



HARVEY NASH CIO SURVEY 2015

IN ASSOCIATION WITH KPMG

INTO AN AGE OF DISRUPTION

**HARVEY
NASH**

The Power of Talent

in association with

KPMG

EXECUTIVE SUMMARY



This year, the Harvey Nash CIO Survey in association with KPMG, has seen the biggest response from CIO leaders in its 17-year history. Between January and April, nearly 4,000 IT executives from more than 50 countries completed the 69-question poll.

Over a quarter of a million data points have been recorded. We believe that this is the largest survey of IT leadership in the world.

As expected, there was a great deal of variety in CIO opinion across such a diverse span of regions. However, one very clear trend emerged: the industry is changing rapidly and CIOs are telling us that speed is a top priority. Digital innovation is actively causing disruption to business models and IT leaders are moving swiftly to deliver new infrastructure, platforms and applications to meet fast-changing customer needs.

In terms of challenges, CIOs are reporting that key skills are now much in demand. In certain hotspots, there are chronic shortages. Many IT leaders tell us that this issue is holding them back and as a result, we note that salaries in key skill areas are rising.

All this contributes to a challenging, complex and constantly shifting landscape for the CIO. And their response? They've never been happier. Job satisfaction is heading towards historic highs. In terms of strategic impact there is also good news. Over the last six years, we have seen the relevance of CIOs in the board room steadily advance. In some corporations, CIOs are leading the post-crash transformation activities on behalf of their enterprise.

The CIO landscape is changing as business priorities shift

For the first time in several years, we have seen a change in relative priorities. Business intelligence and analytics has surged in importance. Growth compared to last year is running at three times any other priority on our list. We believe that as a result of digital disruption, many organisations are changing their investment priorities. Additionally, customer relations and social media technologies are

starting to take hold. That said, traditional growth area skills such as project management continue to be in demand.

People, skills and talent are at the forefront of CIO decision making

Technology skills shortages remain a pressing concern. Nearly six out of ten CIOs believe that skills shortages will prevent their organisation from keeping up with the pace of change. This is a trend which started last year and it appears to be accelerating. Skills concerns are running one-third higher than in 2013.

The skills that CIOs feel their teams need in order to keep up with the pace of technology change have also shifted in the past 12 months. There has been a massive increase in demand for big data analytic skills – almost six times higher than the rise in the next most in-demand skill, change management. More than four in ten leaders are also looking to stiffen their teams by injecting new blood in the coming months. This reflects an ongoing and consistent trend in positive recruitment intent by CIOs since the end of the recession.

The era of digital disruption is here, but no consistent models are in place to deal with it

Across the three years that we have tracked digital influence, the dynamics have been constantly shifting. An overwhelming two thirds of CIOs believe digital 'disruption' is now a very significant change to business. They tell us that they believe this disruption will create new business models, products and services that are expected to outperform the old ones. Only one in ten CIOs believe their organisation will be unaffected by digital disruption in the coming years. More than a third of CIOs say they are responding to disruption 'now', while three in ten CIOs expect to be managing disruption within 24 months.

Last year, we found that many Chief Marketing Officers (CMOs) were owning and leading the digital agenda. This is changing. Today we are seeing some evidence of a 'boomerang' effect, where IT organisations are either collaborating with the CMOs or taking on the responsibility for themselves. Additionally, there has been a significant increase in the number of Chief Digital Officers appearing in the IT landscape. Almost one in five CIOs now work with a Chief Digital Officer (CDO) – a huge jump up from a mere seven per cent last year. An additional five per

cent of CIOs report that hiring is underway for a CDO in 2015. That said, ownership of digital, even with a CDO in place, appears to remain quite fluid for many. Amongst the wide range of responses, there seems to be no standard operating model or any blueprint emerging to help organisations address their digital challenges.

Cyber security is a real headache, but CIOs are not letting it inhibit innovation

Boards and executive teams are increasingly becoming aware that cyber-attack is not just a technology risk, but a real business risk. Recent high profile media coverage of hackings into major global brands and major government institutions has no doubt helped affirm this. One in four CIOs reported that their organisations have had to deal with a major IT security incident in the past 12 months. However, critically, while security concerns are keeping CIOs awake at night, an overwhelming majority believe that the security measures they put in place do not materially inhibit their ability to innovate.

IT budget growth continues, but Shadow IT is alive and well

CIOs report that anything between one per cent and 30 per cent of their organisation's annual sales (or public sector total budget) is spent on technology. Manufacturing, construction and engineering are the most conservative (spending one - three per cent), while technology, telecoms, media and financial services all invest more than ten per cent of their sales revenue or public sector budget into IT.

Happily, almost half of CIOs have been allocated budget increases in the past 12 months and this is being directed towards projects which deliver benefits and make money for their organisations. However, challenges remain. Shadow IT, where the CIO does not control the budget, is still a significant force. While nearly half of CIOs give up less than five per cent of their IT budgets to their user community, some IT organisations are struggling, with many only able to control 80 per cent or even less of the technology budget.

Outsourcing is increasingly being used to acquire skills rather than to save money

As in previous years, CIOs often prefer to outsource software development and data centre functions. However, the reasons for outsourcing seem to be changing. Over the last five years there has been a

steady shift away from using outsourcing as a means to save money. Instead, many IT leaders now see outsourcing as a valuable way of acquiring new skills. Half of CIOs report increasing their dependence on partners to access skills not available in-house, or to free up internal resources.

A happy CIO does not necessarily mean a settled CIO

CIOs remain fulfilled in their role. Eight out of ten report that they are either 'fulfilled' or 'very fulfilled', a slight increase of two per cent since 2014. However, perhaps mindful of the short life expectancy of a CIO, many leaders remain active in the career market. Three in ten moved jobs in the last 24 months, while almost six in ten CIOs have changed roles since 2010. The average life expectancy of a CIO does not seem to be increasing in these fast-paced times.

In terms of remuneration, the pace of CIO salary growth seen in the last few years appears to be slowing. While three in ten CIOs enjoyed an increase in salary in 2015, the vast majority of CIOs did not see any salary rise, with their total benefits package remaining essentially unchanged from 2014. Yet CIOs are positive. Memories from the worst of the recessionary years still linger, with CIOs admitting that even sluggish remuneration inflation is better than the negative salary inflation seen in the trough of the recession.

2015 is going to be a tough but exciting year

Overall, this year's survey responses tell us that CIOs remain optimistic and that most are excited about the challenges ahead. There seems little doubt that the digital revolution is real and that IT leaders across the world are moving rapidly to exploit the new opportunities. Many of the old problems however, remain. Business change projects are often poorly executed and relationships with key stakeholders are challenging, but we sense a pervasive mood of optimism across the industry. For IT staff, new skills are required to deal with change and the smartest CIOs are often looking beyond the obvious, sometimes even beyond the traditional IT department, to secure new talent. The green shoots of positive sentiment we reported last year now seem to be growing and momentum is gathering. 2015 looks to be a tough but nonetheless exciting time to be an IT leader.

Dr Jonathan Mitchell

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