

CIOS MOVE FROM COST
CENTER TO INNOVATION HUB



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A global survey of the CIO and CTO community shows the transformative role tech leaders play in the modern enterprise.

Business technology leaders have stepped out of the shadows of being a cost center and into the spotlight as key change agents. The 2019 Harvey Nash KPMG CIO Survey reveals that technology leaders are better placed in the ranks of their organizations than ever before.

The adoption of next generation technology by major enterprises has enabled CIOs and CTOs to become some of the most crucial members of the senior leadership team, the global survey of 3,645 COs finds. And the next round of technology adoption will increase the responsibilities and demands on CIOs. As a result, the survey finds that investment in technology is increasing.

Over half of respondents to the survey reported an increase in their technology budget—the largest increase since 2010, the start of a much-needed economic recovery following the credit crisis of 2008. This budget increase is being spent not only on technology, but also tech talent, with 51% of CIOs stating they expect to increase the headcount of their IT teams.

With more budget and more technologists, CIOs and CTOs are planning on developing and deploying automation technologies to reduce business costs. The survey found that most expect their organizations to reduce their headcount by 10% over the next five years thanks to automation and artificial intelligence (AI).

“There is real value in being able to change the career paths of people as a result of changing technology. Because of RPA, one of our master data team is now leading the automation team, and that is an exciting career change,” says Dominic Howson, CIO of Hovis, a major bread-making business in the UK. Howson is among a rising number of CIOs using automation to improve business processes.

The Asia Pacific region is expecting the most significant increase in technology budget in the next 12 months. CIOs in the region expect to invest their budget boost into innovation, with less than half of CIOs expecting their funds to go toward reducing business costs. CIOs tell the survey that 76% of CEOs want technology projects to “make money rather than save money”—an increase from the 58% of CIOs being given a revenue opportunity in last year’s survey.

Globally the survey finds 55% of CIOs are “expecting to be introducing major change” over the next three years. Just one year ago, only 39% of CIOs expected to be leading significant transformation. As a result, 44% of CIOs now report to the CEO, and 66% are on the main executive team.

“This is a clear sign that leadership in businesses across sectors recognize IT’s pivotal role, not just in keeping the business functioning, but in enabling business change,” says Steve Bates, Global Lead at the CIO Advisory Centre of Excellence at KPMG.

“The companies that are winning in the market are not asking IT to keep the lights on. The importance of technology in driving growth and reducing risk is fully recognized in the boardroom. But technology also needs to be in the hands of the people who create value, so the growth of business managed IT is an important development,” Bates says of the increasingly collaborative relationship between CIOs and line of business leaders in selecting and implementing cloud-based tools that deliver business change.

“The CIO is more strategic and more revenue focused than order-taking and is part of the executive committee,” he says.

“We look at the information we have and use that to create software that generates value for the customer,” explains Richard Orme, Group CTO for the European gifts business Photobox, of how technology is the heart of organizations and their change programs.



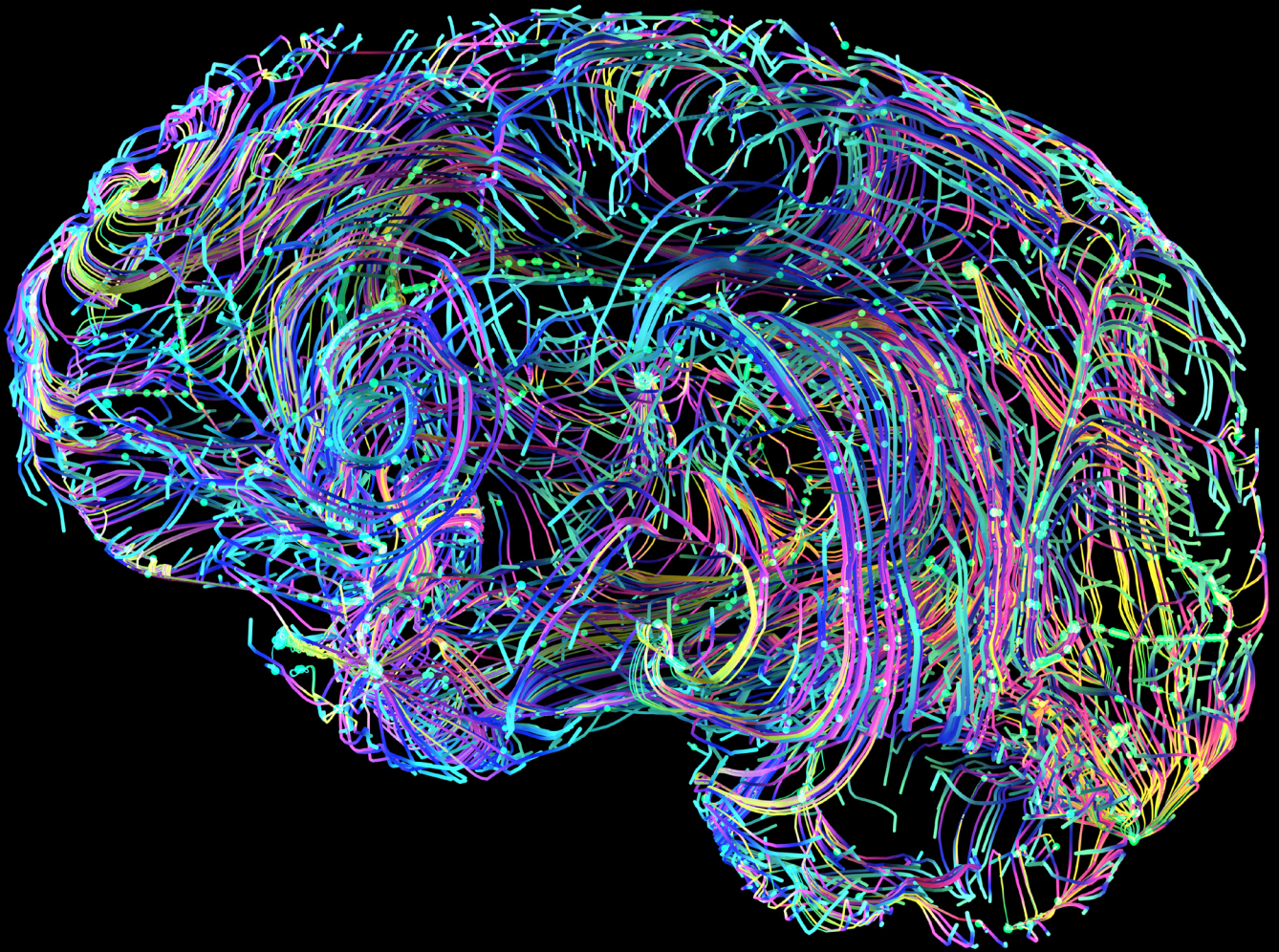
“ It will require an organization to focus on shaping and integrating a collaborative future workforce that combines human and digital labor,

Efficiency drivers

Although technology leaders have been given a golden opportunity to drive revenue, organizations still look to technology for continued cost reduction. Over 50% of CIOs report that their boards expect automation to improve business efficiency, and a fifth of respondents said they had an AI or machine learning (ML) implementation in place. The adoption of technologies like AI and ML are posing challenges to corporate culture as boards worry about talent retention.

“It will require an organization to focus on shaping and integrating a collaborative future workforce that combines human and digital labor,” the survey report states.

Cloud computing continues to be a cornerstone of business and technology innovation. 88% of organizations surveyed state they are confident about their use of cloud, an increase from previous survey results.





Security & people minded

Over half of CIOs report that cyber security is rising up the business agenda, with 56% stating it is a board-level priority, up from 49% in 2018. Though more important to boards, the survey data reveals organizations are combating cyber-crime with greater success. The number of cyber-attacks on organizations has “flattened out” since 2018. But it is not all good news. 83% of CIOs globally report that cyber security is limiting their ability to innovate, and 14% feel cyber risk is a “burden.” But that burden can drive product innovation, and 91% of global CIOs expect data privacy and trust in technology services to be vital to their services and for attracting and retaining customers.

With an increased focus on how technology is transforming organizations, the survey reveals business technology leaders are concerned that they will struggle to find the talent required to deliver the promise of new, innovative technology. The survey finds that skills

shortage concerns are at their highest since 2008.

The Harvey Nash KPMG CIO survey states that larger organizations with budgets over \$250 million struggle the most with retaining technology talent.

“Our research tells us that technology professionals value innovative projects and learning new skills above anything else, including salary and job security. Smaller organizations offer this,” the report concludes.

“IT is constantly changing, so it would be very extraordinary if there was not a gap in skills,” says CIO Paul Coby from Johnson Matthey, an international metals and manufacturing firm.

Harvey Nash and KPMG surveyed 3,645 CIOs in 108 countries, collecting 3 million data points. The respondents represented a quarter of a trillion dollars in IT budget.



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