An IT Leader for all Seasons

PwC's Western Australia IT Leaders Survey 2014

Innovation is the next frontier for all CIOs, and now is the time for the WA IT Leader to prepare and take action.

Increasing their strategic focus whilst maintaining operation effectiveness and budget control are part and parcel of today's WA IT Leader's responsibilities

2014 Top 3...

- Reporting and Analytics
- BYOD and Mobility
- Infrastructure (Virtualisation, Data Centre Operations ...)

- Improved Service Delivery/ Management
- IT Strategy buy-in
- Effective IT Organisation

IT Leader's key frustrations

Key focus areas

Critical success factors

- Changing priorities from the business
- Lack of opportunity to drive IT Strategy
- Unrealistic expectations from the business

An IT Leader for all seasons

Is it possible to please all stakeholders all of the time? Experience in life would suggest that this is not realistic. However, it's not uncommon for CIOs and IT Leaders in WA and in other parts of the world to manage: Strategy; Operations; Delivery and Cost pressures - all at the same time. Surely the CIO must be the most adept C-suite leader in managing all *4 seasons in one day*.

Welcome to the second WA IT Leaders survey. PwC surveyed over 100 WA IT Leaders at the IT Leaders summit earlier this year. This is the second year PwC has sponsored the IT Leaders summit in WA and we are delighted to include the results from the survey with some commentary intended to provide further insight into the results.

The results this year are more insightful as they can be compared with the results from the inaugural survey. It is revealing that *Reporting & Analytics* and *Mobility* again appear at the top end of the list of technology priorities.

However, there are some interesting changes from 2013, with Project execution less of a concern while *Infrastructure and Data Centers* has a dramatic increased focus. *Service management* continues to be an issue for most IT Leaders but employee issues have reduced.

These fluctuations are familiar to the IT Leader who is expected to be a service provider and innovator at the same time.

Rapidly shifting demand in increasingly uncertain markets has become the norm for most organisations in WA today – who are vying for new value streams, accommodating new regulatory changes and having to face increasing competition for capital. Therefore it is unsurprising that WA IT Leaders are not immune to these external forces and find themselves being asked to respond to these wider organisational pressures as well as reducing IT costs.

Yet it is possible to mitigate if not accommodate these pressures by making subtle changes to the way in which IT is perceived internally within the organisation and in how it discharges its responsibilities. Positioning the IT organisation closer to the business so that it is tune with the demands will make IT more responsive and better able to respond to demand.

The *four seasons* in some ways act as a metaphor for the position that the IT Leader occupies in an organisation:

Spring (Strategy)

Characterised by the emergence of new business strategies, hunger for innovation and the fresh optimism for the challenges that lie ahead.

Summer (Delivery)

Characterised by the intense activity and heat generated by delivery as the strategy is executed through projects and initiatives.

Autumn (Operations)

Characterised by the cooling experienced as projects and initiatives wind down and transition into operations.

Winter (Cost)

Characterised by the harsh reality to reduce costs across the board whilst maintaining service levels.

More than ever, the IT Leader is one who can manage the seasons and weather the storms ready for another challenging year ahead.

Introduction

Chief Information Officers (CIOs) and IT Leaders in Western Australia continue to face increasing expectations for the business to deliver rapid technology innovation while maintaining or reducing IT spend.

Indeed, the hunger for insight through smart use of analytics has put significant pressure on the WA IT Leader to respond.

PwC recently asked over 100 IT Leaders in WA what are their biggest challenges and opportunities, what frustrates them and what the IT Leader needs to do to be relevant to the business in 2014.

I am delighted to publish our WA IT Leaders Survey for 2014. This marks our second major release and provides an opportunity to compare against 2013 results.

Cloud, mobile, social — these are fundamental trends that are reshaping the technology industry.

Today's successful WA IT Leaders are embracing the full spectrum of innovation — from incremental to breakthrough to radical — in both their R&D and business model strategies.

I look forward to discussing these findings in more detail

with you and your teams in the coming months.

Sincerely,

Justin Scanlan
Managing Partner,
Technology and Innovation, PwC Perth

Survey approach

The survey was conducted in July 2013 at the second annual WA's IT Leaders Summit using real-time voting technology. The questions covered demographic information about each organisation including general information about IT (eg staffing, structure and spend); and specific questions on IT strategy, priorities and challenges.

In addition, PwC interviewed a number of IT Leaders in WA to gain further insight into priorities and challenges ahead in 2014.

Profile of respondents

- This years participants in the survey were significantly more balanced with higher representation from government, health and education.

- 41% of IT Leaders who participated are from companies with 1,000 employees or more.

- 68% of IT leaders are from organisations who have a budget of less than $10m per annum.

- Nearly two thirds of IT Leaders surveyed are not fully involved in the business planning process.

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WA Market context

Once more, the WA economy has outperformed the Australian economy.

- in 2012-2013 it grew 5.1% in real terms

- WA's per capita gross state product (GSP) is still 37% higher than the national average of $72,167.

After years of paving the way for fast economic growth, the Western Australian economy has, in the recent year, started to decline. This directly correlates with the general belief that the resource boom is slowing.

Western Australia's real seasonally adjusted State Final Demand (which is the State's measure for level of economic activity) increased by only 1.3% in the June quarter 2013, following a fall of 3.7% in the March quarter.

These statistics show that WA is currently facing a decline in economic growth, and that the environment of slower growth is expected to continue.

As the growth in the WA economy slows, organisations are facing increased cost and performance pressures due to strong commodity prices, foreign exchange exposures and higher labour costs.

In addition, the pipeline of major resource sector projects is now less certain and this has consequently accelerated pressures on organisations to initiate major productivity and cost saving initiatives, as well as an increased emphasis on innovation across the value chain.

In PwC's 16th CEO survey, 80% of Australia's CEOs indicate they will continue with cost cutting initiatives and 82% say they see the need for more M&A, JV or strategic alliances. Pleasingly, 70% of CEOs say IT investments will be made primarily to support growth initiatives and productivity improvements. These growth initiatives will come from new business models (56% of CEOs) and new products and services from existing business models (69% of CEOs).

As a result, CIOs increasingly hear demands to be "more strategic" and to "add value" through the adoption of mobile technology, social networking, and the analysis of customer and market shifts—all under the guise of enabling or even leading innovation.

The CIO can aid innovation by scouting for useful technologies and by applying technology to improve existing processes. To add more value and become more strategic, the WA IT Leader can help to develop and execute an end-to-end innovation process in which innovations are more likely to be discovered, better assessed, and better converted into profits – this is the opportunity to move from chief technology provider to chief innovation officer.

In addition, as WA business leaders seek to uncover untapped value from the existing business model and seek to enter into new business models – the new analytics agenda requires the IT Leader to find new ways to engage with their business partners. For all the strategic opportunities new analytics offers the enterprise, it also threatens the relevance of the CIO. The threat comes from the fact that the CIO's business partners are being sold data analytics services and software outside normal IT procurement channels, which cuts out of the process the very experts who can add real value.

> *54% of CEOs say IT investments are made primarily to support productivity and leverage emerging innovations, such as Mobility and Social Media*

[1] Australian Bureau of Statistics. Australian National Accounts. Australian Bureau of Statistics 2013 State Accounts. November 21 2012. Western Australian Treasury 2013

WA IT leaders point of view

In WA, IT leaders believe opportunities to drive significant business change through IT strategy are available, however are constrained by a lack of business alignment.

CEOs are challenging their organisations to grow the enterprise through new marketing, product and customer strategies and to deliver improved operational results more efficiently. CEOs and the C-Suite intrinsically understand the linkage between IT investment and increased customer satisfaction, productivity improvement and business decision making but lack the detailed knowledge of how to achieve these through targeted investment in IT.

The role of today's IT Leader therefore becomes one of balancing delivering technology innovation to drive business growth and to meet efficiency targets whilst keeping IT budgets in check.

Comparing the top technology priorities of Western Australia IT leaders with IT leaders globally gives an insight into the unique challenges that are faced by WA CIOs. While business intelligence and mobile technologies are high on a CIO's agenda both locally and globally, cloud computing was not considered a priority by WA IT Leaders with only 25% stating that this as a key focus area. This may indicate that cloud services are becoming more mainstream, or that local cloud services are not mature. Furthermore, 41% of WA IT Leaders identified infrastructure improvements (including virtualisation) as a focus area which may indicate that WA organisations are not at the stage to consider cloud solutions preferring to virtualise physical infrastructure as a first step.

WA IT Leader's Technology Priorities

1	**2**	**3**
Reporting and Analytics	Infrastructure (virtualisation, data centre operations …)	Bring Your Own Device (BYOD) and Mobility

Global IT Leader's Technology Priorities[3]

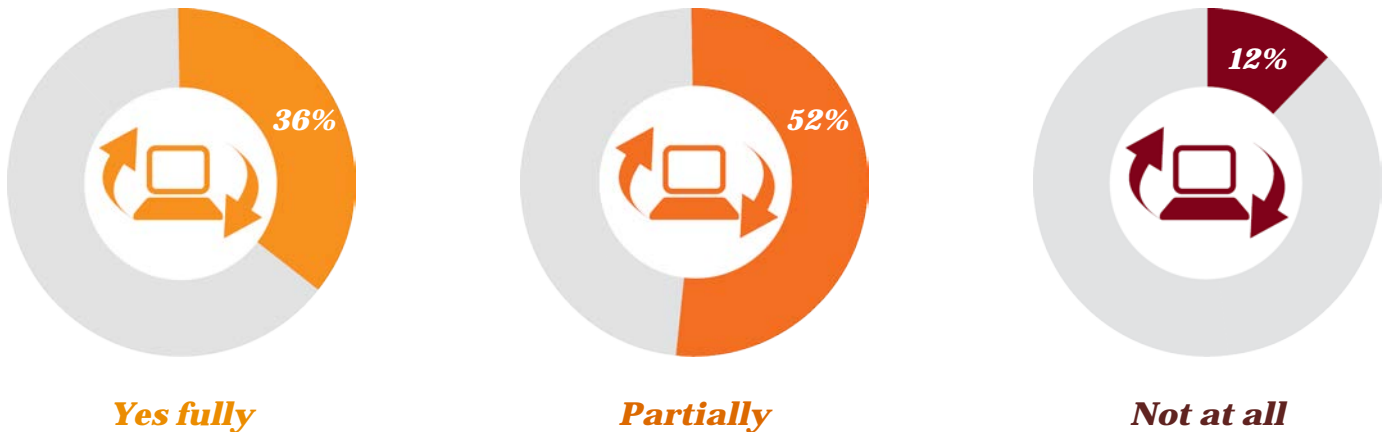| **1**	**2**	**3**
Analytics and business intelligence	Mobile technologies	Cloud computing (SaaS, IaaS, PaaS)

[2] PwC. 15th Annual Global CEO Survey 2012 – Main Report.
[3] Gartner. The 2013 Gartner CIO Agenda Report.

Integration with business

Is IT included in the business planning cycle?

Yes fully   **Partially**   **Not at all**

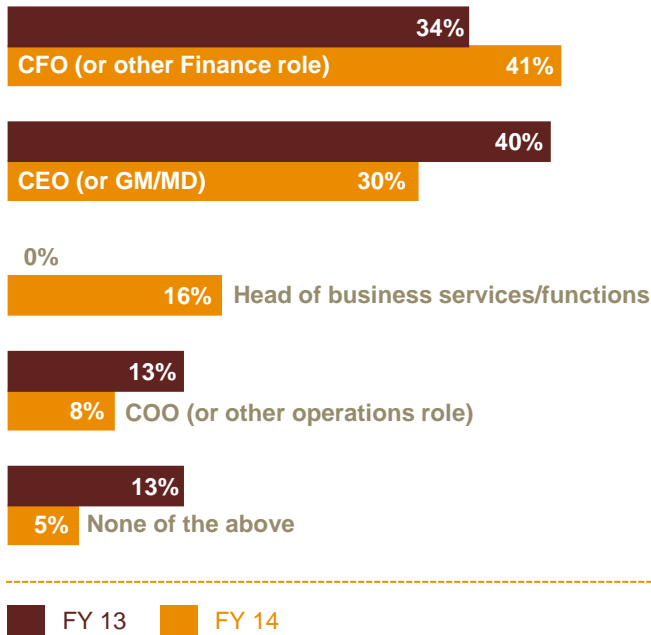*Nearly two-thirds of respondent organisations do not fully incorporate IT in their business planning cycle.*

Nearly two-thirds of IT Leaders surveyed report that IT is not fully included in the business planning cycle, reducing the effectiveness of IT in taking a major role in delivering against the business strategy. In addition, results show that the lack of IT strategy buy-in by senior level management in their organisation caused considerable frustration among 26% of IT Leaders, with 31% expressing frustration that IT is unable to improve business performance forward through limited opportunity to implement the IT strategy and 21% of respondent organisations still viewing IT as a cost centre. The results are improved on FY13 but still represent a disappointing level of engagement between IT and the business.

² PwC. 14th Annual Global CEO Survey 2011 – Main Report.
³ Gartner. The 2012 Gartner CIO Agenda Report.
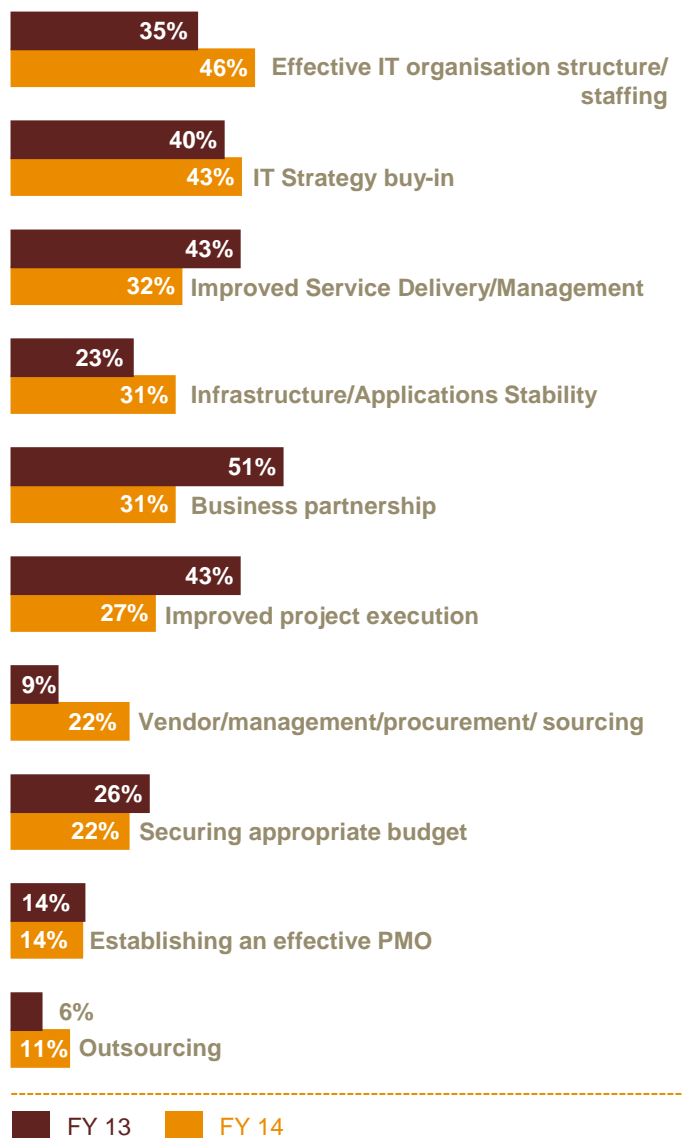
IT strategy focus areas

Who does the CIO report to?

34%
CFO (or other Finance role) **41%**

40%
CEO (or GM/MD) **30%**

0%
16% **Head of business services/functions**

13%
8% **COO (or other operations role)**

13%
5% **None of the above**

■ FY 13   ■ FY 14

Over 70% of IT Leaders do not report directly to the CEO.

Survey results indicate that problems in gaining organisation buy-in to IT strategy and execution are less prevalent when the IT leader reports directly to the CEO. Sadly, the relationship between the IT Leader and the CEO is less formalised for the majority of the IT Leaders who participated to the survey and confirms the results from the FY13 survey.

What are your critical success factors for 2014?

35%
46% **Effective IT organisation structure/ staffing**

40%
43% **IT Strategy buy-in**

43%
32% **Improved Service Delivery/Management**

23%
31% **Infrastructure/Applications Stability**

51%
31% **Business partnership**

43%
27% **Improved project execution**

9%
22% **Vendor/management/procurement/ sourcing**

26%
22% **Securing appropriate budget**

14%
14% **Establishing an effective PMO**

6%
11% **Outsourcing**

■ FY 13   ■ FY 14

Nearly half of IT Leaders say that establishing an effective IT organisation is a critical success factor.

This is a departure from the previous survey which ranked business partnering as the highest factor critical to success. What is encouraging about this years' results is that the IT Leader is more empowered to direct the structures and personnel under his/her control. Obtaining the necessary skills in the workforce and structuring the teams will provide the IT Leader with an enhanced opportunity to meet the needs of the business. IT Strategy alignment is still a key focus point for the IT Leader.
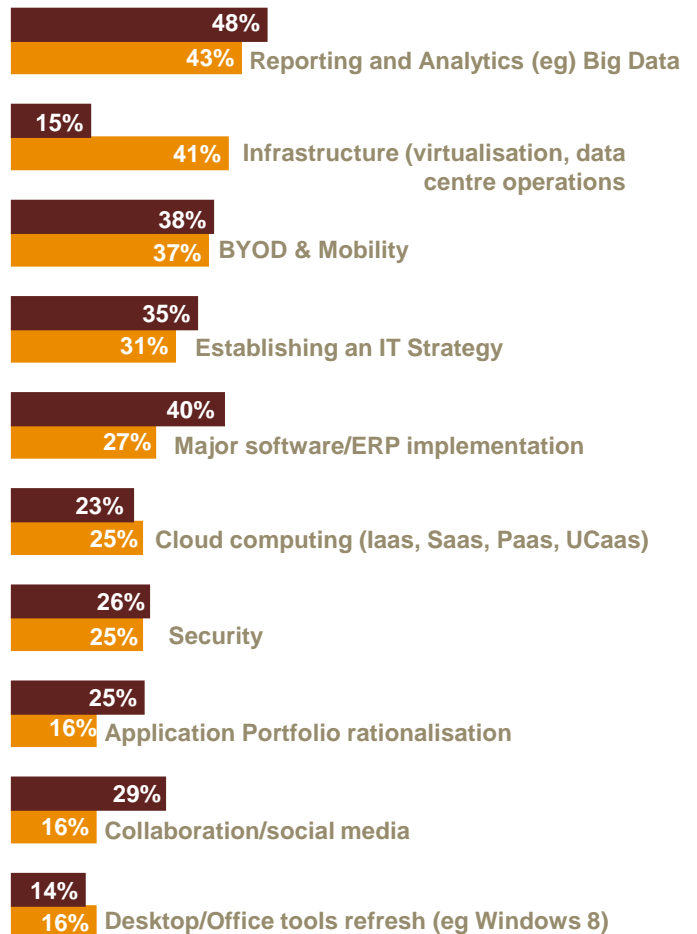
Reporting and analytics remains the top technology focus area

The top focus area for IT leaders remains the ability for business to leverage data through advanced analytics.

Using business intelligence and analytics to leverage information assets is the primary focus of 43% of IT Leaders – the largest technology focus area for the second consecutive year. Big data remains a hot topic that IT leaders discuss but investment in only just 'big data' technology will not reap the benefits of this investment. Reporting and analytics is not just the function of the IT department and therefore a multi-disciplinary approach to data and information management should be adopted (including master data management/ governance, data champions , decision support and information policies) to achieve the appropriate return on investment.

> *Nearly two-thirds of organisations still do not fully include IT in the business planning cycle*

What are the focus areas for your IT technology strategy?

	FY 13	FY 14
Reporting and Analytics (eg) Big Data	48%	43%
Infrastructure (virtualisation, data centre operations	15%	41%
BYOD & Mobility	38%	37%
Establishing an IT Strategy	35%	31%
Major software/ERP implementation	40%	27%
Cloud computing (Iaas, Saas, Paas, UCaas)	23%	25%
Security	26%	25%
Application Portfolio rationalisation	25%	16%
Collaboration/social media	29%	16%
Desktop/Office tools refresh (eg Windows 8)	14%	16%

■ FY 13   ■ FY 14

Mobility remains a key focus area for IT Leaders in WA and globally. WA more than most, given the industry dominance of resources and oil and gas, require their staff to perform duties at various locations and to remain connected and fully functional. Mobility is not a single technology but consists of a fusion of the way people want to work today with technologies involving infrastructure, security, applications and data. Given the continued convergence of business and personal devices (smart phones, tablets etc.), the opportunities to adopt BYOD are even greater. BYOD is not just the domain of technical architects and security specialists.

Fundamental changes at a policy and HR level in how organisations manage the increased penetration of personal devices into their networks is required.

Infrastructure and mobility are priorities for the WA IT Leader

41% of IT Leaders see Infrastructure as a key technology focus area.

As technology infrastructure becomes more commoditised and business pressures mount for increased data storage at a lower cost, many IT Leaders in WA are striving to better use existing infrastructure through virtualisation and data centre consolidation.

If the WA IT Leader is going to be successful in the new world of social, mobile, analytics, and infrastructure services (Cloud etc.) trends, they need to think differently. Legacy ways do not scale well to the possibilities of digital ecosystems. To increase the speed of development and co-create their futures with internal and external third parties, IT Leaders need to adopt a new mantra: virtualise, consolidate and move to cloud service models.

Many WA IT Leaders are moving to hybrid cloud computing models - which involve an approach that combines the use of both external cloud services and internal infrastructure.

Hybrid models enable businesses to host non-sensitive IT services and data externally, while occupying mission-critical information internally.

The WA IT Leader seems to be leaning to hybrid cloud computing which combines the use of external cloud computing services (public and private) to host non-sensitive IT services and data; and internal infrastructure or applications to host mission-critical IT services and data locally.

The obvious advantage for organisations opting for the hybrid cloud approach is that each dimension of the business can all be stored distinctively, in the most resourceful environment available. Thus, the push to virtualise existing infrastructure while moving non-essential services to cloud platforms.

By positioning IT capabilities as a platform composed of self-describing, modular services with reliable platforms, the WA IT Leader can enable the permeable enterprise and create new strategic options in digital ecosystems.

As BYOD goes mainstream in the enterprise, over one third of respondents view BYOD support, security, and integration a key IT focus.

The "consumerisation of IT" has led to an increase in employee-supplied devices in the workplace. Over 40% of devices used to access business applications are personally owned by the employees themselves[5].

While these tools enable increased productivity by workers, it challenges the IT Leader in controlling access to sensitive information by non-corporate devices and securing the data once it leaves the confines of the corporate network. 37% of surveyed IT Leaders stated that BYOD is one of their key focus areas.

The level of support that the organisation is willing or able to provide to personal devices used for work is an additional concern for IT Leaders.

Providing integration on an increasingly wide selection of devices, platforms and applications places a larger burden on an organisation's IT support infrastructure – but can offset with the potential of significant savings in a reduction of the traditional fleet of IT devices and desktops.

BYOD and mobility is a key focus of 37% of IT Leaders

4 Ganly D. Address Eight Key Factors for Successful ERP Implementation. Gartner. November 2012.
5 PwC. The Consumerisation of IT. November 2011.

IT Leader's frustrations

Keeping pace with changing business needs and requirements.

The top frustration for IT leaders surveyed in FY14 are unrealistic expectations from the business which received the highest score of 43% .

Compared to FY13, the top frustration has shifted from constant changing demands from the business to unrealistic expectations from the business. However, constant changing demands is still one of the top 2 frustrations of IT leaders receiving a score of 38%.
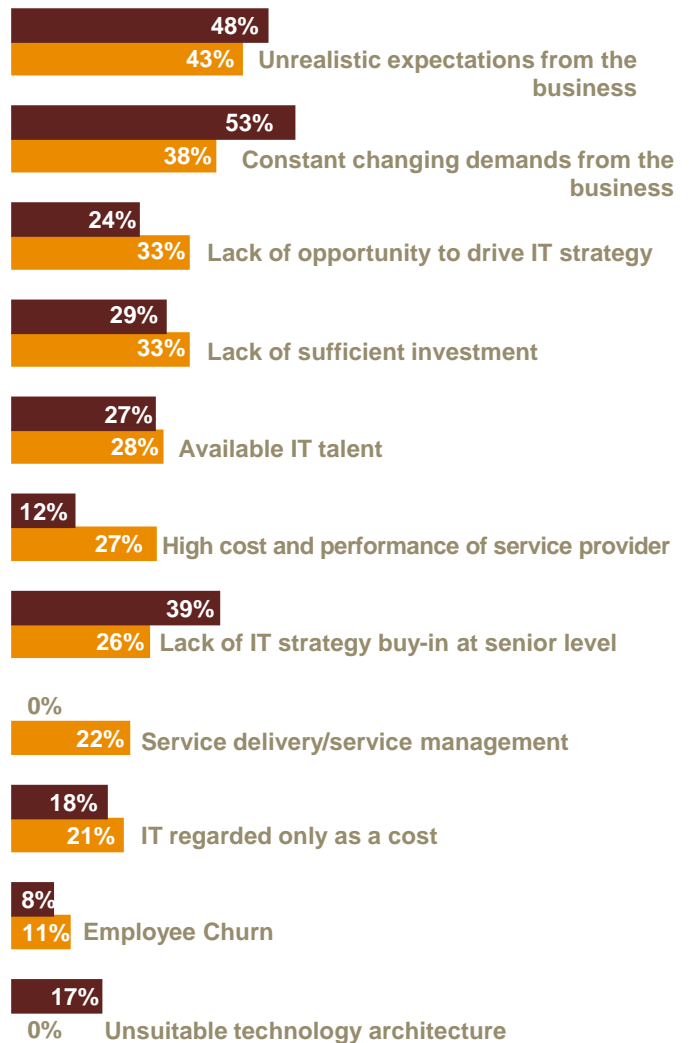
This is not surprising to the survey, as yet again, two thirds of the WA organisations surveyed do not fully incorporate IT in their business planning cycle. In the context of today, it is crucial that the planning and development of IT strategies are executed not only in tandem with the business – but business led. This reflects on the IT leader's ability to communicate benefits and realistic goals when incorporating IT in the business planning cycle.

Acquisitions, projects, divestments and expansion of operations place demands on the IT function in many organisations in WA.

The responsibility then rests on:

- the C-Suite to take more responsibility for technology driven innovation

- the IT Leader to implement a flexible, robust and agile IT strategy in the face of constantly changing business environment.

What are your top frustrations?

	FY 13	FY 14
Unrealistic expectations from the business	48%	43%
Constant changing demands from the business	53%	38%
Lack of opportunity to drive IT strategy	24%	33%
Lack of sufficient investment	29%	33%
Available IT talent	27%	28%
High cost and performance of service provider	12%	27%
Lack of IT strategy buy-in at senior level	39%	26%
Service delivery/service management	0%	22%
IT regarded only as a cost	18%	21%
Employee Churn	8%	11%
Unsuitable technology architecture	17%	0%

Talent challenges facing IT Leaders

Over half of the IT Leaders see the Employee value proposition as a major challenge.

Acquiring new IT talent whilst retaining existing IT staff is a critical concern for IT leaders. The FY14 survey highlights that developing the employee value proposition (benefits and bonuses to staff based on performance) is the greatest people challenge for 53% of IT leaders. This is a major shift from the previous year's results where the employee value proposition was a challenge to 28% of IT leaders. In contrast, the lack of available IT talent in the market received 52% of the votes compared to 38% this year.

The survey tells us that the greatest people challenge to organisations is to develop, retain and motivate existing staff members in the organisation. The employee value proposition needs to be relevant, unique and compelling in order to attract new talent and keep existing employees engaged. Often the full extent of benefits is not understood by workers so it is incumbent on organisations to fully explain all the benefits available.

Similar to the employee value proposition challenge, 49% of the organisations answered that salary demands are a major challenge. Due to the lack of IT talent available in the market, IT leaders are having to accommodate salary demands to remain competitive in the tight WA market.

Attracting, development and retaining IT staff is still difficult in WA – despite a softening in the labor supply market. There still remains a shortage of skilled IT graduates emerging from the Tertiary Education sector and many WA IT Leaders turn to employing experienced hires who are expected to come with years of learning and development. Investing in the IT Leaders of tomorrow, through meaningful employee value propositions, has never been more important in WA.

We must attract move people with diverse skills and backgrounds to the IT profession and must seek to develop the "traditional IT experienced employee" to keep up with modern IT practices and business acumen.

What are the greatest people challenges facing your organisation?

	FY 13	FY 14
Employee value proportion	28%	53%
Salary demands	45%	49%
Appropriate retention strategies	34%	43%
Lack of available IT talent in the market	52%	38%
Recruitment processes	31%	35%
Lucrative offers from other companies	30%	27%
Employee churn (IT)	16%	14%

■ FY 13   ■ FY 14

Developing an Employee Value Proposition is a priority for 53% of IT Leaders

Conclusion

This second survey confirms a number of the findings from the inaugural survey in FY13.

The number one priority for the WA IT Leader is still *Reporting and Analytics*. The fact that this remains the number one priority naturally suggests that there is a need to invest further in suitable reporting and analytics technologies and unlock the value in existing data assets.

Whether investment is required for management reporting, or to support asset productivity, customer acquisition/retention or cost reduction initiatives, there is still much to do in this area - but what is your organisation doing about it?

The new analytics agenda requires that the IT Leader and their IT organisations find new ways to engage with their business partners. For all the strategic opportunities new analytics offers the enterprise, it also threatens the relevance of the CIO. The threat comes from the fact that the CIO's business partners are being sold data analytics services and software outside normal IT procurement channels, which cuts out of the process the very experts who can add real value.

WA is unique and its geographic location will always impose challenges whether due to talent acquisition/ retention, physical dispersion of assets both onshore and offshore or simply dislocation from other business centers.

Given some of these geographic challenges it is not unsurprising that mobility again appears high on the list of technology to exploit. There have been some very tangible, high profile implementations of mobility solutions in the resources sector in WA. But a mobility strategy need not be for just the super-majors. Mobility can be equally appropriate for smaller organisations to improve field force effectiveness, service delivery or operational effectiveness. The key is for the IT Leader to understand where mobility technologies can liberate people from their desks to improve business performance.

The WA IT Leader has an opportunity to drive valuable business change by taking the initiative to work with Executives to plan, execute and realise the benefits of smart technology investments.

Four seasons in one day is indeed an appropriate metaphor for the WA IT Leader who is challenged to focus simultaneously on:

Spring (Strategy)

Characterised by the emergence of new business strategies and hunger from the business to realign their business models based on the advent of Digital channels, mobile, social and cloud services.

The IT Leader should adopt a new analytics agenda, mobility technology opportunities and embrace the hunger for innovation across the business.

Summer (Delivery)

Characterised by the intense activity and heat generated by delivery as the strategy is executed – the IT Leader should recognise that the C-Suite patience for long IT projects has expired. An expectation for agile and rapid delivery is here to stay.

Autumn (Operations)

Characterised by the cooling experienced as initiatives wind down and transition into operations – the IT Leader should promote standard services models to business users and adopt new infrastructure provision models.

Winter (Cost)

Characterised by the harsh reality to reduce costs across the board whilst maintaining service levels – the WA IT Leader should reduce IT OPEX but more importantly provide a significant contribution to reducing organisation-wide OPEX.

Many of the challenges facing WA IT Leaders identified in this survey are shared by many across the world. Maybe it is time to reach out to your fellow IT professionals either through local IT executive forums, global technology forums or even through your own professional and personal networks. Now that would be a good use of time - whatever the season!

Publications

Contacts

PwC has developed a significant amount of thought leadership in Technology and Innovation

PwC Technology Forecast
http://www.pwc.com/us/en/technology-forecast/index.jhtml

PwC Centre for technology and innovation (CTI)
http://www.pwc.com/us/en/technology-innovation-center/index.jhtml

Justin Scanlan
Managing Partner
Technology Practice WA
+ 61 (8) 9238 3265
justin.a.scanlan@au.pwc.com

Andrew Friars
Managing Partner
Consulting WA
+ 61 (8) 9238 3050
andrew.friars@au.pwc.com

Jodie Hatch
Director
+61 (8) 9238 3616
jodie.hatch@au.pwc.com

JoAnn Theriault
Director
+61 (8) 9238 3628
joann.theriault@au.pwc.com

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