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HARVEY NASH / KPMG  
**CIO SURVEY 2018**



THE TRANSFORMATIONAL CIO



The Power of Talent



# Executive Summary

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## Back into Action

In last year's survey, Harvey Nash and KPMG reported how CIOs were holding a steady line in the face of global uncertainty, cutting costs and refining business processes. Whilst much of this geopolitical instability remains, this year's report shows how CIOs are benefiting from bigger budgets and headcount growth. Indeed, more IT leaders are enjoying budget increases than we have seen in the last thirteen years of reporting.

This move back into action has been driven by a combination of factors. Investment in digital and cloud continues at a pace, but this year we also see data privacy, governance and security draw the attention of boards. Not all technology budget now sits within IT. Investment in 'shadow IT' is growing and as more business functions take control of their own IT spend, CIOs must adjust and think smart about how they control and influence technology within the business.

## Driving Digital

Last year more organisations than ever put in place a digital strategy. This year, we see that growth falter. Making a success of digital is proving complex: almost eight in ten CIOs feel their digital strategy as only moderately effective, or worse. And digital strategies are still in their infancy, with most investment focused on the 'front end', rather than deeper operational activities.

CIOs rate themselves strongly on traditional IT competencies, like understanding the business, selecting the right technologies and building the associated capabilities, but many recognise there is more work to do in applying this in the digital context. Smart CIOs are recognising lots of organisations are struggling in this area and are focusing their efforts to gain competitive advantage. Perhaps the true complexity and pervasiveness of digital can only become clear with the passage of time and truly effective strategies are those that remain flexible and support pragmatic change.

## Customer is Key

The good news is that some organisations are making a success of digital. Having a Chief Digital Officer, either in a dedicated or acting role, helps; organisations are over twice as likely to have a clear, enterprise-wide digital strategy if they have one. So too does having an innovative and experimental culture – four in ten of the CIOs surveyed believe their digital strategy would fail without it.

But ultimately this report shows that the most influential and successful organisations are fanatical about delivering value both to and from their customers. And it shows in the figures – 'Customer centric' organisations are 38 per cent more likely to report greater profitability than those that are not.

## Investing in the Future

Last year we tracked how cloud investment continues to grow, and this year we see no let-up, with almost three-quarters of IT leaders reporting moderate or significant investment. Investment in mobile technologies is not far behind. Newer technologies, like blockchain, virtual reality and robotic process automation, whilst much talked about, are the focus of only a small proportion of organisations' investment spend in niche sectors and have yet to 'break out' into wider adoption.

New technologies, in themselves, do not improve performance: it also requires the ability to incorporate new technologies into existing or redesigned business processes.

One technology area rapidly developing wider adoption is artificial intelligence, with seven in ten featuring this technology as part of their investment plans, and one-quarter of organisations making at least a moderate investment right now. It is early days of course, and there is still opportunity and value that IT leaders could drive by accelerating their technology adoption.

## Trust – The New Battleground

How organisations leverage data is increasingly becoming a source of competitive advantage. But it is also a risk; consumers are only just beginning to wake up to what information organisations hold on them, and high-profile court cases around data misuse, as well as the introduction of stringent privacy legislation in Europe (GDPR), have focused the minds of both the board and the CIO.

It's no surprise then that this year's survey reveals that operational risk and compliance, alongside data security, are the two biggest growth areas of concern for the board. Whilst data security has been high on the agenda for some time, data privacy and trust are increasingly a concern, and, at least when it comes to GDPR, many organisations are only just beginning to address it.

## The Changing Shape of Resourcing

It won't be a surprise to any IT leader that there is a skills shortage: 65 per cent are reporting a lack of skills holding back their strategies – the highest we have recorded since 2008. But CIOs are getting smarter at how they manage their resources. Outsourcing is increasingly being used as a skills enhancer rather than cost saver; and many CIOs are experimenting very successfully with automation, especially in testing, service desk and development.

But this hasn't stopped CIOs hiring: in fact this year almost half expect to increase their headcount. And, this is combined with a big drop in plans to outsource. In an environment where innovation and being close to the customer and driving insight from data are becoming increasingly important, CIOs are making more considered judgements about what skills they want inside, and outside.

## Keeping Safe & Secure

A major cyber attack is big news and inflicts damage not only on operations but also, in a world of fickle

consumers and broadcast media, on a business's brand and reputation. This hasn't gone unrecognised by boards. Protecting the business from a cyber attack has jumped further up the boardroom agenda than any other item and IT leaders are being supported and encouraged to make their defences the best that they can be.

CIOs are increasingly worried about defending themselves against organised cyber crime, but the good news is their efforts seem to be working – CIOs reporting major attacks appears to have levelled out this year.

## The Transformational CIO

In many ways IT leaders have had a good year. Technology has never been more important to organisations, and with almost half of IT leaders reporting salary increases and budget growth, it is clear that boards are investing in technology.

But at the same time there are pressures: IT leaders are reporting less job fulfilment, and this year we report a potential flattening out in the strategic influence of the CIO role. The incessant rise of shadow IT, the explosive growth of the Chief Digital Officer role and changing nature of technology have removed many of the certainties that previously fuelled the importance of the CIO role.

But for many this is proving to be a unique opportunity. Successful CIOs are swapping control for influence and finding new ways to navigate through an uncertain environment. Many are taking an active role in embracing shadow IT, leading it out into the 'light' of active governance and support.

Whilst no other executive role is undergoing so much change as the Chief Information Officer, no other executive role has the opportunity to be truly transformational, both for the organisation, and for the person occupying it.