

# **Business 2010**

## Embracing the challenge of change



A report from the Economist Intelligence Unit  
sponsored by SAP



## Foreword

Predictions are perilous, but one thing we know for sure: the pace of change in the next few years will be relentless. The companies that best understand the dynamics of this change and adapt fastest to the emerging business landscape will be the likeliest to prosper. That is the thinking behind *Business 2010*, an intensive research programme involving a survey of more than 4,000 senior executives and two dozen interviews with corporate decision-makers around the world. This research, conducted by the Economist Intelligence Unit and sponsored by SAP, provides a roadmap for global business over the next five years.

In this flagship white paper we set out the principal findings of the research. Other parts of the programme focus on the implications for particular industries, regions or countries. In all, the series comprises 29 reports: this global report, two regional papers, three sectoral studies and 23 country summaries. For executives wanting to grasp the challenges and opportunities of the coming years, *Business 2010* is your guide.

Our sincere thanks go to all those executives who freely shared their insights with us in the survey and interviews. Acknowledgments are also due to this white paper's author, Jeanette Borzo, to its editor, Denis McCauley, and also to Mike Kenny, who was responsible for its design and layout. Our friends at SAP, in particular Frances Bell, were instrumental in bringing the project to fruition. Lastly, it goes without saying that the Economist Intelligence Unit bears sole responsibility for the content of this paper: the findings and views found here are ours alone.

Daniel Franklin  
*Editorial Director*

February 2005



## Executive summary

**C**EOs of the future, be warned. Life at the top will get even tougher over the next five years, as customers, competitors, shareholders and employees all exert greater demands on private and public organisations. That is the message of a major new Economist Intelligence Unit research programme, sponsored by SAP, into the business landscape of 2010.

Based on a survey of 4,018 executives worldwide and in-depth interviews with leading decision-makers around the globe, the research finds that *how* companies do business will often be more important than *what* they do. Competition will be fiercer in five years' time, and the basis of competition in many markets will have evolved. Many of today's critical success factors for organisations will remain in place in 2010, but new factors will emerge, and even the familiar ones will be influenced by different perspectives.

The results of this analysis suggest that, to compete successfully in 2010, executives will do well to heed the following messages:

- **Revisit your business model—regularly.** Worldwide, more respondents identify new business models as a greater source of competitive advantage than new products and services. Products matter, of course, but as a source of lasting competitive advantage, they are vulnerable to replication. "Pure product advantage—at best—is short-term," explains Malcolm Barnes, CIO of the heavy equipment supplier, Komatsu Australia. Rethinking—at regular intervals—how products and services are created, delivered and maintained will make the bigger difference. "You have to continually review business models," says Derek Welch, the Netherlands-based director of corporate strategy at Akzo Nobel, a global chemicals and pharmaceuticals firm.
- **Be nimble, be quick.** Instilling an adaptability to change and achieving the requisite speed of innovation

are regarded as the greatest management challenges that organisations face. As companies both push further into new markets—China and India chief among them—and seek to deepen ties with existing customers, a focus on innovation, albeit trained on existing areas of strength, will be the hallmark of success. But innovation in products and services will not be enough: companies are coming to view the ability to innovate with business models as equally if not more important.

- **Know thy customer, and invite him in.**

Executives say that the way their organisations interact with customers will be the area of greatest change in their operations between now and 2010. Focus on customer retention is not new, but firms will seek to gain much greater knowledge of customer behaviour in order to better anticipate changes in demand. In this context, they will seek to involve customers more closely in many parts of the business, with implications for corporate networks and security. And at all points of the business, from customer service to product design, from sales orders to distribution, personalisation will have become more important to the customer of 2010.

- **Do what you do best.** Three out of every five survey respondents see their major competitive threat as coming from the consolidation of existing players; the rest worry primarily about new entrants from emerging markets. Faced with pressure from above and below, the majority of firms plan to stick to their knitting by specialising in their existing or modified product lines.

To succeed, characteristics of flexibility, openness, collaboration and speed will be increasingly critical. Many of these attributes will depend on information technology (IT), which is regarded by 82% of



## The true information age

At the heart of virtually every business lies the effective gathering, storage and analysis of information. By 2010, the demand for accurate, timely and secure information will have become yet more intense. Among the areas where the demand for data will grow fastest are the following:

- **Collaborative working.** Whether managing a remote workforce, running a globalised R&D project or working with customers to design a turnkey solution, the 2010 organisation will be more dependent on the flow of data between different locations inside and outside the boundaries of the organisation. “The better we are connected to our customers and suppliers, the better off we will all be,” says Terry Assink, CIO at Kimberly-Clark Corp, a health-and-hygiene product company.
- **Customer insight.** Identifying changes in customer behaviour is cited by respondents as the single most significant challenge to product and service innovation that organisations will face over the next

five years. A greater understanding of customers’ business or personal needs will be similarly essential to the personalisation of products and services. Inventory management will be more responsive, too—81% of executives in our survey expect demand, not supply, to drive the production of goods and services in the future. Companies will employ data analytics to address these challenges: nearly half of our respondents tapped this set of tools as the most important new technology for innovation purposes in 2005-2010.

- **Risk management.** As recent history shows, there’s no telling what’s around the corner. Businesses must prepare all manner of emergency plans, such as data backup and recovery. “The better you prepare, the better you’ll be able to react,” says Bali Padda, vice president of logistics at Lego Systems. “Who could have predicted September 11th or the heat wave in Europe in 2003?”
- **Governance.** In the coming five years, shareholders, managers and board members will demand more transparency

than ever. “Shareholders will have much more information about the companies they’re investing in” in 2010, predicts Tom Dolan, president of Xerox Global Services. “A lot more due diligence will be going on.” The quality of corporate governance will increasingly be a source of differentiation in its own right: 82% of survey respondents believe that brand value will be linked to good governance.

Faced with these manifold demands and the rising tide of data they will unleash, more than three-quarters of surveyed executives across all industries agree that a company’s key challenge in 2010 will be to extract knowledge from information. In the teeth of this challenge, organisations will turn to technology for help: most survey respondents want IT to improve the quality of decision-making by getting them the right information at the right time. A majority of survey respondents regard IT as a source of competitive advantage rather than simply as a driver of cost-efficiency. The demands of the information age explain why.

respondents as critical to their ability to change their business models over the next five years. It is also coming to be seen as more of a competitive tool than simply a driver of cost efficiency.

But IT alone is not the answer—the culture, management and structure of the 2010 business will also need to become more responsive and adaptable. In other words, the organisation of the future will

reflect the characteristics of the greatest innovation of the recent past—the Internet. “The dot-com revolution isn’t even half-way done,” says Andy Green, CEO of British Telecommunications Group’s BT Global Services unit. The Internet will continue to drive or influence many more changes in business in the coming years. All the more important that organisations assimilate some of its chief attributes.



## Introduction

**W**hat can business expect in the coming five years? Will there will be another technology breakthrough on the scale of the Internet? Will a single searing event, such as the terrorist attacks of September 11 2001, again alter the world’s political dynamics? There’s no way to say for certain, but one thing is sure: change will be a constant.

The development of emerging markets such as China and India will provide companies with both alluring growth opportunities and significant operational risks. The shadow of demographic change—in particular, the ageing of populations in developed markets—will lengthen over the rest of this

decade. New technologies will emerge and evolve, as will new ways of working. Competitors will raise their game and customers will raise their expectations.

This report, sponsored by SAP, casts light on the expectations of decision-makers in the private and public sectors worldwide as they consider the shape of the business landscape in 2010. In the following sections, we look at changing business models, customer interaction, innovation strategies and the role of IT in the organisation of the future. First, though, we need to consider what the strategic priorities are for business and public sector organisations for the medium-term future.

### The *Business 2010* survey

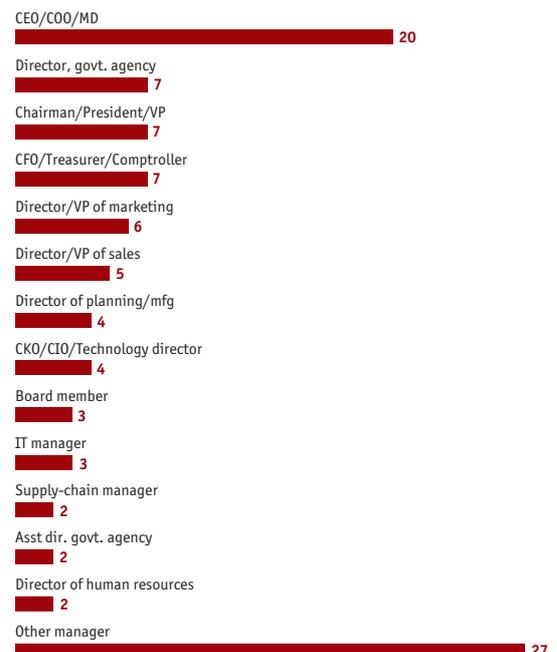
The analysis presented in this report is based on an extensive research programme conducted by the Economist Intelligence Unit from November 2004 through January 2005. At its core was the *Business 2010* survey, in which a total of 4,018 executives from around the world participated. The survey—conducted separately for private-sector and public-sector executives—covered 23 countries in three regions; 54% of respondents were based in Europe, 34% in the Asia-Pacific region and the remainder in the Americas.

In addition to being extremely cosmopolitan, our survey sample was very senior. Fully 50% of respondents were C-level executives such as CEOs, CFOs and CIOs, and the other half

consisted of senior managers such as directors of marketing or planning. A range of industries was represented, with financial services, retailing, manufacturing and the public sector contributing the most respondents. Participants also came from a spread of company sizes, with 43% reporting annual revenue of over US\$350m. (For more detail on the sample and the results of the survey, please see the Appendix to this report.)

In addition to our survey, we conducted a series of in-depth interviews with senior executives and other international thought-leaders from these and other sectors, and obtained their insights into how business would be conducted in 2010.

Which of the following titles best describes your job?  
(% respondents)





## Setting strategic priorities

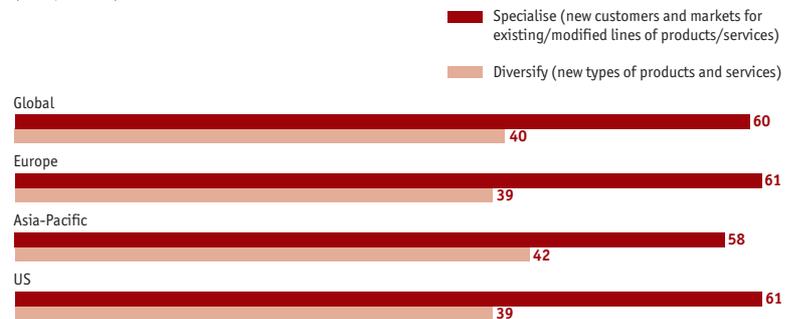
As companies set priorities over the coming five years, many are focusing on what they know best. 60% of respondents in the new Economist Intelligence Unit survey say that they expect their company to specialise—seeking new customers for existing product lines—rather than to diversify into new products or services. “I think the tendency is for a decreasing number of big companies with multiple solutions,” says Sergey Kiryushin, chief information officer at Aeroflot Russian Airlines in Moscow. “Many companies have forgotten to stick to the core business,” agrees Jim Satloff, CEO of C.E. Unterberg, Towbin, a US- and Israel-based investment bank.

This is not to say that belief in the virtue of focus is universal. Asian executives, for example, will continue to view the introduction of new products and services as an important part of their strategies—more so than executives in Europe or the US. This is largely due to the opportunities to be found in Asia-Pacific’s rapidly emerging economies. But even in this region, the majority of firms will look increasingly to their core lines of business for growth.

That renewed sense of focus is driven by two considerations, one defensive and one offensive. The defensive consideration is an expected increase in competitive pressure from organisations both old and new. Some 60% of executives surveyed expect their greatest competitive threat in 2005-2010 to come from the consolidation of existing players; the rest are more preoccupied by new, emerging-market entrants. In anticipation of pressure from above and below, firms are adopting the strategy of specialisation as a means of entrenching their positions of strength.

But specialisation also makes sense for more positive reasons—namely, the opportunities that firms have to sell their existing products and services into new markets and customer segments. More than a quarter of executives in our survey said that where

Which of the following better reflects your strategy between now and 2010?  
(% respondents)



Source: Economist Intelligence Unit survey, 2005

revenues come from will be a key change at their company over the next five years. Unsurprisingly, survey takers overwhelmingly picked China, the US and India as the countries with the most favourable business environments for growth between now and 2010. Manufacturers, in particular, will look to China, India, the US and Russia more strongly than other countries for growth. The public sector has similar biases: survey takers picked China, the US and India as the countries most likely to improve public services and e-government in the next five years. “Trite as it sounds, globalisation is going to be really big,” says Esther Dyson, noted technology commentator and editor of *Release 1.0*.

### Supervising the global workforce

If globalisation delivers opportunities, it also poses challenges, not least for human resources management. While technology has helped companies hire less expensive employees in overseas locations, employing staff in pockets around the world poses its own set of difficulties. “You no longer have the opportunity to measure their work by walking around the office to see if their heads are down,” says Floyd Kvamme, co-chair of the US President’s Council of Advisors in Science and Technology.



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The challenge of remote workforces is “huge”, agrees Mr Green of BT Global Services. Employee locations will become increasingly scattered as the “virtual office” trend advances and companies continue to outsource to offshore locations. Technologies such as online conferencing will be increasingly indispensable as a result, but successful companies will

not ignore the human touch, says Raymond K F Ch’ien, executive chairman of Chinadotcom, a software and services company that operates throughout Asia-Pacific as well as the US and the UK. “Anyone who is a leader will have to travel,” he says.

The fluid and boundary-less nature of jobs may also make it harder to keep good people in 2010. “People

### The global economic outlook: slower growth and greater risk

While business change will accelerate over the next five years, and executives seek to imbue their organisations with ever greater speed of innovation in response, most will do this against a backdrop of decelerating economic growth. The Economist Intelligence Unit forecasts that world GDP growth (on a purchasing power parity basis) will slow from a rapid 5% in 2004 to an annual average of just over 4% between now and 2010. This projected slowdown does not represent a poor global economic performance in absolute terms—the rate of growth expected is robust in comparison with the rate achieved during much of the 1990s. But after several years of an improvement in the global economy, the next few years are likely to be characterised

by a gradual deceleration in output and demand growth.

This economic slowdown will occur at a time when the global economy faces a number of risks that have the potential to turn the forecast slowdown into something more serious. The weakening dollar is already putting pressure on exporting firms in many countries around the world—most notably those in the euro area—and there is a risk that the slide in the dollar accelerates and becomes a rout. High oil prices are also threatening to drag down economic performance in oil-importing economies, with the US particularly at risk given that its economic output is fairly oil-intensive relative to other OECD economies.

In addition, rising US interest rates are

reducing international liquidity, putting pressure on emerging economies that have large financing needs. The financing situation for emerging-market economies has been unusually favourable over the past two years, and the transition towards a more normal level of risk aversion could expose weaknesses in some markets. Economic imbalances also remain a potential problem—many of the world’s largest economies still nurse significant debt levels left over from the boom years of the late 1990s. Finally, there is a risk that the Chinese economy, which is currently a significant contributor to global growth and is pulling others along in its wake, might suffer a sharp slowdown if current efforts fail to slow the economy more gradually.

#### World summary

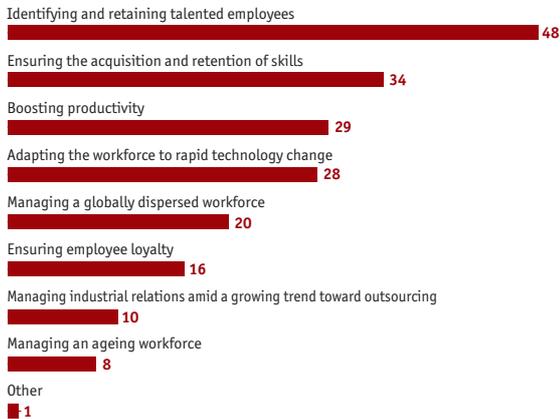
(%)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Real GDP growth										
World <sup>a</sup>	4.6	2.3	2.8	3.8	5.0	4.1	4.0	4.1	4.2	4.2
North America	3.8	0.8	2.0	3.0	4.4	3.1	2.9	2.9	2.9	2.9
Western Europe	3.9	1.7	1.3	1.2	2.5	2.1	2.3	2.4	2.3	2.3
Transition economies	7.0	4.2	3.8	5.8	6.3	5.5	5.1	4.8	4.5	4.4
Asia & Australasia	4.2	1.8	2.6	3.7	4.8	3.6	3.4	3.7	4.0	3.9
Latin America	3.7	0.3	-0.5	1.9	5.4	3.7	3.3	3.3	3.6	3.6
Middle East & North Africa	5.2	2.1	1.9	4.4	5.5	4.9	4.6	4.4	4.4	4.4
Sub-Saharan Africa	4.5	3.3	3.6	5.0	3.8	3.7	4.0	3.7	3.5	3.4

<sup>a</sup> At purchasing power parity exchange rates. Source: Economist Intelligence Unit, 2005



**PRIVATE SECTOR**

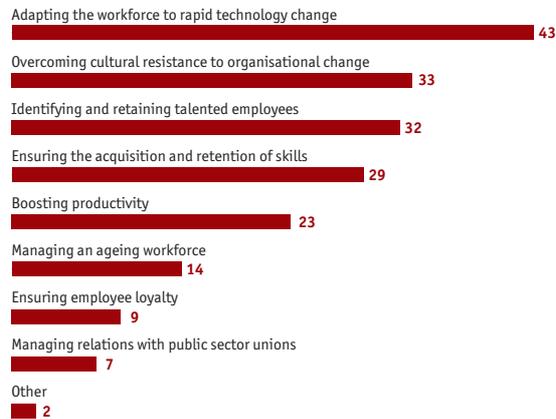
What are the biggest human resource management challenges your company will face between now and 2010? Please select two only.  
(% respondents)



Source: Economist Intelligence Unit survey, 2005

**PUBLIC SECTOR**

What are the biggest human resource management challenges your organisation will face between now and 2010? Please select two only.  
(% respondents)



Source: Economist Intelligence Unit survey, 2005

move around much more freely now," says Derek Welch, the Netherlands-based director of corporate strategy at Akzo Nobel, a global chemicals and pharmaceuticals firm. "You have to work harder to retain them." Of all the human resource challenges companies expect to face through 2010, identifying and retaining talented employees far outranks all others.

Public sector executives cite similar concerns, saying that improving workers' skills will be among the top HR challenges in 2010. Achieving this in relation to technology will be the top challenge, trailed closely by getting internal teams to work effectively together. In the corporate world, getting teams to work together is cited as the second most significant challenge for product and service innovation, from among a dozen other challenges.

The importance of keeping talented staff has an added dimension. Executives view intellectual property (IP) protection as largely a human resource issue. Network security breaches and weak copyright and patent protection in emerging markets are certainly concerns, but according to 44% of our survey takers, the biggest threat to a company's IP in 2010 will come from a loss of key personnel and their expertise to competitors.

## Good governance: a virtue made of necessity

Globalisation also raises governance challenges, whether for multinationals tracking the financial performance of far-flung subsidiaries or for emerging-market players looking to tap international capital markets. For now, many executives still feel bruised about governance-related regulations, such as the Sarbanes-Oxley Act of 2002. More than half the executives in our survey said the financial impact of corporate governance regulation is challenging their company's ability to deliver value to shareholders. "I worry that there is a bit of paralysis because of the regulations," says Tom Dolan, president of US-based Xerox Global Services, a Xerox business unit that manages document-intensive business processes.

There are regional nuances in this survey finding, however. Concerns expressed about the financial implications of improving governance are significantly larger in Europe than in the US. This is perhaps because European firms have yet to grasp the governance nettle to the extent that US firms have.

"It's tough to get people to sit on boards today," notes Malcolm Barnes, the Sydney-based CIO of



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Please indicate whether you agree with the following statements about corporate governance.  
(% respondents)



Source: Economist Intelligence Unit survey, 2005

Komatsu Australia, the Japanese heavy-machinery producer. While applauding the intent of new regulations that seek to weed out corporate skullduggery, many companies see the regulations as over-constraining and far too expensive. "I think they're going to have to dismantle some of it," says Ms Dyson. "The focus on governance is good, but people are focusing on the wrong end of things." According to Marjorie Scardino, CEO of Pearson, a publishing company, "complying with corporate governance standards is going to consume value that we would otherwise be giving to shareholders."

Attitudes may well change over time, however. Four out of five survey respondents believe that brand value will increasingly be linked to good corporate governance—in other words, that governance can act as a source of competitive advantage. This conviction appears particularly strong among Asian executives, although it is robust among firms from all regions. As companies meet or exceed compliance requirements or are otherwise able to demonstrate good governance, they will get the message out to customers, public interest groups and governments. No rocket science here: the image of sound management, they believe, is

bound to reflect on their brand.

Improvements in governance will also help deliver better management metrics. 90% of public-sector survey respondents expect data on all aspects of an organisation's performance to be significantly more available, more timely and of higher quality in 2010. And 80% of private-sector survey respondents expect to be reporting to shareholders on a combination of financial-performance, human-capital and customer-satisfaction metrics in 2010.

Ultimately, broader measurement and reporting should lead to better, more responsive performance. In manufacturing, for example, some see a shift away from measuring success primarily on a cost-basis. Manufacturing has historically measured what's easy to measure, focusing on cost and purchase-price variance, says Bali Padda, vice president of logistics at Lego Systems, the Danish toy maker. "But over-emphasis on price can lead to any number of troubles if low-priced materials arrive too late, for example, or in a form that slows production. "We should be measuring total cost," says Mr Padda, including indicators such as fill rates, on-time delivery and lead times when evaluating manufacturing.

Along with being judged on a wider panorama of criteria in 2010, companies will also answer to a broader base of constituents. "There's a trend to focus on governance with a larger agenda—more of a stakeholder orientation," says George Dallas, London-based managing director and global practice leader for governance at Standard & Poor's, the financial research firm. Increasingly, those stakeholders will call directly on boards to answer for corporate expectations. A full 86% of survey respondents say board-level compensation should be more closely tied to performance.



## Business models in 2010

**B**y 2010, how important will business models be? Perhaps even more important than products and services themselves. In our survey, 55% of executives said new business models will be a greater source of competitive advantage than new products and services between now and 2010. In the public sector survey, 54% of respondents said success in 2010 will hinge more on the ability to innovate with delivery channels than with services themselves. There are sectoral variations: new business models will be keenly important for financial firms, our survey reveals, while the majority of manufacturing firms will seek advantage through new products and services. As well as regional variations, with US and Chinese firms seemingly more convinced of the competitive advantage inherent in new products than in business models. But the overall message is clear: how companies do business will often be as or more important than what they do.

The rising importance of business models is a logical reaction to too many choices in the market. For consumers and companies alike, it's getting harder to distinguish between many products and services on a purely functional basis. The task will get tougher still as local companies in emerging markets get smarter, faster and more aggressive. By 2010, companies in many sectors will distinguish themselves by innovative business models—be they new pricing models, a shift to selling products as services or another model that will differentiate their offering from those of global competitors.

### Big bang?

Business models have already undergone plenty of upheaval over the past ten years, as the arrival of the Internet cut out middle men, opened self-service paths for consumers and allowed for more personalised products and services. Among the

Which of the following will be the greater source of competitive advantage between now and 2010?  
(% respondents)



Source: Economist Intelligence Unit survey, 2005

changes likely in the coming five years will be a focus on creating more collaborative business models between partner enterprises. "Alliances and partnerships aren't new," admits Mr Dolan of Xerox Global Services. "But the number of them is." A company doesn't have to do it all on its own, but in the future can use a business model in which partners help with innovation and growth.

"We have to create an environment that is more of an open-source model," says Thaddeus Arroyo, chief information officer at Cingular Wireless, the US's largest mobile-phone service provider. Innovation in business models can still be proprietary, he says, but it involves creating a community of interest in which companies support each others' businesses. "Much of it is creating the community to fuel your growth, to create demand or products to feed demand," says Mr Arroyo. (For an example of how companies can open their business "source code" to partners for mutual advantage, see the box "Share your toys—and your profits.")

Another feature of business model innovation, at least for manufacturers, is likely to involve differentiating products with services. "In supply manufacturing, service is increasingly more important," says Mr Welch of Akzo Nobel. Komatsu's Mr Barnes, for example, imagines a day when the construction-equipment and industrial-machinery company will sell full-service tractor time, rather than



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tractors. This would let a mining company focus on mining, for example, rather than dedicating staff time and energy to a related but non-core expertise of tractor maintenance. As Aeroflot's Mr Kiryushin puts it: "I think customers will be more interested in getting a service. [Often] they don't need the products themselves."

Such approaches may have the additional benefit of helping companies stay ahead of endless one-upmanship in product innovation. In the software security business, for example, "you're always one innovation away" from getting wiped out by a new competing innovation that eliminates the need for

your product, says Brian Nesmith, CEO of US-based security software firm Blue Coat Systems. But a good product that is sold as, or is surrounded by, a very good service can stand apart and win or retain customers.

### Tech boost

More than four-fifths of the executives in the survey say that technology will be critical to their company's ability to adapt business models and implement strategy in the coming five years, while nearly three-fifths said IT is becoming more of a competitive tool—rather than simply a driver of cost efficiency. "IT will

## Share your toys—and your profits

In Danish, "leg godt" means to "play well." And when you consider Lego Systems' philosophy about collaborating with retail partners, the toy company's name seems all the more appropriate.

Consider Lego's non-traditional relationship with Target Corp, a large discount retailer in 47 of the US states. Looking at how it unfolded may provide some clues about how companies can employ more "holistic" business models for measuring and maximising all elements of business in 2010—rather than focusing on single-item priorities at the peril of all others. Over the next five years, "as we go through changes, the traditional model of buyer and seller becomes less valuable," says Bali Padda, vice president of logistics at the Danish toy maker. "The full value chain becomes more important." As companies will increasingly realise, an inflexible focus on selling the most merchandise at the highest price, or buying no more than necessary at the lowest price, are both quickly becoming short-sighted priorities of the past.

Lego's transformation began at a meeting more than a year ago, when Mr Padda learned that Lego was achieving a 7% fill rate with Target. In other words, 93% of what Target wanted from Lego wasn't getting delivered. As anyone who's been in a similar position can tell you, the relationship could have rapidly

disintegrated from that point. But in fact, both companies were losing out. By putting their heads together to solve their mutual problems—rather than focusing exclusively on their own individual objectives—both firms have come out ahead.

"We had a plan of how much we could sell" to the retailer, Mr Padda remembers. "We opened our plans to them," and the retailer did likewise. Only "the plans didn't match. Before, we would have built our business according to our forecasts" rather than to the demand information that Target could provide.

Now, says Mr Padda, "We jointly plan our business together. We look to add value through the supply chain. They grow and we grow." In other words, by working together towards a single goal—increasing and enhancing one another's business—Lego within a year went from being at the bottom of Target's list of supplier partners to having its best year ever with the retailer. "Each company will have to come up with its own model" for measuring performance and for working with partners," Mr Padda concedes, "but I am beginning to hear total cost more. Total cost should drive decisions, not piece price."

Collaboration "needs to happen within and without the company," Mr Padda concludes. "The successful companies will be collaborative."

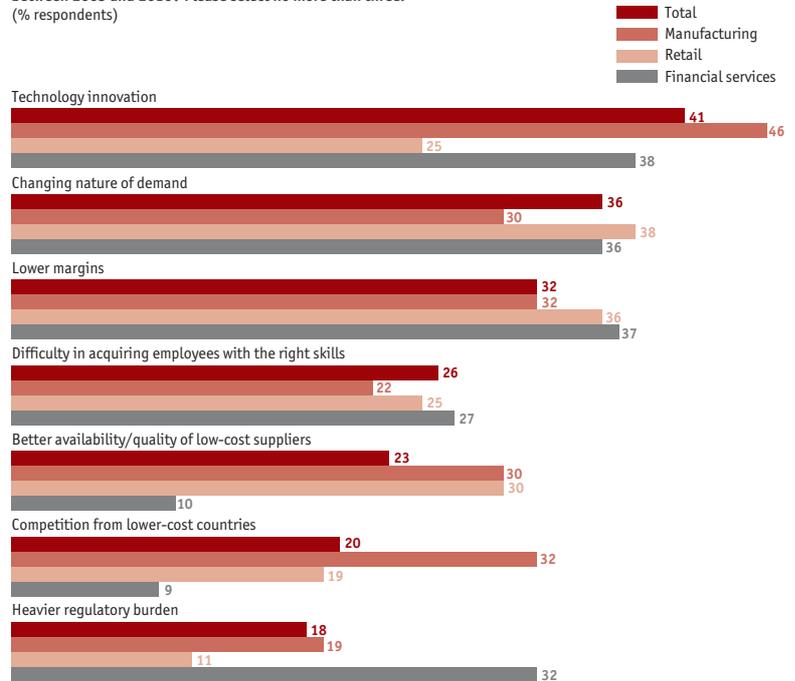


get closer and closer to business, and more and more business processes will be based on IT [in 2010],” predicts Aeroflot’s Mr Kiryushin.

Many of the competitive benefits of IT flow from its ability to capture, communicate and analyse information. To help improve customer relationships, for example, one of IT’s top pursuits will be deepen the firm’s insights into customer behaviour, in order to better anticipate changes in demand (discussed in more detail below). Survey respondents in the public sector, meanwhile, picked “improved information sharing” as the area of public service innovation where IT can have the greatest impact, while 82% of respondents said they expect citizens to be more open and willing to use new delivery channels, including electronic ones, in coming years.

In private and public sector alike, IT will be central to new patterns of collaborative working. On the factory floor at Lego, for example, PCs are posted to give shop workers Internet access on breaks or for sending questions to Jørgen Vig Knudstorp, Lego’s CEO. Mr Knudstorp regularly schedules time when he is available online to answer employee questions, says Mr Padda, adding that collaboration and openness with employees will become a corporate necessity over the next five years. Mr Padda points out that while he has seen “radical changes go horribly wrong and very well” in companies over the years, employee involvement has made the difference between the two outcomes. “The sooner we involved our people, the better the change went.”

**In your view, which of the following developments will have the greatest impact on your company’s business model between 2005 and 2010? Please select no more than three.**  
(% respondents)



Source: Economist Intelligence Unit survey, 2005

Senior executives in all departments will need to be the embodiment of flexibility. “CIOs and CFOs are no longer just thinking in a silo function,” says Xerox’s Mr Dolan. “Our CFO makes sales calls with me. [CIOs and CFOs] represent a lot more general management capability than ever before.” There will be increased “job hopping” between corporate departments, which can actually help keep all departments working toward a single corporate goal rather than towards purely departmental interests.



## Long live the customer king

When it comes to customers, there's no underestimating the challenge companies will face in 2010. The openness fostered by the Internet has made so many more products and services available (and their pricing so much more transparent) that customers have the clout to be more selective and demanding. "People want more for less," says Jean-Michel Billaut, Paris-based founder and honorary president of l'Atelier de BNP Paribas, a technology-monitoring group within the large French bank.

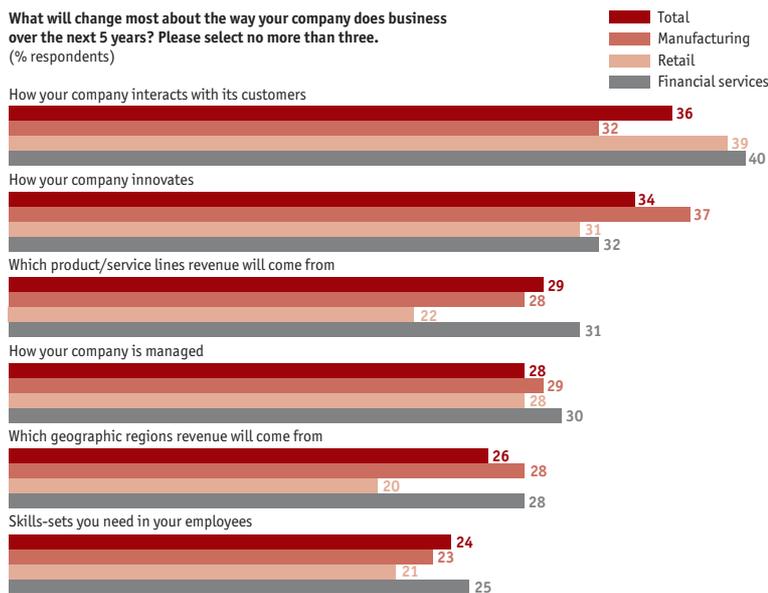
Acquiring and retaining customers in this environment requires firms to differentiate themselves aggressively. One way of distinguishing products will be through personalisation, which our survey suggests will grow in importance: 47% of executives expect the quality of a product or service to be the key buying factor in 2010, but it is the 34% who think personalisation will be most important that catches

the eye. Nearly 30% of executives surveyed expect one of their critical business priorities in 2010 to be the development of customisation capabilities to meet customer expectations. Customisation will be most valued in financial services, according to our survey, but will also be increasingly important in manufacturing. A full 83% of the public sector also believes that expectations of personalised citizen services will rise in 2010. "The personalisation effect is key to quality," according to Bo Harald, director of electronic banking at Nordea, the Stockholm-based financial services group. "Product quality, as a stand-alone issue, is no longer there."

Personalisation will embrace the manner in which companies interact with customers as well as the design, production and distribution of products. Customer interaction was cited in our survey as the area where the most change is expected in how companies do business through 2010. Likewise in the public sector, survey respondents picked how their organisation interacts with citizens as the most anticipated change in coming years. Aided by technology, interaction will deepen as avenues to customers—via e-mail, mobile phones, and so forth— increase. But while customer avenues increase, customers will try to simplify to fewer suppliers with whom they have stronger relationships. "Most people want [fewer] suppliers, less complexity in their business," says Akzo Nobel's Mr Welch.

### Developing customer insight

In response to rising expectations, companies will devote more effort to understanding and anticipating customer demand. More than 80% of executives in our survey expect demand—and not supply—to drive the production of goods and services in the future. Identifying changes in customer needs and behaviour was cited as the single most significant challenge to



Source: Economist Intelligence Unit survey, 2005

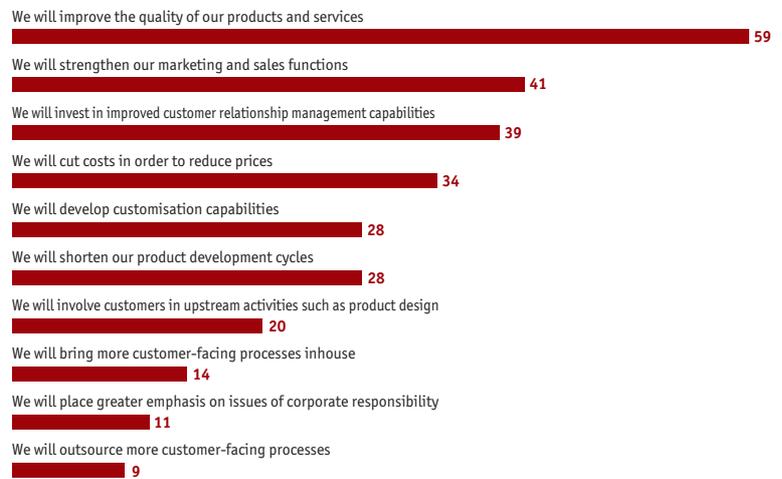


product and service innovation that organisations will face over the next five years. The top priority at many companies in the coming five years is “understanding how we’re going to meet customers’ needs,” says Chris Lofgren, president and CEO of US-based Schneider National Inc, an international transportation and logistics firm. “First of all, it’s understanding the additional services to add and create value.”

IT will play a central role in this effort. The most critical way in which IT can improve customer relationships, our survey finds, is by deepening companies’ knowledge of customers and increasing their ability to predict customer behaviour. To illustrate the point, Cingular’s Mr Arroyo talks of an IT system that notices the numerous times a customer calls a help desk with the same problem. Rather than repeatedly routing the call to the standard help desk, smart technology in the future will route it to someone with extra training to handle challenging cases. Mr Arroyo also looks forward to a time when CRM systems “tie into other operational systems ... to anticipate customer needs.” Others think similarly. Nearly 40% of the executives we surveyed said they expect to invest in improved customer relationship-management capabilities in the coming five years.

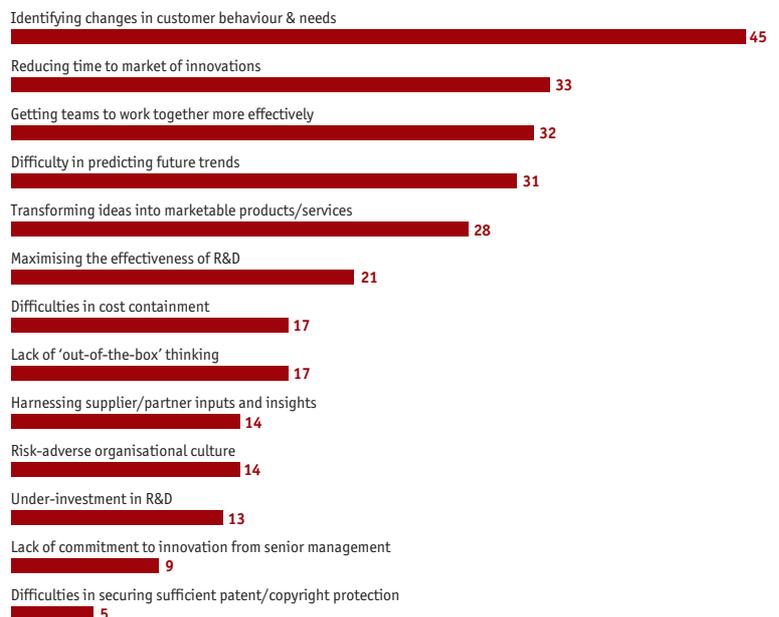
IT will also help meet demands for precision customer solutions in other parts of the 2010 business, from product development to manufacturing. For example, Lego’s Mr Padda believes that software which automatically initiates orders for more supplies—based on information about inventory and customer demand—will gain popularity between now and 2010 as more companies use new tools for the online integration of the software systems that run their businesses.

**In light of changing customer expectations between now and 2010, what do you envisage will be your company’s critical business priorities over the next five years? Please check three only.**  
(% respondents)



Source: Economist Intelligence Unit survey, 2005

**Which of the following will be the most significant challenges your organisation will face over the next five years when it comes to product/service innovation? Please pick no more than three.**  
(% respondents)



Source: Economist Intelligence Unit survey, 2005



## RFID—a Really Fantastic Idea?

Is there a ‘next big thing’ that will revolutionise business the way the Internet did in the past decade?

Mobile technologies?

Nanotechnology? The majority of respondents to the Business 2010 survey say that, among various emerging technologies, new data management and analytical tools will have the greatest impact on their firms’ ability to innovate in the coming five years. Given their heavy focus on improving customer relationships, it’s easy to see why data analytics tops the list. But many global businesses in the logistics, retail and manufacturing sectors are also placing their bets on radio-frequency identification (RFID), which consists of readers and “smart tags,” or microchips with an attached antenna.

Unlike more traditional bar codes, RFID chips give every tagged object a unique identification that it broadcasts when prompted by a reader. This means that objects anywhere in the supply chain can be tracked—be they razor-blade packages, blue jeans or prescription drugs, located in a warehouse, on a delivery truck or on a store shelf. If

the technology fulfills its promise, firms can realise substantial savings. For example, they will be less likely to waste marketing budget on regional promotions for products they don’t have in stock locally. Stores won’t run out of products, and consumers may buy more when shelves are more efficiently stocked. Eventually, RFID tags may also monitor things such as temperature, to ensure, for example, that caviar has remained at an appropriate temperature throughout its voyage from the Caspian Sea to a customer’s snack tray.

“Inventory management is a massive issue in business,” says Andy Green, CEO of BT Global Services. “RFID is clearly going to have significant value in how we track goods through the supply chain. There is no doubt in my mind that it will be a huge change.” Plenty of firms agree. Large US retailers Wal-Mart, Target and Albertsons, along with Tesco, the UK’s biggest retailer, and Germany’s Metro, have all announced plans for RFID deployment. Governments are involved, too, and plan to use RFID,

for example, to reduce drug counterfeiting and improve military logistics.

“Clearly, the US is the leading adopter of RFID, but Europe and Asia are extremely interested,” says Miguel Lopera CEO of GS1, a Brussels-based trade association formerly known as EAN/UCC and which is leading the charge on global standardisation of RFID.

Still, the technology is young and as Mr Padda cautions, “the jury is still out.” For one thing, RFID has plenty of hurdles to clear. RFID chips are too expensive right now for widespread tagging, for example. Mr Lopera doesn’t expect RFID use to expand in a big way until the chips drop to the equivalent of about five US cents, a quarter of their current cost. And they won’t gain widespread adoption overnight. “The whole area of deploying bar codes took nearly 15 years,” says Terry Assink, chief information officer at Kimberly-Clark, the American health-and-hygiene product company. But RFID will take “less than 10 years to go all the way around the world,” he thinks.



## Innovate or perish

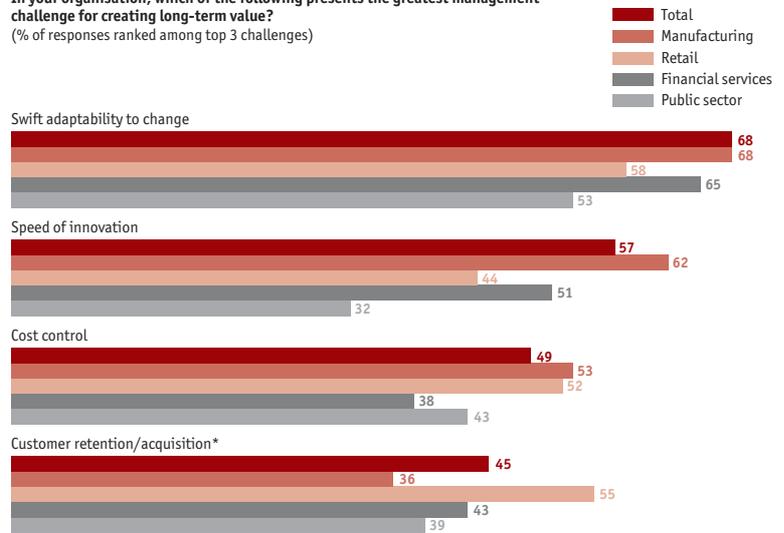
In business, to change usually means to innovate, be it in products and services, business processes or entire business models. In recent decades business leaders have come to recognise the virtue of continuous innovation, witness the volume of funds budgeted for R&D and process consultants. What will differentiate firms over the next five years, however, is not so much levels of R&D funding or the subjects of innovation, but how innovation takes place and the speed at which it happens.

Make no mistake, innovating quickly enough to satisfy customers and stave off competition will be a central challenge. Survey respondents cited speed of innovation as second only to swift adaptability to change as the top management challenge for creating long-term value, with manufacturers and financial service firms placing particularly heavy stress on this factor. And reducing cycle time is seen as the single most significant innovation challenge for manufacturers, while the rest of our survey group views it among the top four challenges.

### Innovate services, not just products

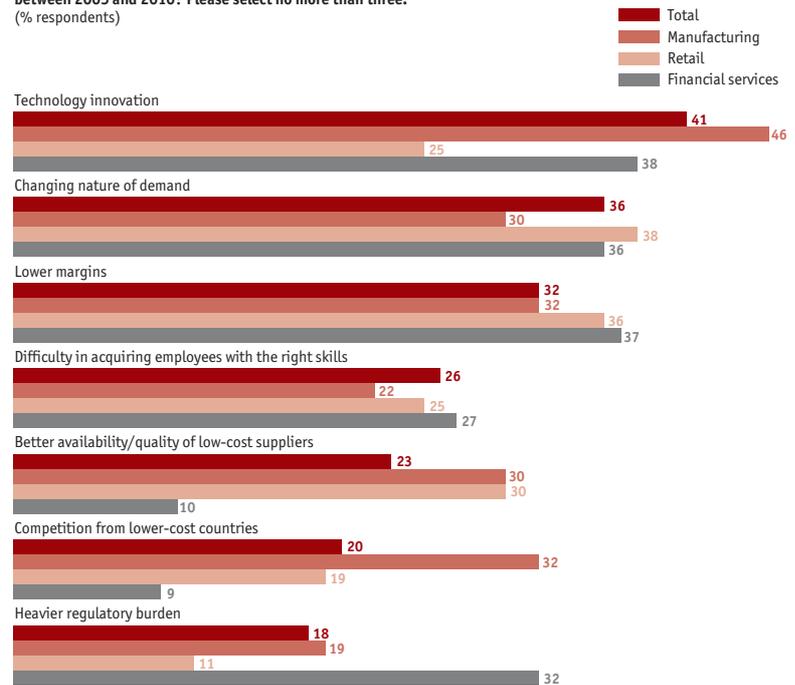
One challenge won't change: companies will still need to make quality the key focus of innovation in 2010. When asked about critical business priorities over the coming five years, survey respondents most frequently cited improving the quality of products and services from among a field of priorities. In the public sector, more than 65% of respondents said they expect the quality of public services to be more important to citizens than convenience or service customisation. As discussed above, however, innovative companies will also improve the quality of services that accompany their products. An example is Komatsu, which, says Mr Barnes, finds itself moving away from winning customers with better and less expensive equipment to winning them with the same better and less

In your organisation, which of the following presents the greatest management challenge for creating long-term value? (% of responses ranked among top 3 challenges)



\*Public sector: Improving citizen relationships  
Source: Economist Intelligence Unit survey, 2005

In your view, which of the following developments will have the greatest impact on your company's business model between 2005 and 2010? Please select no more than three. (% respondents)



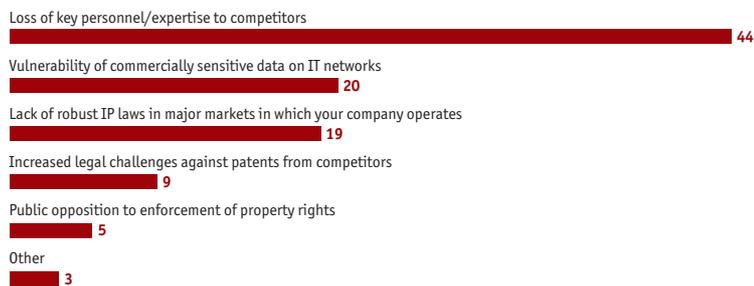
Source: Economist Intelligence Unit survey, 2005



## Business 2010

### Embracing the challenge of change

Where do you expect the biggest threat to your intellectual property to come from in 2010?  
(% respondents)



Source: Economist Intelligence Unit survey, 2005

expensive equipment wrapped in turnkey solutions.

In the search for innovative products and services, companies will expand their research network to include collaborative contributions from customers and partners. With technology, “any product can be done in a collaborative way on a global basis,” says Terry Assink, CIO at health-and-hygiene product supplier Kimberly-Clark Corp. Nearly one-fifth of the executives in our survey expect that one of their company’s critical business priorities in 2010 will be involving customers in upstream activities such as product design. “R&D doesn’t work in a vacuum anymore,” says Akzo Nobel’s Mr Welch.

### Globalising innovation

By 2010 companies will be putting familiar globalisation practices to work to serve innovation, increasingly locating research to be close to customers, raw materials and manufacturing sites.

According to the most recent statistics available from the OECD, foreign affiliates of multinationals in 2001 accounted for 15% to 20% of total manufacturing R&D in France, Germany and the US; between 30% and 40% in Canada, the Netherlands, Spain, Sweden and the UK; and more than 70% in Hungary and Ireland. “The old-style R&D was a central function for the whole company,” says Mr Welch. “Now the individual business units have their own R&D to be more responsive to their markets.”

Still, due to national differences in laws, the expansion of R&D to locations around the globe will challenge many companies over the next five years. If a company’s IP is its core differentiator—rather than the service or total package offered around it—companies basing R&D in countries such as China and India “are justifiably afraid,” says Mr Satloff, chief executive officer of C.E. Unterberg, Towbin. “The greater the concentration of intellectual property, the more [companies] have to fear about intellectual property rights and their enforcement.”

By 2010, some IP protection issues will have been ironed out in emerging markets. But other threats will remain. The loss of sensitive company data through network security breaches is a prime concern, and as mentioned earlier, the loss of skilled staff to competitors represents the biggest threat of all to firms’ IP assets. One more reason why retention of talented managers and employees will be an imperative for the organisation of the future.



## A new role for technology

Whether determining how a company innovates, interacts with customers, shapes its business models or governs itself, information technology will increasingly play a starring role. Senior management and boardrooms will also come to see IT in a different light. In the past, companies have tended to view IT as primarily a driver of cost-efficiency. No longer: nearly 60% of executives in our survey said they expect IT's key strategic role to be in boosting the company's competitive advantage. To dispel any lingering doubts, 82% agreed that IT will be critical in 2010 to the organisation's ability to adapt its business model and implement strategy.

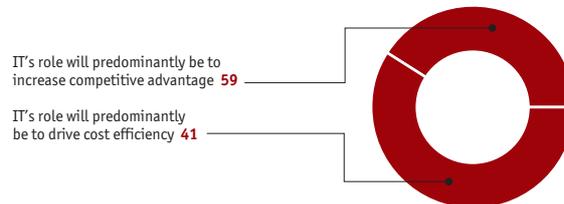
The public sector feels similarly: 70% of managers said they expect IT's predominant role in 2010 will be to improve service quality, rather than just to cut costs. "I see more interaction [with citizens] in the future facilitated by technology," predicts Pekka Voutilainen, minister counselor for economic affairs at the Embassy of Finland in Washington DC.

Given the vital importance they attach to improving their firms' interaction with customers, and their expectation here of thoroughgoing change, it is no surprise that executives across all sectors—and financial services particularly strongly—see IT playing its most critical role in 2005-2010 in helping to improve customer servicing. As discussed earlier, IT will be tasked with achieving two overriding objectives in this context: improving firms' knowledge of customers and their ability to predict customer behaviour, and using networks to help bring collaboration with customers to a new level.

### Information, not just technology

Rarely is the complaint heard among managers that IT systems and network provide too little data. Rather, extracting useful information from data—about customers, about finances for compliance purposes,

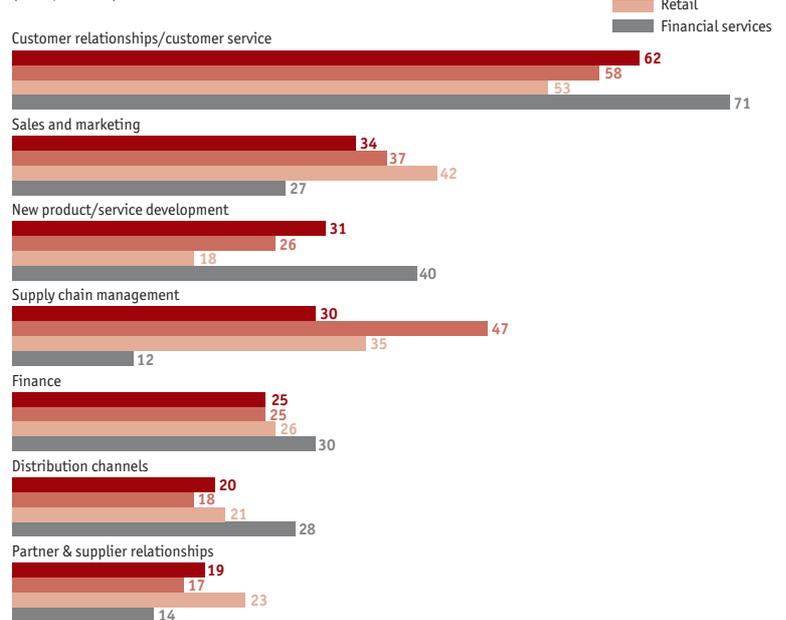
Which of the following statements best reflects your view of the role of information technology in achieving your company's strategy goals over the next five years? (% respondents)



Source: Economist Intelligence Unit survey, 2005

about operations for decision-making purposes—remains a difficult challenge. Organisations (and individuals) will look to technology to help manage the flood of data and deliver from it the information they most need. "Data overload concerns me," says Mr Kvamme of the President's Council of Advisors on Science and Technology. "How are we going to use all

In which of the following areas of your business will IT be most critical in 2010? (Top 3 responses) (% respondents)



Source: Economist Intelligence Unit survey, 2005



## Business 2010

Embracing the challenge of change

this data to get at the information we can rely on?"

Many expect companies and consumers to use automated filters to sift through data. "The solution [for information overload] is going to be intelligent agents that learn what is relevant and important," agrees Mr Satloff. Mr Billaut of BNP Paribas envisions online agents that help consumers make selections from a staggering number of products available on the Internet. "Life is more and more complicated," Mr Billaut notes, who believes that electronic valets will help sort out product and service choices. To better manage complexity, Cingular uses technology to create what it calls a "frictionless experience" in which services are simply requested and perfectly supplied. "The less friction, the more we are asked to provide the services," says Mr Arroyo.

Improved information flows will also be critical to the supply chain. At Akzo Nobel, a new on-site inventory system helps to eliminate the customer challenge with inventory control. Using technology, Akzo Nobel remotely manages chemical supplies at its customer's paper plant. The customer gets charged only for chemicals it uses, and Akzo Nobel sees to it that the chemicals are always in stock. "We take away the aggravation of controlling the inventory," says Mr Welch.

## But let the business rule the technology

Indeed, as IT becomes ever more tightly integrated into all that firms do, many expect significant changes in the CIO's role and also in that of the IT department. "Our company is more and more dependent on IT," says Kimberly-Clark's Mr Assink. "Our whole organisation is touched by IT and by change in IT."

Clearly, then, the role of the CIO and his or her department will only expand by 2010. "The CIO and CFO will manage more and more specialised ... functions," says Aeroflot's Mr Kiryushin. "They'll need to be more responsible, smarter and ... in close communication with the CEO and other managers of the company." If information technology is a driver of competitive advantage and is critical to firms' ability to adapt the business model and implement strategy, as the executives in our survey strongly believe, then the CIO's influence in setting strategy will surely grow. And this means that the CIO of 2010 is likely to be more of a business leader than a technology leader.

But the best organisations of 2010 will let corporate priorities lead and IT follow. From the corporate perspective, the only important technology is technology that serves corporate objectives. "IT is absolutely key," concludes Lego's Mr Padda, "but it should be used as an information tool rather than a technology tool."



## Preparing for 2010

**H**owever executives prepare to innovate, set strategic priorities, shape new business models or enhance customer service, they'll need adaptability in all things. "Our long-range plans have to have a lot more flexibility in them," notes Kimberly-Clark's Mr Assink. This spirit of fluidity and openness, inspired and supported by technology, will pervade business in the coming five years. Even the big companies of 2010 will act like smaller firms with decentralised and open management structures to enhance nimble behaviour. "Transparency will be another significant trend in the coming decade,"

predicts Chinadotcom's Dr Ch'ien.

They'll also need to be fast. Companies must innovate quickly enough to keep up with customer demand in a globalising marketplace. "For hundreds of years, organisations have had the luxury to take time to make decisions," says Mr Barnes of Komatsu. That time has ended. To stay the course, companies will ask partners and customers for a helping hand. "We know our customers are changing," says Mr Barnes. "The ability to keep pace and make decisions to change" in step with them is the challenge. Flexibility and strength through collaboration will be essential.

# Appendix 1: *Business 2010* survey results—private sector

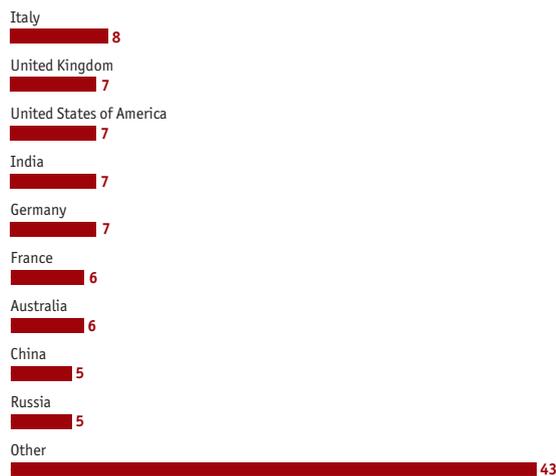
## Business 2010

Embracing the challenge of change

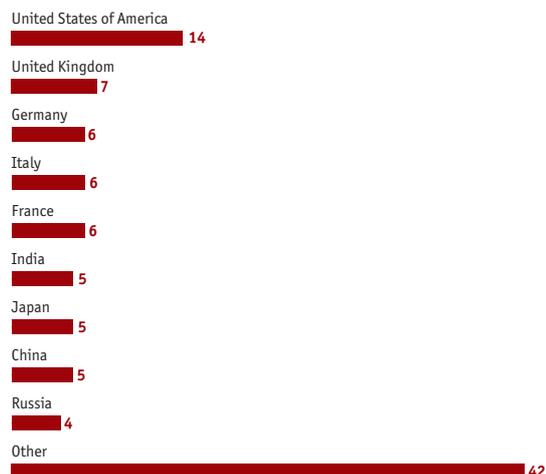
In November 2004–January 2005, the Economist Intelligence Unit conducted a survey of 4,018 executives of private- and public-sector organisations, based in 23 countries in Europe, Asia-Pacific and the Americas. Our sincere thanks go to everyone who took part in the survey.

Distinct questionnaires were completed by private-sector and public-sector participants, and we present the responses to each survey questionnaire separately. Please note that not all answers add up to 100%, because of rounding or because respondents were able to provide multiple answers to some questions.

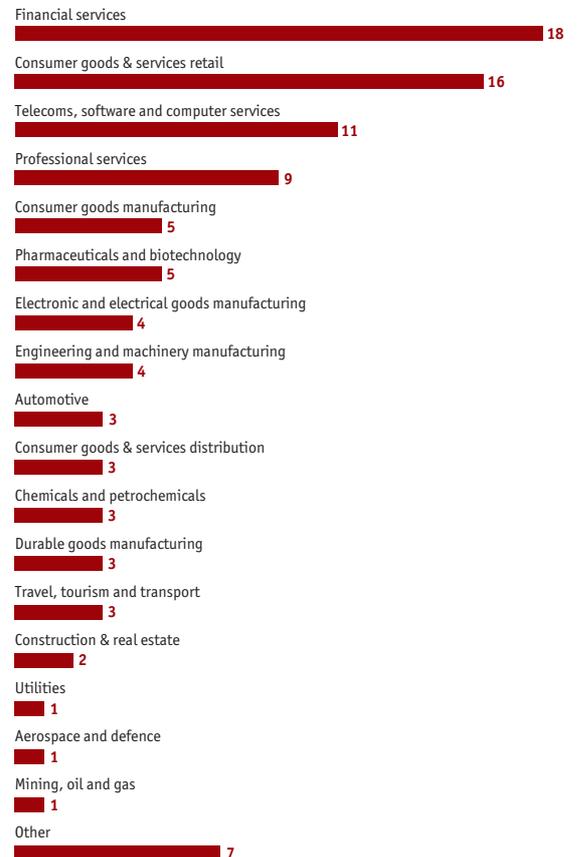
### In which country are you located? (% respondents)



### In which country is your company headquartered? (% respondents)



### In which sector does your organisation belong? (% respondents)



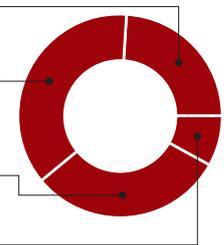
### What level of involvement do you presently have in decision-making within your company? (% respondents)

I am the main decision-maker in my company, a major division of my company or a regional/country branch of my company **24**

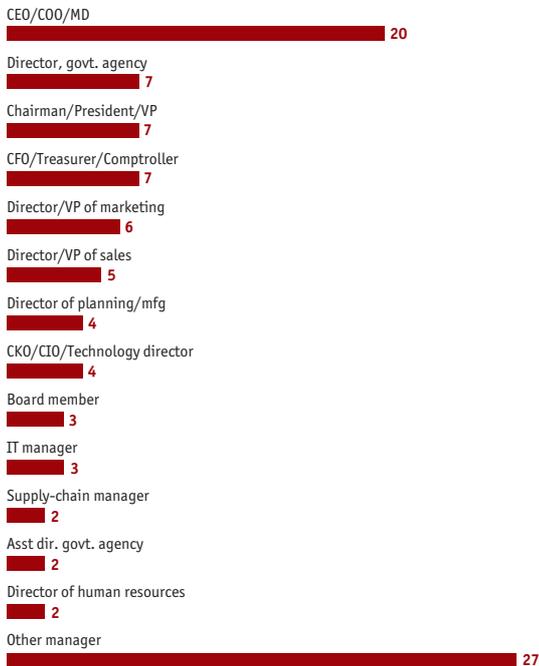
I am among the main decision-makers in my company, a major division of my company or a regional/country branch of my company **37**

I have influence over key decisions made in my company, a major division of my company or a regional/country branch of my company **31**

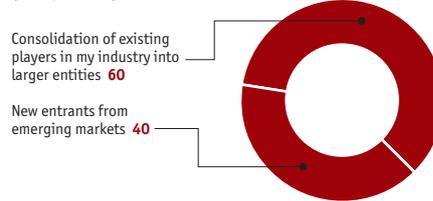
I have little or no influence over decisions made in my company, a major division of my company or a regional/country branch of my company **8**



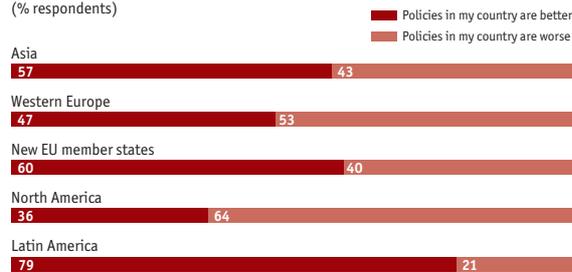
**Which of the following titles best describes your job?**  
 (% respondents)



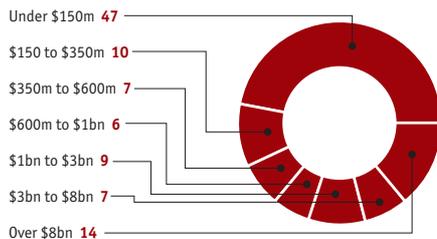
**What will be the more important source of competitive threat in 2010?**  
 (% respondents)



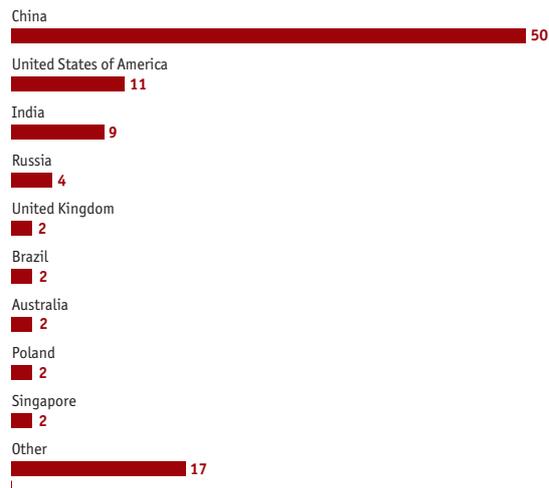
**How do the government policies pursued in your country compare with others in the following regions terms of favouring business growth?**  
 (% respondents)



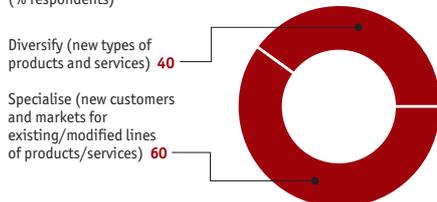
**What is your company's annual turnover?**  
 US\$ (% respondents)



**Which country do you think will have the most favourable business environment for growth between now and 2010?**  
 (% respondents)

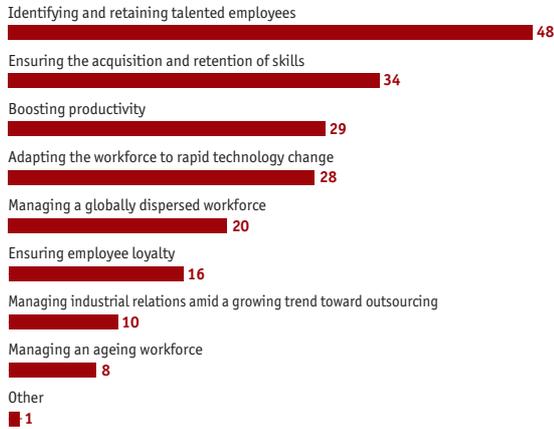


**Which of the following better reflects your strategy between now and 2010?**  
 (% respondents)



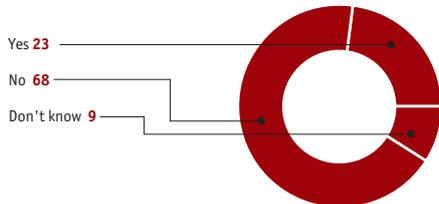
**Appendix 1: Business 2010 survey results—private sector**  
 Business 2010  
 Embracing the challenge of change

**What are the biggest human resource management challenges your company will face between now and 2010? Please select two only.**  
 (% respondents)

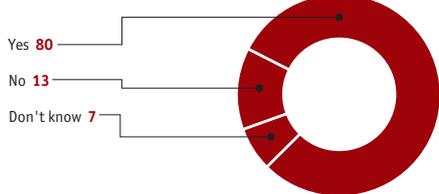


**Please indicate whether you agree with the following statement:**  
 (% respondents)

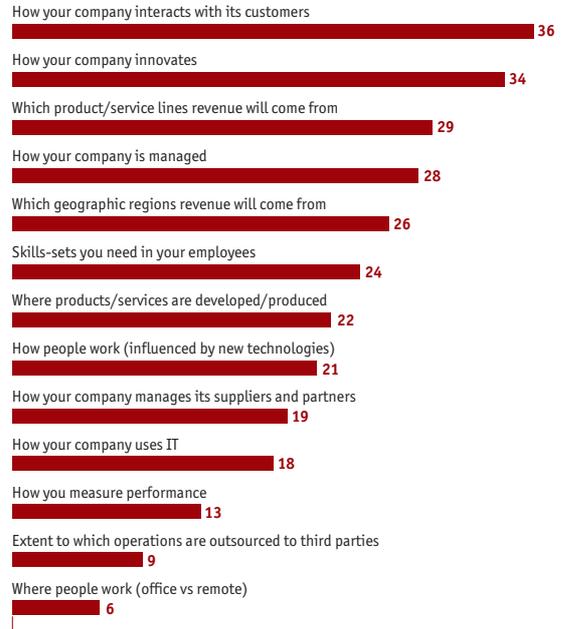
By 2010, you will be required to report to shareholders only against key financial performance metrics.



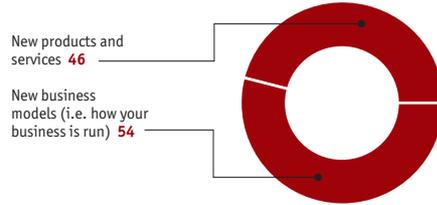
By 2010, you will be increasingly required to report to shareholders on a combination of financial performance, human capital and customer satisfaction metrics.



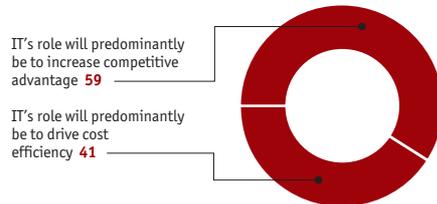
**What will change most about the way your company does business over the next 5 years? Please select no more than three.**  
 (% respondents)



**Which of the following will be the greater source of competitive advantage between now and 2010?**  
 (% respondents)



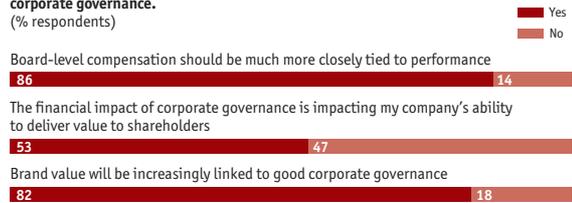
**Which of the following statements best reflects your view of the role of information technology in achieving your company's strategy goals over the next five years?**  
 (% respondents)



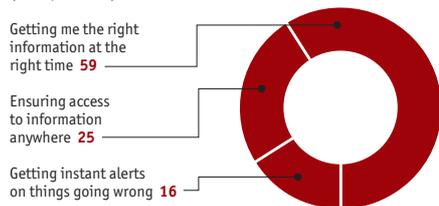
In your organisation, which of the following presents the greatest management challenge for creating long-term value? Please rank in order, with 1 being the greatest challenge.

	1	2	3
Swift adaptability to change	33%	19%	16%
Speed of innovation	18%	26%	13%
Cost control	10%	14%	26%
Customer retention/acquisition	18%	14%	13%
Capitalising on growth opportunities in emerging markets	9%	10%	12%
Human resource management	6%	9%	11%
Achieving return on investment in technology	3%	5%	6%
Meeting corporate governance requirements	2%	3%	4%

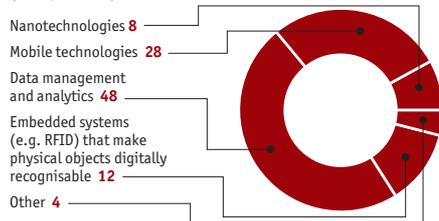
Please indicate whether you agree with the following statements about corporate governance.  
 (% respondents)



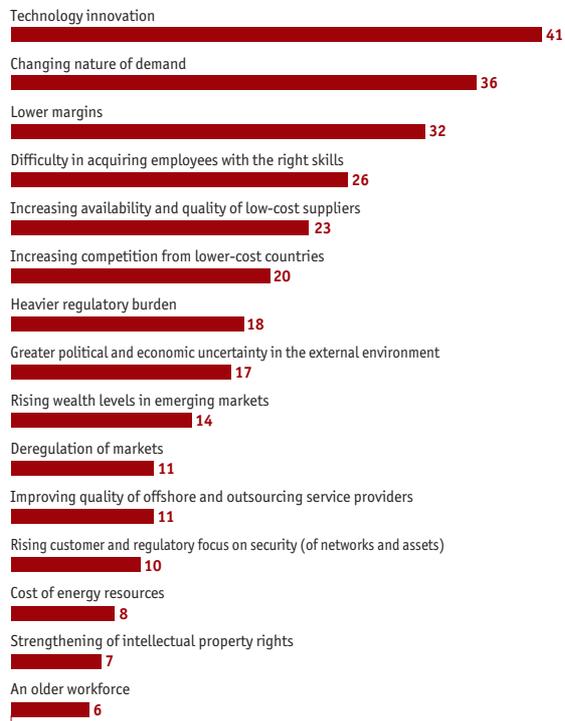
What should IT most improve upon by 2010 to help you make better management decisions?  
 (% respondents)



Which of the following technologies will have the most impact by 2010 on your company's ability to innovate?  
 (% respondents)



In your view, which of the following developments will have the greatest impact on your company's business model between 2005 and 2010?  
 Please select no more than three.  
 (% respondents)

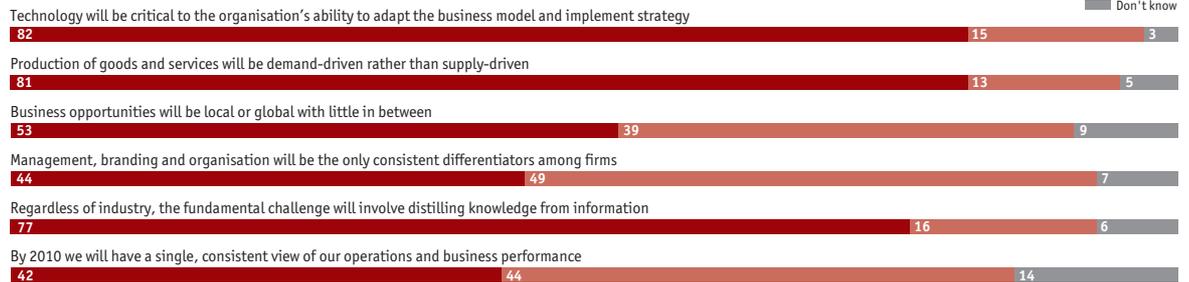


## Appendix 1: Business 2010 survey results—private sector

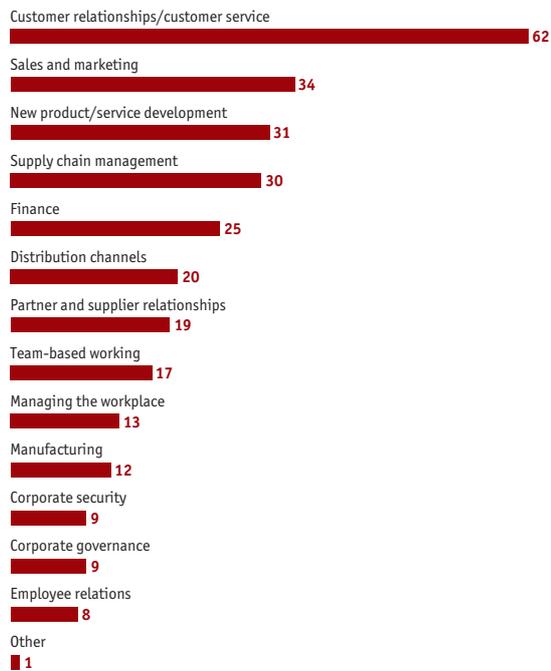
### Business 2010

#### Embracing the challenge of change

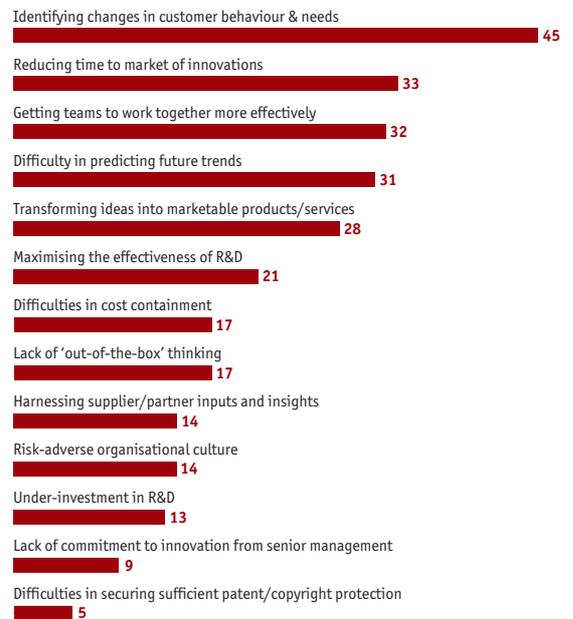
Please indicate whether you agree with the following statements about business models in 2010.  
(% respondents)



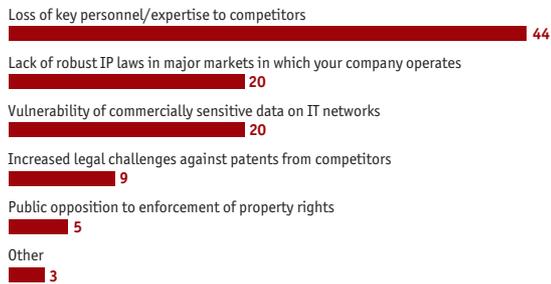
In which of the following areas of your business will IT be most critical in 2010?  
Please check three only.  
(% respondents)



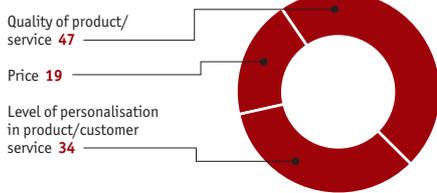
Which of the following will be the most significant challenges your organisation will face over the next five years when it comes to product/service innovation?  
Please pick no more than three.  
(% respondents)



Where do you expect the biggest threat to your intellectual property to come from in 2010?  
 (% respondents)



Which do you believe will be most important to your customers in 2010?  
 (% respondents)



In light of changing customer expectations between now and 2010, what do you envisage will be your company's critical business priorities over the next five years?  
 Please check three only.  
 (% respondents)



In view of changing customer expectations, what will be the most critical ways over the next five years in which IT can facilitate the improvement of customer relationships?  
 Please rank in order, with 1 being the most critical.

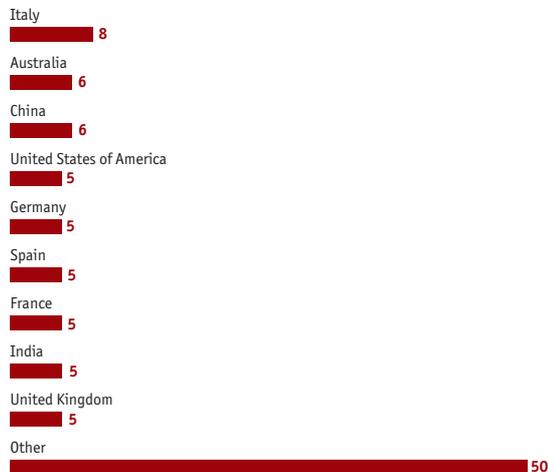
	1	2	3
Ensuring greater customer access to the corporate network	24%	11%	13%
Increasing understanding of and ability to predict customer behaviour	23%	16%	26%
Enabling customisation of products/services	14%	15%	12%
Availability of performance management data on customer-facing processes to senior managers	13%	25%	13%
Streamlining product/service design	7%	9%	10%
Dynamic pricing capabilities	7%	9%	10%
Improving visibility and efficiency of supply chain	7%	9%	8%
Improving security of customer financial and operating data	5%	6%	8%

# Appendix 2: Business 2010 survey results—public sector

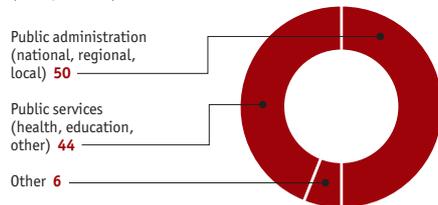
## Business 2010

Embracing the challenge of change

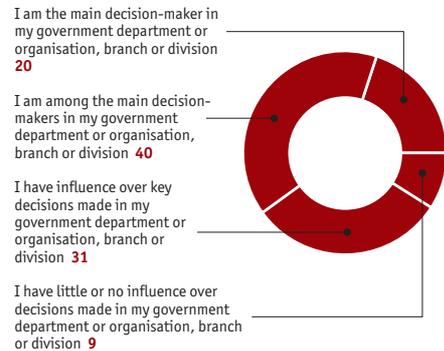
**In which country are you located?**  
(% respondents)



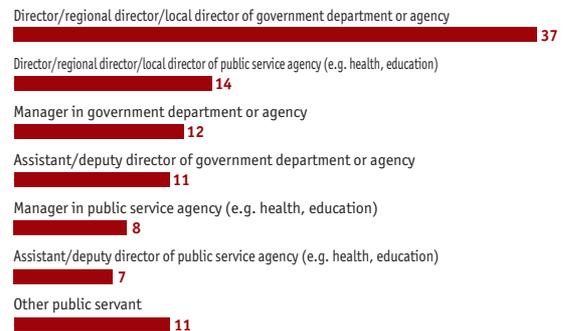
**In which sector does your organisation belong?**  
(% respondents)



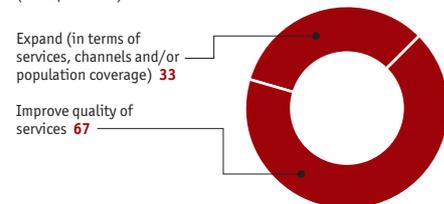
**What level of involvement do you presently have in decision-making within your company?**  
(% respondents)



**Which of the following titles best describes your job?**  
(% respondents)



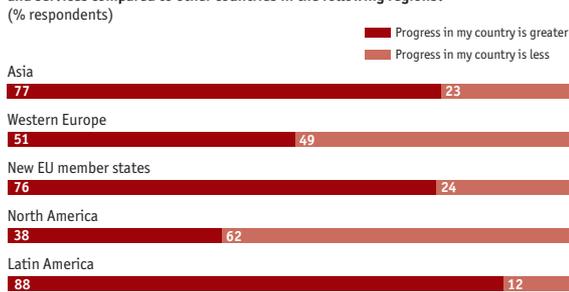
**Which of the following better reflects your strategy between now and 2010?**  
(% respondents)



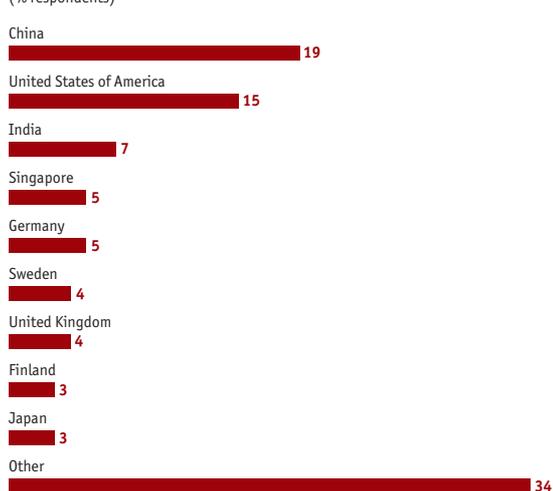
Which of the following presents the greatest management challenge for achieving your organisation's mission? Please rank in order, with 1 being the greatest challenge..

	1	2	3
Swift adaptability to change	25%	17%	11%
Speed of innovation	9%	13%	10%
Cost control	14%	14%	15%
Improving customer (citizen) relationships	14%	13%	12%
Securing and managing funding	10%	8%	9%
Managing partnerships	4%	5%	7%
Adapting new technology	6%	8%	13%
Human resource management	10%	12%	14%
Meeting governance/regulatory requirements	8%	9%	8%

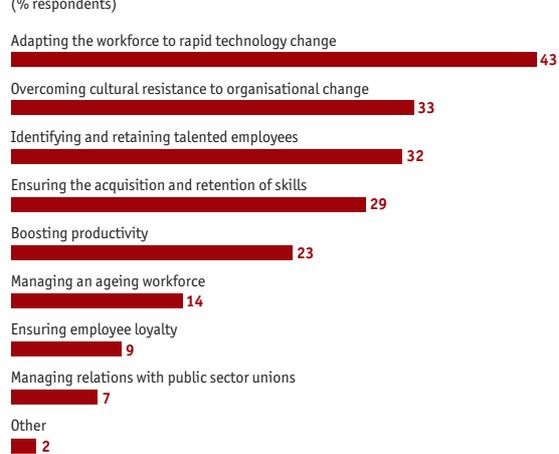
How do you rate your country's progress in implementing e-government policies and services compared to other countries in the following regions?



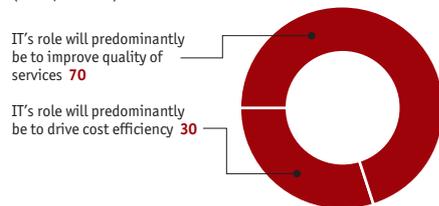
Which country do you think is likely to achieve the greatest improvement in public services and their delivery through e-government over the next five years?



What are the biggest human resource management challenges your organisation will face between now and 2010? Please select no more than two.

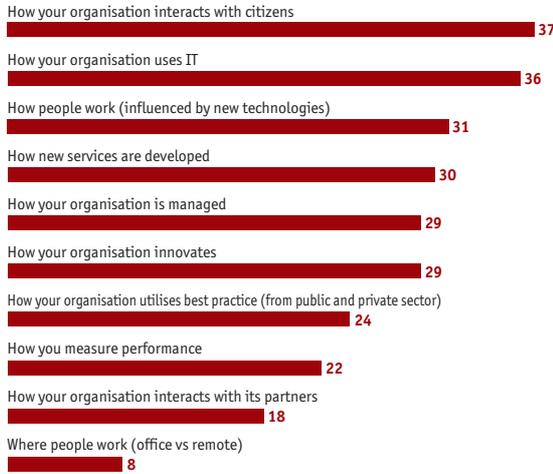


Which of the following statements best reflects your view of the role of information technology in achieving your organisation's mission over the next five years?



**Appendix 2: Business 2010 survey results—public sector**  
 Business 2010  
 Embracing the challenge of change

**What will change most about the way your organisation operates over the next 5 years? Please select no more than three.**  
 (% respondents)



**Please indicate whether you agree with the following statements about governance in 2010.**  
 (% respondents)



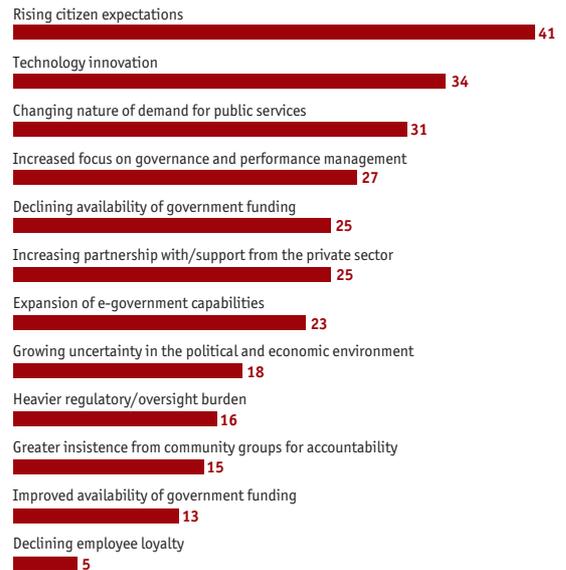
**Please indicate whether you agree with the following statements about how public sector investment decisions will be made and tracked in 2010.**  
 (% respondents)



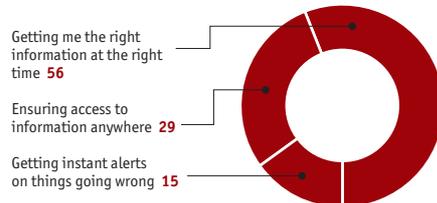
**Which of the following will be the greater source of advantage for your organisation between now and 2010 in achieving its mission?**  
 (% respondents)



**In your view, which of the following developments will have the greatest impact on your organisation between 2005 and 2010? Please select no more than three**  
 (% respondents)



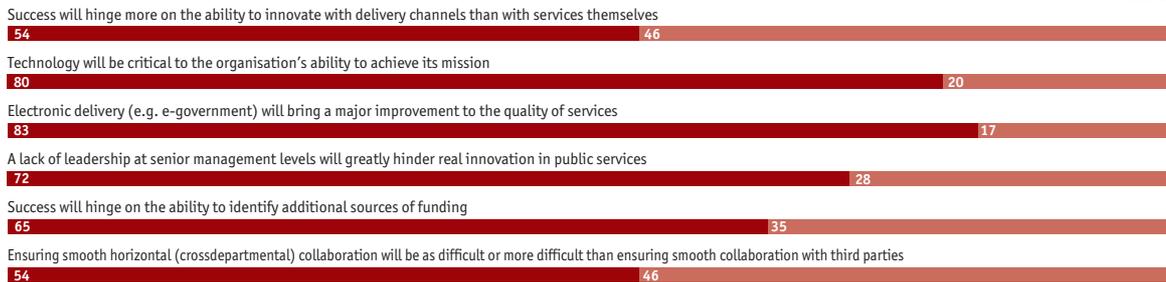
**What should IT most improve upon by 2010 to help you make better management decisions?**  
 (% respondents)



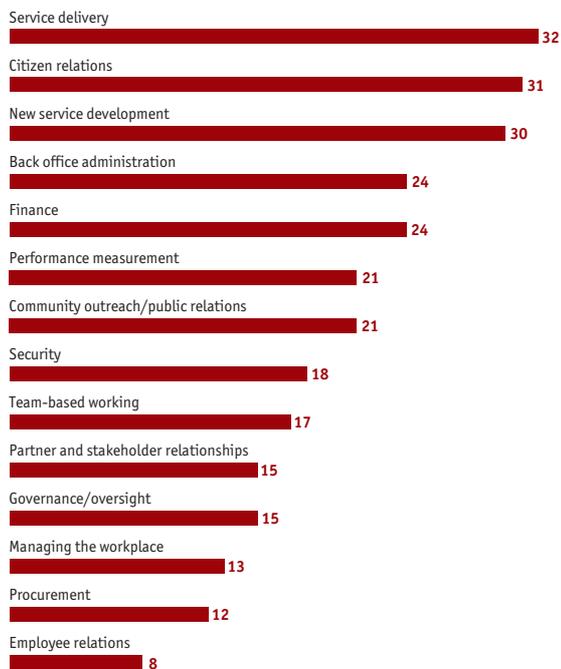
**Appendix 2: Business 2010 survey results—public sector**  
 Business 2010  
 Embracing the challenge of change

Please indicate whether you agree with the following statements about public sector strategy implementation in 2010.  
 (% respondents)

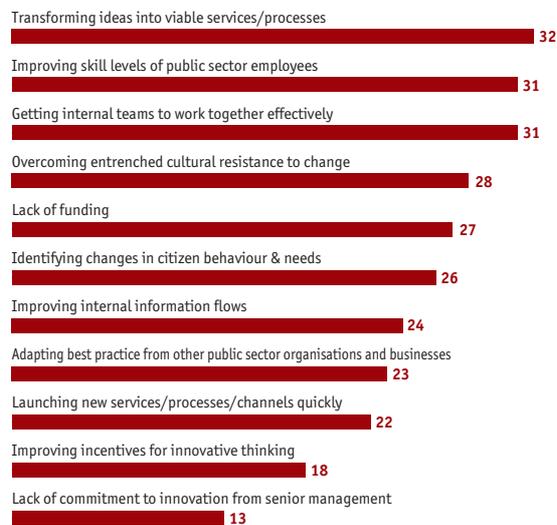
Yes  
 No



In which of the following areas of your operations will IT be most critical in 2010?  
 Please check three only.  
 (% respondents)



Which of the following will be the most significant challenges your organisation will face over the next five years when it comes to innovation?  
 Please select no more than three.  
 (% respondents)

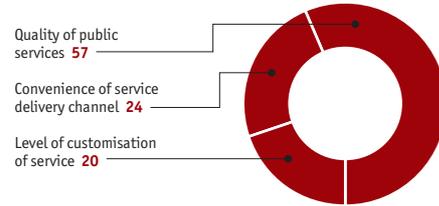


**Appendix 2: Business 2010 survey results—public sector**  
 Business 2010  
 Embracing the challenge of change

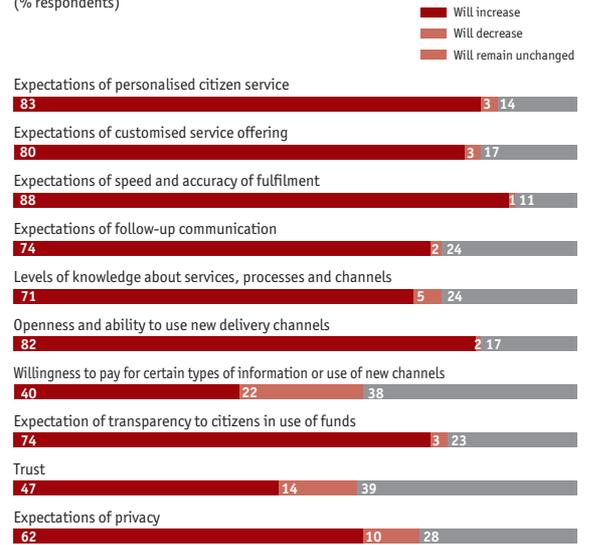
**In which areas of public service innovation do you expect information technology to have the greatest impact over the next five years?**  
 Please select no more than two.  
 (% respondents)



**Which do you believe will be most important to citizens in 2010?**  
 (% respondents)



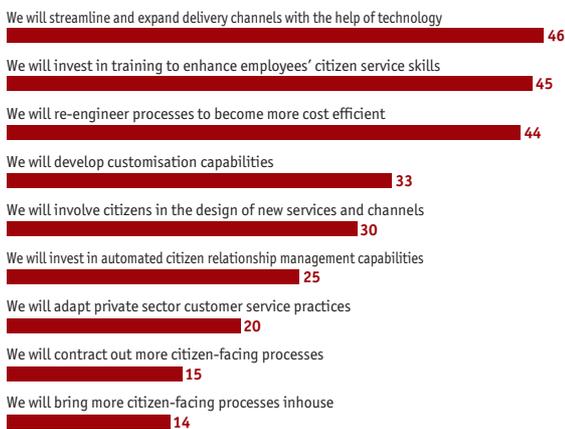
**How will your organisation's customers (citizens) change between now and 2010?**  
 For each of the attributes below, please indicate how you anticipate citizens' behaviour will change.  
 (% respondents)



In view of changing citizen expectations, what will be the most critical ways over the next five years in which IT can facilitate the improvement of citizen relationships? Please rank in order, with 1 being the most critical.

	1	2	3
Streamlining/expansion of service delivery channels	26%	24%	14%
Ensuring greater citizen access to public information	24%	16%	16%
Enabling customisation of services	13%	14%	18%
Availability of performance management data on citizen-facing processes to senior managers	10%	11%	12%
CRM software implementations	9%	9%	13%
Accelerating back office processing of documents	7%	12%	12%
Improving transparency and efficiency of procurement	6%	7%	5%
Enabling citizen involvement in new service/channel design	6%	7%	9%

In light of changing citizen expectations between now and 2010, what do you envisage will be your organisation's critical priorities over the next five years? Please check three only.  
 (% respondents)



Whilst 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 the white paper.

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