

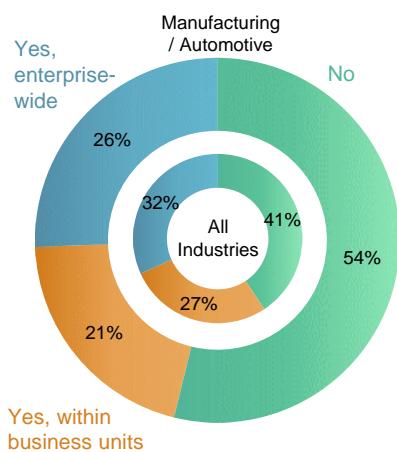


The Harvey Nash/KPMG CIO Survey is one of the largest IT leadership study in the world, with almost 4,000 respondents across 84 countries, representing over US\$300bn of IT budget spend.

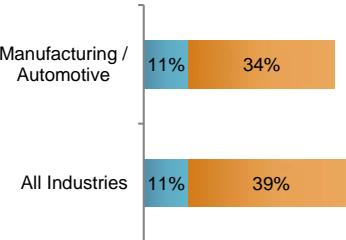
This Manufacturing/Automotive industry snapshot provides survey responses from more than 350 IT leaders on some of the key topics, and highlights several areas where this industry's responses differed significantly from those across all industries.

Digital Strategy

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



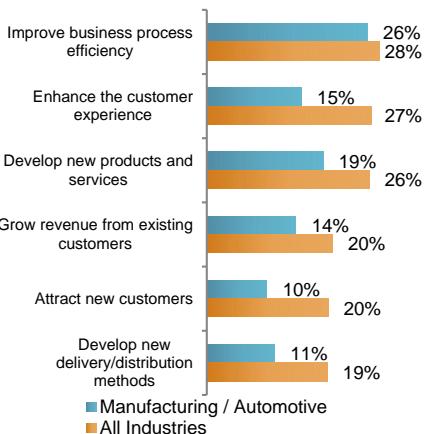
Does your organization have a Chief Digital Officer or someone serving in that capacity?



■ Yes, we have a dedicated CDO
■ Yes, CIO or someone else in that role

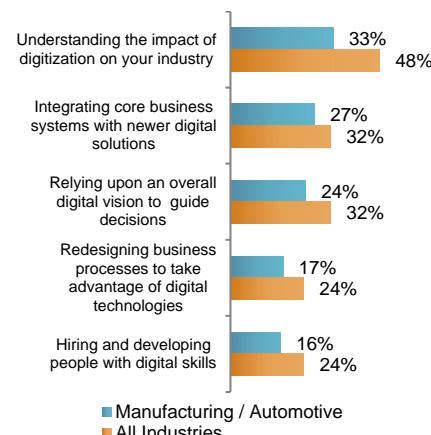
45% of Manufacturing companies have a CDO or equivalent, with 11% having a dedicated CDO, and an additional 34% having the CIO or someone else acting in that role. Overall, Manufacturing is less likely than other industries to have a single executive lead their digital strategy.

How effective has your organization been in using digital technologies to advance the following goals? (Very/Extremely Effective)



While Manufacturing companies **nearly match cross-industry peers in their effectiveness in using digital to improve business process efficiency** (26% vs. 28% for all industries), they heavily trail other industries in achieving all other goals.

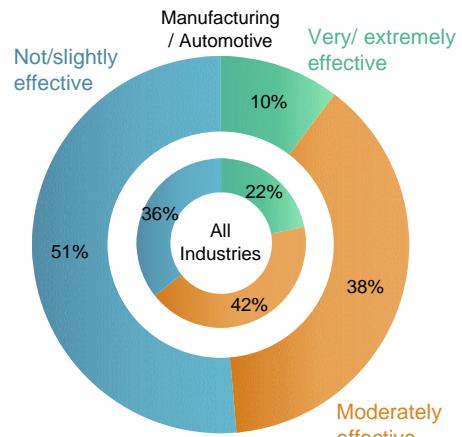
How effective is your organization at each of the following capabilities? (Very/Extremely Effective)



■ Manufacturing / Automotive
■ All Industries

Manufacturing effectiveness in key digital capabilities lags peers in other industries. Manufacturing companies are **most effective at understanding the impact of digitization** (33% vs 48% for all industries), but **struggle with hiring and developing people with digital skills** (16% vs. 24%).

Overall, how effective has your organization been in using digital technologies to advance its business strategy?

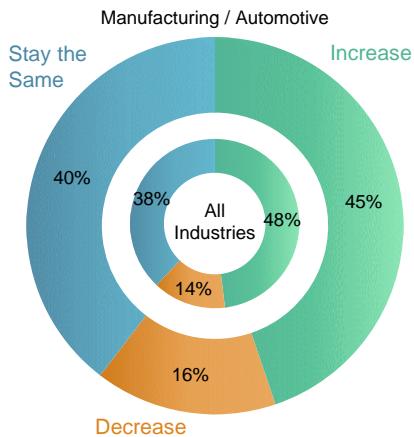


Likewise, Manufacturing companies **report extremely low overall effectiveness levels in their digital strategies**, with just 10% describing their digital strategy as very effective or better, and more than half describing it as slightly effective or worse.

When prioritizing digital investments, Manufacturing companies **most heavily focus on improving business process efficiency** (62% vs. 54% for all industries) and **enhancing the customer experience** (55% vs. 60%).

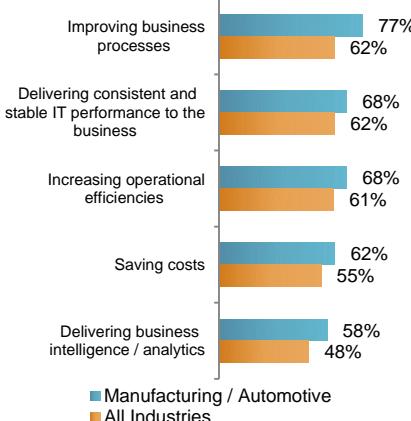
Budget/Priorities

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



Manufacturing companies are **slightly less optimistic** about their IT budgets for next year than companies in other industries, with 45% expecting an increase in their IT budgets, compared to an all-industries average of 48%.

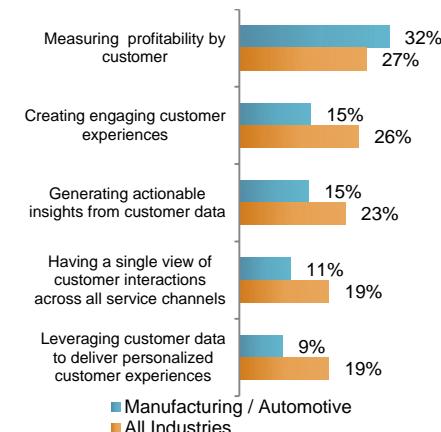
What are the key business issues that your management Board are looking for IT to address? (top 5)



Compared to IT priorities in other industries, Manufacturing management Boards **more heavily emphasize cost-oriented goals** such as improving business processes (77% vs. 62% for all industries), and increasing operational efficiencies (68% vs. 61%).

Customer Capabilities

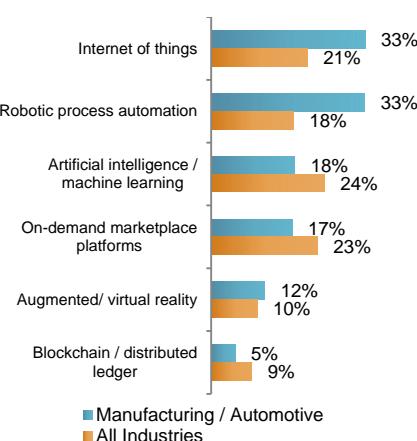
How effective is your organization at each of the following capabilities? (Very/Extremely Effective)



Manufacturing **excels at measuring profitability by customer** (32% vs. 27% for all industries), **but struggles with its effectiveness in other critical customer-focused capabilities**, with no more than 15% rating themselves at least very effective at any, well below cross-industry benchmarks.

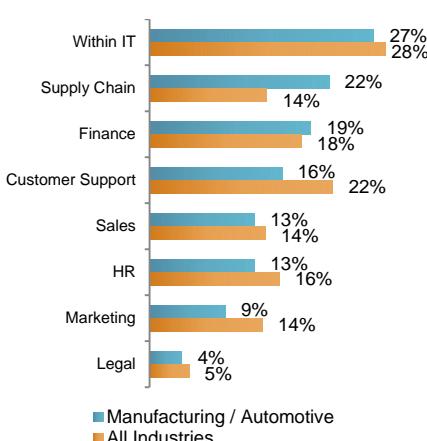
Technology & Innovation

How would you characterize your investment in the following technologies? (Moderate/Significant Investment)



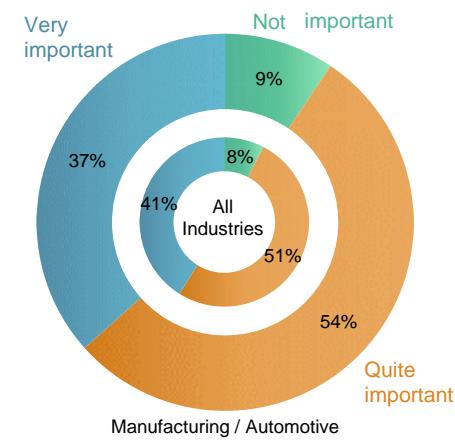
Of next-generation technologies, Manufacturing companies are **most likely to have invested in the Internet of Things** (33% vs. 21% for all industries) and **robotic process automation** (33% vs. 18%).

In which functions have you implemented digital labor / automation?



While digital labor remains in its relative infancy both in Manufacturing and elsewhere, Manufacturing has most focused its **digital labor/automation efforts within IT** (27% vs. 28% for all industries) and in **Supply Chain** (22% vs. 14%).

How important is it to have an innovative, experimental culture in your organization to ensure its digital strategy is a success?



As with companies in other industries, Manufacturing companies **view having an innovative, experimental culture as a critical component of the success of their digital strategies**, with 91% viewing it as very or quite important.

Conclusion

Compared to other industries, industrial manufacturing (IM) and automotive companies have been slow to adopt an advanced digital strategy. This comes as no surprise, as these industries have traditionally focused on optimizing their supply chain and manufacturing operations through robotic automation. As IM/automotive companies look to continue to transform their operations, earlier adopters of these new digital technologies will likely have a competitive advantage. This is especially true for companies that look to take advantage of all the sensor technologies that are now available for products and production facilities. Several of KPMG member firms' clients are already starting to experiment with harvesting data from IoT sensors in products and factory equipment to deliver new insights to optimize their business. It is very interesting that only a third of CIOs in the IM and automobile industry think that their IT organizations understand the impact of this digitization. This lack of understanding may ultimately hurt these industries if they do not begin to evaluate the power of these technologies and the benefit they can present to their organizations.

www.kpmg.com/ciosurvey

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