

KPMG 2012 Business and Technology Trends

Introduction

KPMG is pleased to release the findings from its 2012 Business and Technology Trends Survey. This survey identifies the top trends and predictions for 2012 based on a global poll of KPMG partners and leadership across its Advisory, Audit, and Tax service groups.

Questions or comments regarding this survey should be directed to [Stan Lepeak](#), Director, Global Research, Management Consulting, at slepeak@kpmg.com or +1 203-458-0677.

Key Findings from the 2012 Business and Technology Issues Survey

It's the (Weak) Economy (Still)

Top market trends for 2012 include ongoing global economic uncertainty and weak consumer and customer demand, at least in Western markets.

Spend Less, Invest More

Market conditions are reinforcing a continued focus on driving down operating costs, though organizations will focus more in 2012 on making investments in new and innovative technologies such as analytics, cloud, social media, and virtualization.

Can we Outsource Management?

It is clear the answer is 'No', yet beyond dealing with global economic uncertainty, other key identified impediments that will hamper efforts to successfully achieve 2012 initiatives are weak or dysfunctional management and operating models, and antiquated IT systems and infrastructure.

This study analyzes the top business and technology trends and predictions for 2012. It examines both negative and positive market business trends, top buyer initiatives for 2012, the challenges faced in pursuing these efforts, and the key factors required to succeed at them. Uncertainty over global economic conditions will remain in 2012, but there is optimism, especially in the Americas, that conditions will improve and drive business growth. Buyers are placing great emphasis on investing in IT-enabled opportunities such as analytics, cloud and social media, and exploiting the consumerization of IT. There is a recognition, however, that organizations need to overhaul their business and operating models to fully exploit these technologies' potential. Given economic uncertainty and an ongoing sense of corporate frugality, all efforts undertaken will occur under watchful, cost-conscious eyes and business cases.

Top 2012 Trends and Predictions

KPMG polled its professionals globally on what their top business and IT trends and predictions are for the coming year. This year's KPMG poll included partners and executives across its Management and Risk Consulting, Tax, and Audit service groups.

Top Negative and Positive Market Impacts

KPMG polled its professionals globally on what market events or conditions they predict will have the biggest *negative* impact on their clients' and prospects' business operations in 2012 (see Figure 1). For all five of the trend questions, each respondent could select up to five responses.

- Seventy-three percent of KPMG professionals polled cited *weak global or regional economies* as likely having the biggest negative impact on businesses and operations.
- Ranked second by 50 percent of KPMG professionals was *weak consumer or customer demand*, a by-product of, and contributor to, ongoing weak economic conditions. *Talent shortages and talent management challenges* were cited as the third mostly likely negative market impact.

There were variations in response levels between the different groups of KPMG professionals. Those operating with clients in Europe, for example, were more sensitive to the threat from the *sovereign debt crisis*, and the *break-up of the Eurozone, Greek/Italian/Spanish, et al. default, as well as an inability of firms to access funding and bank illiquidity*. KPMG professionals working with clients in the Americas, on the other hand, had greater concerns over access to talent and talent management.

Looking on the brighter side, KPMG professionals were also polled on what market events or conditions they predict will have the biggest *positive* impact on their clients' and prospects' business operations in 2012 (see Figure 2).

- A top positive trend cited by 53 percent of KPMG professionals was *improving or rebounding global economic conditions*. A much lower percentage of KPMG professionals in Europe cited this trend. The top positive trend, cited by 48 percent of KPMG professionals, was *expanding emerging market opportunities for selling goods & services*.
- Over one-half of KPMG professionals identified the *maturation of and greater access to innovative technologies (e.g., cloud, social media, and virtualization)* as a top positive market trend.

2012 Trends with Biggest *Negative* Impact on User Organizations

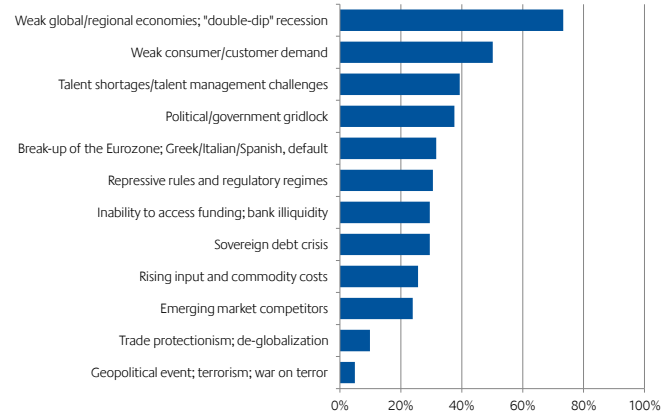


Figure 1

2012 Trends with Biggest *Positive* Impact on User Organizations



Figure 2

Top Client Initiatives

KPMG next polled its professionals globally on the top initiatives their clients are undertaking in 2012 (see Figure 3).

- The top initiative cited by over 69 percent of KPMG professionals was *continue to drive down operating costs*. This remains a constant theme in the market today. The challenge for organizations is how to balance the desire to drive down costs with the needs of the other top initiatives identified, most of which require making investments. Clearly, these efforts will need strong and realistic business cases.
- The second most popular initiative cited by just over 50 percent of advisors was *invest in new or improved information technology such as enterprise systems, business intelligence, cloud, social media*. This is in line with the second most cited positive trend of the *maturation of innovative technologies*. The challenge for buyers is how to fund these investments.

Top 2012 User Organization Initiatives

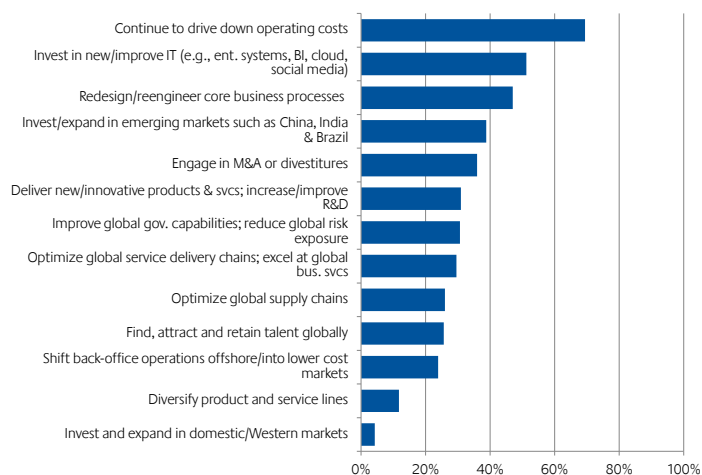


Figure 3

Top Challenges to Initiatives

Next, KPMG examined what the perceived greatest challenges are that organizations face in successfully undertaking the initiatives outlined above. Positively, despite the strong emphasis cited on continuing to drive down operating costs, lack of capital or funding is not expected to present a major hurdle to achieving key initiatives.

- The top challenge cited by 69 percent of KPMG professionals was *dysfunctional or fragmented organizational and operating models, designs and processes* (see Figure 4). Unfortunately, this is not an easy challenge to overcome, regardless of funding levels.
- The second most frequent challenge, cited by 51 percent of KPMG professionals, was *inadequate or antiquated IT infrastructure and systems*. This is not surprising given the emphasis cited separately on investing in new and innovative technologies.

Top Challenges to Successfully Undertaking 2012 Initiatives



Figure 4

Top Enablers for Initiatives

The final 2012 prediction asked what top capabilities are needed to successfully undertake these top initiatives. Here again, a broad range of capabilities were identified.

- The top capability cited by one-half of KPMG professionals was the need for *smart and innovative management and management practices* (see Figure 5). This is a potential elixir for the challenges of dysfunctional organizational and operating models cited above.
- A top capability cited by KPMG professionals, at thirty-six percent, was *global business services and integrated and consistent service delivery models*. Success with *alternative services delivery models such as shared services and outsourcing*, a closely related capability, was also ranked highly by KPMG professionals along with *reporting and analytics to make business decisions*.

Top Capabilities Required to Successfully Undertake Top 2012 Initiatives

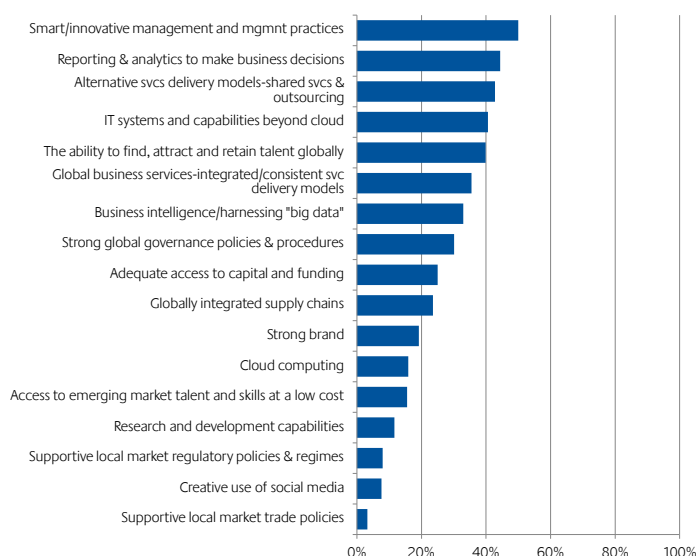


Figure 5

Overall, organizations have a broad range on initiatives on their collective agendas for 2012. They are focused both on their top and bottom lines, as well as on overhauling core business processes, operating models, and supporting infrastructures. Buyers face many diverse impediments to successfully undertaking these initiatives, some of which, such as organizational dysfunctionality, lack of talent, and an inability to innovate, will prove challenging to overcome without some radical restructuring. Some of these impediments have been exacerbated by ongoing difficult global economic conditions, but in other cases market conditions and the rise of new, often more nimble and innovative global competition, have laid them bare.

Where to Learn More Global Market Trends

KPMG Online Research Portals and Blogs

[Directory of all KPMG Institutes](#)

Conclusions

We offer the following conclusions from the 2012 Business and Technology Trends:

- Top market trends for 2012 include ongoing global economic uncertainty and weak consumer and customer demand. While there is optimism for an improving, though not strong, North American economy, great uncertainty and concern remains over Europe. The result is a continued and increasing emphasis by Western firms on prioritizing investments and business growth in emerging and non-Western markets.
- Market conditions are reinforcing a continued focus on driving down operating costs, though organizations will focus more in 2012 on making investments in new and innovative technologies such as analytics, cloud, social media and virtualization. This sets up the challenge of balancing these two potentially competing agendas. Organizations recognize, but have not yet necessarily figured out how to address the need to overhaul their operating models to take advantage of these new technological capabilities, such as through embedding advanced reporting and analytics capabilities into the fabric of business operations, moving more legacy applications to cloud environments, or exploiting social media for economic gain.
- Beyond dealing with global economic uncertainty, other key identified impediments that will hamper efforts to successfully achieve 2012 initiatives are weak or dysfunctional management and operating models, and antiquated IT systems and infrastructure. While addressing these issues requires funding and resources, the consensus is that smart and innovative management, the ability to execute operational agendas and engaged management teams will differentiate successful firms more so than large budgets. Despite globalization there is also concern over access to adequate talent and successfully competing for talent on a global scale.
- End-user organizations continue to more frequently look inward to improve their global business services delivery capabilities. As buyers strive to improve the maturity and integration of their global business services efforts, they are often challenged to optimally balance the costs and benefits of doing so.

Appendix

	All	IT	Business Process	All Funcions	Global	Americas	EMEA
Biggest NEGATIVE Trends							
Weak global/regional economies; "double-dip" recession	75%	79%	66%	76%	65%	74%	84%
Geopolitical event; terrorism; war on terror	5%	6%	9%	0%	13%	8%	3%
Trade protectionism; de-globalization	12%	3%	22%	15%	17%	13%	6%
Political/government gridlock	33%	35%	34%	30%	35%	44%	23%
Repressive rules and regulatory regimes	27%	32%	31%	21%	35%	26%	19%
Sovereign debt crisis	21%	18%	19%	21%	26%	21%	32%
Break-up of the Eurozone; Greek/Italian/Spanish, et al default	29%	29%	22%	30%	26%	23%	35%
Talent shortages/talent mgmnt challenges	39%	44%	44%	39%	30%	44%	35%
Emerging market competitors	25%	27%	22%	33%	26%	23%	23%
Inability to access funding; bank illiquidity	27%	27%	31%	24%	22%	23%	42%
Weak consumer/customer demand	48%	50%	47%	46%	39%	49%	52%
Rising input and commodity costs	21%	15%	19%	27%	17%	21%	23%
Biggest POSITIVE Trends							
Improving/rebounding global economic conditions	48%	34%	44%	53%	46%	54%	37%
Relative geopolitical calm globally; decline in terrorism	8%	3%	9%	13%	17%	5%	10%
Continued trade liberalism; globalization	25%	31%	19%	25%	29%	15%	30%
New, more bus. friendly government	12%	17%	9%	9%	8%	13%	10%
Lessening of repressive rules/reg. regimes	4%	3%	6%	3%	4%	3%	3%
Easing/resolution to sovereign debt crisis	10%	0%	6%	19%	8%	10%	10%
Improving Eurozone conditions & stability	27%	29%	25%	28%	21%	18%	43%
The ability to tap into skilled global talent pools	27%	40%	19%	28%	21%	26%	30%
Expanding emerging market opportunities	56%	60%	44%	59%	63%	54%	57%
Improved access to capital at competitive rates	20%	26%	34%	9%	25%	33%	13%
Improving consumer/customer demand	38%	43%	34%	38%	46%	41%	27%
Easing/decline in input & commodity costs	12%	9%	9%	13%	8%	13%	10%
Maturation of/greater access to innovative technologies	48%	46%	50%	53%	50%	56%	37%
Top 2012 Initiatives							
Invest and expand in domestic/Western markets	4%	6%	0%	3%	4%	5%	3%
Invest and expand in emerging markets	28%	31%	22%	30%	21%	28%	42%
Optimize global supply chains	19%	17%	19%	21%	17%	13%	26%
Optimize global service delivery chains	33%	42%	41%	21%	42%	30%	35%
Engage in M&A or divestitures	32%	31%	34%	33%	33%	40%	19%
Deliver new/innovative prods & svcs into the market; increase/improve R&D	24%	33%	16%	21%	21%	18%	29%
Find, attract and retain talent globally	22%	22%	25%	24%	38%	23%	13%
Continue to drive down operating costs	73%	75%	72%	76%	79%	68%	71%
Invest in new/improve IT	40%	50%	25%	42%	38%	35%	39%
Redesign/redesign core bus. processes	34%	28%	31%	42%	25%	40%	29%
Shift back-office ops offshore/into lower cost markets	32%	31%	31%	30%	25%	35%	29%
Improve global governance capabilities; reduce global risk exposure	33%	28%	38%	36%	29%	40%	32%
Diversify product and service lines	9%	11%	13%	6%	4%	5%	16%

	All	IT	Business Process	All Functions	Global	Americas	EMEA
Biggest Challenges to Initiatives							
Lack of access to capital; poor liquidity; inadequate funds to invest	21%	15%	17%	29%	21%	10%	32%
Inadequate mgmnt/board skills & capabilities	41%	35%	57%	32%	38%	43%	39%
Competitive pressures from traditional competitors	10%	9%	13%	3%	13%	10%	10%
Competitive pressures from new/emerging market competitors	19%	21%	13%	23%	21%	18%	16%
Inadequate/antiquated IT infrastructure & systems	48%	56%	53%	39%	42%	45%	45%
Inadequate/fragmented global business services capabilities	41%	47%	30%	45%	42%	33%	45%
Inadequate/antiquated local market physical infrastructure	3%	0%	0%	7%	0%	3%	3%
Restrictive government trade policies	3%	0%	3%	3%	4%	5%	3%
Restrictive government regulatory policies; hostile business environments	14%	21%	17%	7%	25%	10%	13%
Lack of adequate & skilled talent; inability to attract & retain talent	45%	50%	47%	45%	42%	48%	32%
Dysfunctional/fragmented org./operating models, designs & processes	71%	65%	63%	74%	75%	73%	61%
Inability to innovate	40%	50%	33%	36%	25%	35%	42%
Lack of global scale	24%	27%	23%	26%	29%	15%	23%
Top Capabilities Required to Successfully Undertake Top 2012 Initiatives							
Access to emerging market talent & skills at a low cost	13%	15%	7%	13%	13%	14%	10%
Adequate access to capital and funding	18%	15%	10%	26%	8%	11%	31%
Alternative svc delivery models-shared services & outsourcing	50%	46%	53%	48%	50%	54%	45%
BI/harnessing "big data"	28%	30%	20%	32%	25%	27%	24%
Cloud computing	20%	21%	20%	19%	21%	27%	14%
Creative use of social media	10%	18%	7%	7%	17%	5%	7%
Global business services	45%	46%	43%	45%	42%	54%	41%
Globally integrated supply chains	16%	21%	10%	16%	13%	14%	21%
IT systems and capabilities beyond cloud	36%	46%	30%	32%	38%	41%	31%
Research and development capabilities	6%	3%	3%	10%	8%	3%	7%
Smart/innovative mgmnt practices	53%	61%	53%	45%	50%	51%	52%
Strong brand	20%	21%	23%	23%	17%	11%	38%
Strong global gov. policies/procedures	44%	46%	53%	39%	50%	43%	34%
Supportive local reg. policies/regimes	5%	6%	10%	3%	4%	5%	3%
Supportive local market trade policies	3%	3%	7%	0%	4%	0%	3%
Ability to find, attract & retain talent	36%	39%	27%	48%	33%	38%	34%

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