

FORTUNE



Custom Research Study

Driving Innovation through Telecom Investments

**Prepared for
Qwest**

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Prepared by IDG Research Services and Fortune

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Survey Overview & Objectives

This U.S. research program was conducted for Qwest among senior business executives and senior IT executives to explore the following hypotheses:

- Centrally managing critical business applications and providing 24x7 access to these applications allows businesses to achieve near-term cost savings, enjoy enhanced performance and deploy additional functions/applications to their users and customers.
- Data, voice and network services can be leveraged to drive innovation within the organization
- Companies that continue to invest in data, voice and network services during slow economic times will gain important benefits and maintain a competitive advantage.

Qwest offers a comprehensive portfolio of data and voice networking communications solutions to enterprises, government agencies and educational institutions. In this study we sought business and IT executives' opinions on their own data and voice networking environment's effectiveness, and the ways in which their companies are using or seek to use data, voice and network services to gain important business benefits. More specifically, we explored the following:

- Impact of ability or inability to access critical business applications from any location
- Performance of organizations' data and voice networking environments in various areas
- Ways in which investments in data, voice and network services can drive innovation
- Productivity and cost-savings benefits gained from investments in data, voice and network services during the past 2 years
- Important advantages that can be gained from continued investment in data, voice and network services during slow economic times
- Outsourcing plans for data, voice and network services and benefits expected from outsourcing
- Importance of factors when selecting an outsourcing partner

Methodology

This study was conducted in the U.S. among business and IT executives at a cross-section of industries and company sizes.

The survey was administered online. Each sample member received an email invitation containing a URL link to access the survey, which they could click on or paste into their browser.

Two separate versions of the survey were fielded – one among qualified members of the Fortune audience (CEOs/Presidents/Owners/Partners, CFOs/Treasurers/Controllers, COOs/GMs, EVPs/SVPs or VPs, Directors and other corporate business management) and one among qualified members of the CIO audience (CIOs/CTOs, CSOs/CISOs, EVPs/SVPs or VPs of IT, IT Directors and other senior IT management). The survey versions were identical with the exception of the job title list, branding, and two questions regarding central management of IT tasks that were asked among the CIO audience only.

The study was conducted between April 28, 2009 and May 6, 2009. A total of 280 surveys were completed (138 among business executives and 142 among IT executives).

Key Findings

Top Business Challenges: Costs. Productivity. Revenue.

- The top three challenges facing business and technology executives today are managing expenses, increasing operational efficiencies and maintaining or creating revenue growth.
- IT executives, on the front line of many process improvement initiatives, are much more likely than business executives to note that increasing workforce productivity and managing organizational change are top challenges.
- Yet an assessment of some of the tactical areas that businesses can optimize to address these challenges reveals that only a minority of organizations are highly effective in areas that will help them manage costs, increase productivity or grow revenue.

Leveraging Technology for Optimal Customer Experience: Room for Improvement

- The research reveals that only one-third of companies report they are highly effective at leveraging technology to facilitate quick and efficient customer service, and a similar or smaller percentage of companies report effectiveness in utilizing new, interactive methods of communicating with customers or integrating multiple communication channels to provide a consistent face to the customer.
- Clearly, business and technology executives share the desire for improved customer communication and see the as-of-yet unrealized potential of technology to provide solutions.

Driving Innovation

- There is widespread belief among IT and business executives that investments in data, voice and network services can be leveraged to drive innovation within their organizations.
- The majority of these executives believe these investments can increase access to critical business applications for remote/mobile employees (a key contributor to overall workforce productivity improvements), improve employee productivity by decreasing process times, and provide the infrastructure to support development of new products and services.
- In addition a significant percentage of IT executives report these investments will help provide the infrastructure to rapidly scale up or down to meet changing business needs, a particularly important ability in times of economic uncertainty.

Key Findings (continued)

Challenging Economic Times: Invest for the Long-Term (and the Short-Term)

- Business and technology executives see the value from investing in data, voice and network services, citing important business benefits like cost reduction and increased productivity from their investments (two of the top three business challenges facing companies today).
- In fact, while the majority of IT and business executives note the economy is slowing investments in data, voice and network services, the research provides evidence that investments should not be delayed. Respondents report that, on average, roughly 50% of their investments in data, voice and network services over the past two years resulted in productivity or cost savings within the first 12 months.

Detailed Findings

Lowering business expenses is a top challenge today but companies are also focusing on initiatives that may help position them for future growth.

Lowering business expenses is the top challenge facing organizations today according to both IT and business executives. This is not surprising given the economic climate organizations are currently operating in. However, companies are also focusing on maintaining and increasing revenues, productivity improvements and new product development – areas that may help to position them for growth as the economy recovers. IT executives, on the front line of many process improvement initiatives, are much more likely than business executives to note that increasing workforce productivity and managing organizational change are top challenges. However, business executives are much more likely to see retaining valued employees as a challenge.

What are the top three challenges facing your business currently? (Q.15a)

	CIO	Fortune
Lowering business expenses	69%*	57%
Maintaining/increasing topline revenues	46%	43%
Increasing workforce productivity	42%*	28%
Bringing new products/services to market effectively	34%	30%
Managing organizational change	30%	21%
Retaining valued employees	15%	27%*
Implementing new technology	15%	18%
Communicating features and benefits of your products/services to customers	13%	18%
Maintaining/developing an effective sales force	12%	14%
Managing multiple sales channels	11%	10%
Determining product/service mix	8%	9%
Other	1%	4%
Don't know	1%	7%

Bases: CIO: 142 respondents; Fortune: 138 respondents

*Denotes a statistically significant difference between the CIO and Fortune audiences.

Fewer than half of the respondents note they are highly effective in areas that can address key business challenges facing companies today.

A view across the tactical areas that businesses can optimize to help address these key challenges (cost reduction, revenue growth, productivity improvements, product/service development, and more) reveals that in most areas less than one-half of respondents rate their organizations as highly effective. This view is commonly held by both IT and business executives.

Companies are least effective in utilizing new, interactive methods of communication with customers, and in structuring their organizations for scalability as business needs change. Integrating multiple communication channels to provide a consistent face to the customer and leveraging technology for more efficient customer service are other areas where the majority of companies are not as effective.

When it comes to providing employees with quick and efficient access to information, 86% of IT executives* and 67% of business executives report that processes, customer service or project implementations at their organizations are being slowed due to employees waiting for information from other employees or business partners. More than one-quarter (27%) report the impact is significant, while 49% note a more moderate impact on processes, customer service and project implementations.

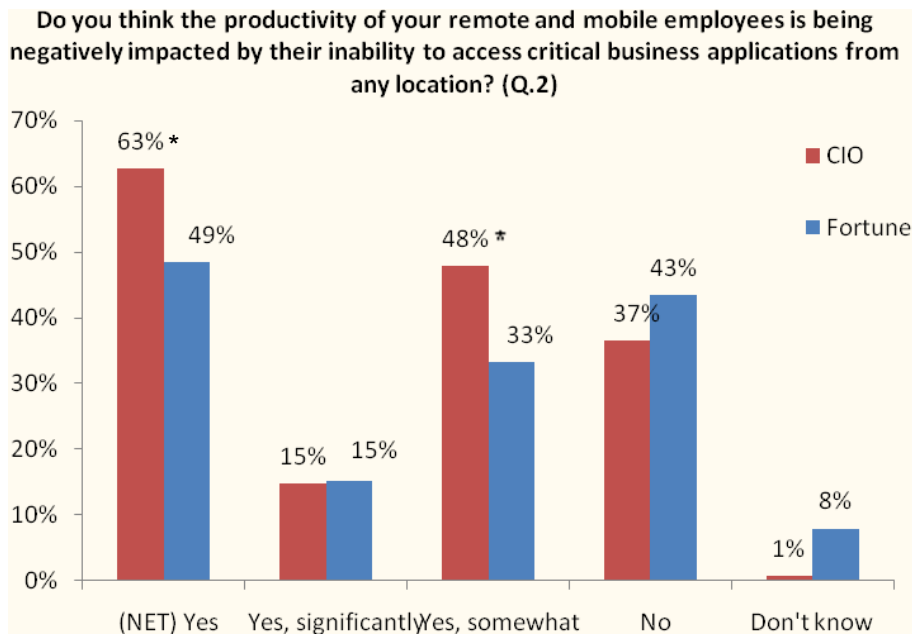


Bases: CIO: 142 respondents; Fortune: 138 respondents

*Denotes a statistically significant difference between the CIO and Fortune audiences.

Ability to access critical business applications is central to productivity of remote and mobile employees.

Both IT and business executives report that productivity of their remote and mobile employees is being negatively impacted by their inability to access critical business applications from any location. Among those on the front lines of supporting end user access to critical business applications, IT executives are significantly more likely to note this negative impact (63%) than business executives (49%).

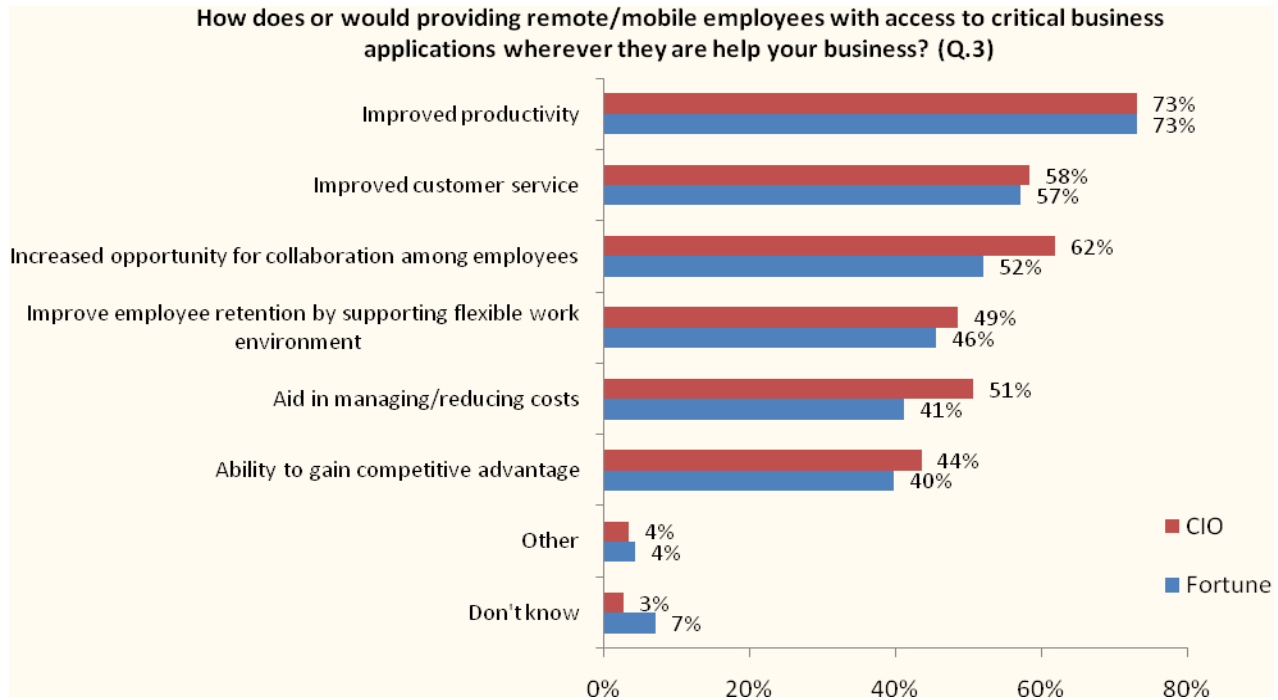


Bases: CIO: 142 respondents; Fortune: 138 respondents

*Denotes a statistically significant difference between the CIO and Fortune audiences.

Any time/anywhere access to critical business applications is key to improving workforce productivity.

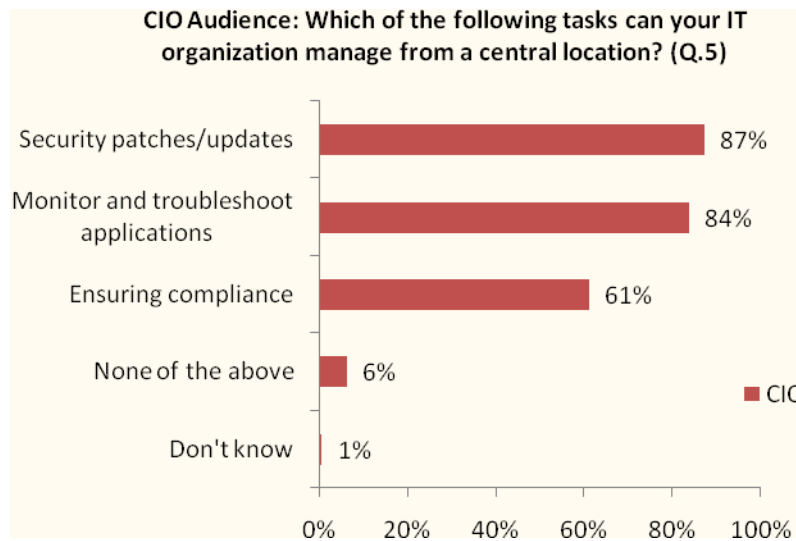
IT and business executives agree that providing remote/mobile employees with access to critical business applications from wherever they are will improve productivity. They also note its positive impact on customer service. IT executives have greater recognition that providing remote employees with access to critical business applications will increase opportunity for collaboration and aid in managing/reducing costs.



Bases: CIO: 142 respondents; Fortune: 138 respondents

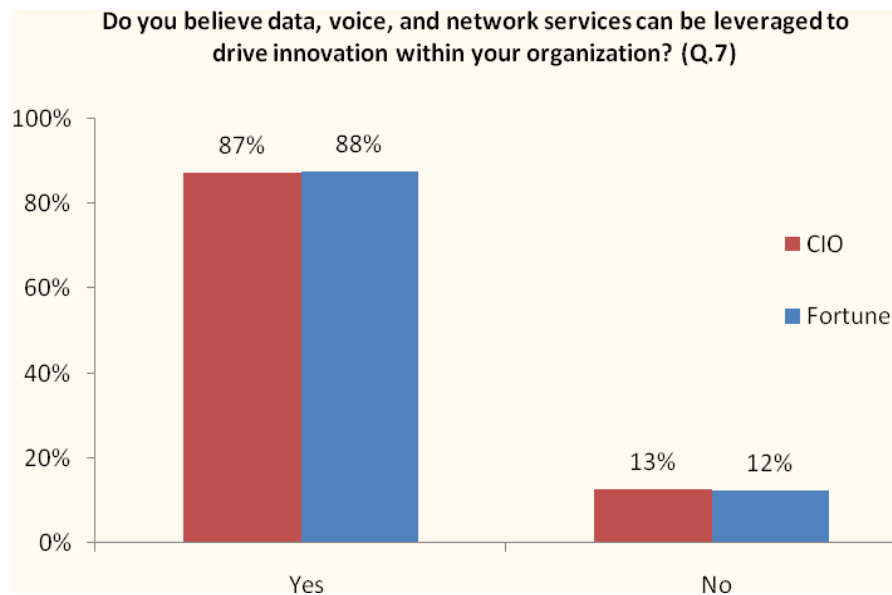
Centralized management of key IT tasks helps address key challenges like workforce productivity, cost reduction and improved customer service.

As previously noted, IT executives are more likely than business executives to be focused on workforce productivity as a top challenge facing their organizations today. Centralized management of tasks like security patches/updates, monitoring and troubleshooting applications and ensuring compliance is one tool that is available to many of the companies surveyed and is widely viewed as resulting in improved productivity of the IT staff and reducing costs.



The research reveals widespread belief that investments in data, voice and network services can be leveraged to drive innovation.

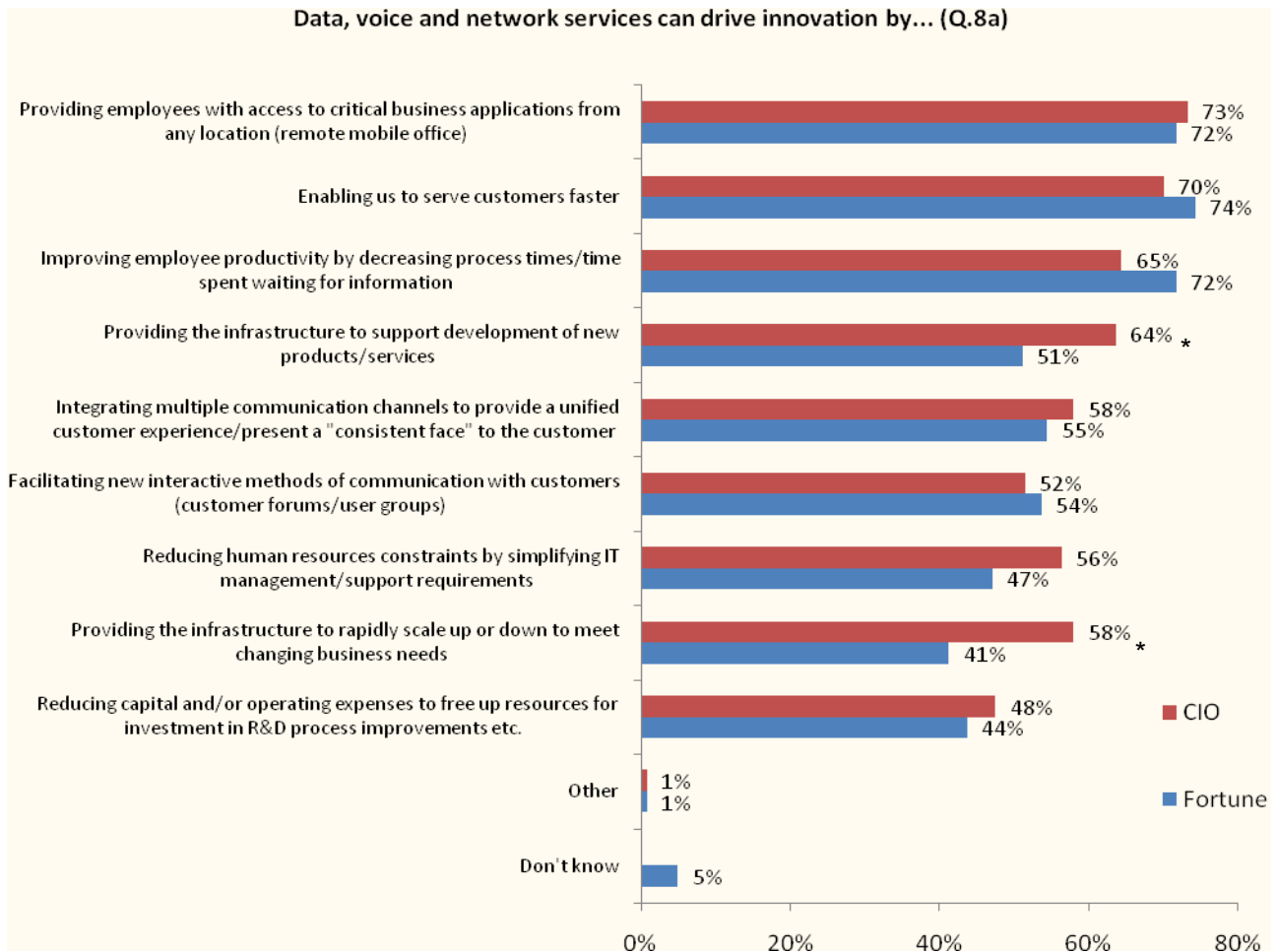
Nearly nine out of ten IT and business executives believe that data, voice and network services can be leveraged to drive innovation within their organizations. This view is consistent among both IT and business executives across small, medium and large organizations.



Bases: CIO: 142 respondents; Fortune: 138 respondents

IT and business executives tie investments in data, voice and network services to improvements in productivity and efficiency.

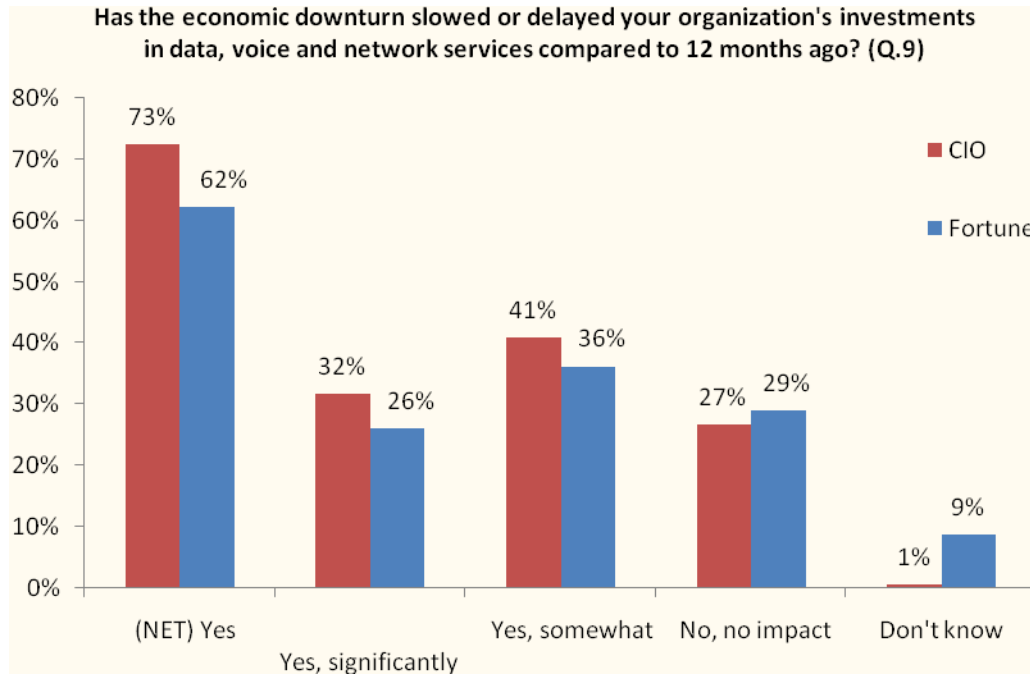
IT and business executives report that data, voice and network services be leveraged to drive innovation in a variety of ways. Chief among them, providing employees with access to critical business applications from any location; enabling faster customer service; and improving employee productivity by decreasing process times and time spent waiting for information. All are common challenges facing organizations today. IT executives also understand that data, voice and network services are integral to providing the infrastructure to support product development and meet changing business needs.



Bases: respondents who believe data, voice and network services can be leveraged to drive innovation within the organizations;
 CIO: 124 respondents; Fortune: 121 respondents
 *Denotes a statistically significant difference between the CIO and Fortune audiences.

Economy is slowing investments in telecommunications services.

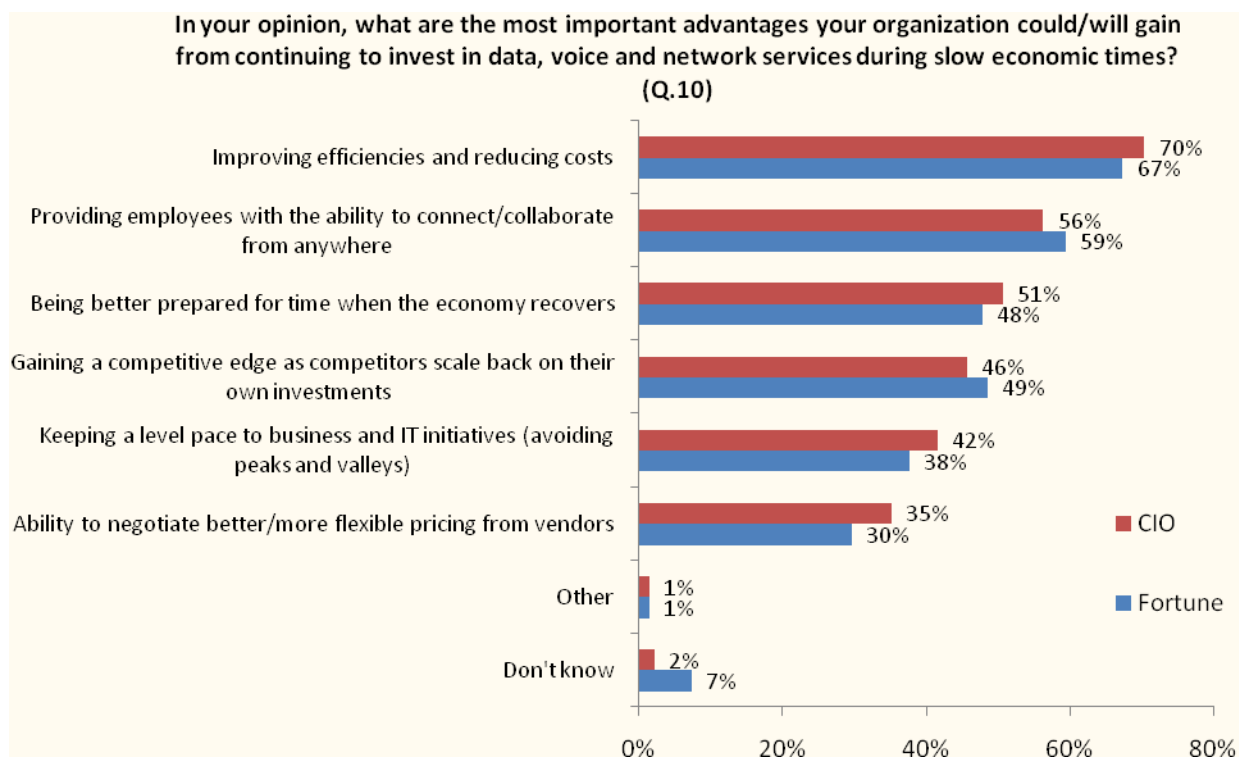
A majority of IT and business executives report that the economic downturn has slowed or delayed their organization’s investments in data, voice and network services compared to 12 months ago. IT executives are more aware of how the economy is impacting investments in IT than their business counterparts.



Bases: CIO: 142 respondents; Fortune: 138 respondents

Both IT and business executives agree that companies that continue to invest in data, voice and network services during slow economic times will gain important benefits.

While many executives report the reality of slowing investments in the current economic climate, more than two-thirds of respondents acknowledge that continuing to invest in data, voice and network services (rather than delaying those investments) yields numerous business benefits including improved efficiencies and reduced costs. With cost reduction topping the list of business challenges today, the results suggest that companies would be wise to continue, rather than delay, investment in telecommunications services even in periods of economic recession.



Bases: CIO: 142 respondents; Fortune: 138 respondents

Investments in data, voice and network services drive increased productivity and cost savings, frequently in the immediate to short-term timeframe.

IT and business executives report that, on average, nearly 50% of their investments in data, voice and network services over the past 2 years have resulted in immediate or short-term productivity or cost savings, while roughly one-third of IT executives note these investments have laid the groundwork for future productivity or cost savings. These findings further illustrate that continuing to invest in telecommunications services, even during slow economic times, can result in immediate benefit to the business.

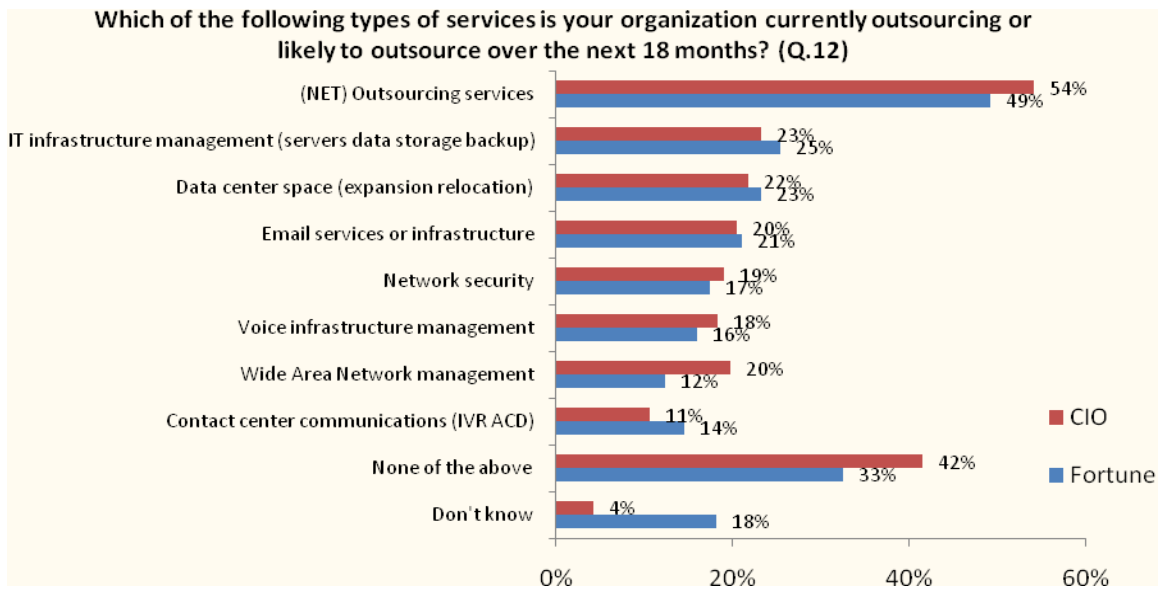
Roughly what proportion of your organization’s investments in data, voice and network services over the past 2 years have resulted in immediate, short-term, mid-term or long-term productivity or cost savings? (Q.11)

	CIO (Ave. %)	Fortune (Ave. %)
Immediate productivity or cost savings (0-6 months to realize)	25%	27%
Short-term productivity or cost savings (7-12 months to realize)	23%	21%
Laid the groundwork for future productivity or cost savings (13+ months)	33%	26%
No noticeable/expected productivity or cost savings	19%	26%

Bases: CIO: 142 respondents; Fortune: 138 respondents

One out of two companies is outsourcing data, voice, or network services.

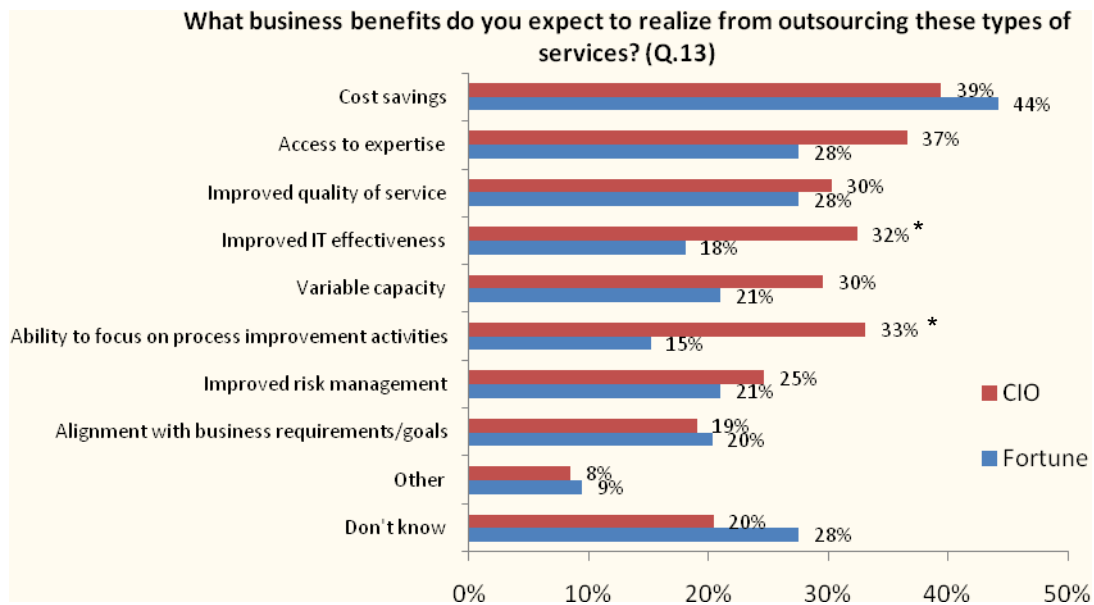
Roughly one-half of IT and business executives (52%) report they are likely to outsource some type of data, voice or network service over the next 18 months. IT executives are slightly more likely to report plans to outsource these services than business executives.



Bases: CIO: 142 respondents; Fortune: 138 respondents

IT executives have a better understanding of the benefits of outsourcing data, voice and network services, suggesting the need for better understanding about these benefits among business decision-makers.

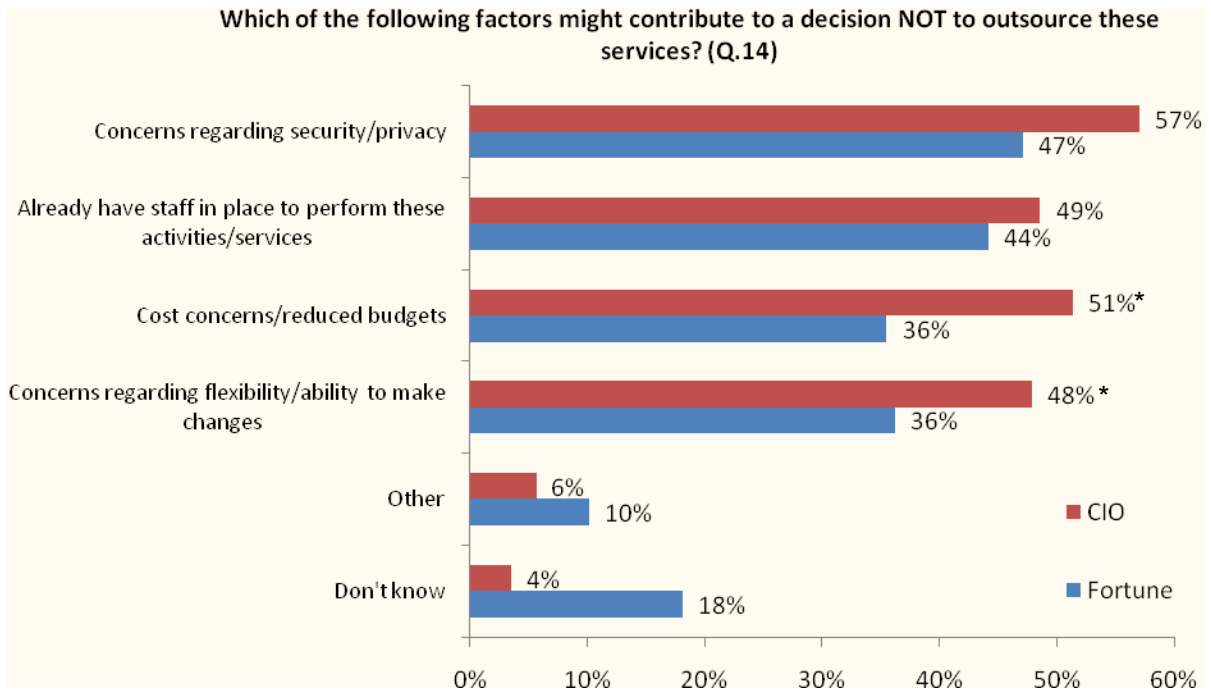
Cost savings is the most frequently cited benefit from outsourcing data, voice and network services, followed by access to expertise. Among IT executives, outsourcing is seen as more than a method for reducing costs. In fact IT executives are more likely to view outsourcing as a means for extending and enhancing the organization’s capabilities by providing access to expertise, improving IT effectiveness and allowing the IT organization to focus on process improvement activities.



Bases: CIO: 142 respondents; Fortune: 138 respondents
*Denotes a statistically significant difference between the CIO and Fortune audiences.

IT executives place higher importance on costs and control in decisions not to outsource than business executives.

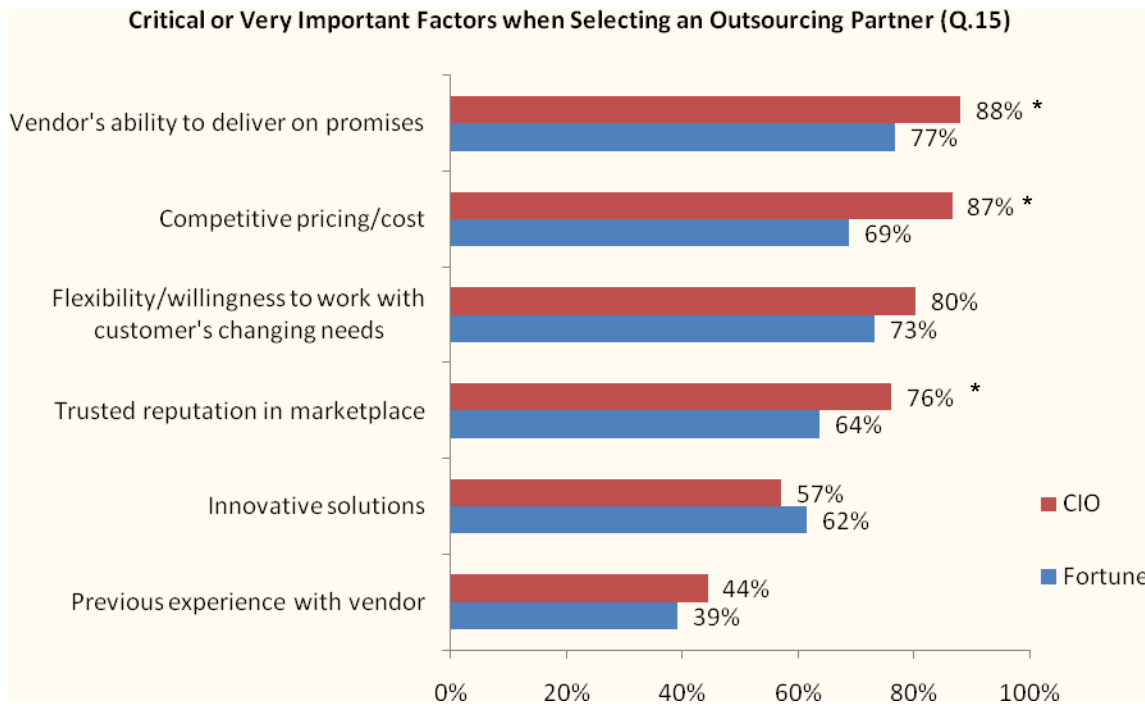
Factors that are likely to contribute to an organization’s decision not to outsource include concerns regarding security and privacy, existing staff, cost concerns and concerns regarding flexibility. IT executives have greater concerns about outsourcing, which focus on security, cost and flexibility to make changes.



Bases: CIO: 142 respondents; Fortune: 138 respondents
*Denotes a statistically significant difference between the CIO and Fortune audiences.

Competitive pricing alone will not win outsourcing business – ability to deliver on promises and flexibility are key vendor attributes.

IT and business executives agree that a vendor’s ability to deliver on promises, competitive pricing, and flexibility/willingness to work with a customer’s changing needs are among the most important factors when selecting an outsourcing partner. However, IT executives (as compared to business executives) are significantly more likely to rate ability to deliver on promises and competitive pricing as highly important in their selection of an outsourcing partner. Among business executives flexibility is the second most important factor, followed by price. Reflecting the expectations many IT organizations have of their outsourcing partners, having a trusted reputation in the marketplace is significantly more important to IT executives than business executives when selecting an outsourcing provider.



Bases: CIO: 142 respondents; Fortune: 138 respondents

*Denotes a statistically significant difference between the CIO and Fortune audiences.

Job Titles	CIO	Fortune
IT Management (NET)	82%	19%
Director of IS/IT or related function	26%	3%
Other IT management	16%	7%
CIO/CTO	20%	0%
Executive VP/Sr. VP/VP of IS/IT or related function	9%	1%
Consultant/Systems Integrator	4%	7%
CSO/CISO (Chief Security Officer/Chief Information Security Officer)	4%	0%
Line of Business Technology Executive (Chief/Head/Executive Director/Managing Director/Director)	2%	1%
Corporate Management (NET)	18%	81%
Executive VP/ Sr. VP/ VP or director	5%	20%
CEO President Owner Partner	4%	12%
COO/General Manager	1%	4%
CFO/Treasurer/Controller/VP Finance	1%	1%
Other corporate/business unit management	6%	44%

Respondent Profile

Industry	CIO	Fortune
Financial services/Real estate/Insurance	17%	15%
Business/Professional services	11%	12%
Hardware/Software/Networking	8%	9%

Healthcare	11%	3%
Auto/Industrial/Manufacturing	9%	3%
Telecommunications	4%	8%
Wholesale/Retail trade	3%	7%
Government: State or Local	6%	4%
Chemicals/Energy/Utilities	4%	4%
Media/Entertainment/Travel/Leisure	4%	4%
Other public sector/Nonprofit (including Education)	3%	4%
Aerospace/Defense	4%	2%
Food/Beverages/Consumer packaged goods	2%	3%
Transportation/Warehousing	3%	2%
Pharmaceuticals/Biotechnology/Life sciences	1%	3%
Construction	2%	1%
Other	8%	15%

Bases: CIO: 142 respondents; Fortune: 138 respondents

Company Size	CIO	Fortune
More than 5,000	30%	35%
1,001-5,000	23%	10%
501-1,000	10%	10%
201-500	10%	7%
101-200	10%	4%
Less than 100	17%	28%
Don't know	0%	6%
Mean	2,460 employees	2,350 employees

Annual Sales or Revenue	CIO	Fortune
\$40 billion or more	8%	9%
\$30 billion to \$39.9 billion	2%	2%
\$15 billion to \$29.9 billion	4%	4%
\$10 billion to \$14.9 billion	4%	4%
\$5 billion to \$9.9 billion	4%	6%
\$2 billion to \$4.9 billion	7%	4%
\$1 billion to \$1.9 billion	9%	5%
\$500 million to \$999.9 million	12%	12%
Less than \$500 million	45%	36%
Not applicable (e.g. nonprofit government union)	4%	4%
Don't know	1%	14%
Mean (millions)	\$6,579	\$7,991

Monthly Spend on Communications Services	CIO	Fortune
Less than \$400	4%	5%
\$400 - \$1,499	4%	9%
\$1,500 - \$3,000	6%	4%
\$3,001 - \$5,000	8%	6%
\$5,001 - \$8,000	8%	2%
\$8,001 - \$25,000	13%	6%
\$25,001 - \$50,000	11%	4%
\$50,001 - \$100,000	8%	1%
Over \$100,000	22%	17%
Don't know	17%	46%
Mean	\$41,809	\$38,954

Bases: CIO: 142 respondents; Fortune: 138 respondents

Contact Information

CIO Custom Solutions Group (CSG)



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