
The CIO Agenda, 2008 to 2011

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Business expectations for IT are bigger than IT's ability to deliver.

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For the past five years, business expectations for IT have been evolving and expanding from technical operations to business impact. In 2008, business expectations are clearly focused on IT supporting enterprise performance from innovation to attracting and retaining customers.

These expectations reflect the aspirations of CIOs who see IT as being more strategic and important. However, these same CIOs know that they are not well prepared to deliver what the business expects. This is creating a gap — gap where CIOs can do all the right things for their current job and still find themselves losing relevance and importance.

Action Item: Give the enterprise the same curiosity, study, interest and excitement as you would an emerging technology. Treat expanding business expectations as a form of emerging technology.

Enterprises Expect IT to Make the Difference

2008 Business Expectations

To what extent will each of the following be a top priority for you in 2008?	2008	2007	2006
Improving business processes	1	1	1
Attracting and retaining new customers	2	3	3
Creating new products or services (innovation)	3	10	9
Expanding into new markets or geographies	4	9	**
Reducing enterprise costs	5	2	2
Improving enterprise workforce effectiveness	6	4	**
Expanding current customer relationships	7	*	*
Increasing the use of information/analytics	8	7	6
Targeting customers and markets more effectively	9	*	*
Acquiring new companies and capabilities (M&A, etc.)	10	*	*

* New question for 2008 ** New question for 2007



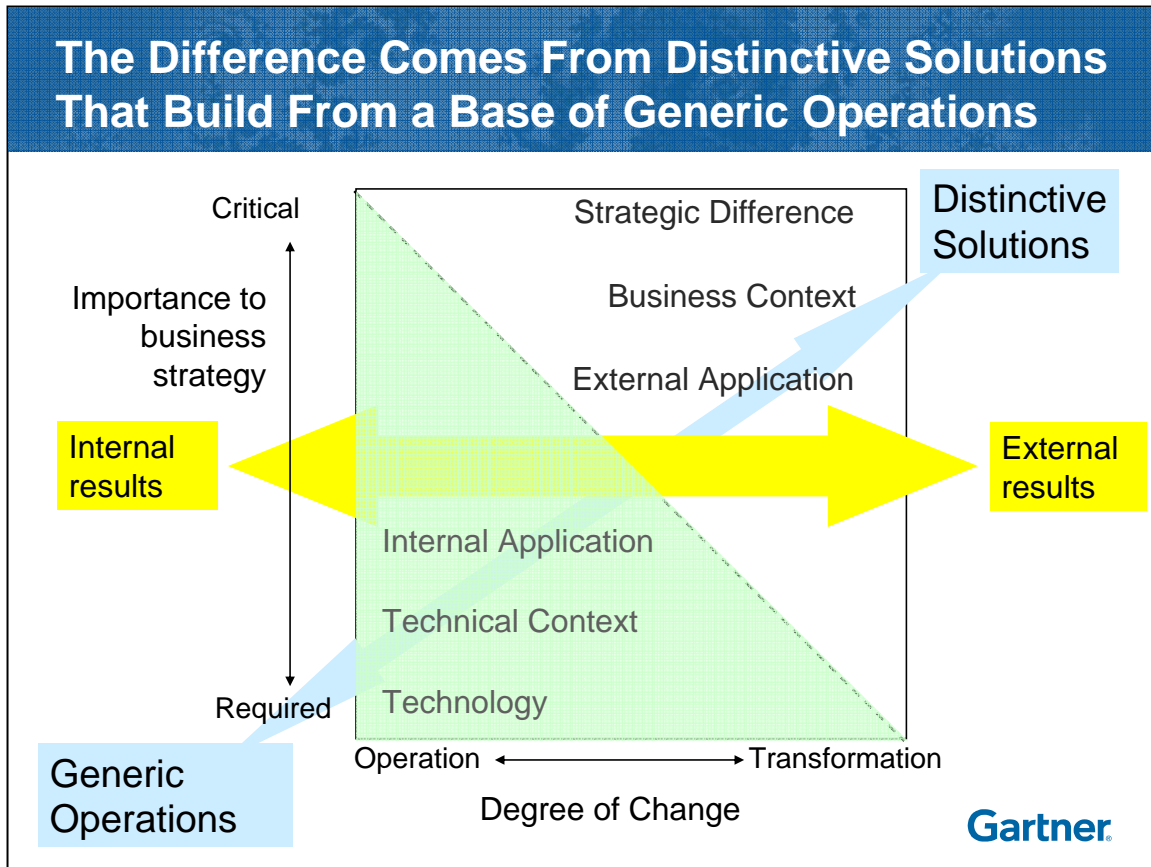
Increasing business expectations requires IT to shift from raising its contribution to creating distinctive solutions. In 2008, these expectations will concentrate directly on the connection between customers and IT.

Executive priorities reflect an expectation for IT to make a difference rather than doing more with less. The top business priorities for 2008 involve business process improvement and attracting, engaging and retaining customers.

Increasing business expectations are challenging current IT capabilities. Expectations for 2008 expand existing criteria for business process and cost management, and they redefine goals that constitute IT success.

IT success rests on making the difference in creating products, services and capabilities that are unique and valued in the market. These solutions make the enterprise distinctive and competitive.

Action Item: Know what the enterprise expects from IT and its impact on enterprise operations. Use these expectations as the context for your operations and investments.



Meeting emerging business expectations requires making the difference in your enterprise. Business expectations are extending IT's strategic value. Leaders want to create a distinctive enterprise that serves customers in unique and more effective ways.

Distinctive solutions: These contribute to the enterprise strategy by supporting what makes the enterprise different. Creating distinctive solutions will require IT to focus on how they use new technologies or existing technologies in new ways to create new solutions. Ford's Synch is an example as well as Banca Monte dei Paschi di Siena's "endless bank".

Generic operations: These form the traditional concerns for CIOs and IT as their credibility rests on providing a technology capability at a managed cost and risk. Generic operations arise from technical concerns and context often focusing on building internal applications (ERP, SCM, etc.) based on market matching technologies that create competitive parity.

The difference between the two: In a distinctive solution, the business value overrides technical concerns regarding cost and risk. CIOs working on distinctive solutions will take on more technical risk and cost because there are significant offsetting business benefits. Alternatively, CIOs behave generically when they use cost and risk as a reason to implement standard technologies or processes that limit the potential business value — either because they do not believe the value is there or they do not have the confidence in the enterprise or IT to achieve those benefits.

Finding: Generic operations represent the core of IT budgets and activities; however, enterprise leaders expect more than just a core. They expect IT to help make the difference in their strategy. CIOs need to deliver both.

Enterprises Will Invest in IT That Delivers Distinctive Solutions

Business Priorities	Percent of Responses	Unweighted IT Budget Increase	Weighted IT Budget Increase	Distribution of IT Activities		
				Run	Enhance	Transform
Distinct IT	20%	10.4%	4.9%	58%	24%	18%
Generic IT	14%	3.5%	3.1%	68%	18%	14%
Blended	42%	6.7%	3.3%	63%	21%	16%
Public Sector	24%	3.9%	2.3%	66%	20%	14%
Overall	100%	6.3%	3.3%	63%	21%	16%

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While industry-wide budget increases remain modest, these increases are not uniform across the board. IT budgets at enterprises expecting Distinct IT are investing more in IT and more in IT's ability to transform the enterprise.

These categories are based on analysis of the business priority responses.

Distinctive IT (20%): Defines enterprises expecting distinctive solutions. Their CIOs face business expectations that involve expanding channels, attracting more customers, developing new products and services, etc.

Generic IT (14%): Defines enterprises that want IT to manage generic solutions. These CIOs must satisfy expectations centered on issues of cost management, business process improvement, IT service quality improvement, etc.

Blended (42%): Defines enterprises with a blend of distinctive and generic expectations.

Public Sector (24%): Defines public sector organizations that responded to a different set of public sector-focused business-priority questions.

Finding: CIOs delivering generic solutions will get generic funding compared to those who are able to connect with and deliver the distinctive solutions needed by the enterprise.

CIOs Are Concentrating on Delivering Strategies Based on Proven Practices and Priorities

2008 CIO Strategies			
To what extent will each of the following be a top five priority for you in 2008?	2008	2007	2006
Delivering projects that enable business growth	1	1	1
Linking business & IT strategies and plans	2	2	2
Attracting, developing and retaining IT personnel	3	4	5
Improving the quality of IS services	4	7	12
Improving the business and IT relationship	5	*	*
Implementing IT process improvements	6	12	*
Improving IT governance	7	8	9
Building business skills in the IT organization	8	9	3
Use of information/intelligence in ops, products or services	9	6	*
Reducing the cost of IT	10	12	*

* New question for 2008 ** New question for 2007



CIOs face a challenge as rising business expectations demand new leadership, IT capabilities and results. They want to build on existing strategies by delivering projects that enable growth. CIOs remain focused on delivering projects that enable business growth and recognize the importance of developing IT capabilities to deliver these projects including:

- Improving the linkage between business and IT strategies.
- Attracting, developing and retaining IT personnel as only 28% of CIOs report that they have the right skills in IT.
- Improving the quality of IS services as CIOs recognize the need to raise their game.

The differences between business expectations and IT strategies show the strengths or weaknesses of the link between IT and the business. The business strategy is, after all, the integration point for every part of the enterprise. CIOs and IT organizations that merely provide market-matching technologies and solutions undermine the value of IT capabilities. Leading CIOs make the difference because they build on their existing strengths to deliver the solutions that differentiate the enterprise and achieve its strategy.

Finding: The consistency of CIO strategies indicates that CIOs need a change of focus toward distinctive solutions rather than a change in their activities and projects.

Action Item: CIOs need differentiated IT strategies that match differentiated business strategies — or else you are merely a utility service. Look at your current IT strategy and compare it with the emerging business expectations to identify opportunities and gaps. Create the difference in IT that will be needed to create the difference in the enterprise.

CIOs Continue to Invest in Core Technologies That Drive Distinctive Solutions

2008 CIO Technology Priorities

To what extent will each of the following technologies be a top five priority for you in 2008?	2008	2007	2006	2008 Unweighted Average Budget Change
Business intelligence	1	1	1	11.20%
Enterprise applications (ERP, SCM, CRM, etc.)	2	2	**	8.02%
Servers and storage technologies	3	5	9	8.45%
Legacy modernization, upgrade or replacement	4	3	10	5.79%
Security technologies	5	8	12	8.53%
Technical infrastructure	6	4	8	4.67%
Networking, voice and data	7	6	2	6.83%
Collaboration technologies	8	10	4	7.75%
Document management	9	9	**	7.91%
Service-oriented (SOA, SOBA)	10	7	6	6.71%

* New question for 2008 ** New question for 2007

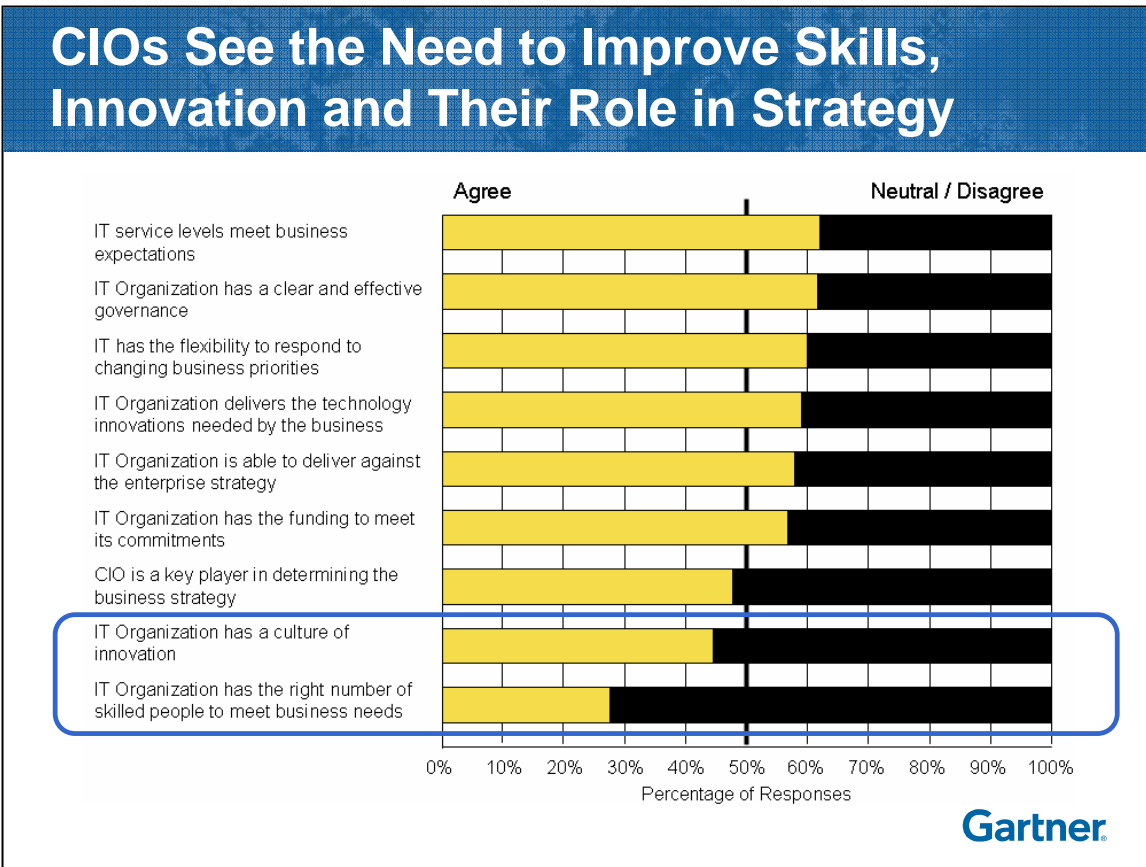


CIOs today are investing in extensions of their core technologies, and they are creating platforms that support distinctive capabilities. Their technology priorities, in turn, concentrate on the core technologies that provide the foundation for distinctive solutions. Because CIOs see information as a critical component of these new platforms, they continue to invest heavily in business intelligence (BI). The ongoing importance of information is driving expansion of the technical infrastructure, including servers, storage and modernization of legacy applications. Although foundational technologies are pervasive in the marketplace, they are not necessarily generic. Technology becomes generic when IT's focus and applications are concerned with matching the market rather than with the creation of distinctive offerings and solutions.

Finding: CIOs expect to make a difference with their current technology platforms rather than investing in new classes of technology solutions. This is consistent with supporting the enterprise difference since you cannot buy your source of competitive advantage out of a box.

Finding: Generic IT is a mindset not a technology. When you make decisions that give greater weight to IT cost, quality or risk than to business value, you are behaving generically.

Action Item: Evolve the focus on emerging technologies away from the technology and toward the enterprise expectations, problems or opportunities that they will address.



In making the difference, the stakes are high because the pace of change is quickening at the same time that enterprises are seeking growth. IT must, therefore, become more effective at delivering distinctive capabilities to the enterprise in short order. This means doing the right work in the right way.

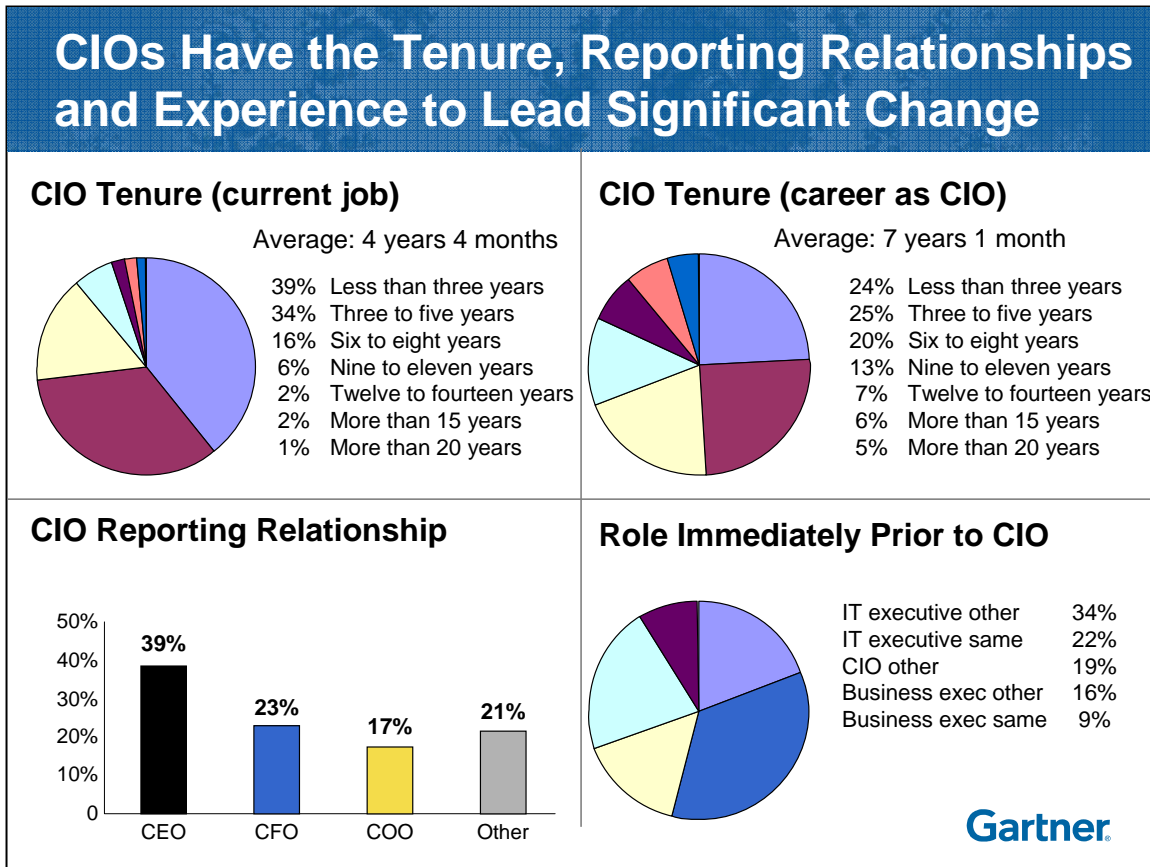
Raising IT effectiveness lets CIOs work from a position of strength in meeting the ever-increasing demands of the business. CIOs report that four components of IT effectiveness contribute to overall strength:

- IT service levels are meeting business expectations (62% agree).
- IT has clear and effective governance structures (62% agree).
- IT has technical and organizational flexibility (60% agree).
- IT delivers to the enterprise strategy (59% agree).

Having the right number of skilled people is the single largest factor influencing IT effectiveness. Not having the right people creates a downward spiral as:

- Two-thirds (67%) of enterprises with the weakest IT service levels also have the weakest IT skills.
- More than half (55%) of the enterprises with weakest IT strategy performance have the weakest IT skills.
- CIOs are not readily addressing this issue since only half (55%) of CIOs who have weak skills identify improving them as one of their top 5 CIO strategies. CIOs who are ignoring this issue face greater challenges, including linking business and IT strategies, raising IS service levels and implementing IT governance.

Finding: IT remains a people-driven business with three out of four organizations saying that they do not have the right number of skilled people to meet their needs. Many — about half of — CIOs recognize this issue but have not made this a top 5 strategic priority.



After more than 25 years, it's time to end the debate over the CIO role. Whether an enterprise should have a CIO is no longer in question. However, changing business expectations change the CIO role. Expectations for more distinctive IT solutions are now changing the CIO's role, position and authority.

Although trends in this area are not uniform across all enterprises, they are fairly consistent and clear, overturning conventional wisdom regarding the CIO role.

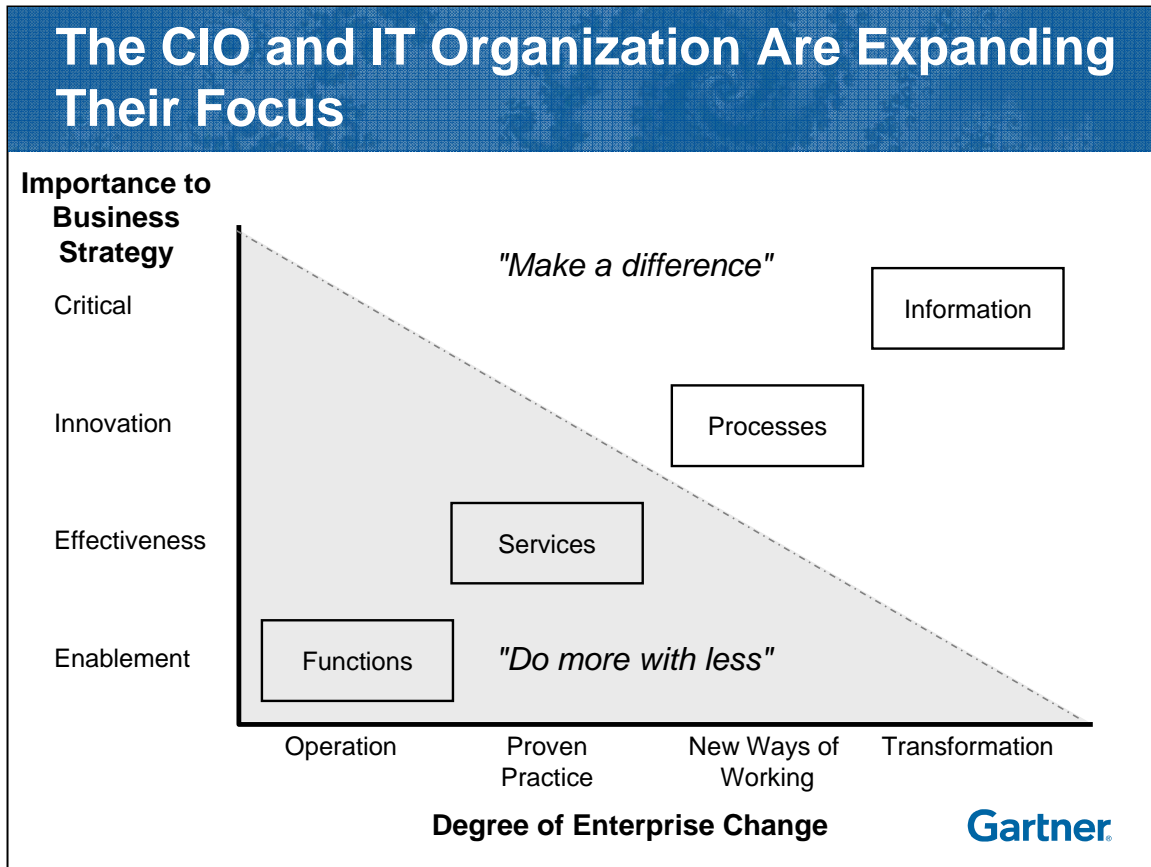
CIO Reporting Relationship: The CIO plays a senior role in the organization. CIOs most often report to the CEO (39%), with 80% reporting to a C-level executive.

CIO Tenure: The CIO role is a stable career. CIOs report a current tenure, on average, of four years and four months. CIOs expect to stay in their current roles for an additional four and a half years.

Role Immediately Prior to CIO: CIO is a growth role as people from both IT (56%) and business (25%) are entering the role.

Finding: The debate over the CIO's role in the enterprise is over, and it's time for CIOs to concentrate on getting business results from the resources they manage. Those results resolve issues, such as reporting relationships, additional responsibilities, etc.

Action Item: CIO and IT executives need to use their tenure, experience and reporting relationships to create enterprise solutions rather than be concerned with the overall state of the CIO.



Emerging business expectations will require CIOs to continue to evolve IT capabilities and focus as they play a growing role in enterprise strategy.

Functions: Focus on providing basic “lights on” technology operations. While many IT organizations have moved beyond this level, CIOs can find themselves concentrating on functions when their business or technical performance is under pressure.

Services: Focus on managing the quality, cost and risk of IT services. Dominated by meeting predefined service-level agreements (SLAs) and providing standardized services, these organizations are operationally efficient but may be strategically less relevant as they concentrate on generic solutions.

Processes: Focus on changing the way the enterprise works. These organizations reflect the expanding scope of IT and the need to co-develop technology and processes to achieve business and technical results.

Information: Focuses on the use of information and insight into business operations and decisions. These organizations concentrate on understanding and resolving business performance issues. They use operational information in the same way a CFO uses financial information to define projects and manage performance.

Make the Difference in 2008

Emerging Trends

Businesses expect IT to make a difference for customers, products & services
CIOs see a significant change on the horizon
CIOs recognize challenges for every IT organizational

Actions

This week	<i>Identify</i> what distinguishes your enterprise <i>List</i> IT's contribution to that difference
In the Next 90 Days	<i>Evaluate</i> your IT results portfolio <i>Determine</i> your 2008 success factors <i>Connect</i> IT to investments and business returns
This year	<i>Build</i> IT personnel skills and capabilities <i>Set</i> expectations based on distinctive solutions
Always	<i>Manage</i> results not activities <i>Measure</i> IT in business terms

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