ABSTRACT

CGI GLOBAL 1000 2016–2017

An outlook on trends and priorities from over 1000 in-person conversations with business and technology client executives.
There has never been a more extraordinary opportunity to transform the way organizations create and deliver value for their stakeholders. The push and pull of market forces on companies and governments, from economic and regulatory to social and technological, has always spurred the creation of new products, services and channels. In today's real-time world, an unprecedented number of market forces are converging to create urgency for organizations to digitally transform the way they run, change and grow.

In fact, when CGI leaders sat down for one-to-one conversations with business and technology executives this year, we heard that the need for fundamental business model change is now given that industry value chains are shifting and customer expectations are rising for digital-first experiences.

Central to the transformation opportunity ahead is the evolving role of technology. Traditionally viewed as an enabler, executives noted that technology is now a driver of change. In our conversations, there was alignment across industries that leaders believe they need to implement more expansive digital transformation initiatives to connect legacy systems to new digital business and operating models. In a shift from previous years when the focus was on building a business case for change, this year the need to address cultural change was viewed as the critical gap to close in order to ensure successful digital transformation.

Leaders also now recognize the need to address their most complex challenges to becoming digital organizations, such as changing the cost structure for running legacy platforms and complying with relentless regulatory and security requirements. For many, these are Board and CEO-level challenges that are resulting in business executives leading more technology initiatives and at a faster pace.

To best understand the market dynamics at work and how technology can help drive transformation, nothing compares to in-person conversations where we can discuss practical implications in addition to theoretical propositions. The complex work of designing, integrating, implementing and managing technology happens on the front line of every organization including ours. This is why we have an annual program as part of our strategic planning process for our leaders to meet in person with business and technology executives to discuss the challenges and opportunities they face.

What emerges from these conversations each year are insights which capture both the current state and the road ahead. Every year, we share the findings and insights from these conversations with those who participated. Given the significant shifts this year, we are publishing this outlook report, with a particular focus on each major industry.

On behalf of our 65,000 professionals around the world, we are pleased to share this report and invite you to meet with us in person to continue the conversation.

Thank you to all of the client executives and CGI leaders for investing time to have these in-depth conversations.
Thank you for downloading this extract from the CGI Global 1000 outlook.

Compiled from one-on-one, in-person conversations with business and technology leaders across 10 major industries in 20 countries, this extract provides an overview of the global findings, headline summaries from each of the industries and further information on the CGI Global 1000.

We will be in touch to set up a discussion and provide your personal copy of the full report—which features 96-pages of in-depth insight on the trends influencing government and commercial organizations and how they are aligning their business and technology priorities, budgets and key initiatives. With our unique approach to building the CGI Global 1000 outlook through in-person conversations we believe the full report will be an invaluable reference piece.

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About the CGI Global 1000

The CGI Global 1000 outlook is conducted annually as a series of in-person, one-on-one conversations between CGI consultants and business and technology executives in commercial and government organizations around the world.

Through these in-person discussions, executives share their perspectives with us on the trends influencing their organizations and how they are aligning their business and technology priorities, budgets and key initiatives.

Within CGI, we incorporate insights from these discussions into our annual strategic planning process to ensure we listen to client perspectives, refine our thinking, inform our investments, and innovate and evolve our strategy to lead the industry as a partner and expert of choice.

In 2016, CGI leaders interviewed more than 1000 executives across 10 industries in 20 countries, including in-depth conversations about digital transformation and cybersecurity.

During our analysis, similarities in responses and levels of urgency to transform emerged among sets of industries to form cohorts within three distinct categories: Consumer-intensive, Asset-intensive, and Risk & investment-intensive. In this report, we explore the industry findings through these groups.

<table>
<thead>
<tr>
<th>10 industries</th>
<th>Banking</th>
<th>Communications</th>
<th>Retail &amp; consumer services</th>
<th>Utilities</th>
<th>Manufacturing</th>
<th>Transportation</th>
<th>Government</th>
<th>Healthcare</th>
<th>Insurance</th>
<th>Oil &amp; gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer-intensive</td>
<td>26%</td>
<td>13%</td>
<td>7%</td>
<td>6%</td>
<td></td>
<td></td>
<td>34%</td>
<td>7%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Asset-intensive</td>
<td>23%</td>
<td></td>
<td></td>
<td>11%</td>
<td>8%</td>
<td>4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk &amp; investment-intensive</td>
<td>51%</td>
<td></td>
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</tbody>
</table>

In-person conversations with 1000 executives across 20 countries

<table>
<thead>
<tr>
<th>Business leaders</th>
<th>IT leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>C-suite</td>
<td>VP or higher</td>
</tr>
<tr>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>VP or higher</td>
<td>CIOs</td>
</tr>
<tr>
<td>28%</td>
<td>72%</td>
</tr>
<tr>
<td>VP or higher</td>
<td></td>
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</tbody>
</table>
Globally, many executives noted that digital transformation is evolving from experimentation to enterprise-wide focus

When considering digital transformation, one perspective is that the use of technology has always been about digitization—from work flow automation, to collecting customer preference data to improve or introduce products or services. So what makes today’s digital transformation different? What we see in practice and heard in conversations is that rapid advances in business technologies and changing economics are transforming industries, and executives are recognizing that digital technologies are fundamentally changing how they operate their organizations to service customers and citizens. There is now more urgency for organizations to become digital as a business model, not just an efficient technology solution.

Up to five years ago, organizations saw digital-first entrants emerge to fulfill new demands by consumers. In many cases, these digital-first firms created the consumer demand by using technology in innovative ways, including wholly-digital business and operating models to deliver faster, more customized products and services. In short order, these new entrants moved from being “interesting to watch” to threatening the growth of many organizations.

As established organizations reacted to new customer demands and the shifting competitive landscape, they experimented with discrete digital projects primarily to deliver customer-facing solutions like mobile apps. In many cases, these digital point solutions were added to existing operating models and that may now be stalling enterprise-wide progress without necessarily delivering increased shareholder value. The added operating costs are eroding margins and introducing more complexity to legacy systems and environments.

This year, a takeaway for us after analyzing the 1000 conversations is that executives are starting to see digital transformation evolve to an enterprise-wide focus. Organizations now have at their disposal the power of robust automation and machine learning, advanced analytics, sensor technologies, everything-as-a-service, and unprecedented collaboration within the enterprise and across their ecosystem.

It is now critical to connect the complex legacy systems to the discrete digital projects to build a new platform for creating and delivering increased stakeholder value. For many of the leaders we met with, it is about moving fast enough to ensure long-term survival.

Market dynamics are accelerating the need for enterprise digital transformation

The speed at which organizations need to transform is accelerating. The timeframe to address digital transformation is compressing given the rapid and intense political, economic, social, regulatory, and technology dynamics organizations face today.

In many current state organizations, revenues and budgets are under pressure and the increasing costs to run legacy platforms are hindering the ability to invest in change initiatives.

Executives in each region have a unique view on the most influential trends for their industry

<table>
<thead>
<tr>
<th>Trend</th>
<th>North America</th>
<th>Europe &amp; UK</th>
<th>Asia Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer/citizen expectation for personal digital experiences (omni-channel)</td>
<td>61%</td>
<td>65%</td>
<td>46%</td>
</tr>
<tr>
<td>Growing cyber threat</td>
<td>53%</td>
<td>60%</td>
<td>53%</td>
</tr>
<tr>
<td>Faster moving regulatory reform</td>
<td>28%</td>
<td>39%</td>
<td>25%</td>
</tr>
<tr>
<td>Transformation of industry value chains</td>
<td>6%</td>
<td>6%</td>
<td>39%</td>
</tr>
<tr>
<td>Dynamic technology innovation and disruption</td>
<td>25%</td>
<td>25%</td>
<td>31%</td>
</tr>
</tbody>
</table>
The cybersecurity journey: From defense to differentiator
As organizations focus on digital transformation across the enterprise and ecosystem, ensuring security becomes more complex. On top of this, organizations face ever-changing regulations, as well as threats from inside and external “bad actors.”

Several years ago, executives cited the need to build security programs that were compliant and helped defend their organizations as a top technology priority. This year, cybersecurity has gone mainstream as the number two global trend—but with a twist. For the first time, leaders noted that their programs are maturing and their broader view of security—physical and logical—is starting to be integrated into their customer value proposition.

In the consumer-intensive industries, this was particularly true. For example, in communications, 30 percent of executives rated their security programs as becoming differentiators for their customer value proposition.

While compliance-focused security programs are viewed more as minimum requirements today, they are increasingly complex and require more flexibility to keep pace with regulatory change, notably privacy and data protection laws. This year, 40 percent of executives rated privacy and protection laws a 10 out of 10 in terms of having a material impact on their organizations.

This came out more strongly in Europe where more than half of executives cited increasing regulatory pressure as a top trend due to the Global Data Protection Regulations coming into effect in May 2018.

Organizations’ security programs are maturing

Regulatory impact on security

- Keeping pace with regulations is the top challenge to implementing a security program... up 12% since 2015
- Sustaining compliance with regulations while working with partners and suppliers is cited as a top improvement area
- 40% say privacy and data protection laws have a very high impact on their organizations (10 out of 10 rating)
Consumer-intensive industries

Communications
Consumers’ highly personalized digital lifestyles put heavy demands on providers. Re-imagining the industry value chain to diversify and create new revenue streams requires significant change at a time when budgets continue to decline and competition remains fierce. Required compliance and security hinder the ability to fund the “change” agenda.

Financial services
Change is happening fast across all financial services sectors. Innovative new players, stringent regulatory oversight and tech-savvy digital native customers are placing heavy demands on an industry focused on remaining relevant as it strives to go digital.

Retail & Consumer Services
Retailers are focused on delivering the ultimate immersive mobile experience in a phygital world. They seek to drive the digital agenda with large-scale, cross-enterprise programs that link the entire value chain, and they have plans to increase budgets to invest in meeting rising customer expectations for digital-first.

In today’s fast-paced digital world, time is of the essence and consumers are controlling the stopwatch

Consumers today are exerting more direct influence on organizations’ business and operating strategies. They can help make or break the success of a company through quick adoption of new digital technologies and by leveraging social media to review, rate, and share their brand experiences. Traditional business and operating models, including the complex legacy platforms underpinning long-established organizational structures, are being challenged as consumers demand seamless, personal, and real-time digital experiences.

Banking, communications and retail and consumer services companies fall within the consumer-intensive industry category based on the urgency to grow. Consumers are helping to elevate emerging companies in this category as quickly as they are leaving those too slow to change. Competition from digital upstarts is acute, challenging companies to redefine their value chains and use digital to create new sources of revenue.

In the CGI Global 1000, consumer-intensive business and technology executives share several key attributes, challenges and opportunities:

• Managing the rapidly growing threat from digital-first entrants who can initiate market disruptions that create new consumer demand, served by a cost-effective, digital business model
• Moving to integrate cybersecurity into their value propositions, as the threat of brand damage through data loss or privacy breaches makes security a priority
• Delivering on consumer demands to do more, faster to create a seamless, digital-first experience
• Adopting real-time processing and self-serve technologies, which require complex back-end systems integration
• Staying in step with relentless regulatory pressure and evolving data and privacy legislation
Asset-intensive industries

Manufacturing & Transportation

Manufacturers are embarking on the journey to Industry 4.0, transforming supply chains to drive innovation and meet customer expectations for personalization. Transport organizations face disruptive market forces that are redefining the industry. Whether making or moving products, packages or people, the need to better meet customers’ digital expectations while employing real-time processing and automation is key.

Utilities

Climate change coupled with regulatory and consumer pressure to improve service and reduce costs are demanding new levels of operating flexibility. How to address this? Transform the energy value chain by becoming digital organizations—the number one trend identified by utilities executives. More than 50 percent say capital expenditures (CapEx) will increase to address change initiatives.

Accelerating digital to optimize, modernize and automate

Digital technologies are the investment of choice for industries focused on reducing the cost to run the organization

Businesses and consumers rely on asset-intensive companies—whether it’s to drive economic growth, deliver goods from one port to another, or ensure the lights stay on at home. This requires huge investment and continued maintenance of complex technology, as well as physical infrastructures. Companies in these industries are challenged by how to reduce their over-burdened run costs in order to free up investment for change. They have begun by leveraging digital technologies that offer immediate cost savings, like robotics-based automation, Internet of Things (IoT), cloud and mobile.

The asset-intensive industry category includes manufacturing, transportation and utilities. All of these industries have begun their digital transformation journeys and are investing in new technologies to achieve their goals and maintain a competitive edge.

In the CGI Global 1000, asset-intensive business and technology executives shared several key attributes, challenges and opportunities:

- Delivering a digital customer experience and introducing new revenue streams, with a particular focus on value from IoT
- Reducing operational costs through greater reliance on automation
- Focusing on cybersecurity, as dispersed assets and infrastructure provide an expanded area for potential cyber attacks
- Meeting growing regulatory demands to ensure data privacy law compliance and market stability
- Leveraging advanced data analytics to drive insights for operational excellence and to drive customer experience improvements
OUTLOOK ON TRENDS AND PRIORITIES FROM CONVERSATIONS WITH BUSINESS AND IT LEADERS

Planning an incremental journey towards enterprise digital transformation

The digital race has begun and, for these industries, they are planning for a marathon, not a sprint

Citizens and consumers around the world rely on governments and healthcare systems to help keep them healthy, safe and secure. At the same time, they expect greater security and easier access to services to live up to the digital expectations they have for other daily interactions with banks, mobile providers, retailers.

Industries categorized as risk and investment-intensive include oil and gas, government and healthcare where the urgency to transform is typically driven more by regulation and policies than directly by consumers or citizens, although this year’s conversations still revolved around addressing new digital expectations. In the commercial industries within this category, barriers to entry are high due to heavy regulation and the level of investment needed to compete, which suppresses the level of competition from new digital market entrants.

In the CGI Global 1000, risk and investment-intensive business and technology executives share several key attributes, challenges and opportunities:

- Maintaining high levels of health and safety responsibility take priority, which means digital transformation must not interrupt delivery of day-to-day services
- Addressing growth in cyber crime requires strengthening the cyber resiliency of critical infrastructures
- Developing, hiring and retaining talent with new digital skills is a top challenge given the slower pace of organizational change—which also impacts the shift to a digital-first culture
- Focusing on discrete digital projects is key for starting to meet the growing digital expectations of citizens, patients and consumers. Addressing the significant data privacy compliance requirements is a top priority, which also inhibits investment in new digital initiatives

Risk & investment-intensive industries

Government

Governments recognize the need to meet ever increasing digital expectations from citizens. This requires change—fast—while modernizing and reducing the cost to run legacy technology. Underpinning digital transformation with robust security across agencies is the new normal. Tight budgets are helping shift the focus to more agile IT models with investments in data analytics and sharing, as well as digitizing and automating processes.

Healthcare

Cybersecurity and cyberprivacy receive a significant jump in focus as the drive to a more consumer-oriented healthcare world gathers momentum, fueled by the advent of precision medicine. Remaining competitive in a challenging fiscal and regulatory landscape dominates the healthcare executive agenda.

Oil & Gas

Oil price pressures are driving companies to leverage technology to reduce their run costs and innovate to optimize and automate for the future. Budget constraints and cybersecurity requirements, notably to protect data while enabling interoperability, are hindering the ability to invest in more aggressive digital transformation.
About CGI

Helping clients achieve their digital transformation goals as their end-to-end legacy and digital partner of choice

CGI helps clients succeed through end-to-end digital transformation. Our expertise across legacy and digital environments uniquely positions us to support clients at every point in their digital transformation journey.

We work with clients to define their digital strategies and roadmaps and provide the key digital capabilities and industry expertise required to achieve their digital transformation goals.

CGI collaborates as a seamless partner that is approachable, flexible and easy to do business with both locally and globally through our innovation-centric global delivery model.

Ultimately, we help clients evolve into customer-centric organizations and gain a competitive edge in today’s digital world.

A partner and expert of choice across industries

COMMUNICATIONS
Partner to leading communication services providers across the globe, including 6 of the largest CSPs in the world

FINANCIAL SERVICES
Partner to 23 of the top 25 banks in the Americas, 21 of the top 25 banks in Europe, and 7 of the top 10 global insurers

RETAIL & CONSUMER SERVICES
Partner to 700 clients in the retail, wholesale, consumer packaged goods, and consumer services sectors

MANUFACTURING
Partner to manufacturers around the world in the aerospace, automotive, chemicals, electronics, high-tech, metals, mining, pulp & paper and other industrial products sectors

TRANSPORTATION
Partner to 140 clients in the aviation, rail, maritime, and road and regional transit sectors

UTILITIES
Partner to over 250 clients worldwide and are a partner to 8 of the 10 largest utilities in Europe and North America to support the entire supply chain, from generation to transmission and distribution to retail supply

GOVERNMENT
Partner to more than 2,000 government clients across the central and federal; state, local and provincial; and defense and intelligence sectors

HEALTHCARE
Partner and provider of services and solutions to more than 1,000 health facilities, 3 million providers, 6 billion health records, and health payers serving more than 195 million people

OIL & GAS
Partner to all oil and gas majors globally with services across the value chain including exploration and production; refining, supply and distribution; and B2B/B2C retail
Join the conversation

Find out more
With insights from more than 1000 business and technology executives across 10 industries in 20 countries, the CGI Global 1000 outlook offers rich information to share and discuss.

cgi.com/global1000

Meet with our experts
If you would like to discuss CGI Global 1000 findings in person, simply submit the online form, and one of our local leaders will be in touch to arrange a meeting to discuss the implications for your industry, as well as share examples of our work with clients to build their digital roadmaps and accelerate transformation.

cgi.com/meet

Stay up-to-date
Our business and technology experts regularly post their perspectives in CGI blogs. Read insightful commentary from around the world on all the latest topics.

cgi.com/blogs

Founded in 1976, CGI is one of the largest independent technology and business services firms in the world. With 65,000 professionals operating across 400 global locations plus an innovation-driven offshore delivery model, we work with clients locally and globally to achieve their digital transformation goals. CGI is one of the few global firms with the talent, scale, and end-to-end services and solutions clients need to connect legacy and digital technologies. We combine deep industry expertise with high-end systems integration and consulting with IP solutions and transformational outsourcing to help clients reduce the cost to run their organizations and reinvesting savings to accelerate new digital strategies. As a partner, CGI has an industry-leading track record of delivering 95% of projects on time and within budget.

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