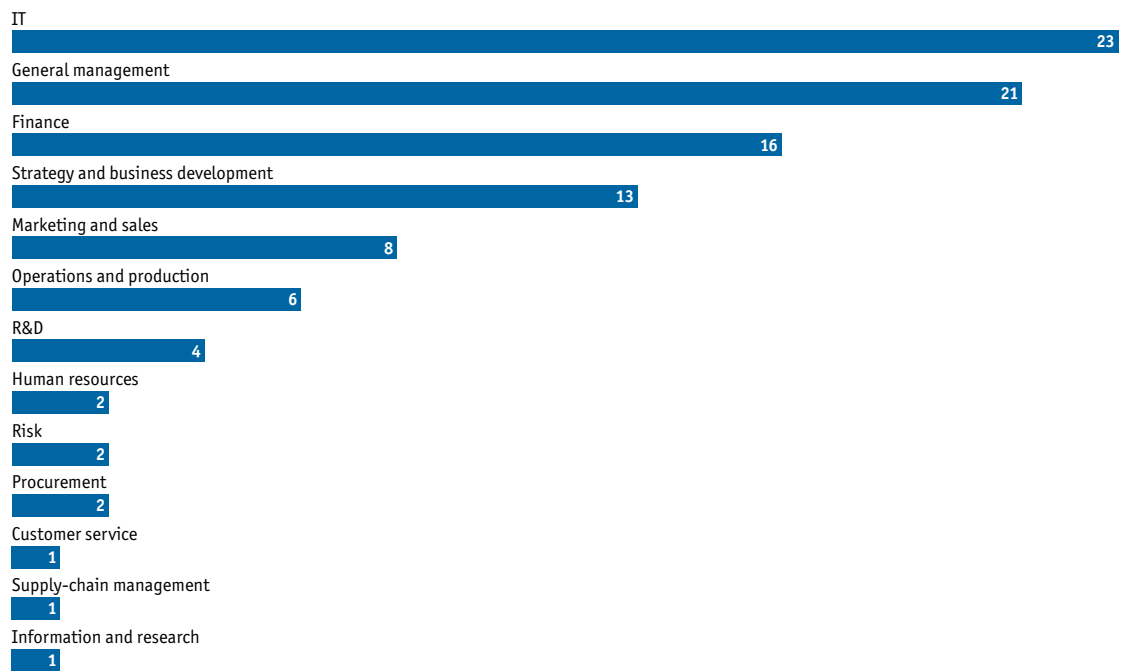


Which of the following best describes your title?

(% respondents)

**What is your primary job function?**

(% respondents)



While every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in this white paper.

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