



The CIO Agenda For 2011

Speculating on what's going to happen over the next few years is of course entertaining and is an area to be approached with many caveats. There are many examples of "Tomorrow's World" predictions never coming true. Nevertheless, there are some assumptions that we can (and probably should) make regarding the future of Technology and Stonewater Consulting Group asked a cross section of Chief Information Officers (CIO) and Chief Technology Officers (CTO) to comment on what they believe are going to be the main Technology agenda items in 2011.

With the prominence of spend on the technology function and the greater scrutiny of the benefits delivered by technology projects, we wanted to know what might be the headline challenges for the year ahead. As expected, whilst some of the challenges were of course contextual (dependant on size, industry, etc) there were also a number of significant commonalities.

Technology as the agent of change

Most would agree that technology has changed the way in which we do business. For example, ten years ago the transfer of information and the way in which it was recorded was a slower process than exists today. Word processing made correcting and editing documents less laborious, and today's spreadsheets do most of our work calculations in a micro-second.

Skip forward by a few years and technology is still at the forefront of transformation in the business community although its contributions have changed dramatically. The rise of the internet as another factor in the "business equation" has redefined the research and selling processes. Other technologies that have emerged include customer relationship management tools (CRM), customer management systems (CMS) and various other portals in which a customer's details, choice and control are all becoming ever more specific and targeted.

Over time the Technology agenda has evolved to include vendors and their products, applications, systems and infrastructure and Information Technology (IT) has come to take a lead seat on most boardroom agendas. As might therefore be expected, just as IT has grown to become a pervasive part of business and a significant cost to it, claims of its ability to improve a company's returns on investment, service levels and bottom line profitability have resulted in the IT function and their activities being put under the microscope.

According to a recent Gartner report "as technology becomes more critical to a company's ability to run its routine operations and fulfill its strategic goals, IT's contribution will come under greater scrutiny. Businesses that master the art of exploiting technology to their advantage will enjoy success, but those that fail will put the blame on technology."

Gartner also predicted that by 2011, IT's contribution will be cited as one of the top three success factors by at least half of the best-performing businesses, while IT barriers will be cited as one of the top three failure factors by at least half of the poorest performers.



In summary, the technology function has always focused on delivering robust, reliable and cost efficient solutions. Today, however, technology is also expected to drive growth and revenue. The IT function is now an integral piece in understanding and managing many of a company's main concerns; whether that's customer focus, competition, compliance, costs as well as business complexity.

Technology on the catwalk

It will probably come as no surprise that IT is growing in influence and status and in 2011 its meteoric rise will undoubtedly continue. Consider, for example:

- The amount of technology news that makes front page on the newspapers.
- IT is seen as the change agent or catalyst for business transformation.
- IT has spawned new industries, such as digital media.
- Ministerial speeches often refer to IT innovation, wireless and the Internet (NBN)
- Computer geeks are "in" and many young students are inspired to become successful technopreneurs like Microsoft's Bill Gates or Google founders Larry Page and Sergey Brin or the founder of the Facebook phenomenon, Mark Zuckerberg.
- Wikileaks rapid and seemingly unstoppable dissemination of classified government documents via the web and its subsequent rise to stardom.

If one is to consider where the greatest amount of business activity may occur in 2011, it wouldn't be outrageous to proffer up the suggestion that it will happen in IT. Spending should loosen up, especially now that budgets have been reset post the new financial year, and businesses are looking for technology to help them grow, rather than slow.

Take the NBN, for example. The mainland dig has begun on laying fibre for the government's \$43 billion national broadband network, and the first NBN services are due to fire up next year (in Tasmania). In addition, projects that were canned during the GFC may well get the green light in 2011 and the reduced upfront costs of software and hardware could easily whet the appetite of CIOs and technology buyers in the coming year.

Now that the scene is set, let's look at what our respondents thought would be top of the technology sector's concerns in 2011.

1.	People/Talent	21.8%
2.	Cloud Computing	20.3%
3.	Personal devices/mobility	14.0%
4.	Cost Optimisation	9.4%
5.	Value Creation	7.8%
6.	Innovation	7.8%
7.	Vendor Management	6.3%
8.	Green IT	6.3%
9.	Governance	4.7%
10.	Social Media	4.7%



People/Talent

This topic led the way with 21.8% of CIO respondents revealing that “people and talent issues” was the biggest thing keeping them awake at the moment. Undoubtedly, with improved market conditions, talent is becoming more mobile. There are generally two segments of the IT employment market. The first segment is the entry level and technical layer, which is booming. In this area we are seeing increased reliance on contractors and increasing remuneration pressure both in contract and permanent roles.

The second segment is the management layer, which consists of three groups:

1. Those who find themselves victims of downsizing during GFC and are therefore actively seeking their next role.
2. IT executives previously overseas returning to seek more attractive opportunities in the more buoyant local economies.
3. Professionals who remain in work but are feeling that they have been passed up for promotion during the GFC and are therefore happy to be approached for new opportunities.

Either way this second segment is significantly mobile and – as one might expect – interest in senior management roles is at a high (as evidenced by the voluminous response to any advertised Senior IT Management roles). As one respondent put it: “A lot of “de-humanising by the Global Service Providers and large Corporates could see the departure of key IT staff when the market comes back”.

Cloud Computing

Technology is always improving, with new developments constantly coming to the fore. One of the new kids on the block at present is cloud computing, and a growing number of organisations are seriously considering the cloud computing model for IT service delivery. Indeed, “cloud” has already seen its fair share of use with a range of entities – such as Salesforce.com – using the cloud model with decent returns on their investment. According to Gilbert & Tobin' "To say it's the new service delivery paradigm is probably a bit premature, but cloud solutions bring with them both opportunities and some risks for organisations”.

While the definition of “Cloud Computing” still means different things to different people, this topic was certainly high on the agenda for CIO's going in to 2011 and the key issues include:

- data security
- data ownership
- data residency
- legal jurisdiction
- privacy



Personal Devices/Mobility

Developing a strategy for managing and securing employees' personally owned mobile devices are no longer avoidable. In addition to Laptops, iPhones, and BlackBerrys, we now have iPads, Google Android and various other smartphones and personal devices in the workplace, and their numbers are only going to increase. Regardless of whether corporate policy allows mobile devices to access the corporate network, workers are bringing them into the office.

The tension exists over allowing for greater productivity whilst also ensuring the security of the corporate networks. What companies are realizing is that allowing employees to use their personal devices to access e-mail and other resources results in greater productivity, but IT departments are correct to be cautious about opening up the network and allowing full access to any device. Finding the right balance—maintaining the integrity and security of the network while allowing easy access to the applications users need to be more productive—will give organizations a competitive advantage in the coming years and is a question that our respondents are obviously grappling with.

For IT professionals facing the onslaught of personal devices in the workplace, these don't have to be viewed as a violation of corporate security policies. Since the vast majority of employees are using personal devices at home, harnessing this trend and turning it into an advantage for your company makes sound business sense and will go a long way to keeping employees happy and productive.

The challenge this raises for CIOs is how they manage the various stakeholders and their demands on the use of technology in the workplace. For example, how will they converge the disparate platforms, how do they ensure security, how to lay down IT standards and how to analyse the cost benefit/business as a business case?

Cost Optimisation

Throughout the GFC, businesses have (on the whole) been extremely cost sensitive, but there is a feeling that 2011 will see a definite shift in focus from cost reduction to preparing for growth. In doing so, an effective IT Cost Optimization program is essential for ensuring strategic initiatives can be supported while funding remains constrained. In the Australian market, CIOs are responding to efficiency requirements driven from both normal business pressures while maintaining an eye on future growth.

Value Creation

The ability to create value from a technology perspective has traditionally been viewed from a cost side perspective. More recently, Technology has been used to drive the revenue side of the income equation and internet based B2C channels are just one example of this trend.

Throughout 2010, managers have been extremely interested in the latest consumer trends; the fragmentation of consumer groups and the channels they can communicate through. Post GFC, businesses have been eager to find out as much as possible about their customers; such as



which countries and sectors are expected to grow and contract, why and until when. In other areas they are also looking at the economic power shifting from West to East, the macroeconomic impacts of the recession, the US economy, and the growing protectionist attitudes of political leaders. As a direct consequence of these questions, current managers are using technologies to help find the answers.

The ability for CIO's to effectively understand the business strategy and align the IT strategy in an enhancing way (as opposed to purely facilitative or supportive function) remains the "holy grail" of IT management and the topic of many whitepapers. With the ever increasing pace of change in the business environment, CIOs expect flexibility and adaptability to be key factors on their agenda in 2011.

Innovation

Joseph Schumpeter, the Austrian-American economist and political scientist, is famous for his works on innovation and entrepreneurship. In his "Theory of Economic Development" (1912) he defined innovation as renewal. "For this renewal to take place it is necessary for people to change the way they make decisions, they must choose to do things differently, make choices outside of their norm".

Market outcomes from innovation can be studied from different lenses and the ability to innovate at an organisational level remains a hot topic of discussion and debate amongst CIOs and Senior Executives. One of the major challenges in the realm of technology innovation is bridging the gap between the theory and the implementation.

Nevertheless, companies that successfully embed innovation into their culture are often market leaders and extremely successful compared to their competitors. A notable example would be the Australian software developer, Atlassian. Their willingness to allow software engineers to spend one day a week or 20% of their time "to spend on product innovation, features, plugins, fixes or additions that they think are the most important" has reaped significant rewards.

This type of innovation has made them extremely attractive and highly sought after by the software engineering community and has the additional benefit of helping them attract and retain some of the best talent in their industry.

Vendor Management

A common model found within the IT landscape is the ecosystem of vendor partners to complete projects and deliver services. With an increasing number of vendors to manage, companies are finding there are ongoing challenges in understanding the "best practice" models.

Most organisations still don't have a clearly defined or effectively run vendor management function, ultimately resulting in loss of value. The emergence of multi-sourcing has seen the vendor management landscape increase in complexity and if not managed effectively, can actually result in an increase in costs and duplication in the resources required to manage the



multivendor environment. Locally, we are seeing CIOs spending time developing a structured Vendor Management Framework, which is designed to reduce risk and value leakage and make the most of the vendor relationships.

Green IT

With all the talk of global warming, carbon footprints, and environmentally friendly company policies, it's of little surprise to find CIO's thinking about sustainability and energy efficiency for 2011. While the concept of the paperless office has been around for some time, businesses are being asked to manage their energy consumption more efficiently and consider the impact on the world around them more carefully.

One of the newer Technologies impacting this topic is "Virtualization", which is where specialized software is installed on a computer (typically a server) allowing multiple independent, instances of an operating system to be installed thereby making one computer look like many computers simultaneously on a network.

What does Virtualization mean for Green IT? The answer lies in energy consumption. Consider that the average server uses 30% of its capacity (which means 70% of its capability is idle). The average desktop computer utilizes between 15%-20% of its maximum capability (80% idle). The problem is that the same commercial electric rate is still being applied to that hardware as long as that unit is powered on. In a nutshell, virtualization strategies allow businesses to realize tangible cost savings through reductions in electricity consumption in powering and cooling fewer desktops and servers.

Governance

A recent Survey by Korn Ferry¹ found that "almost half the CEO's and more than a third of the NED respondents were uncertain whether their internal processes are effective at prioritising large IT investments. Just under half of the CEOs and NEDs said that all technology investment proposals presented to the Board are accompanied by an ROI or business case, and about a third said that most were".

What was even more striking is that 25% of Non Executive Directors surveyed didn't know whether the largest project that had approved had actually achieved any of the benefits stated in the original business case. We therefore see an obvious need for IT departments to better communicate with their customers and, subsequently, CIOs are now debating how to help stakeholders better understand IT Governance.

Social Media

In recent times Facebook, Twitter, and LinkedIn (to name a few) have become an integral part of the business landscape. One can debate how much benefit they deliver, but the fact is they exist and they are likely to stay. The question on the mind of our CIOs was how much of an investment do companies make in this area?

¹ Australasia Survey: Strategy, Risk and Governance of IT Investments – The Director, CEO and CIO Perspective by Gail Pemberton-Burke, Korn Ferry International



The cost of these so called “freemium” business model is now starting to bite and the Technology sector is questioning who should be paying for these services. Questions over ownership of data have also arisen, with a couple of landmark cases being won in favour of the employer. Nevertheless, the context of its adoption by business is still playing out and this has significant implications for CIO’s and their IT function for the year ahead.

The Conclusion:

We expect a change to be in the air during 2011 and the challenges CIOs subsequently face are multi-faceted and varied. There seems to be a general consensus that enterprises are embarking on various transformation projects and at the heart of these are new approaches to technology. The GFC has left a legacy of “trimming, spending, and improving output” so never has the IT function been more closely monitored than in the year to come.

Technology and market trends point towards growth and we expect the banking, financial services and insurance sectors to be key early adopters in the market, with the government also emerging as a big spender due to various e-governance and technology projects, such as the NBN.

In addition, the predictions are that new technologies trends such as Cloud Computing and “virtualization” will continue to play a big part in the year to come and are likely to figure on the IT agenda. However, the key challenge to emerge from our research will be around the “talent crunch”. Talent has been squeezed through the GFC and no matter what new technologies emerge on the business circuit, we need excellent people on board to execute the IT initiatives. As one respondent put it... “Without human capability, without talent on the ground, the advances that can be made through the use and innovation of technologies grinds to a halt”.

For more information on the research paper, the results, or if you would like to talk through your IT challenges for 2011, please feel free to contact our Technology Practice Leader,

Frank Soros, at:
STONEWATER CONSULTING GROUP (SCG)

T: +61 (0)2 8211 0572
M: +61 (0)412 283023
E: fsoros@stonewater.com.au

HUMAN CAPITAL ADVISORS | TOMORROW’S TALENT TODAY |