Strategic Insights Survey
An IT Leadership Perspective

sponsored by PA Consulting Group
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Welcome to the 2008 IT Leadership Survey

This year we mark a significant milestone, our 10th year publishing the IT Leadership survey. Since its introduction in 1998 it has provided an objective analysis of the goals and issues confronting today’s IT leaders, firmly establishing itself as the industry benchmark over the past decade.

The survey was made possible by more than 350 respondents who contributed their insight and vision. I would like to thank each of them for taking the time to scrutinise the IT industry so that Harvey Nash, our partner PA Consulting and our clients can better understand what today’s IT leader is facing.

This year we have canvassed a wide selection of leaders, from within the IT function and beyond. Contribution has been received from CEOs, COOs, CFOs, CIOs as well as a range of people from the technology industry.

The report indicates that the role of the IT leader, like technology itself, is constantly changing and evolving. The relentless pursuit for operational efficiencies and competitive advantages continues unabated, but the priorities of each change with the times.

Our thanks go again to PA Consulting, our partners in the IT Leadership survey for the past two years, who have contributed significant insight in the sourcing strategy, innovation and IT project success sections of the report.

It is our hope that you find this survey both informative and enlightening. It is said that history repeats itself. With the help of our respondents and partner PA Consulting, let’s learn what history IT is teaching us so we can look forward with confidence.

Albert Ellis
Chief Executive
Harvey Nash
2. Executive summary

Is Collaboration the Key?

This report has, over the last three years, witnessed the erosion of influence IT leaders wield in shaping business strategy. Yet IT leaders desire to be business leaders, to have that strategic influence, and their aspirations have driven IT in new and innovative ways.

As darkening economic clouds have loomed and with little budget allocated for innovation, IT leaders are collaborating with suppliers and customers to help drive efficiency and create new revenue streams. Going forward, and for the same reasons, collaborating on innovation could be the key to success for many firms as competitive and economic pressures mount.

It is anticipated that with increased collaboration on innovation projects, IT leaders will be able to grow their strategic influence with the CEO and main Board. And having delivered measurable results when times are tough, we expect them to be rewarded with the strategic influence they desire.

Strategic Influence

The reality, however, is that the role of the IT leader, while still strategic in nature, is becoming less so year-over-year. Two years ago 76 per cent thought the role was becoming more strategic. This year it has slipped to 57 per cent. It should be noted that at the very top level, CIOs at the largest firms are getting more involved in business strategy. However, IT leaders at the second and third tier appear disenfranchised and drifting away from the business. Nearly a quarter of the respondents, 21 per cent, have no input whatsoever into the shaping of the business strategy, but rather has the strategy dictated to them by the Board. And with regard to the Board, less than half of the respondents (44 per cent) are members.

But one of the more telltale signs is that the most important key business issue the Board looks to technology to address is enhancing operational efficiency. This supersedes strategic initiatives such as developing new products, entry to new markets, innovation and improving price competitiveness. For 17 per cent of the businesses, IT is not even expected to innovate with technology to improve competitive advantage. For 55 per cent of the businesses that do have an expectation of innovation, no targets have even been set.

Leadership

Today’s CIO not only desires to be a business leader, they need to be. Almost three-quarters of the respondents, 73 per cent, thought that the CIO should be on the main Board. The top two skills considered essential for a CIO to advance to the main Board are soft skills more commonly associated with business management capabilities, those of leadership and communication. These are the identical top two skills that respondents considered essential in their own roles. What is interesting is that the need for in-depth IT awareness, the knowledge base over which they preside, ranked outside the top 10 and was second to last on both accounts.
So clearly the ability to lead trumps the ability to be technical, and it was further apparent when considering their role. For example, with over half the respondents admitting to some form of project failure in the last 12 months, technology shortfalls cannot be blamed for all the problems. To some extent, projects are still failing because of poor leadership and weak governance.

The Movement of Top Talent

The changing role of IT leaders, evolving into something more suggestive of a support function, is counter to their desire to be strategic business leaders and is ultimately influencing churn in the employment markets.

Those that find their role either fulfilling or very fulfilling has steadily declined from 84 per cent in 2006 to 74 per cent this year. Likewise, those that find their role not very fulfilling or not at all fulfilling increased correspondingly from 17 per cent in 2006 to 25 per cent this year. The key to fulfillment for them can be found in the top two decision making factors the respondents would look for if moving to a new organisation, those of having a greater involvement in business strategy and a fresh challenge. Combined, 63 per cent said these were their hot buttons.

Even more telling is that only seven per cent of respondents would not consider a new job elsewhere, whereas 72 per cent are already looking for a new job or would entertain a call from a head hunter. In the next two years 63 per cent of the technology leaders expect to no longer be with their current employer but will have moved jobs, up five per cent from last year. And all of this comes at a time when those either satisfied or extremely satisfied with their remuneration package is up eight per cent from last year, to 79 per cent this year.

It’s a cause and effect relationship. The decline in influence is related to the decline in job fulfillment and ultimately the rise in defection.

The Dominance of Outsourcing

Outsourcing and off shoring are not only here to stay they are becoming an even greater part of the IT fabric. Spending on outsourcing is expected to increase for 53 per cent of the respondents and off shoring to increase for 41 per cent of the respondents in the next 12 months. However, there is a disconnect between this expected increase in spend and the fact that 44 per cent of organisations do not have a documented sourcing strategy and in the case where a sourcing strategy exists, only 43 per cent are reviewed at board level.
2. Executive summary...

The IT of Yesterday

The decline in strategic focus for IT departments may be a product of past performance issues and lingering perceptions. Over one quarter of the respondents believe the IT systems within the business are not seen as a value added component to the budget. This is not an encouraging viewpoint. Even among technology leaders themselves, 54 per cent don’t feel that that the IT function is an effective means for increasing overall business revenue.

But assessments like these are often born from experience. The continuing goal of IT leaders and their organisations to integrate IT into the business has been accomplished at an advanced or full level for 57 per cent of the respondents, yet 42 per cent of the businesses remain integrated at only a limited level or not at all. Even shorter term initiatives are subject to questionable measurements of success. IT projects, for example, have failed or been cancelled for 63 per cent of the respondents.

And so, when business planning is conducted, the role IT will undertake is influenced by the confidence that it can deliver predictable and measurable results.

What Technology Skills Shortage?

While nearly three-quarters said their business suffers from a skills shortage, it is the type of skills that are in question. Today’s IT leaders recognise the importance of, and need for, more than just technology skills, but also business skills within their own team. The principal skill considered most important for the technology team was building and maintaining relationships with business.

Keeping with business, the top talent development priority of technology leaders to up-skill their workforce in the next year are management development programs. This was even ranked ahead of technology training. It is apparent that the ideal IT member must have both technology and business acumen.

Bring on the Innovation

Innovation is critically important to the business, and IT has been rather successful in its effectiveness to deliver that innovation. The overwhelming majority of businesses, 83 per cent, look to IT to innovate with technology to improve competitive advantage, and IT has responded.

IT has generated technology ideas either occasionally or frequently for 90 per cent of the respondents, and more importantly the innovation has been either reasonably or very successful 80 per cent of the time. In fact, innovation has yielded a return on investment of five per cent or more for 55 per cent of the respondents.

Innovation collaboration seems to be happening more and more frequently and the more you collaborate the better your results. Those who are successful at innovation and get the highest returns do more collaborating than average.
Two thirds of respondents will collaborate with their suppliers. This is probably unsurprising given that suppliers have the greatest incentive of all groups for sharing their technology with their customers. However, it is also worth noting that successful companies are more likely to collaborate with their customers and professional services firms. Additionally, successful companies are also twice as likely as average to collaborate with competitors.

**Expand Your Horizons**

The next great technology idea doesn’t have to come entirely from within. The success of innovation efforts has not relied solely on organic ideas, but rather has appropriated help from IT suppliers, customers, industry peers and even competitors.
Welcome to the CIO Forum, a new addition to the Harvey Nash IT Leadership Report.

This overview is a first step in developing the forum, which we hope will evolve into a virtual meeting-place for great ideas, advice and analysis for CIOs everywhere. Those of you who contributed to our survey will be the first to be informed of our web based CIO forum.

In early April at Hibiscus, the Michelin stared restaurant operated by Claude and Claire Bosi in Mayfair, London, an exclusive group of CIOs joined Harvey Nash to discuss some of the challenges and opportunities they expected to face in 2008/09.

Harvey Nash Chief Executive, Albert Ellis, hosted the event, which was facilitated by Bryan MacDonald, Director of our CIO practice. Below is a profile of our inaugural CIO Forum attendees with an overview of the discussion provided on the following pages.

The CIO Forum attendees

David Boulter, CEO, Cap Gemini Aspire
Currently Chief Executive of Cap Gemini ASPIRE (the outsourced technology provider for HM Revenue & Customs), David has previously worked for BP plc in various group executive roles including technology, commercial, strategic planning and exploration.

Peter Brickley, CEO, Ashcombe Partnership
Peter has spent his career representing the IT function, as CIO of British American Tobacco and Centrica. He is especially experienced in driving transformation within businesses. resolving material commercial conflict and driving IT as a commercial business unit.

Trevor Didcock, CIO, Homeserve
Previously Information Systems Director of The AA. Trevor was a member of the executive management team responsible for the well-publicised private equity backed development of the AA. Profit increased from £93m in 2003 to £280m in 2007.

Fabian Di Felice, Head of Strategic Business Systems, British American Tobacco
Fabian has built his career in a range of industries and has served global firms including Unilever. At British American Tobacco, he was IT Director for Central Europe for a number of years before being appointed to a global role as Head of Strategic Business Systems.

Lars e Hjaltman, CIO at Group RCI
Lars has led organisations of up to 2,500 staff. has been responsible for a divisional $400m budget and outsourcing contracts with large offshoring elements of up to $700m. He currently leads the IT/IS function at Group RCI through a period of transformation and change.
Myron Hrycyk, CIO, Severn Trent
Myron has spent his career re-organising corporate IT units and deploying high performance IT practices for international businesses operating within a number of different sectors.

Gordon Lovell-Read, CIO, Siemens
Hired by Siemens in 2002 after impressing the company’s CFO on an IT project he was working on for them while at previous employer Hewlett-Packard. Gordon became CIO and is the only member of the executive management board to have been appointed from outside the company.

Jonathan Merry, Business Technology Director, Pfizer
Jonathan joined Pfizer as Business Technology Director in August 2006. He previously worked as Business Systems and e-Business Director at Coca-Cola Enterprises. Since joining Pfizer, Jonathan has driven a step change in IT by leading the development of IT strategy and governance.

Mayank Prakash, CIO, Sage
Mayank is a member of the senior management team at Sage, an organisation that now employs over 13,000 people in its market leading companies worldwide. In the UK, Sage employs over 1600 people and provides software and services to 700,000 small and medium sized businesses.

Kevin Rodgers, IT Director, Interserve Facilities Services
At Interserve Kevin is responsible for creating a centralised IT function and effectively integrating it with the business. Kevin took control of three entirely different IT departments and merged them, selecting personnel, technologies and processes.

John Sillitoe, Director ICT at Serco Solutions
John is responsible for the delivery of all systems and infrastructure across Serco UK. His role covers a wide range of applications for central and local government and includes a support organisation that handles over 750,000 incidents per year. John is also accountable for all offshore delivery.

Nigel Underwood, CIO, DHL
Nigel became Chief Information Officer of DHL Logistics in December 2005, having previously been a member of the Executive Board and CIO at Exel since 2001. A Nottingham University graduate, Nigel’s early career was spent with fast-moving consumer goods companies Boots, Mars and Coco-Cola Schweppes. Prior to joining Exel, Nigel was Senior Vice President, IT for the Hilton Group.
3. CIO Forum

“...”

The Forum produced some fascinating insights, which we are delighted to share with you here.

CIOs on leadership

Fabian Di Falice of British American Tobacco (BAT) was a prominent member of the forum who believed that the best leaders in IT were those who excelled in general management as well as having a strong record of technical success. Lars Hjaltman of RCI strongly agreed and said he was concerned about the lack of leadership skills in the IT function. He felt the bias in people development still leaned towards developing functional skills.

There was a consensus amongst forum attendees that aspiring CIOs need support throughout their career to develop the diverse skills needed by a modern IT leader. Jonathan Merry of Pfizer observed that the standard career path in IT has radically changed in recent years. No longer is it sufficient to learn functional skills – being politically savvy and commercially astute is now high on the agenda. Additionally, knowing how to influence and negotiate with demanding business owners around the deployment of resources in favour of new and emerging markets was a critical ability.

Mayank Prakash from Sage argued that the modern CIO needed to be a leader who could comfortably manage cross-functional businesses. Managing upwards is equally important for developing a strong leadership profile. According to the forum, Gordon Lovell-Reed of Siemens impressed upon the group that understanding the responsibilities and drivers of the Board was crucial in knowing how to influence the Board agenda – finding the right angle with the right people is key.

Creating an environment for success

Nigel Underwood from DHL hinted that success is only really achieved in those organisations where a portfolio of values is based on credibility and trust, as well as consistency in processes and behaviours. He saw talent management and getting the right team dynamic as one of the CIOs biggest challenges but the also the strongest foundation for success.

Mayank Prakash felt that time spent coaching and leading people from other parts of the business, as he has done at Sage, benefits everyone involved. This view was echoed by other members of the forum who suggested that technology itself is not a competitive advantage these days (most of us have the same technology in our firms) but aligning and synchronising people, processes and technology is a key differentiator.
John Sillitoe summarised the “Head, Heart, Hands” approach that Serco has brought to skills development for senior managers has enabled them to drive change throughout the business. David Boulter of CapGemini Aspire felt that it was as much the responsibility of the CIO as the Marketing or Sales Director to ensure the business was targeted at the “premium market” and was differentiated from the commodity providers.

Next generation talent

Stan Anderson of Harvey Nash said he was gripped and amazed by the mobility of the new generation of talent – he said young people are far likelier to opt for international assignments in their careers and should be encouraged to do so.

Peter Brickley of Aschcombe agreed that developing the next generation of leaders is essential but warned that as a CIO you can only really be successful when you track where the pulse of the organisation is. Changing the way business is done to satisfy a new generation is important for retention, but should only be adopted when it adds value to the business as a whole.

Myron Hrycyk of Severn Trent asked the forum how good they could honestly say they were as mentors and coaches. While he accepted that everyone round the table was probably comfortable in a customer centric role, selling and providing solutions to customers, it was also their responsibility to grow these skills throughout their business, particularly with their successors.

It was clear to the group that succession planning was the key to long-term success, that grooming your eventual replacement is essential as well as being clear on the skills your successor will need.

CIO opportunities and challenges

There are many economic and technical factors currently influencing the modern CIO. According to Di Falice one of the most prominent that BAT face is addressing the information agenda of the 21st century. As BAT continues to grow internationally there is an ever-increasing pressure to help the organisation with the information it needs to run on a global basis.

John Sillitoe admits that Serco is grappling with getting the right balance between empowering employees to innovate and collaborate, with the security issues such freedom brings. While Trevor Didcock of Homserve agreed with many of the points around providing flexible and creative working opportunities, he asked the forum not to overlook the ‘real world’ responsibility of IT to reduce complexity and cost.
As the forum drew to a close David Boulter of CapGemini Aspire asked people to think about the issues that are not yet seen as mainstream. He said that Boards are constantly becoming younger, and much more process and technology savvy – they want to know how they differentiate their business in a fast moving world. Fabian Di Falice (BAT) agreed and spoke about his view of Vietnam as the hub to South East Asia, especially considering the Vietnamese population has 35 million people under the age of 30!

Gordon Lovell-Reed concluded that while the “Green Agenda” is always a great topic to bring up at Board meetings it still lacks the credibility within most organisations as a cost saving tool or strategy differentiator.

Thank you
We hope you have enjoyed this brief insight into our CIO Forum. We are extremely grateful to our CIO participants and look forward to welcoming our CIO audience to more forum events in the future.

Best Regards

Bryan MacDonald
Director
Harvey Nash CIO Practice
www.harveynash.com/cio
4. Survey Results
4.1 Respondents' profile

4.1.1 Respondents

The number of respondents to this year's survey exceeded 360 individuals. The respondents come from a wide range of industry sectors, with the largest group (22 per cent) working in the IT industry itself. The next largest groups were financial services and business services with 12 per cent and seven per cent respectively.

4.1.2 Titles

The largest group, those that are CIO/CTOs, represented 31 per cent of the respondents. Senior IT managers accounted for 23 per cent, and other C-level titles (CEO, CFO, etc.) another 21 per cent. The remainder consisted primarily of other senior management or mid-level IT managers.

4.1.3 Reporting Lines

Those reporting directly to the CEO constituted 36 per cent of the respondents, within one per cent of last year’s survey. Following the CEO, the Finance Director/CFO was the next most reported to at 13 per cent and then the Operations Director/COO at 12 per cent.

While in line with last year’s and the prior year’s results, there nonetheless has been a steady decline in those reporting to the CEO over the last seven years. Shown graphically in the chart below, this decline suggests that the importance placed on IT and its influence within the organisation has been steadily eroding.
4.1 Respondents' profile

46 per cent of respondents are a member of the operational Board.

4.1.4 Board Membership

This year’s survey results were identical to last year’s with 54 per cent not a member of the operational Board and correspondingly 46 per cent were.

Figure 2. Percentage of technology leaders reporting to the CEO over time

Figure 3. Are you a member of the operational Board?
4.2 Responsibilities

Five per cent (of respondents) had an IT budget of over £250m.

4.2.1 IT Budget

The median IT budget for those surveyed was in the range of £1M-£10M, although five per cent had IT budgets of over £250M. Over the last year 37 per cent reported having an increased budget while 17 per cent had a budget decrease. The remainder, 46 per cent, had no budget change.

4.2.2 Strategic Responsibility

While the majority of respondents still feel that the role of the CIO is becoming more strategic within their organisation, the number has actually steadily declined from 76 per cent in 2006, to 62 per cent last year to 57 per cent this year. Similarly, those that felt the role of the CIO was becoming less strategic increased from six per cent to 14 per cent over the same time period. The chart that follows shows this erosion of strategic responsibility.
Having strategic responsibility would seemingly imply that one would have influence in shaping business strategy, yet nearly one-quarter (21 per cent) have no input into that strategy. Rather, their strategy is dictated to them by the Board.

Figure 6. How much influence do you have in shaping business strategy?

The IT leaders themselves clearly desire a strategic role and to be thought of and acknowledged as a business leader. Almost three-quarters of the respondents, 73 per cent, thought that the IT director should be on the main Board.

Figure 7. Should the IT director be on the main Board?

4.2.3 Geographic Responsibility

The globalisation of business is evident. Of the respondents, 62 per cent have responsibilities that extend beyond the borders of the UK. In fact, 37 per cent have responsibilities that are global in nature.
4.2 Responsibilities

57 per cent. thought IT had achieved advanced or full integration with the business

4.2.4 Key Business Issues

The single most important key business issue the Board looks to technology to address is enhancing operational efficiency, as stated by 76 per cent of the respondents. Just over one-half (51 per cent) considered it to be innovation, followed by developing new products (41 per cent) and entry to new markets (40 per cent).

![Figure 9. What are the key issues that your Board is looking for technology to address?](chart)

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry to new markets</td>
<td>40%</td>
</tr>
<tr>
<td>Developing new products</td>
<td>41%</td>
</tr>
<tr>
<td>Innovation</td>
<td>51%</td>
</tr>
<tr>
<td>Improving price competitiveness</td>
<td>39%</td>
</tr>
<tr>
<td>Enhancing operational efficiency</td>
<td>76%</td>
</tr>
<tr>
<td>Responding to globalisation</td>
<td>23%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
</tbody>
</table>

4.2.5 IT Integration

Respondents were nearly evenly split in their opinion of how well integrated the IT function is within their business. Just over one-half, 57 per cent, thought IT had achieved advanced or full integration while 43 per cent had limited or no integration. Of real note is that only 16 per cent believed IT to be fully integrated.

![Figure 10. How integrated is the IT function within your business?](chart)
4.2.6 Revenue Generation

Over one-quarter, 28 per cent, of the respondents believe the IT systems within the business are not seen as a value added component to the corporate budget. This certainly is not a strong vote of confidence for IT.

Figure 11. Are the IT systems within the business seen as a value added component to the budget?

Perhaps more interesting is that among the technology leaders themselves, 54 per cent do not believe the IT function is an effective means to increase business revenue. Of those that did, the respondents felt that IT contributed 40 per cent of the overall business revenue.

Figure 12. Is your IT function an effective means of increasing overall business revenue?

“54% do not believe the IT function is an effective means to increase business revenue.”
4.3 Skill Sets

71 per cent believe their business suffers from a skills shortage

4.3.1 Industry Skills Shortage

Nearly three-quarters of the respondents, 71 per cent, believe that their business suffers from a skills shortage.

Although faced with a skills shortage, it is positive to note that only ten per cent believe it will have a significant financial impact on their business. But for the majority, 51 per cent, it unfortunately will have at least some impact in slowing growth.

4.3.2 IT Leader Skills

When the respondents were asked how important various skills or attributes were to their own role as IT leader, the top three responses considered essential were all soft skills more commonly associated with business and management capabilities – those of leadership skills, communication skills and influencing skills. The respondents were also asked what skills were essential in helping an IT director advance to the main Board, and the top three responses were identical.
4.3 Skill Sets

IT leaders recognise the need for more than just technology skills

Figure 15. Top three skills for IT leaders

<table>
<thead>
<tr>
<th></th>
<th>% saying skill was essential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>74%</td>
</tr>
<tr>
<td>Leadership</td>
<td>70%</td>
</tr>
<tr>
<td>Influencing</td>
<td>69%</td>
</tr>
</tbody>
</table>

This may not be all that surprising, but what was interesting is that the need for in-depth IT skills wasn’t even in the top 10 for either question. In fact, IT skills were second from last, or 13 out of 14, with only 22 per cent saying it was essential.

4.3.3 Staff Skills

With regard to the skills considered to be very important within their own team, the responses indicate that IT leaders recognise the need for more than just technology skills. The top response, by 68 per cent, was for the team to build and maintain relationships with business. This was followed by managing IT developments and programs, and managing and delivering IT operations, both of which were deemed very important by 54 per cent.

Figure 16. Top three capabilities needed in the team

<table>
<thead>
<tr>
<th>Capability</th>
<th>% saying skill was very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and maintaining relationships with the business</td>
<td>68%</td>
</tr>
<tr>
<td>Managing IT developments and programmes</td>
<td>54%</td>
</tr>
<tr>
<td>Managing and delivering IT operations</td>
<td>54%</td>
</tr>
</tbody>
</table>

When then asked to rate how effective their team was at these exact same capabilities, the responses indicated a significant shortfall between the importance the IT leader placed on the attribute and the proportion of staff the leader felt was excellent at it.

Figure 17. Capability of team versus desired level of excellence

<table>
<thead>
<tr>
<th>Capability</th>
<th>% rated excellent</th>
<th>% desired excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building &amp; maintaining relationships with the business</td>
<td>10%</td>
<td>68%</td>
</tr>
<tr>
<td>Managing IT developments and programmes</td>
<td>18%</td>
<td>54%</td>
</tr>
<tr>
<td>Managing and delivering IT operations</td>
<td>23%</td>
<td>54%</td>
</tr>
</tbody>
</table>

The top talent development priority to up-skill their workforce in the coming year for over half of the respondents, 59 per cent, are management training programs. Technical training programs ranked third at 47 per cent.
4.3 Skill Sets

“72 per cent. believe that the migration of skilled professionals from Europe and Asia is a positive trend”

Figure 18. What will be your talent development priority this year to up-skill your workforce?

<table>
<thead>
<tr>
<th>% saying priority</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal development with peers</td>
<td>52%</td>
</tr>
<tr>
<td>Technical training programmes</td>
<td>47%</td>
</tr>
<tr>
<td>Management training programmes</td>
<td>59%</td>
</tr>
<tr>
<td>Communication training programmes</td>
<td>34%</td>
</tr>
<tr>
<td>Use of Web 2.0 technology to share knowledge</td>
<td>18%</td>
</tr>
<tr>
<td>Work/release programmes for flexible training</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
</tbody>
</table>

4.3.4 Migrating Skills

Considering the skills gap in the UK, nearly three-quarters, 72 per cent, believe that the migration of skilled professionals from Europe and Asia is a positive trend. This is up slightly from the 66 per cent who said the same last year.

Figure 19. Do you believe skilled migration from abroad can help fill the UK skills gap?
4.4 Innovation

4.4.1 Innovation for Competitive Advantage

IT has always held the promise of delivering more than just a support function, so it is not surprising that the business looks for technology innovations from IT to improve its competitive advantage.

In last year’s survey, we looked at IT innovation and the role it had to play as a driver for business growth and value creation. We found that there was a clear business demand for IT to innovate, that the most successful organisations were more likely to set targets and innovate frequently, but for a majority of organisations there was no structured approach and results were disappointing.

This year we wanted to confirm our results from last year (and compare any trends), but also to dig below the surface to find out and share how the most successful organisations went about their innovation activities.

We asked questions about the techniques people used to innovate, the percentage of their IT budget they invested in innovation activities, and the typical returns they got. We then analysed the results comparing the main group of respondents against those claiming high levels of success or more than 10 per cent ROI to determine the key to success.

There is still high demand for IT innovation from business units

There is still high business demand from business users for innovation from IT. This year 83 per cent of IT leaders said their business colleagues expected them to deliver innovation compared with 84 per cent last year. However, the frequency of innovation and relative success has not improved. This year 21 per cent of IT leaders claimed to be very successful, compared with 22 per cent last year. The percentage of those claiming to innovate frequently (a key indicator of success) has actually dropped from 32 per cent to 25 per cent. So what techniques are used to innovate? What sort of results do people get? How do the successful organisations do it?

Figure 20. Does your business look to IT to innovate with technology to improve competitive advantage?

- Yes, targets reflect the need to innovate: 28%
- Yes, but no targets are set: 55%
- No, innovation expected only in business units: 15%
- No other: 2%
4.4 Innovation

“it is difficult to innovate in isolation”

Generating technology ideas to improve competitive advantage has been accomplished either occasionally or frequently by 90 per cent of the businesses. Only 10 per cent have never generated an idea or accomplished it just once.

Figure 21. Frequency of technology innovations to improve competitive advantage

4.4.2. Innovation Collaboration

It is generally regarded that it is difficult to innovate in isolation – the best results are achieved by collaborating with other parties. So, have our IT innovators been collaborating, and if so with whom?

Across all respondents a range of techniques are used. The top four are presentations from suppliers, defined innovation projects, idea generation sessions with staff and sessions with industry groups and collaborators.

Figure 22. Source of collaboration

Presentations from IT suppliers
Defined projects with an innovation focus
Idea generation sessions with staff
Sessions with industry groups and collaborators
Staff suggestions box
Dedicated innovation team
None
Other

> 10% ROI
Successful
All respondents
Across all respondents, presentations from IT suppliers were the most popular source of collaborative ideas. However if we look at the “successful” innovators they are significantly more likely to run defined projects with an innovation focus. They, and those with more than 10 per cent ROI, are also more likely to have idea generation sessions with staff and sessions with industry groups and collaborators.

We tried to determine the main drivers for innovation to see if it was a general phenomenon or, as some think, being driven by the next generation of younger employees coming into the workplace.

Figure 23 – Trigger for innovation collaboration

For a third of respondents, there has been no trigger for innovation – and innovation is certainly not being driven by junior staff. The two main drivers for innovation are a change of focus within the business or in response to a change in the market. These results are encouraging partly because they reinforce the old adage that “necessity is the mother of invention” but also because it appears that the IT organisation is starting to use its innovation capabilities to support other parts of the business in the market.

4.4.3. Innovation Investment

The amount invested also correlates to the chances of success. Across all respondents, the vast majority (75 per cent) invested between zero and eight per cent of their IT budgets. However, in the “successful” group of companies, 42 per cent invested more than eight per cent (22 per cent investing more than 15 per cent). In the group getting a ROI of more than ten per cent, 46 per cent invested more than eight per cent and 33 per cent invested more than 15 per cent.
4.4 Innovation

So, it appears, the more you invest, the better the return.

One of the most significant benefits of innovation are improvements in internal processes with two thirds of respondents achieving cost reductions or efficiency improvements. However, over a third of respondents claimed that innovation projects drove transformational change and major strategic improvements. Additionally, IT innovation does not appear to be constrained to internal activities: 44 per cent had contributed to improving their company’s market offering.

In terms of ROI, over half of respondents achieved over five per cent and a quarter achieved over ten per cent.
4.5 IT Projects

4.5.1 Completed Projects
The good, the bad and the ugly

**The good** – Of the projects completed within the last year, the predominant outcome was mostly positive. Most respondents, 87 per cent, achieved either excellent or good results. There is still a little to be desired as 13 per cent had poor outcomes, and those that had excellent outcomes were a relatively modest 17 per cent. The large proportion of outcomes met most of users’ expectations rather than all of them, so one question is whether most expectations rather than all expectations is good enough in today’s demanding environment. Fortunately, no respondents reported that the predominant outcome was failed projects.

When respondents considered the reason behind the success of projects with excellent outcomes, the most important factor was determined to be leadership and governance (46 per cent). Project management skills (35 per cent) were the next most important factor.

![Figure 27. Project outcome](image)

**The bad** – However, whatever the data says, the industry still suffers, as last year, from a significant image problem, even from those within the industry who should know best. Only 4 per cent felt that the rest of the industry predominately had excellent outcomes and over a third (37 per cent) believed that the rest of the industry delivered poor outcomes. This will still present problems for IT leaders dealing with business stakeholders if they have the same perceptions, despite the actual results.
The most significant challenge for an organisation implementing an IT project is the same as it was last year – poorly defined scope and requirements, according to over one-half, 55 per cent, of the respondents. Weak leadership and governance causing problems, received the second highest number of votes (37 per cent), tying up with it being the key success element in excellent projects, followed by poor project management skills and poor business cases, both 22 per cent. The technology itself in IT projects continues to cause people little concern, with “Technology issues or poor design” receiving the lowest number of responses from the list, consistent with last year’s results.

4.5.2 Challenges

The most significant challenge for an organisation implementing an IT project is poorly defined projects, according to over one-half, 55 per cent, of the respondents. The next most significant challenge is weak governance and leadership, 37 per cent, followed by poor project management skills and a low quality business case, both 22 per cent.

The reasons for most project failures are not technology based but primarily around poor scope.

4.5 IT Projects

Figure 28. Most challenging issues when implementing projects

The ugly – So the predominant outcome is not looking too bad. Perhaps more worrying is that 63 per cent of respondents suffered some experience of complete project failures – slightly up from last year’s 59 per cent. This suggests that there are still a lot of challenges in projects that are proving insurmountable and using up valuable resources and budget until the projects are put out of their misery.

It does seem that size matters, as those with larger budgets and therefore larger projects experienced more failure. Nearly all of the very large organisations (85 per cent) experienced failures.
While most projects report successful outcomes within acceptable tolerance levels, only 13 per cent come in on time, to budget and meeting user’s expectations. In the current economic climate where every penny counts it is certainly more likely that users will become more demanding – meeting *most* expectations rather than *all* expectations will not be good enough!

Over half the respondents have had some project failures, so a lot of money is still being wasted. Therefore, understandably, project management is still a skill that is in high demand.

The reasons for most project failures are not technology based but primarily around poor scope, weak leadership or governance, which can all be rectified with robust project management ability.
4.6 Outsourcing and Offshoring

It shouldn’t be overly surprising that in many cases the Board has involvement in a sourcing strategy given the amount of resources involved.

4.6.1 Outsourcing

Outsourcing has attained a prominent position as a recognised business practice in many organisations with 53 per cent of respondents indicating an increase in spending over the next 12 months. Therefore, given this fact it is surprising that only 56 per cent of respondents have a documented sourcing strategy for the organisation.

Whilst this in itself is concerning, given the prominence of outsourcing, of those organisations that have a sourcing strategy only 57 per cent of those strategies have been endorsed by the board. Additionally, only 43 per cent review their strategy every year and 30 per cent never review it again indicating that it is not seen as a strategic or competitive advantage in many organisations.

Figure 30. Does your organisation have a sourcing strategy?

It shouldn’t be overly surprising that in many cases the Board has involvement in a sourcing strategy given the amount of resources involved. This year, as was the case last year, one-half of the respondents spent ten per cent or more of their budget on outsourcing activities. Considering that the median budget range was in the £1M-£10M range, outsourcing represents a sizeable amount of capital.

Figure 31. Percent of IT budget spent on outsourcing.
4.6 Outsourcing and Offshoring

4.6.2 Outsourcing Spending

Perhaps as a testament to the acceptance of outsourcing, 53 per cent of the respondents indicate that they will increase their outsourcing spend over the next 12 months. This is the same response as last year. Only 13 per cent expect spending to decrease, while 34 per cent think it will stay the same.

Figure 32. Predicted change in outsourcing spend.

4.6.3 Outsourcing Reasons and Functions

In line with last year’s survey, the top reason for outsourcing was stated as being better able to meet the needs of the business for 39 per cent. Likewise, cost reduction was again the second most important reason following closely behind at 37 per cent.

Figure 33. Most important reasons for outsourcing
4.6 Outsourcing and Offshoring

“66 per cent felt that their expectations of offshoring were either met or exceeded”

4.6.4 Activities Outsourced
The function most commonly outsourced was once again the development of software applications according to 66 per cent of the respondents. In line with last year, this was followed by maintenance at 54 per cent and infrastructure at 45 per cent.

Figure 34. Activities outsourced

4.6.5 Offshoring
For those that offshore, 66 per cent felt that their expectations of offshoring were either met or exceeded. While this represents the majority, there nonetheless remains 34 per cent for whom offshoring fell below their expectations.
4.6 Outsourcing and Offshoring

“41 per cent expect to increase their offshoring spend over the next 12 months”

Figure 35. To what extent have your expectations of offshoring been met?

- Exceeded expectations: 9%
- Met expectations: 57%
- Fell below expectations: 34%

The vote of confidence on offshoring expectations appears to have influenced future offshoring spend. Of the respondents, 41 per cent expect to increase their offshoring spend over the next 12 months. Only eight per cent forecast a decrease in offshoring.

Figure 36. Predicted change in offshore activity

- Increase: 41%
- Stay the same: 51%
- Decrease: 8%

The country most commonly offshored was overwhelmingly India by 67 per cent of the respondents. China was second at a distant three per cent. The USA, Malaysia, Vietnam, Romania and Ireland all tied for third at two per cent each. Many other countries were represented to a lesser extent.
4.7 Employment and Career

“all indications point to a fluid labor market for top IT talent”

4.7.1 Length of Time with Current Employer

The largest group of respondents, 30 per cent, report having been with their employer two to five years. This was also the largest group last year. Only 12 per cent have been with their employer for more than 10 years. The 15 per cent reporting less than one year with their employer could also be considered an annual turnover rate in IT leadership positions.

Figure 37. Length of time with current employer

4.7.2 Likely Length of Continuing with Employer

Echoing results similar to last year’s, all indications point to a fluid labor market for top IT talent. The responses would suggest that within the next year 35 per cent of the respondents will be in new jobs, or 63 per cent within the next two years. The number rises to 88 per cent if we consider those that don’t expect to be working for their current employer five years from now.

Figure 38. Length of time expecting to stay with current employer
4.7 Employment and career

4.7.3 Level of Fulfillment

Those that found their role either fulfilling or very fulfilling has steadily declined from 84 per cent in 2006, 79 per cent last year to 74 per cent this year. Likewise, those that found their role not very fulfilling or not at all fulfilling increased correspondingly from 17 per cent in 2006 to 25 per cent this year. Clear evidence that overall more respondents are feeling less fulfilled.

Figure 39. Level of fulfillment with current role

Figure 40. Percentage finding their role either quite or very fulfilling

4.7.4 Job Search Activity

Of particular interest is that only seven per cent of the respondents would not consider a job elsewhere, whereas 72 per cent are either already looking for a new job or would entertain a call from a headhunter. These results exactly mirror last year’s.

“72 per cent are either already looking for a new job or would entertain a call from a headhunter”
4.7 Employment and career

"the top two factors in deciding to change jobs were to pursue a fresh challenge and have greater involvement in business strategy"

4.7.5 Deciding Factor in Changing Jobs

This year, as was the case last year, the top two factors in deciding to change jobs were to pursue a fresh challenge and have greater involvement in business strategy, as cited by a combined 63 per cent of respondents.
4.8 Compensation

“Base salaries for the top IT leaders continue to rise.”

4.8.1 Base Salary
Base salaries for the top IT leaders continue to rise. Whereas last year 41 per cent of respondents earned over £100,000 per year, this year 46 per cent exceeded that figure. Cost of living adjustments may be an explanation, but it is also likely a reflection on the need to attract and retain key talent.

Figure 42. Base salary

4.8.2 Benefits
On balance, there is little significant difference in the breakdown of respondents’ benefits last year when compared to this year. Technology leaders enjoy a range of benefits, like pensions, car allowances, stock options and bonuses. Receiving a bonus was the benefit most often received by respondents, 82 per cent in all. For those that did receive a bonus, the median bonus amount equated to 20 per cent of their base salary.

Figure 43. Benefits
Overall the respondents are modestly more satisfied with their compensation package this year than they were last year. Those that said they were either satisfied or extremely satisfied increased to 79 per cent this year, up from 71 per cent last year. While an improvement, there still remains 21 per cent who are dissatisfied and feel their remuneration is less than the market average.

Figure 44. Satisfaction with compensation

4.8.3 Compensation Satisfaction
Overall the respondents are modestly more satisfied with their compensation package this year than they were last year. Those that said they were either satisfied or extremely satisfied increased to 79 per cent this year, up from 71 per cent last year. While an improvement, there still remains 21 per cent who are dissatisfied and feel their remuneration is less than the market average.

Figure 44. Satisfaction with compensation
It's the Economy

As the global economy has cooled and uncertain economic times lay ahead, we had somewhat expected that there would be a renewed call for IT leaders to have an increased level of involvement in business and strategic issues. This does not appear to be the case for all IT leaders, at least not in the classical sense.

What the call does appear to herald for the majority of IT leaders is a return to a back-office, operational task focused on efficiency gains and incremental improvements. The economic threat has pushed IT into the safety of its comfort zone and away from its potential.

This may, however, prove to be a blessing in disguise. Today's IT leader desires to be a strategic leader. They want to be seated at the board. They are ambitious and seek challenges, and we expect that they will act on their desires and create a strategic role for themselves with or without a directive from the Board. To an extent, at the top firms and the highest CIO levels this has occurred, but it would be wrong to claim this is an industry-wide trend for all IT leaders. Initiatives that IT leaders have launched, such as collaborative efforts with suppliers and customers, will help demonstrate the value of IT to the business and propel them to prominence as a valued member of the top strategic management team. Their aspirations will not only deliver on their personal ambitions, but also that of the organisation.

The Promise of Innovation

Innovation is critically important to any business, and IT leaders can be rightly proud of their record in innovation activities. The overwhelming majority of businesses, 83 per cent, look to IT to innovate with technology to improve competitive advantage, and IT has responded.

Additionally, innovation collaboration seems to be happening more and more frequently, with success being experienced more often also. Unsurprisingly, those who are successful at innovation get the highest returns and as a result do more collaborating than average.

While the majority of respondents collaborate with their suppliers, it is also worth noting that successful companies are also more likely to collaborate with their customers and professional services firms. Additionally, successful companies are also twice as likely as average to collaborate with competitors.
As darkening economic clouds have loomed and with little budget allocated for innovation, IT leaders are collaborating with suppliers and customers to help drive efficiency and create new revenue streams. Going forward, and for the same reasons, collaborating on innovation could be the key to success for many firms as competitive and economic pressures mount. Those who have successfully innovated have shown us that by investing more, and by collaborating, they transform their organisations.

It is anticipated that with increased collaboration on innovation projects, IT leaders will be able to grow their strategic influence with the CEO and main Board. And having delivered measurable results when times are tough, we expect them to be rewarded with the strategic influence they desire.

The Migration of Leadership

Despite the statistic that 35 per cent of respondents expect to be in a new job within the year, 63 per cent in two years, we don’t believe this will materialize. That isn’t to say there won’t be churn in the labor market, there will be, but rather the extent of the churn will be less than predicted.

The current economic situation will depress and ease the desire for leaders to seek new positions, and subsequently the number of open and available positions left behind by those vacating jobs will correspondingly diminish. The net result is less movement of top IT talent throughout the market. This is encouraging for employers as they realize more stability and fewer disruptions from the churn of senior leadership.

This stabilisation may already be taking place. Last year noted a remarkably similar number, 34 per cent, expected to be in a new job within a year. This year, the reality is that only 15 per cent are actually in new positions. This is down from the 23 per cent that were in new positions last year, and we expect a continuation of that trend.

So why then do respondents state such alarmingly high numbers of defections? Their desire for new opportunities hasn’t changed, but the market conditions have.

An Outsourced World

This survey has already highlighted that IT leaders expect outsourcing and offshoring spend to increase. We certainly agree, and actually believe it will be utilised to a greater extent than even they realise.

The push for operational efficiencies will without doubt be the impetus to drive outsourcing. But many aspects of IT are ever more readily available as cheaper, reliable alternatives that increase choices and drive down costs. And it is this flexibility of choices combined with the ability for cost savings, especially in a down market, that will push outsourcing to the forefront of the IT leader’s toolkit. However, sourcing should not be restricted to just outsourcing, and when looking at strategic decisions all aspects of sourcing should be considered.
Outsourcing is still widely used by many organisations, with up to 25 per cent of the total budget being spent on outsourcing in three quarters of cases and a large proportion of organisations intending to increase their spend over the next 12 months. Given these facts, there needs to be an appropriate balance between the management attention given to sourcing and the use of internal resources. Even if the increase in outsourcing continues there will still be a significant spend remaining in house which would indicate that companies still like the control of having their own IT departments, particularly in delivering projects.

Where outsourcing is a key component of an organisation’s strategy, one would expect it to have greater visibility and be managed more proactively.

**Final Thought**

The time has come to review the role of the IT department and the CIO. The majority of IT leaders are still fighting to get their strategic influence on the Board, they feel they are not integrated with the business and 75 per cent of their IT budget is being spent on internal resources. Fortunately, more and more CIOs are recognising that providing an excellent internal service is not sufficient to raise the status of IT within the strategic decision making process.

As a CIO, you are often uniquely placed to facilitate strategic discussions in a board environment; you are able to remain independent of the business drivers and have experience of delivering large-scale projects. Your skills provide an excellent sounding board for strategic discussions.

It is time for you, if you are a CIO, to remove yourself from the day to day and operate at the highest level.
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