NAVIGATING UNCERTAINTY

HARVEY NASH
The Power of Talent

KPMG

Executive summary

Times are changing?
Last year, many predicted that the slow, steady recovery after the Great Recession would continue and we all rather hoped that economic growth would accelerate. Few saw seismic change on the horizon. How wrong we were. How did CIOs respond? Did we see panic? Not a bit of it. CIOs are no strangers to rapidly changing environments and perhaps the odd crisis or two. They responded with measured calmness. Our survey results suggest that many decided to wait and see, while they made careful preparations behind the scenes. More than half our respondents told us they are creating more nimble technology platforms to deal with unpredictable circumstances. Also, in times of change it seems that relationships are everything. Many respondents said that they are planning to do more work with familiar long-term partners whom they can trust.

Stability is back on the agenda
As far as operational priorities are concerned, consistent and stable IT rocketed to the top of the priority list. Smaller companies place particular priority on this area. There were, however, interesting differences across sectors. While the Financial Services, Government, Utilities and Retail sectors all placed stability at the top of their priority list, the Manufacturing, Construction and Education sectors all rated business process improvements at the top of theirs. For the Broadcast and Media sector, however, digital disruption appears to have prompted substantial changes for their businesses. Developing new products and services, and driving revenue growth, are now their highest priorities.

CIO strategic influence continues its relentless growth
In recent years, the CIO has progressively become more influential. This year, that trend has continued apace with more than seven in ten respondents telling us that CIO influence is increasing. More

CIOs are also taking a seat at the top table. In 2005, barely 38 per cent of CIOs sat on their executive committee; today that figure has risen to 62 per cent. IT leaders are also increasingly working at board level. More than three-quarters attended a board meeting within the last 12 months. Popular board topics include IT strategy, technology investments, digital transformation and, of course, the ever-present challenge of cyber security. This increased exposure may have led many CIOs to take leading roles in innovating in their organisations.

Projects are as difficult as ever
Last year, we reported that the success rate of projects was falling. A backdrop of increasing complexity and the drive to rapidly implement innovative digital projects may be to blame. This year, we asked about the problem areas. Weak ownership, over-optimism and unclear objectives topped the list; while lack of talent, poor governance and complexity formed a second tranche of challenges. But there was good news for suppliers. A mere 7 per cent of our respondents blamed their failures on their IT supply chains.

Skills shortages as usual
In each of the last four years, around 60 per cent of respondents have reported skills shortages. This is very different to the heady days before the Great Recession when four out of five respondents persistently complained about this problem. Is this the new normal? Big data/analytics, business analysis and enterprise architecture are the most in-demand skills. This year, architecture staged a comeback after several years of decline. Could this demand be related to the increasingly complex project landscape that many organisations find themselves grappling with? In terms of gender diversity, progress remains slow. The improvement we saw last year seems to have petered out. While a third of IT leaders have diversity initiatives in place, there has been little, if any, movement in the last five years. Barely 10 per cent of IT leaders are female.

CDOs are on the march again
A quarter of organisations now have a Chief Digital Officer (CDO). After something of a lull last year, CDO roles are being filled in ever-greater numbers. There are now three times as many CDOs around as there were three years ago. Broadcasting and

Media together with the Advertising sector lead the charge, while the Manufacturing, Energy, Utilities and Education sectors are least populated with CDOs. There is also variation with company size. More than half of the largest companies now have a CDO in place while only a fifth of those with IT budgets of less than $50m have taken the plunge.

More than just a silver lining?

Cloud technology has received very positive feedback this year. There seems to be something here for everyone. Larger organisations are more likely to report the benefit of cost savings and the improved responsiveness from cloud technologies. Smaller companies are more likely to tell us that they love stability and simplicity, and value the scalability of their cloud solutions. We think that the cloud model has been a good example of the increasing maturity of the industry. Suppliers are providing robust, flexible solutions, while customers are much less 'prima donna' about the uniqueness of their estate, clearing the way for the exploitation of cloud technology.

Dealing with the cyber-crime wave

Confidence in cyber security is at an all-time low. Today, only one in five respondents feel that they are very well prepared to respond to cyber attacks. The relative ease with which hackers seem to be able to ghost their way into apparently well-protected systems creates sleepless nights for any IT leader. Last year, we looked at where the attacks were coming from. Respondents told us that organised cyber crime was their top concern, followed by the amateur hackers. This year, the profile is unchanged although more people are reporting trouble from 'insiders'. Overall, just under a third of respondents reported that they had been subject to a major security incident in the past 24 months. However, larger companies seem to be more at risk. More than half tell us that they have suffered recent attacks. Utilities and Government organisations seem to receive the most attention from hackers, followed by the Education, Telecoms and Pharmaceuticals sectors.

Are the robots coming?

This year, we asked some questions about robotics and digital labour. We learned that IT leaders are starting to make significant investments in this area. The convergence of robotics, machine learning and advanced analytics is certainly a good way of dealing with the challenge of 'big data'. A quarter of respondents are seeing very effective results. Technologies such as cognitive automation, together with both basic and advanced robotic process automation, seem to be areas where increasing numbers of organisations are investing. The robots, it seems, are certainly on their way.

Outsourcing intent unchanged

Outsourcing remains high on everyone's agenda. As in previous years, around half of our respondents are planning to increase their outsourcing commitment while around four in ten are looking to do more offshoring – a trend that has been largely unchanged in recent years. IT leaders tell us that they want to free up their own resources, gain access to new skills and save themselves some money. Hot outsourcing areas include application development, followed by infrastructure and software maintenance.

CIOs love their jobs!

CIOs who told us that they are 'very fulfilled' in their role is at a three-year high. Over the last few years, respondents have gradually been upgrading their preference from 'quite fulfilling' to 'very fulfilling'. And there are plenty of good reasons for this. More than eight out of ten IT leaders are seeing stable or growing budgets. And those on the executive committee seem to be the happiest of them all. We're not sure whether money can buy you happiness, but strategic influence certainly seems to help. In terms of sector differences, this year the happiest CIOs are to be found in the Energy, Professional Services and Education sectors, where nearly nine out of ten tell us that they are having a ball. Happy days!

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