

IT in Latin America — Growth and Stability



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IT Leadership is a Moving Target For All of Us

2007: IT development in developing countries skips "Western" IT evolution; it goes directly to Web-based infrastructures and leapfrogs the West

2010: The "divide" is between countries capable of both producing and consuming IT products and those capable only of consuming them

2006: The United States ceases to be the only IT superpower; it shares the title with two or three other countries

2011: India exceeds the United States in software patents

Key Issues



1. What are the key characteristics of Latin American IT organizations?
2. What are the Latin America IT priorities today?
3. What IT trends will affect Latin America through 2011?

Latin America Means Diversity

More Than
30 Nations

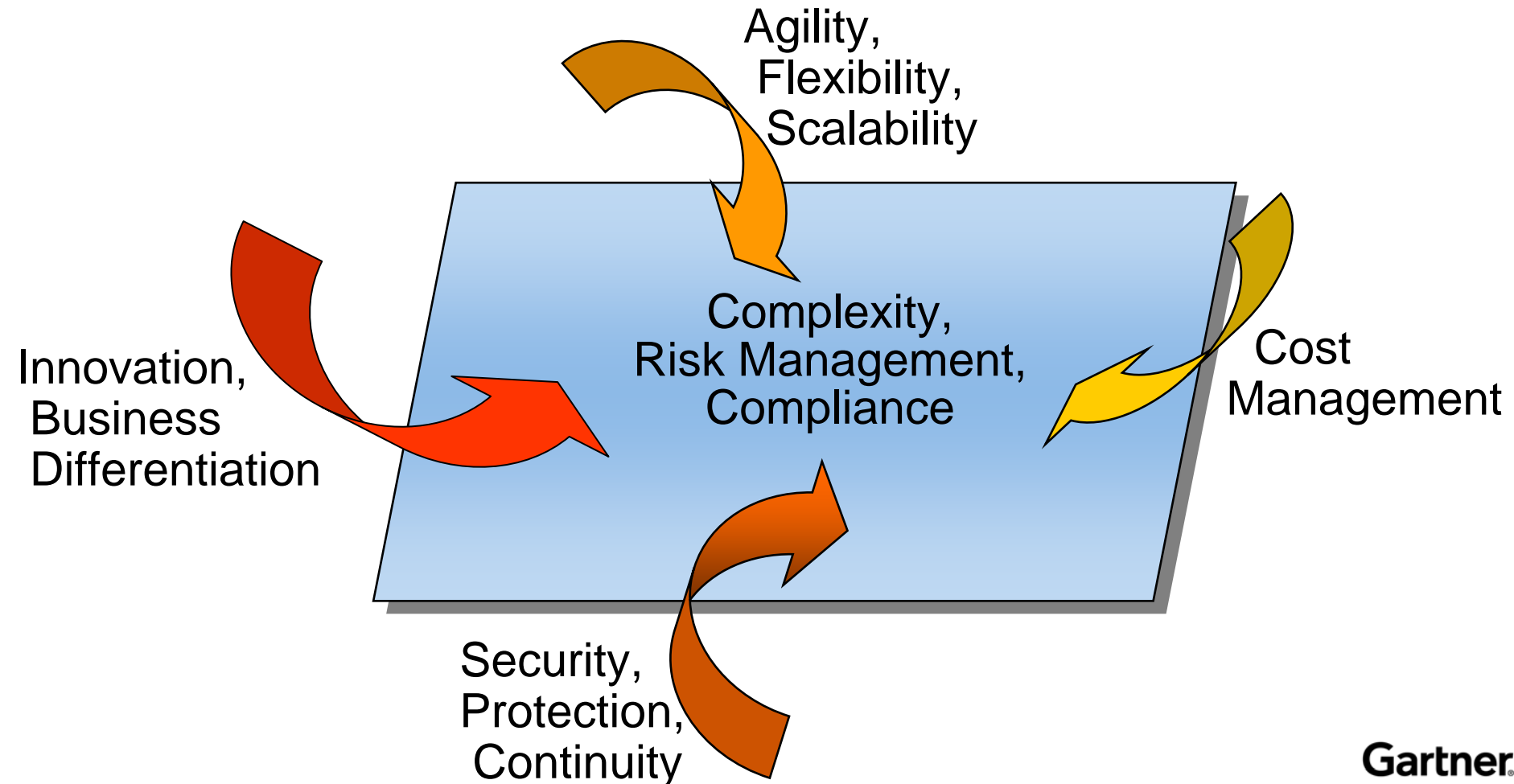
\$145 Billion
IT Market

More Than
500 Million
People



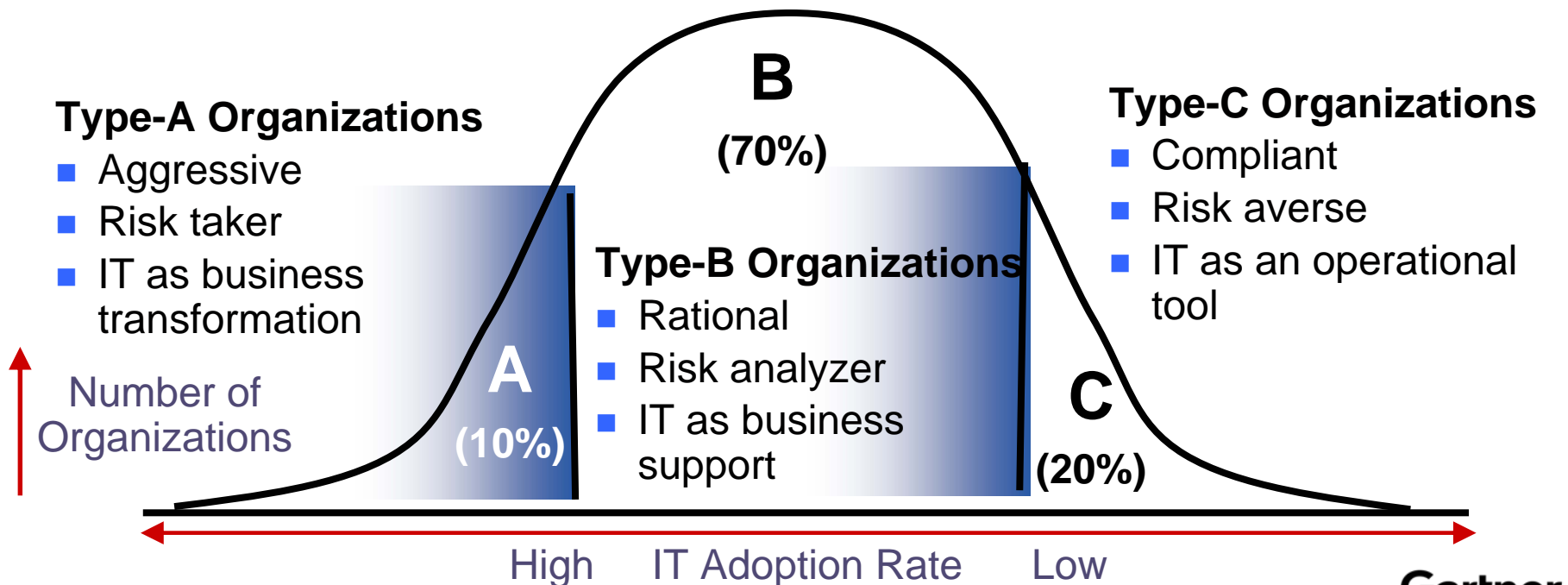
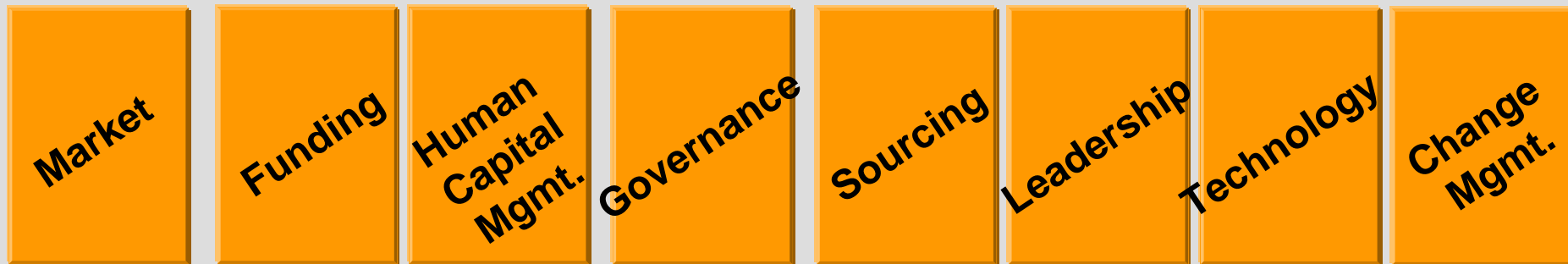
Perplexed Latin American CIOs Must Respond to Conflicting Pressures

"Can anybody please point which way to go?"



Technology Deployment: Enterprise General Behavior

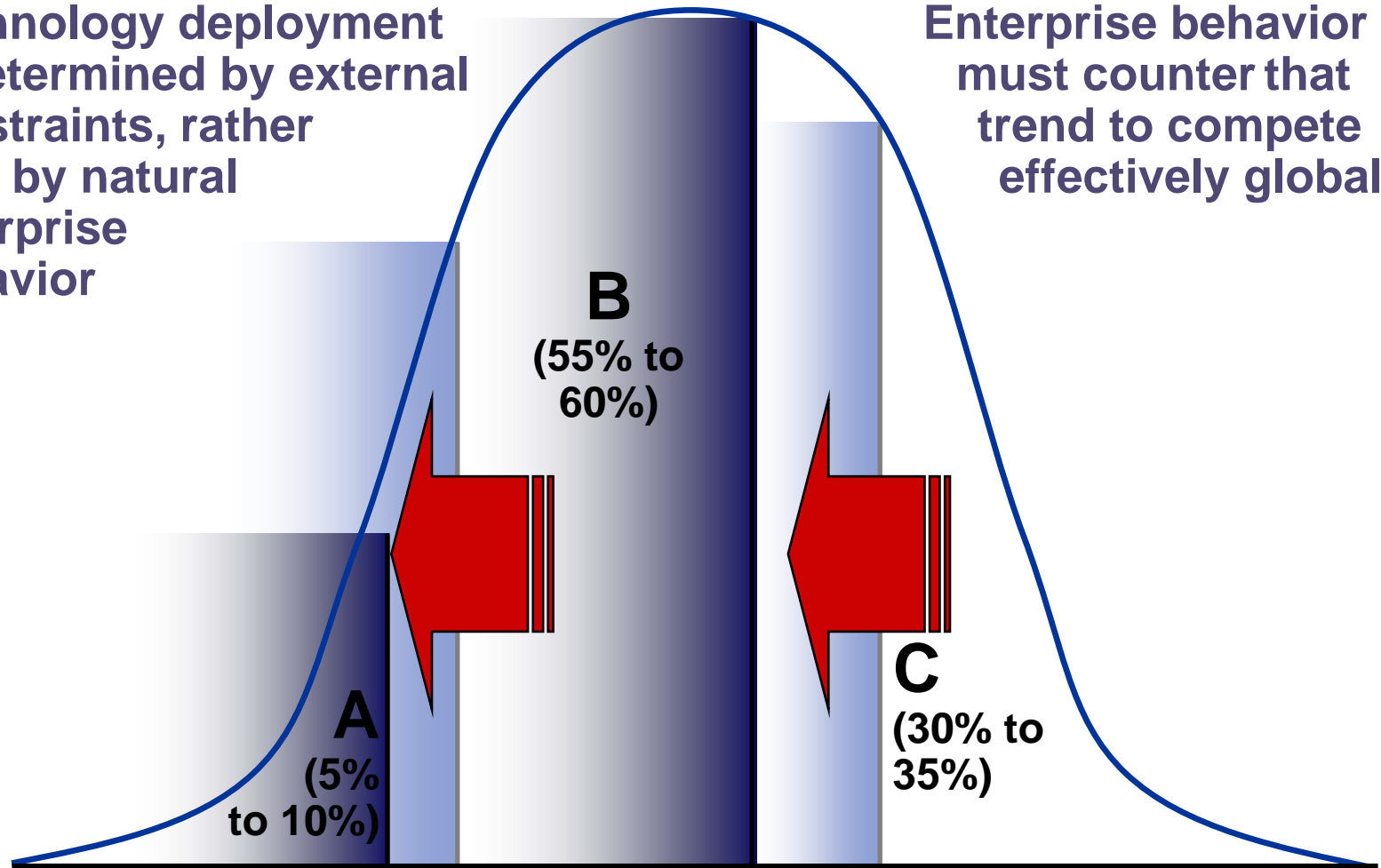
Enterprise Personality Dimensions



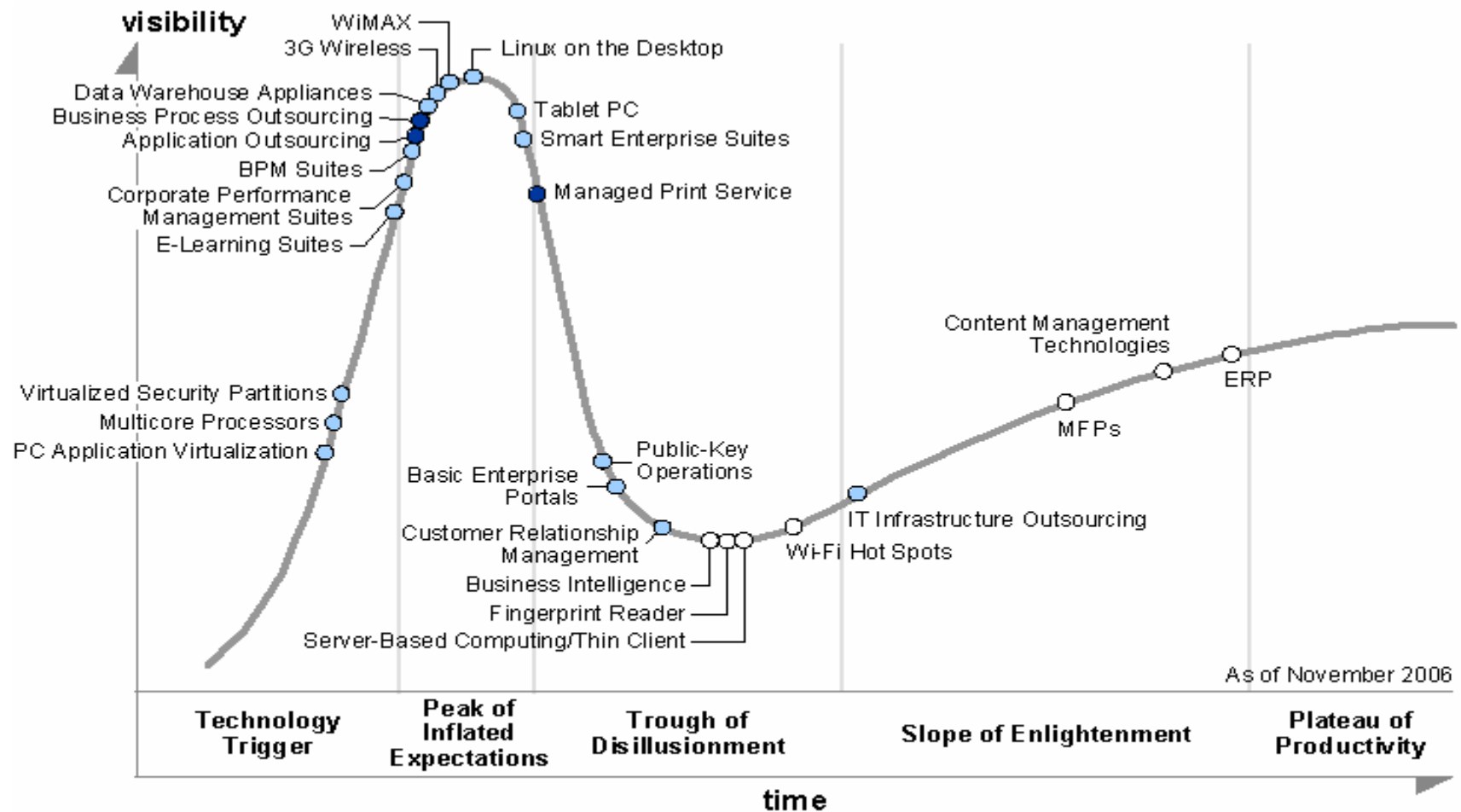
Technology Deployment: Enterprise Behavior in Latin America

Technology deployment is determined by external constraints, rather than by natural enterprise behavior

Enterprise behavior must counter that trend to compete effectively globally



Hype Cycle for Emerging Trends and Technologies in Latin America, 2006



Priority Matrix for Emerging Technologies in Latin America, 2007

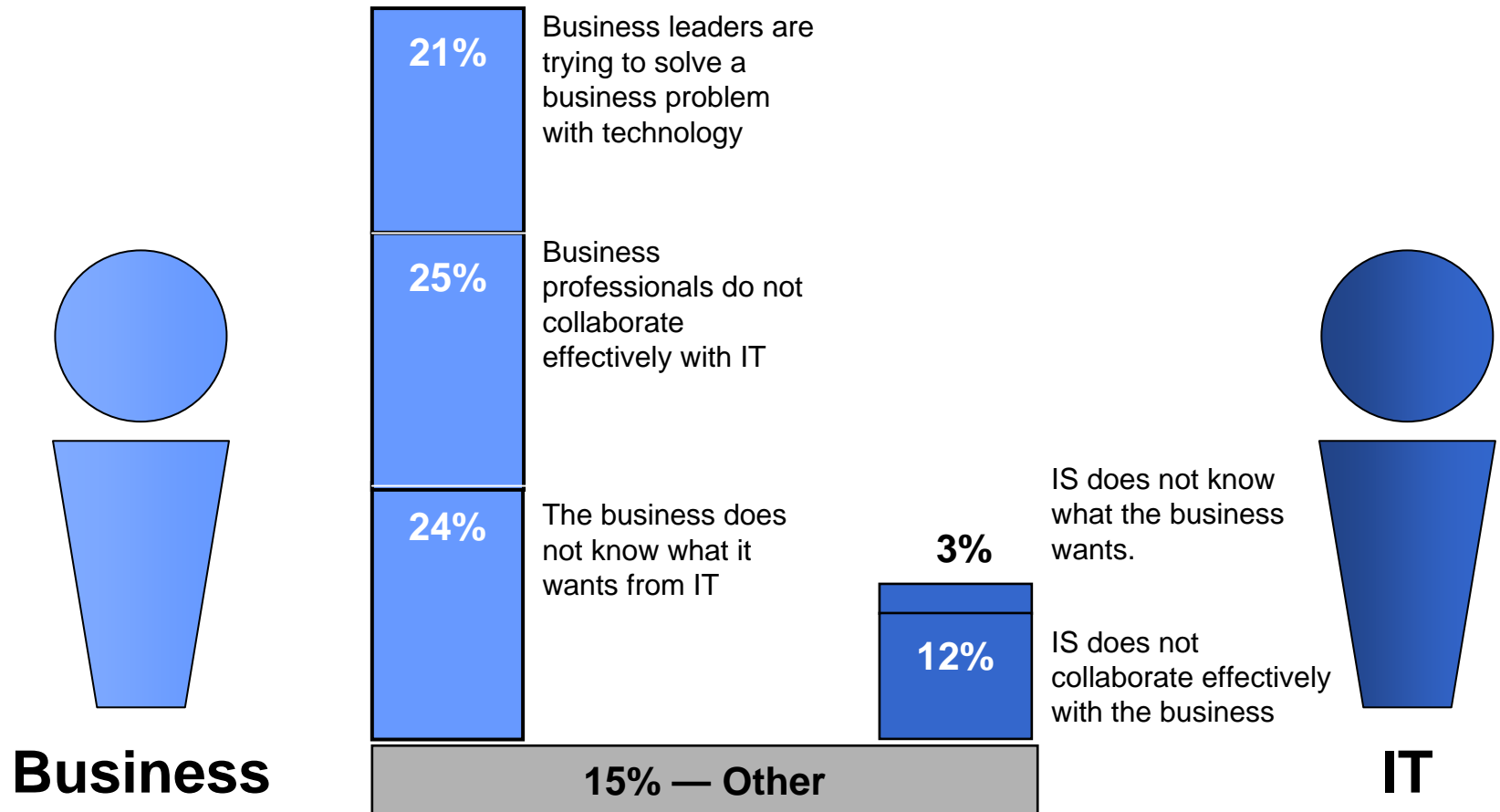
benefit	years to mainstream adoption			
	less than 2 years	2 to 5 years	5 to 10 years	more than 10 years
transformational		Corporate Performance Management Suites		
high	Business Intelligence	BPM Suites Data Warehouse Appliances	Application Outsourcing Business Process Outsourcing	
moderate	Content Management Technologies ERP MFPs	3G Wireless Basic Enterprise Portals Customer Relationship Management E-Learning Suites IT Infrastructure Outsourcing Multicore Processors Public-Key Operations Server-Based Computing/Thin Client Smart Enterprise Suites Virtualized Security Partitions WiMAX	Managed Print Service	
low	Fingerprint Reader Wi-Fi Hot Spots	Linux on the Desktop PC Application Virtualization Tablet PC		

As of November 2006

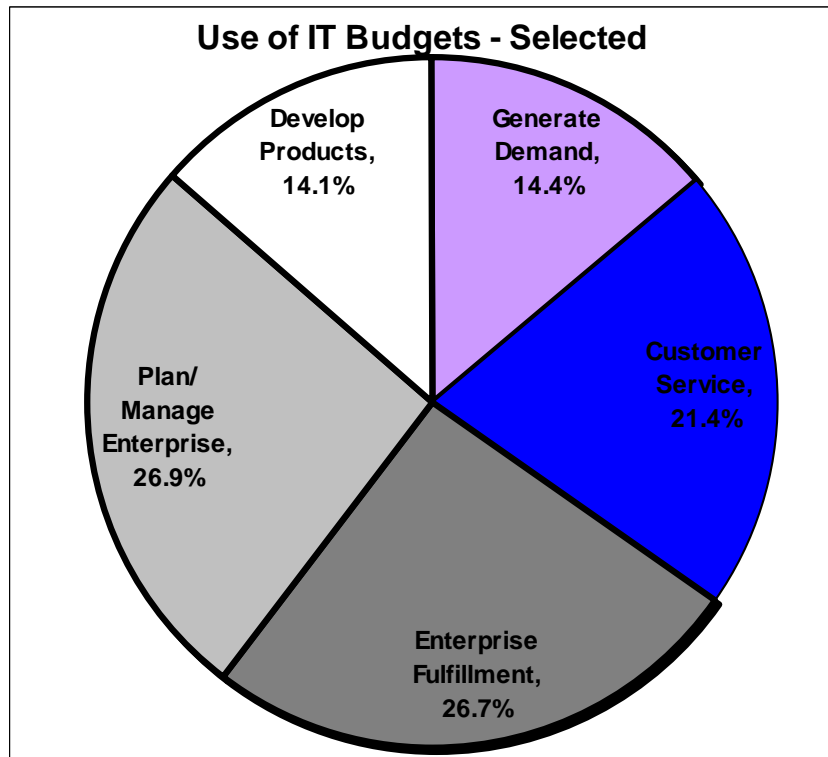
Source: Gartner (November 2006)

IT Blames the Business — (40 years?)

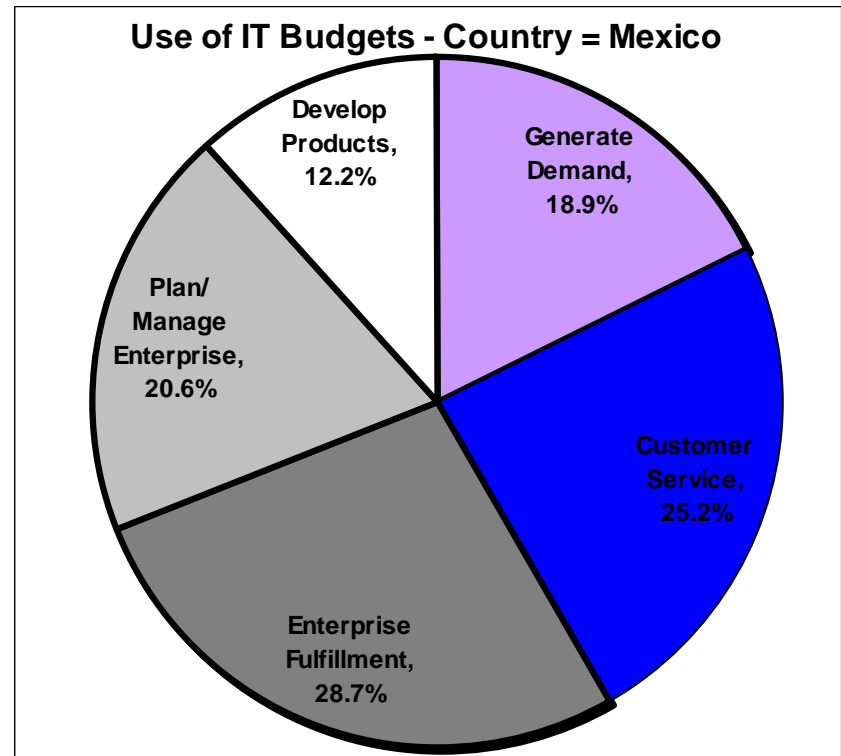
What is the most significant barrier to IT making its business contribution?



Use of IT Budgets – World Wide vs México



World Wide



México

IT budgets are behaving like business budgets

IT budget increases by industry reflect a business-oriented approach to IT investment

Compared to current IT budgets, next year's budget will increase by:	Projected average IT budget increase	Percentage of responses projecting IT budget changes for 2006				
		Increase >10%	Increase 3% – 10%	No change +/-3%	Decrease 3% – 10%	Decrease >10%
Consumer goods	2.7%	18%	30%	33%	12%	7%
Energy and utilities	3.2%	9%	42%	38%	9%	1%
Financial services	2.7%	18%	26%	41%	12%	3%
Government and education	2.7%	14%	34%	37%	12%	3%
Healthcare and pharma	1.9%	13%	26%	43%	12%	6%
Manufacturing	2.8%	14%	34%	37%	12%	3%
Media and entertainment	3.0%	24%	26%	31%	12%	7%
Retail	1.7%	8%	34%	40%	14%	4%
Services	4.3%	8%	60%	26%	0%	6%
Technology	2.5%	13%	30%	42%	13%	2%
Transportation	2.6%	14%	29%	40%	15%	2%
Other	3.0%	17%	34%	32%	14%	3%
Overall	2.7%	14%	32%	38%	12%	4%

2006 Business Priorities Latin America and Worldwide

Worldwide

#	Business Priority	2006
1	Attracting, retaining and growing customer relationships	56%
2	Improving business processes	49%
3	Enterprise-wide operating costs	36%
4	Expanding use of information in products	35%
5	The need for revenue growth	35%
6	Supporting competitive advantage	33%
7	Business restructuring	29%
8	Faster innovation	29%
9	Improving enterprise competitiveness	29%
10	Security breaches and disruptions to the business	27%
11	Establishing/improving internal controls	25%
12	Data protection and privacy	22%
13	Global competition	18%
14	Shortage of the right business skills in IS	9%
15	The business seeking greater control of IT	4%

Latin America

#	Business Priority	2006
1	Improving business processes	52%
2	Enterprise-wide operating costs	45%
3	Attracting, retaining and growing customer relationships	45%
4	Supporting competitive advantage	40%
5	Improving enterprise competitiveness	39%
6	Expanding use of information in products	35%
7	Security breaches and disruptions to the business	30%
8	The need for revenue growth	29%
9	Faster innovation	27%
10	Data protection and privacy	26%
11	Business restructuring	23%
12	Shortage of the right business skills in IS	21%
13	Establishing/improving internal controls	21%
14	Global competition	11%
15	The business seeking greater control of IT	8%

Worldwide

#	Business Priority	2009
1	Attracting, retaining and growing customer relationships	58%
2	Faster innovation	44%
3	The need for revenue growth	44%
4	Expanding use of information in products	42%
5	Supporting competitive advantage	40%
6	Improving enterprise competitiveness	36%
7	Enterprise-wide operating costs	27%
8	Global competition	27%
9	Improving business processes	25%
10	Security breaches and disruptions to the business	25%
11	Business restructuring	20%
12	Data protection and privacy	18%
13	Establishing/improving internal controls	11%
14	Shortage of the right business skills in IS	9%
15	The business seeking greater control of IT	9%

Latin America

#	Business Priority	2009
1	Attracting, retaining and growing customer relationships	48%
2	Expanding use of information in products	42%
3	Supporting competitive advantage	41%
4	Faster innovation	38%
5	Improving enterprise competitiveness	38%
6	Improving business processes	36%
7	Enterprise-wide operating costs	36%
8	The need for revenue growth	36%
9	Business restructuring	27%
10	Global competition	27%
11	Security breaches and disruptions to the business	26%
12	Data protection and privacy	23%
13	Shortage of the right business skills in IS	20%
14	Establishing/improving internal controls	10%
15	The business seeking greater control of IT	5%

■ Note: in the survey, respondents chose their top five issues (not in any order). These charts are based on the percentage of respondents who included each issue in their top five.

Source: Gartner EXP 2006 Survey of CIOs

2006 CIO Technology Priorities –

Country = Mexico

#	Technology	Selected	Comparators
1	Security enhancement tools	6.8%	4.4%
2	Business Intelligence	6.3%	4.7%
3	Mobile workforce apps	5.8%	3.8%
4	Customer sales/ service tech	5.8%	3.3%
5	Networking, Voice and Data Communications	5.1%	3.0%
6	Workflow management	4.7%	3.1%
7	Collaboration technologies	3.9%	3.6%
8	Service-oriented applications and architecture (SOA, SOBA)	3.9%	3.2%
9	Virtualization (Storage, Computing, Data Center)	3.7%	2.9%
10	Technical Infrastructure mgmt/ devt	3.5%	1.7%
11	Legacy application modernization and upgrade	3.3%	2.5%
12	Knowledge management	3.2%	2.3%
13	Supply Chain (SCM)	2.9%	1.1%
14	Utility computing	0.3%	-0.3%
15	Linux/ open source in production env	-0.7%	0.6%

- Note: the percentages represent year-on-year growth in investment, 2005-2006

2006 Business Priorities –

Country = Mexico

#	Business Priority	2006
1	Attracting, retaining and growing customer relationships	64%
2	Improving business processes	50%
3	The need for revenue growth	43%
4	Business restructuring	36%
5	Expanding use of information in products	32%
6	Faster innovation	32%
7	Establishing/improving internal controls	32%
8	Security breaches and disruptions to the business	25%
9	Enterprise-wide operating costs	25%
10	Global competition	25%
11	Supporting competitive advantage	21%
12	Improving enterprise competitiveness	21%
13	Data protection and privacy	14%
14	Shortage of the right business skills in IS	7%
15	The business seeking greater control of IT	7%

- Note: in the survey, respondents chose their top five issues (not in any order). These charts are based on the percentage of respondents who included each issue in their top five

2006 CIO Strategic Management Priorities –

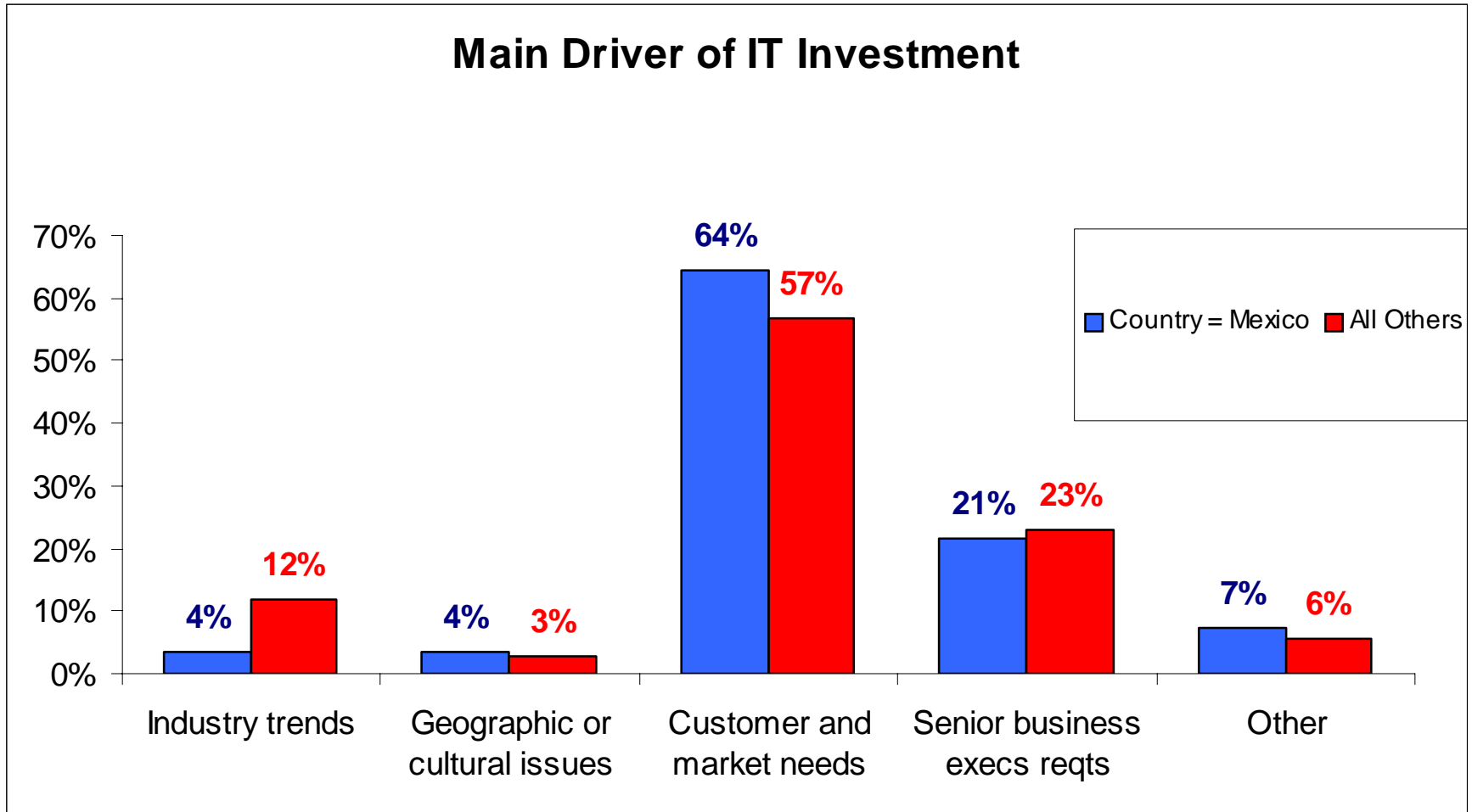
Country = Mexico

#	Management Priority	2006
1	Delivering projects that enable business growth	57%
2	Building business skills in the IS organization	54%
3	Demonstrating the business value of IT	50%
4	Improving the quality of IS service delivery	46%
5	Consolidating the IS organization and operations	36%
6	Applying metrics to the IS organization and IT services	32%
7	IS process improvements (e.g., ITIL)	29%
8	Improving IT governance	25%
9	Linking business and IT strategies and plans	25%
10	Attracting, developing and retaining IS personnel	21%
11	Flexible technology infrastructure	21%
12	Improving business continuity planning	18%
13	Moving to service-based IS org	18%
14	Reducing IS complexity	18%
15	Security/privacy improvements	11%
16	Managing non-standard workforce personal tech	0%

- Note: in the survey, respondents chose their top five issues (not in any order). These charts are based on the percentage of respondents who included each issue in their top five

Main Driver of IT Investment

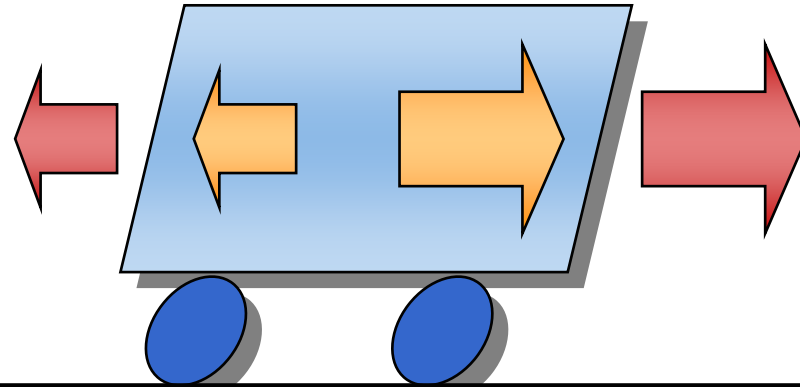
Country = Mexico (280 CIOs) vs All Others (1385 CIOs)



Important IT Latin America Trends

- By 2007, 80 percent of efforts to demonstrate business value in open-source adoption will fail due to poorly conceived adoption strategies (0.7 probability).
- By 2007, Latin America, notably Brazil and Mexico, will become challengers in application development outsourcing and in niche business process outsourcing (0.7 probability).
- By 2007, wireless and broadband technologies will be "good enough" to be considered required components of most applications (0.8 probability).
- By 2008, in Latin America, real-time financial operations driven by secure and ubiquitous electronic channels will represent 80 percent of the total number of transactions (0.7 probability).

The Supply Perspective on the Latin America Market



Threats

- Economic-political immaturity
- Limited IT budgets
- Deficient IP protection
- Complex business bureaucracy

Opportunities

- Active, young, growing market
- Incentive programs under way
- Positive long-term outlook
- Good infrastructure

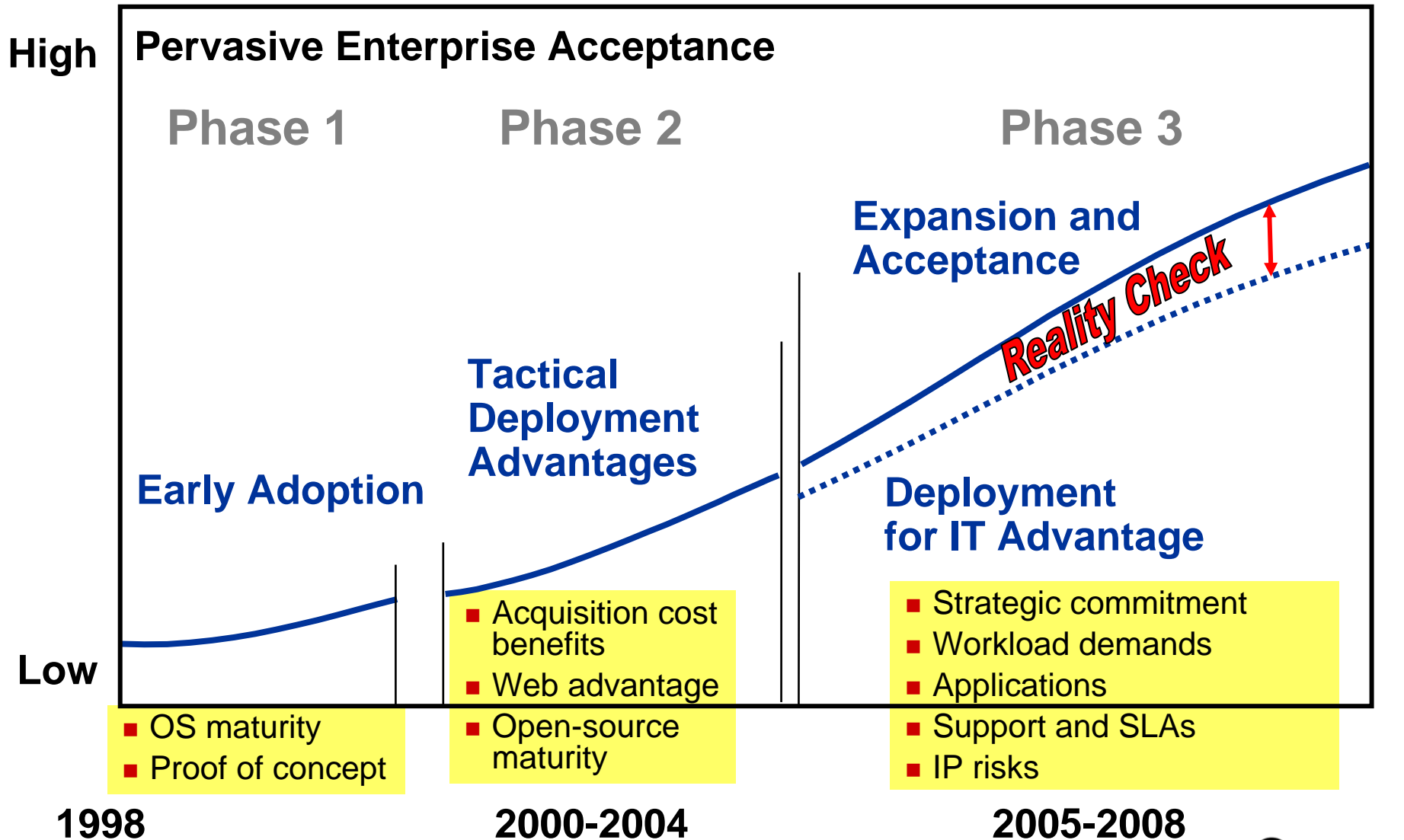
Weaknesses

- Deficient skills and certification
- Deficient planning, methodologies and metrics
- Deficient attention from HQs

Strengths

- Good workforce characteristics
- Western-culture compatibility
- Overall cost-effectiveness
- Creative business models

While Acceptance Continues, Deployment Challenges Remain for Open Source in Latin America



Recommendations

- IT is the key resource for businesses in Latin America:
Use it
- Business-IT alignment is an intangible target:
Revisit it often
- Sourcing is a broad and critical management discipline:
Develop it
- Resist pressures and go beyond execution:
Plan before, measure after
- IT competes with other investment initiatives:
Offer attractive risk, value and timing
- Don't be conservative: Adopt change and manage it