CIO AND IT LEADERSHIP SURVEY 2019

STRATEGIC CHANGE, TECHNOLOGY AND DISRUPTION ⊙

What is holding large organisations back from being disruptive?

CONTENTS ⊙

EXECUTIVE SUMMARY

Our report this year looks at how the CIOs and senior IT leaders of large organisations are reacting to technology advancements and disruption and how they deliver the strategic change needed to respond to these.

The survey responses are very clear that strategic change is getting harder to deliver at the levels demanded by both internal and external customers. Business colleagues are demanding change to both improve or protect revenue and to reduce or control costs – at the same time IT functions still lack both an effective partnership with business colleagues and the skills to support and drive these strategic changes.

Our 124 CIO and senior IT leader respondents together represent organisations with an average revenue of approximately £11 billion. Reviewing their responses reveals there are three key areas where organisations must improve to enable themselves to respond effectively to consumer demands, disruption and other market change:

1. Organisations are struggling to both agree and realise the benefits expected from IT change, with 36% saying that IT change failed because the business plan changed. This suggests that IT and business colleagues are far from aligned.

2. Organisations are deliberately holding themselves back from the potential benefits around new technologies due to corporate fears around spend and risk-averse attitudes. Almost 3 in 10 of respondents stated that they did not take enough risk and 2/3rds only adopt technology when it has been tested in the marketplace.

3. Only 3 in 10 say that they keep an eye on what their competitors are doing when it comes to keeping up with new and disruptive technologies.

This slow response and limited drive to change will lead to missed opportunities to increase (or just protect) revenue and increased costs against faster-moving competitors. Indeed, the only technology in our survey that has seen widespread adoption is data and analytics.

Other technologies that could make significant impacts on efficiency and customer perception (such as AI and customer experience personalization) see far lower than expected adoption rates in respondents' organisations.

These key areas must be addressed, particularly given the increasing threat of disruption in every industry. We recommend that organisations should:

- invest in the business / IT relationship to develop this into a true partnership

- maintain a better awareness of both technology and competitor activity. This can be through internal horizon scanning as well as leveraging relationships with existing suppliers

- review approaches to risk to allow opportunities to be explored more easily, mitigated by methodologies supporting a 'fail fast' approach.

INTRODUCTION

Now more than ever before, speed is of the essence and time is precious.

Consumer demand for new and improved product and service offerings is higher than ever, but consumers don't want these offerings tomorrow, they want them yesterday. Additionally, demand for service change and digitisation from organisations is increasing rapidly as enterprises seek to expand their ecosystems and share IT services and data quickly and easily to facilitate trade and service delivery. This means that businesses must work around the clock to deliver cost-effective, quality products and services before their competitors,

or they risk losing out on crucial revenue and market share. This is especially relevant for large organisations, such as the ones that we surveyed, as they are not only having to increase the speed at which they are doing things to keep their customers happy, but they are also trying to match or stay ahead of the offerings from disruptive and agile competitors.

As a result of all of this, companies are continuing to undergo vast amounts of change, especially in the area of technology, and in this year's survey we

look at how they go about managing this change and make recommendations about what improvements they could consider making.

Many issues will need to be addressed sooner rather than later by large organisations, or they seriously risk missing out on valuable business opportunities to those who have a different mindset, appreciation of IT and attitude to risk.

FOREWORD BY BEN BARRY, DIRECTOR, COEUS CONSULTING

This report reveals IT leaders and their departments are struggling to get to grips with implementing significant strategic change projects.

In a world where the needs of today are very rarely the needs of tomorrow, the ability to plan out, implement and measure the success of a strategic change is no mean feat. But it is something that organisations will need to get better at if they hope to stay afloat during the times of disruption that are on the horizon.

IT leaders have clearly been searching for an approach to strategic change that suits them and their team, but they have been struggling in this quest, and the report shows that they have been hindered by other challenges as well. Crucial to the success of any change is guaranteed support from the senior management team, as this provides reassurance to those responsible for managing the change that this is the correct move for the wider business.

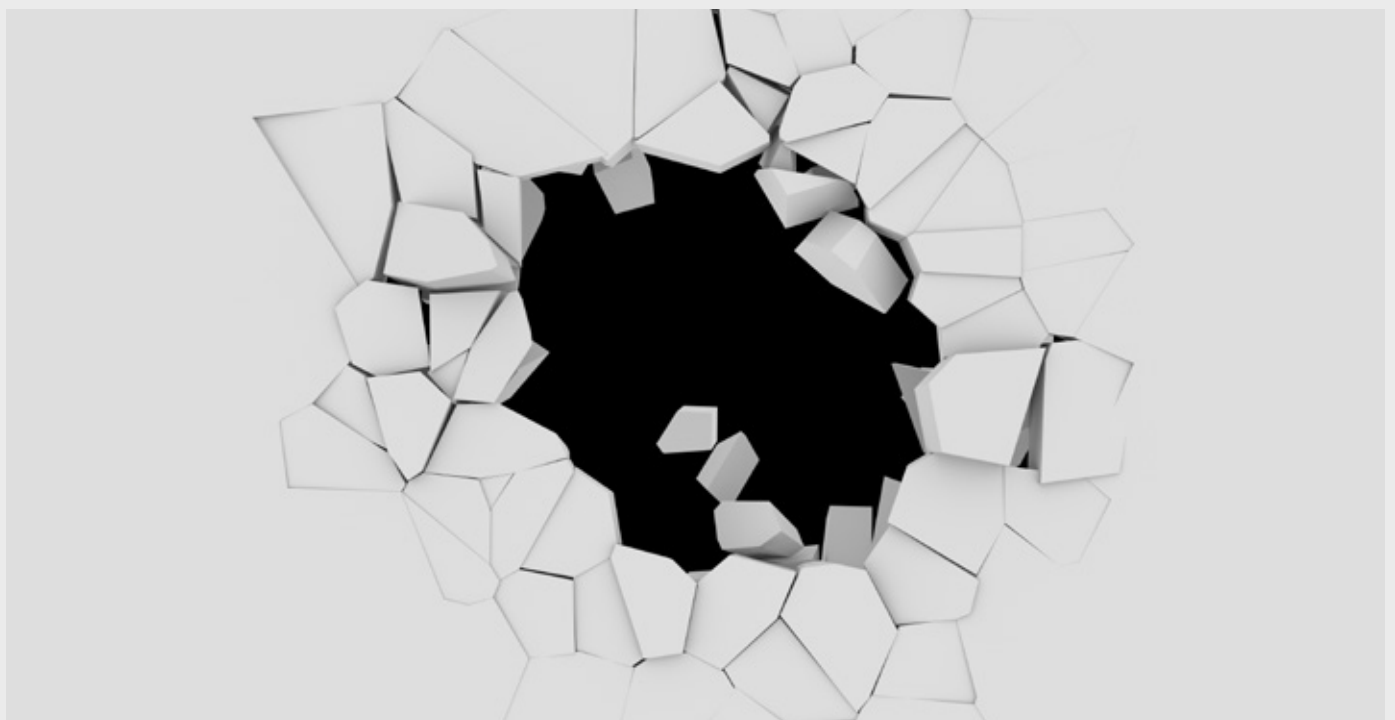In my experience, without a carefully considered plan of action that maps out the exact strategy, with all of its possible pitfalls and benefits, there is no chance that senior management will pour company funds into the change. Without this support organisations will begin to stagnate, and this will see many falter and get left behind.

The ever-changing landscape of technology innovation and disruption presents unique opportunities, but also unique challenges for organisations around the world. IT leaders will continuously be asking themselves questions such as "What can this technology do for our business?" and "How can we best secure this technology, while still extracting maximum value?" before making any concrete decisions regarding implementation. And these are the right questions to be asking, but the answers that they come up with to these questions are what will differentiate them from their competitors.

The fate of many companies will depend upon their ability to react quickly to external changes, but also proactively implement strategic IT change projects that are right for the business. This report provides a great insight into where organisations are struggling, and highlights the importance of knowing the strengths and weaknesses of your company.

The ability of an IT leader to step back and see the bigger picture will enable the organisation to step forward and seize the opportunities available to them.
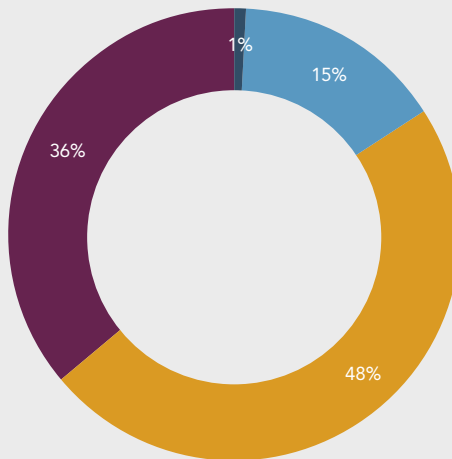
STRATEGIC CHANGE

The importance of strategic organisational change cannot be downplayed. After all, if you are standing still not making any changes, then you are essentially going backwards.

However, it is crucial that the change is being made for the right reasons and that it is being implemented using a delivery method that suits the employees or department responsible for managing the change.

The necessity for an approach that suits the individual organisation is clearly portrayed by the survey results, whereby a variety of different methods are being utilised - see Figure 1.

How are strategic IT change projects delivered?

- Waterfall model
- Waterfall, but using elements of agile principles in delivery
- Fully agile and product-focused
- Other

1%
15%
36%
48%

Figure 1: "How are the majority of your strategic IT change projects delivered at your company?" *asked to all respondents (124)*

STRATEGIC CHANGE DELIVERY

Despite the spread of approaches deployed by surveyed companies we found that their success rate is not particularly high.

Only 6% of respondents report that over the last two years all of their organisation's strategic IT change projects have met initial objectives, indicating that somewhere along the line something is going wrong.

And it seems as though, while agile methodologies are often viewed as the optimum approach for project delivery, this does not always guarantee success. Almost all (98%) of those respondents from organisations using a fully-fledged agile and product-focused approach have experienced some degree of failure during the last two years when it comes to strategic IT change projects.

If it was as simple as finding a better delivery method, surely organisations would have rectified this long before now, meaning that there must be other factors at play. So we asked our respondents, what else is going wrong?

As anticipated, the problems within these companies do not stop solely at the project delivery method, and the issues run deeper into areas such as sponsorship and leadership, project execution and measuring success. In fact, on average, three reasons for failure are reported by respondents from organisations where at least some strategic IT change projects have not met initial objectives over the last two years.

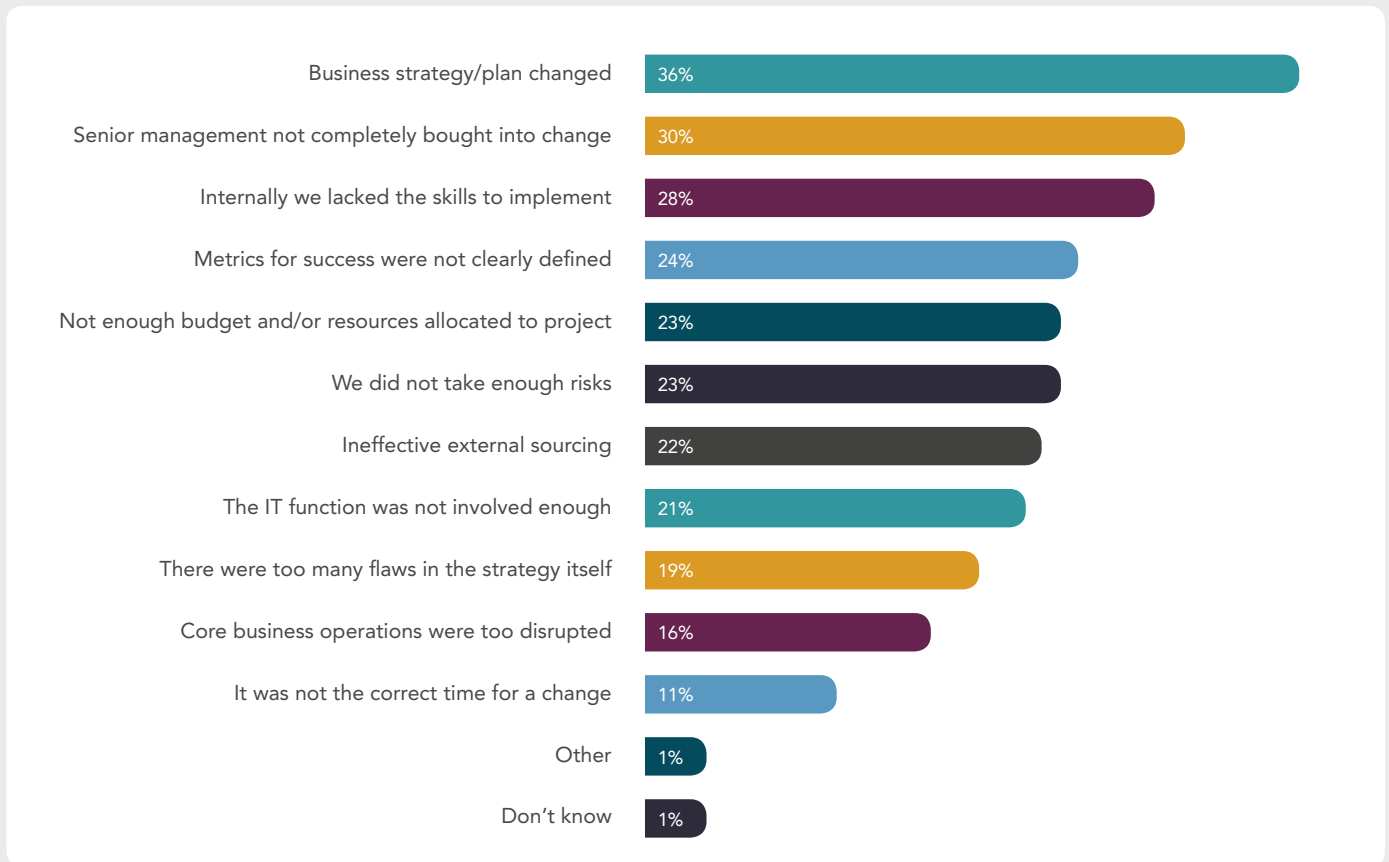> Main reasons that strategic IT change projects did not meet their objectives

Reason	Percentage
Business strategy/plan changed	36%
Senior management not completely bought into change	30%
Internally we lacked the skills to implement	28%
Metrics for success were not clearly defined	24%
Not enough budget and/or resources allocated to project	23%
We did not take enough risks	23%
Ineffective external sourcing	22%
The IT function was not involved enough	21%
There were too many flaws in the strategy itself	19%
Core business operations were too disrupted	16%
It was not the correct time for a change	11%
Other	1%
Don't know	1%

Figure 2: "Over the last two years, what are the main reasons that your strategic IT change projects did not meet their objectives in your company?" *asked to respondents from companies that have adopted strategic IT change projects over the last two years, but at least some of them have not met the initial objectives (113)*

REASONS FOR FAILURE

Leadership has undoubtedly been an issue in recent times, with over seven in ten respondents (71%) citing at least one of: the business strategy/plan changing, senior management not being completely bought into the change, or not taking enough risks, as a reason for failure - see Figure 2.

Companies lacking clear direction from the senior management team will struggle to hit their objectives and this is something that we feel must be addressed before any further actions are taken in regard to implementing strategic change. Furthermore, the survey results clearly demonstrate that the way in which companies approach change implementation is another area where a change in attitudes can help to drive progress and meet delivery expectations.

Perhaps surprisingly, the greatest adoption of this mentality (whereby small scale experiments are carried out to test ideas and hypotheses before important decisions are made regarding strategic change) is in larger organisations with IT budgets over £500m. Smaller organisations appear to be more reluctant to adopt this approach, with those having IT budgets of less than £50m the least likely to adopt this culture. This could be for a number of reasons around budget, clarity of thought or availability of skills. Whatever the reason, this could mean that smaller, disruptive organisations start to lose pace as their larger competitors increase and eventually, overtake.

This type of approach can help to dramatically minimise the risk involved in sweeping strategic changes that impact the entire business. And in doing so this could easily see reasons for failure, such as a lack of management buy in and business plans changing, negated due to increased confidence in the change from those at the top.

This is supported by our findings about strategic change success that show a greater degree of success in organisations with larger IT budgets. Whilst this may not wholly be due to the adoption of a test and learn mentality it is certainly a contributing factor.

We also firmly believe that large organisations need to get back to basics. Fewer than two in ten (18%) of the respondents that we surveyed told us that their company always sets objective success/failure criteria for initiatives in advance. In our view this should form the foundations of any strategic change that is set to be implemented. This is especially pertinent when coupled with the fact that almost a quarter (24%) of respondents, from companies where at least some degree of failure has been experienced with strategic change projects over the last two years, report a reason for failure was that the metrics for success were not clearly defined.

Without criteria for success and failure in place, or knowing how you are going to measure the effectiveness of a strategy, then really there is no point in deploying the strategy at all.

But what happens when things don't go to plan? Well, the survey shows that companies are becoming fairly adept at reacting to failure, but the key here is that they are having to react rather than proactively looking to improve their approach, delivery method, and strategy monitoring before things go awry - see Figure 3.

Of respondents from companies that have some form of Test and Learn mentality, and at least sometimes set success/failure criteria, approaching six in ten (57%) report that their organisation investigate or adopt a different approach when initiatives don't meet objective criteria. Further to this, around four in ten told us that they carry out research around the topic at the heart of the change (39%), and/or seek advice externally from a consulting firm (38%).

Knowledge is power, so it is reassuring that organisations are looking to carry out research to enhance their understanding of a subject, or are looking externally for help.

However, we would strongly advise taking these types of decisions in advance of the implementation phase in order to increase the likelihood of rolling out a successful strategic change.

What happens when initiatives don't work out?

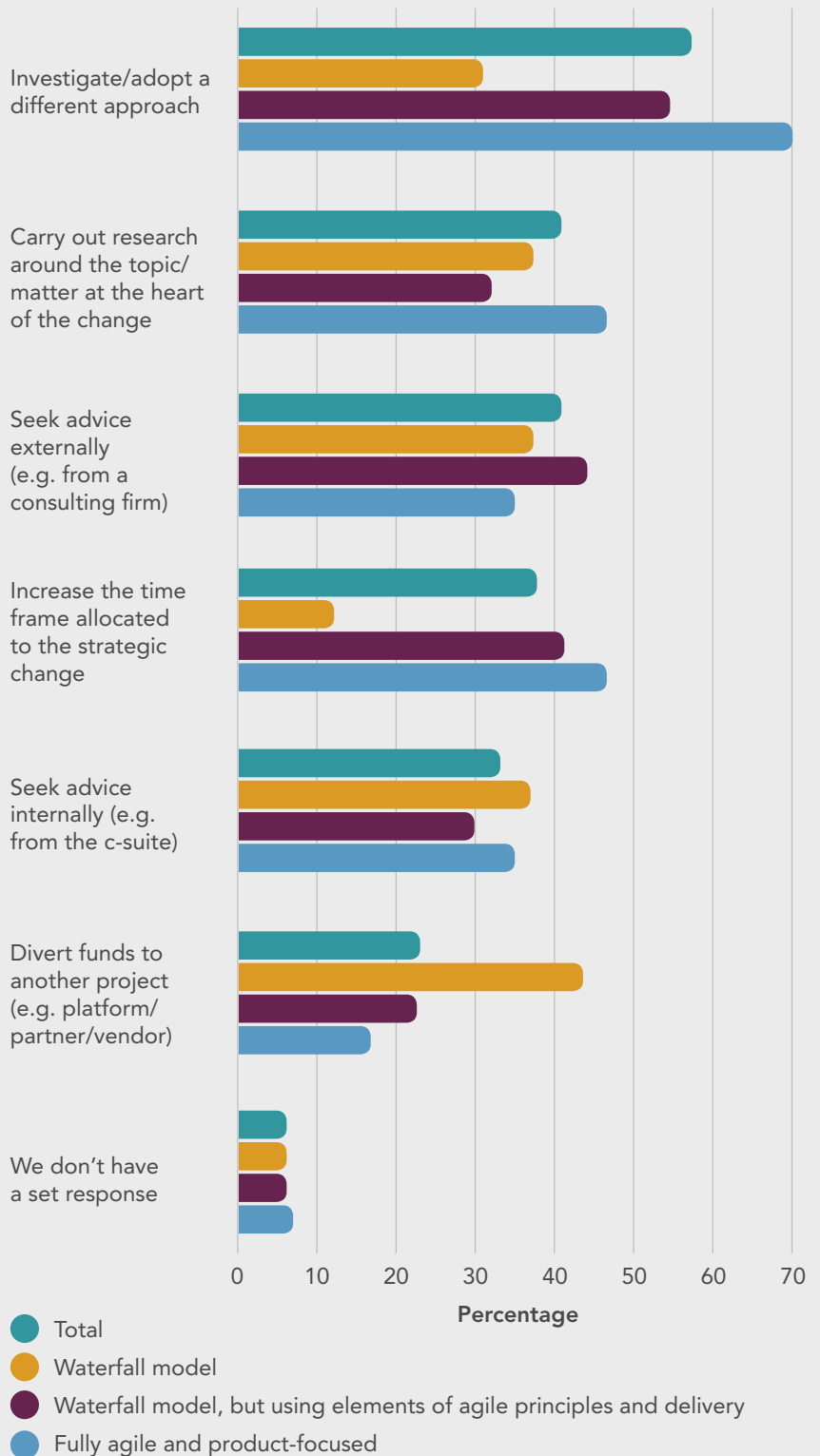Figure 3: "As part of your Test and Learn culture, what does your company do if initiatives don't meet objective success criteria (in the allocated time frame)?" *not showing "Don't know" responses (1%), split by strategic IT change project delivery method, asked to respondents from companies that have a Test and Learn mentality/culture, and also set objective success/failure criteria for initiatives in advance (103)*

MAIN DRIVERS OF CHANGE

There is no getting away from the fact that IT is now integral to business success, and the data from our survey provides substantial proof of this. In our exciting world where business success comes from delivering excellent services in the most efficient manner, our survey showed that increasing operational efficiency (49%), increasing customer satisfaction (32%) and increasing revenue /sales (31%) were noted as the most common drivers for strategic IT change - see Figure 4. Clearly, IT success is inextricably linked to achieving business objectives. Reducing / controlling costs is still a key factor to about 1/3 of respondents but it is hugely encouraging that the majority of strategic IT change drivers are directly linked to business objectives.

This clearly demonstrates the business value IT must provide and reinforces the point that organisations must take great care when implementing new strategic IT change projects if they hope to witness these top line benefits to their revenues, and other related areas.

A rigorous and well thought out planning stage that touches all areas of the project will be central to implementing successful strategic IT change projects for organisations during 2019 and beyond. This planning will need to include areas such as attaining full leadership buy in, ensuring that the change delivery method is appropriate for the employees and teams involved, clearly outlining objective success and failure criteria, and defining how success will ultimately be measured.

While all of this might sound fairly rudimentary and straightforward, the research results demonstrate that in large proportions of organisations this is not always the case, and there are clearly struggles that need to be addressed, otherwise strategic IT change projects will not meet the needs of the business. In this highly competitive economy where costs of entry are falling daily, this could easily be the difference between business success and business failure.
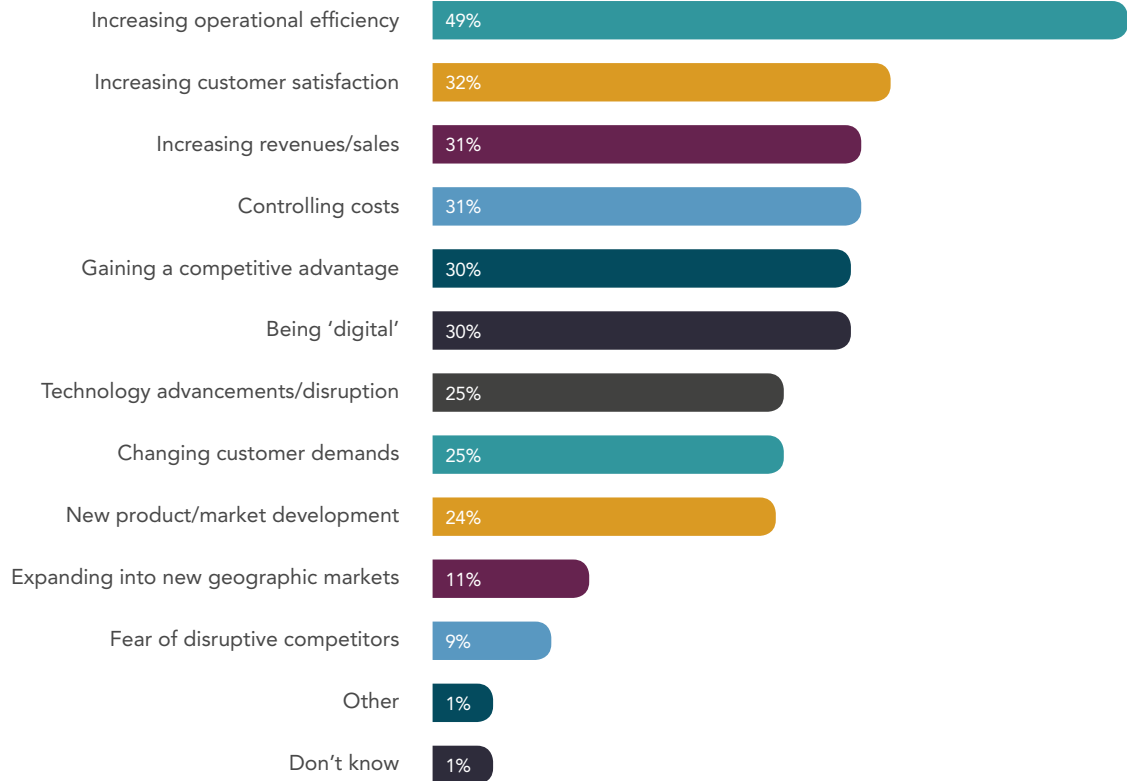
Main drivers of strategic IT change projects

Driver	Percentage
Increasing operational efficiency	49%
Increasing customer satisfaction	32%
Increasing revenues/sales	31%
Controlling costs	31%
Gaining a competitive advantage	30%
Being 'digital'	30%
Technology advancements/disruption	25%
Changing customer demands	25%
New product/market development	24%
Expanding into new geographic markets	11%
Fear of disruptive competitors	9%
Other	1%
Don't know	1%

Figure 4: *"What do you consider to be the main drivers of strategic IT change projects in your company?" Combination of responses ranked first, second and third, asked to all respondents (124)*

RECOMMENDATIONS

Reviewing all of the answers to our survey, we can consolidate this into three clear recommendations for any organisation:

- Focus on good IT/business relationships and establishing clear links between IT services and business outcomes to drive buy in and help shape business plans

- Review corporate attitudes to risk and seek to establish areas where a different approach could help improve services. Define metrics / measures to help mitigate high risk through the use of fail-fast and 'test and learn' mentalities

- Continue to develop an enterprise view on the benefits and impacts of agile, agile ways of working and clear decision criteria for assessing appropriate change methodologies

TECHNOLOGY ADOPTION ⦿

Similar to the ability to effectively implement strategic change, the ability to adopt and deploy new technologies is vital to the success of large organisations. But it is also a process that is challenging, and often approached in a haphazard manner.

We have already seen a sizeable proportion of our respondents reporting that their organisation utilises a fully agile and product-focused approach when it comes to strategic change. Organisations seem quick to try new delivery methodologies, despite the fact that many are not delivering the hoped-for success.

A more cautious approach is seen in terms of technology adoption - see Figure 5, with over two in ten (21%) surveyed reporting that their company looks to adopt new technology as soon as possible, even when it is untested, whereas almost six in ten (58%) look to adopt once the technology has been tested in the marketplace.
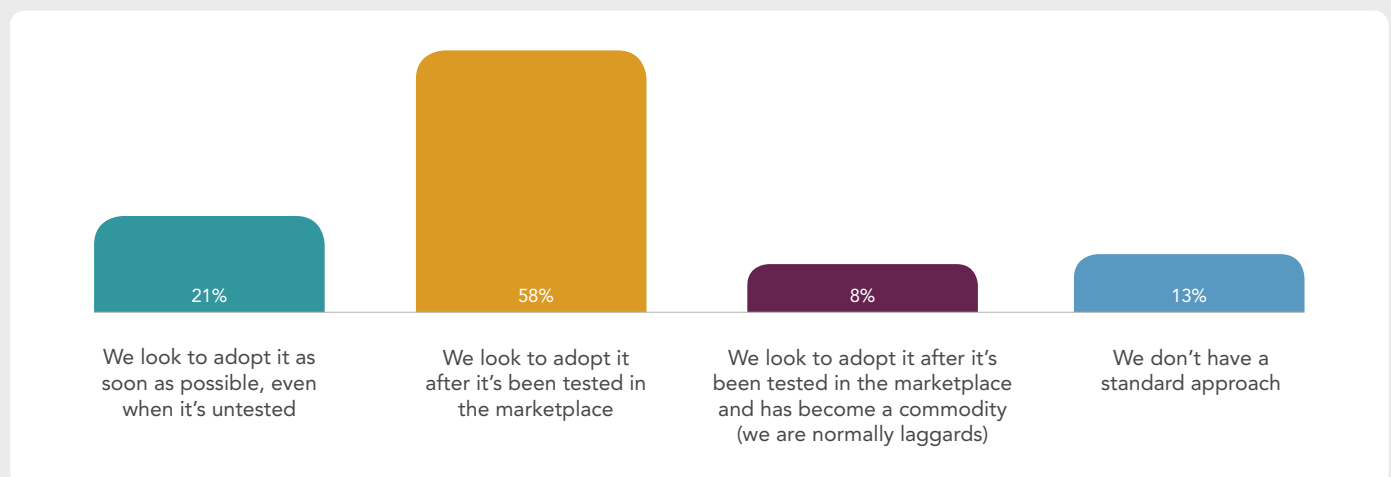
⦿ Types of approach to new technology adoption

21%	58%	8%	13%
We look to adopt it as soon as possible, even when it's untested	We look to adopt it after it's been tested in the marketplace	We look to adopt it after it's been tested in the marketplace and has become a commodity (we are normally laggards)	We don't have a standard approach

Figure 5: "What type of approach does your company have regarding new technology adoption?" *asked to all respondents (124)*

APPROACH TO TECHNOLOGY ADOPTION

Upon first glance the approach of biding your time when it comes to technology adoption might seem like risk aversion, and in the short-term it can allow competitors to gain a head start. However, the fast follower approach is a prudent long-term strategy for most industries, as it will allow your organisation to clarify a plan and drive confidence in how to extract maximum value from this new technology. The idea of being a fast follower is still relevant – although fast does need to mean fast once a technology proves valuable.

As well as approach to technology adoption, we also explored how far down the line companies are looking when it comes to technology strategies and roadmaps and on average found that they are planning 17 months ahead.

Whilst the pace of technology change should lead to short cycles, if we consider this is only just over an annual budget round, it seems as though many organisations are failing to roadmap effectively.

Ideally, they should be looking to 3 and 5 years in order to ensure that they are totally prepared for the technologies and related challenges coming over the horizon, as well as clearly mapping out the sometimes lengthy transitions away from legacy in a way that is palatable to company financial constraints.

We wanted to find out which technologies the companies we surveyed have adopted - see Figure 6. The technology that has most commonly (70%) already been adopted is data and analytics, with a further 20% in the process of adopting.

The fact that organisations are furthest along their adoption cycle with data and analytics clearly displays an understanding of how important leveraging good data is to success. It also could be indicative of the breadth of this area, in that the technology in this space ranges from cognitive and predictive analytics to simple business reporting

Other areas are more constrained, even those where we would consider the technologies to have matured. Around three in ten have already adopted customer experience personalisation (31%) or IoT (27%), under two in ten (18%) have adopted robotic process automation, and fewer still (12%) have completed the adoption of artificial intelligence.

However, we do see the fast follower indications in effect, as organisations are aiming to move in the direction of these technologies, with significant proportions of respondents reporting that their company is currently adopting or planning to adopt them in the next 12 months (55%, 45%, 48% and 60% respectively).

Another plausible reason for the high level of adoption in data and analytics, and one that is eminently sensible, is that data is absolutely fundamental to the successful deployment of the other listed technologies. Firms may be starting to recognise that a solid data foundation is a priority and an accelerator for capitalising on value of those technologies.

> Current state of technology adoption

Legend:
- Already adopted
- Currently adopting
- Planning to adopt in the next 12 months
- Need to know more about it but would consider it
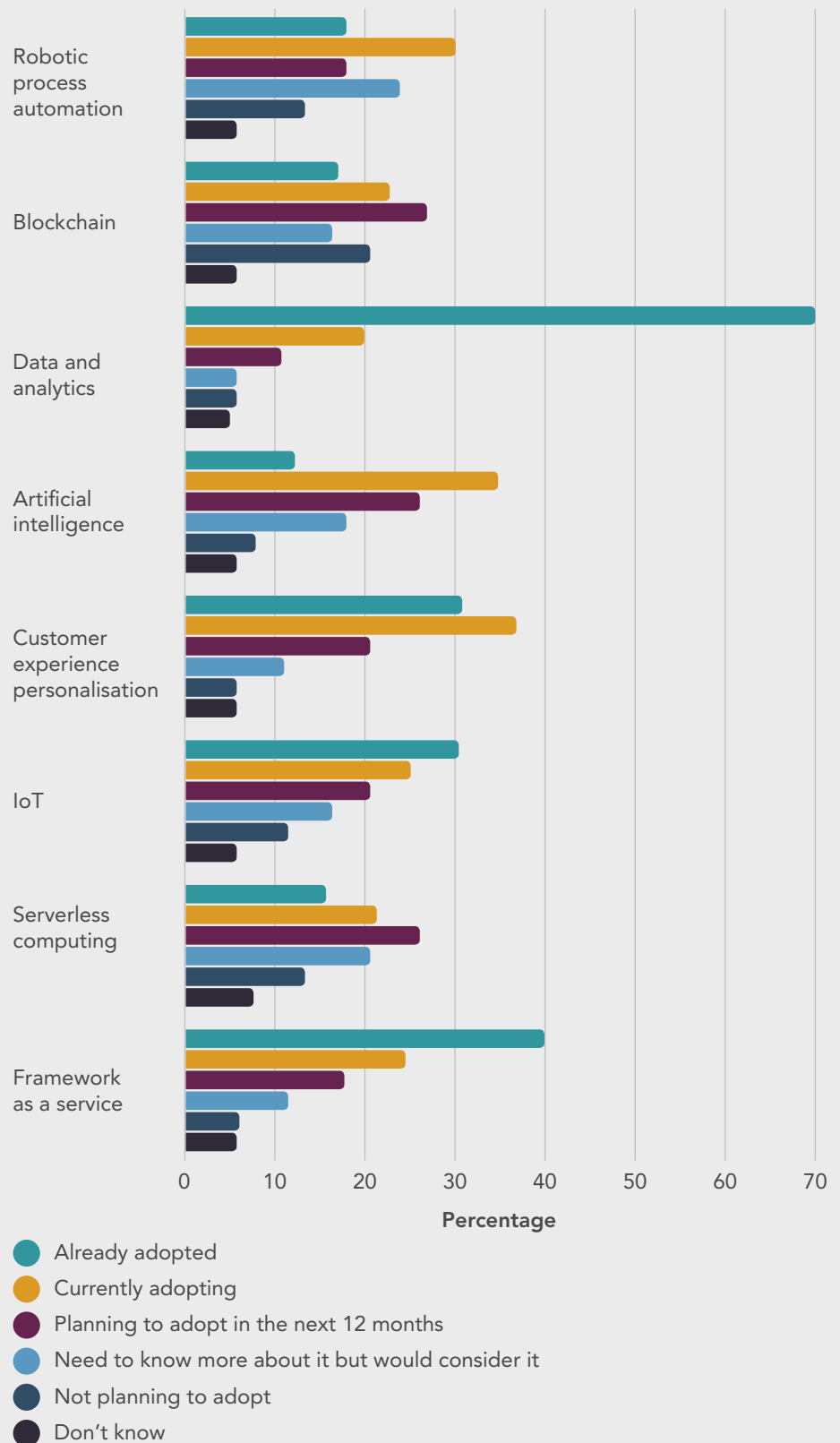- Not planning to adopt
- Don't know

Figure 6: "At what stage of adoption is your company at regarding the following technologies?" *asked to all respondents (124)*

APPROACH TO TECHNOLOGY ADOPTION

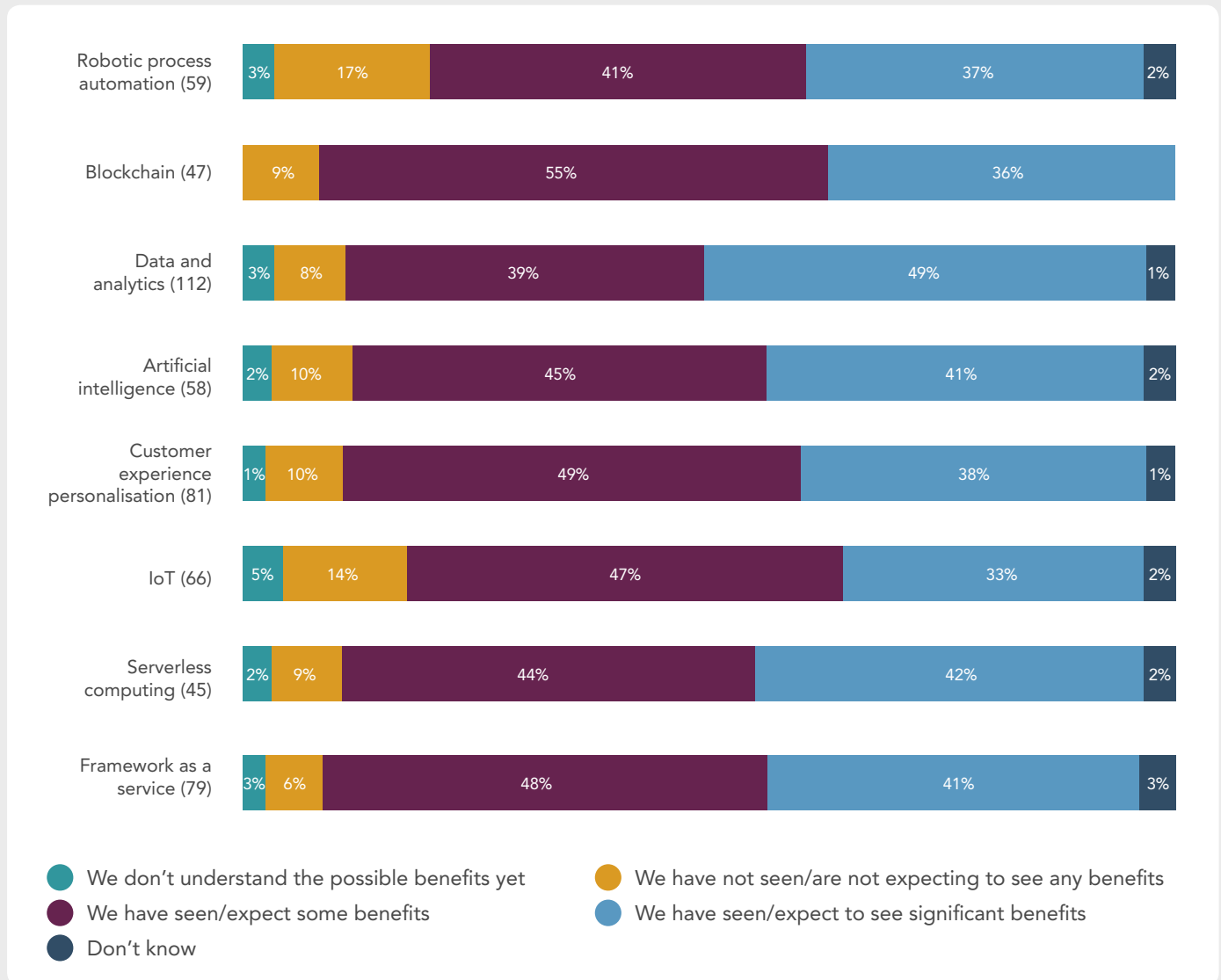> To what extent are the benefits of these technologies being seen?

Figure 7: "Regarding the projects where your company is using the following technologies, to what extent are you seeing benefits?" *asked to respondents from companies that have already adopted or are currently adopting technologies, only seeing these technologies (124)*

Despite the optimism around respondents' organisations' adoption approaches, the research shows there are struggles when it comes to achieving expected benefits - see Figure 7. This is perhaps best exemplified by the fact that under four in ten (38%) respondents' organisations that have adopted or are in the process of adopting customer experience personalisation, have seen or are expecting to see significant benefits

from an area that should be driving revenue and retention directly.

And it is a similarly pessimistic story when it comes to robotic process automation. Only 37% of those who have adopted or are in the process of adopting report to have witnessed or be anticipating significant benefits. Further still, 17% say they have not seen or are not expecting any benefits at all.

These are surprising findings from relatively mature technologies, which means that organisations must be missing a trick somewhere during their adoption process as they should really be seeing more significant benefits than they currently are. It further illustrates the importance of choosing the correct strategy and deployment process for your organisation when rolling out such significant change. It might also be a case

of setting more realistic expectations as well. When we look at time to benefit we get a perhaps more optimistic picture as on average, respondents report that their organisation's strategic IT change programmes start to deliver benefits within seven months.

In addition to the difficulties in extracting maximum value, the research also demonstrates that there are some perennial, and of the moment, barriers to the adoption of new technologies - see Figure 8.

IT security is the most commonly (35%) reported, which is unsurprising considering the ever-expanding threat landscape and the new GDPR regulations around data breaches carrying heftier fines. Brexit uncertainty is also holding some back (22%) from perhaps larger investments, with negotiations continuing over the coming months.

In contrast, there are several commonly cited barriers that are within the control of respondents' organisations, including fear of disruption to core business (30%), not having sufficient bandwidth/ resources in the IT department (23%), lacking the skills in the IT department (21%), and the strategy for adoption rarely being well thought out (19%).

BARRIERS TO TECHNOLOGY ADOPTION

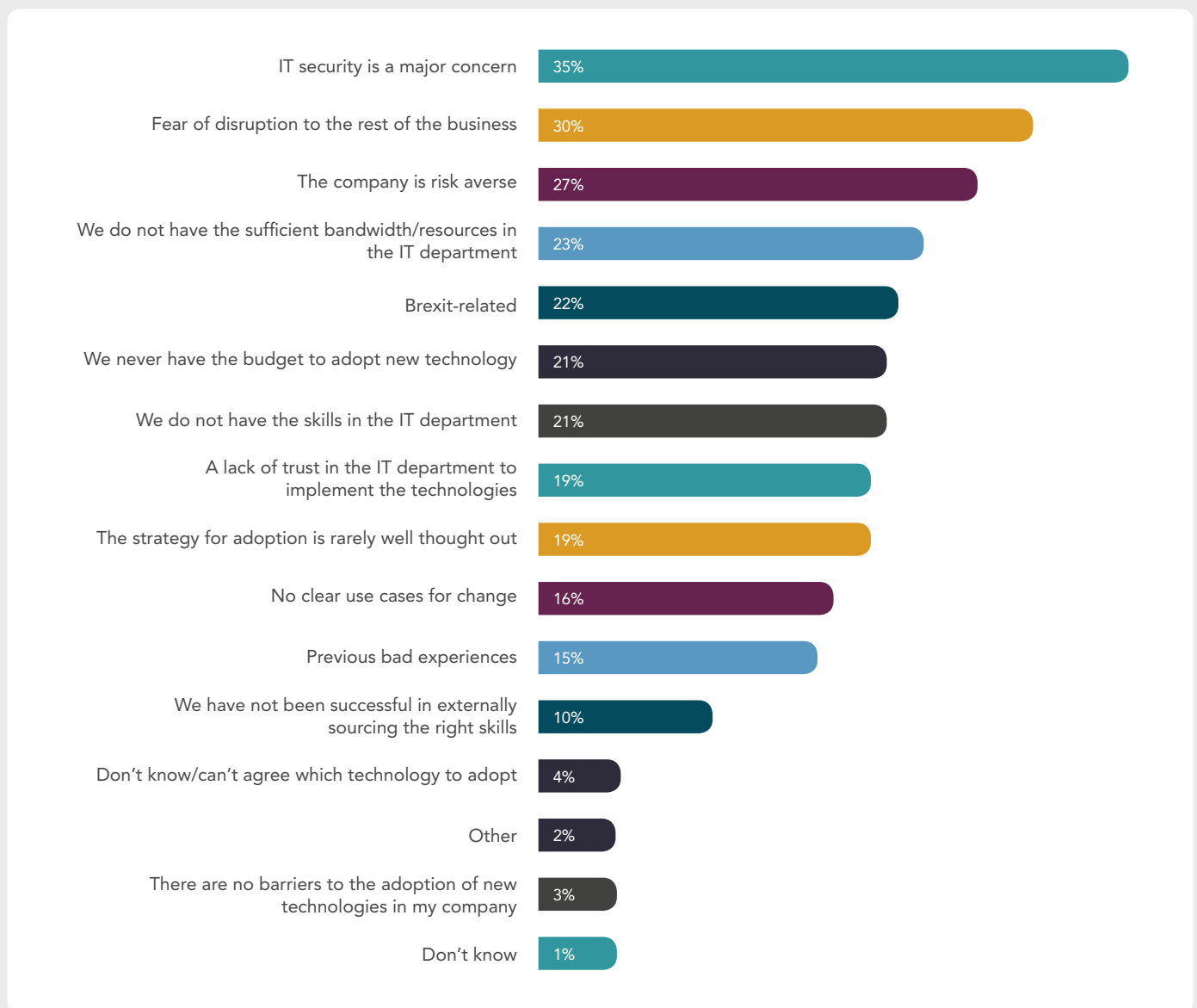Main barriers to new technology / methodology adoption

IT security is a major concern — 35%
Fear of disruption to the rest of the business — 30%
The company is risk averse — 27%
We do not have the sufficient bandwidth/resources in the IT department — 23%
Brexit-related — 22%
We never have the budget to adopt new technology — 21%
We do not have the skills in the IT department — 21%
A lack of trust in the IT department to implement the technologies — 19%
The strategy for adoption is rarely well thought out — 19%
No clear use cases for change — 16%
Previous bad experiences — 15%
We have not been successful in externally sourcing the right skills — 10%
Don't know/can't agree which technology to adopt — 4%
Other — 2%
There are no barriers to the adoption of new technologies in my company — 3%
Don't know — 1%

Figure 8: "What are the main barriers to the adoption of new technologies/methodologies in your company?" *asked to all respondents (124)*

Difficulties in all of these areas could, in part, be alleviated by ensuring the right business change methodologies are employed, that suit the organisation as whole, and fully engage and involve colleagues and customers as needed to drive adoption.

These are all areas that need to be addressed in the near future, or companies will continue to see underwhelming results from their implementations.

The balance between caution and ambition has perhaps never been more delicate. In these trying times with Brexit looming, and the accelerating desire from consumers to have products and services quicker than ever before, organisations must tread a fine line between adopting technologies quickly, without rushing the process and getting large investments wrong. If they cannot get this right then they could ultimately leave themselves exposed to being overtaken by their competitors and declining revenues.

RECOMMENDATIONS

Based on Coeus' extensive experience supporting organisations through technology road-mapping and transformation, and on the outputs of the survey, we would recommend Technology Leaders consider the following key points when it comes to technology adoption:

- Ensure that timing of adoption is carefully considered, depending upon the industry and competitive landscape of the company; a fast-following approach is usually prudent to maximise the value cycle of investments and avoid the build-up of technical debt

- Ensure the value proposition is well understood, and where the contribution of new and improved technologies could drive improvements in cost and revenue against these; often a case built only on technology risk or cost cannot survive budgetary discussions intact

- Gain a good understanding of how current technology underpins business capabilities, and where there are gains from re-platforming and/or consolidation both from a technology, but also a business lens

- Keep a consistent and close market watch for key use cases, competition, and successes to ensure that you are truly acting as a fast follower and able to capitalise quickly

- Look to review skills and capability roadmaps regularly with technology partners to see how they can accelerate adoption

- Plan ahead in near and far cycles to balance immediate needs and fast change, with more complex and long term transformation that occurs over years rather than months

- Recognise the dependencies between different technology and plan sequencing accordingly; poor data can undermine time to value, or overall benefits, for many of the maturing technologies such as RPA, AI, and CX Personalisation

- Communicate with the whole organisation, especially across the senior levels, to share understanding of the risks and impact associated with maintaining legacy technology; from a skills, functionality, agility, security, and business continuity perspective to help avoid decision-making paralysis, and a build-up of unacceptable technical debt

DISRUPTIVE TECHNOLOGY

In the months and years to come, disruptive technology will play an increasingly large and frequent role in the success or failure of many organisations, and to some extent it has already begun to do so with small, quick moving companies disrupting large, slow moving monoliths in various industries.

However, the research implies that many organisations might not be ready for this disruptive period. Only 38% of respondents report that their organisation has a dedicated team for monitoring technology advancements, while fewer still have their own innovation lab (27%) or include portions of disruption when developing their own technologies in house (26%) - see Figure 9. Equally we see that many clients continue to struggle with an increasingly large technical debt problem of aging technologies. These two factors stretch the technology window very widely placing high, often unachievable, burdens on both skills and interoperability and inhibiting the ability to adopt new business driven technology capabilities.

There is still a bell curve of disruption adoption timing between bleeding edge settlers and trailing slow adopters, with the majority of customers preferring the stability and safety that comes from a technology having market usage over the competitive advantage of early adoption.

While it is reassuring that some organisations are at least attempting to proactively keep up with disruptive technologies, it is concerning that they are not doing more. Monitoring advancements is the first step on the road, but fewer than four in ten companies are doing this with a focused team, which means that around 60% could be completely unaware of what is actually happening with technology outside of their own organisation. This leaves them open to being blindsided by a new market entrant using a technology in an innovative way that they were perhaps unaware of.

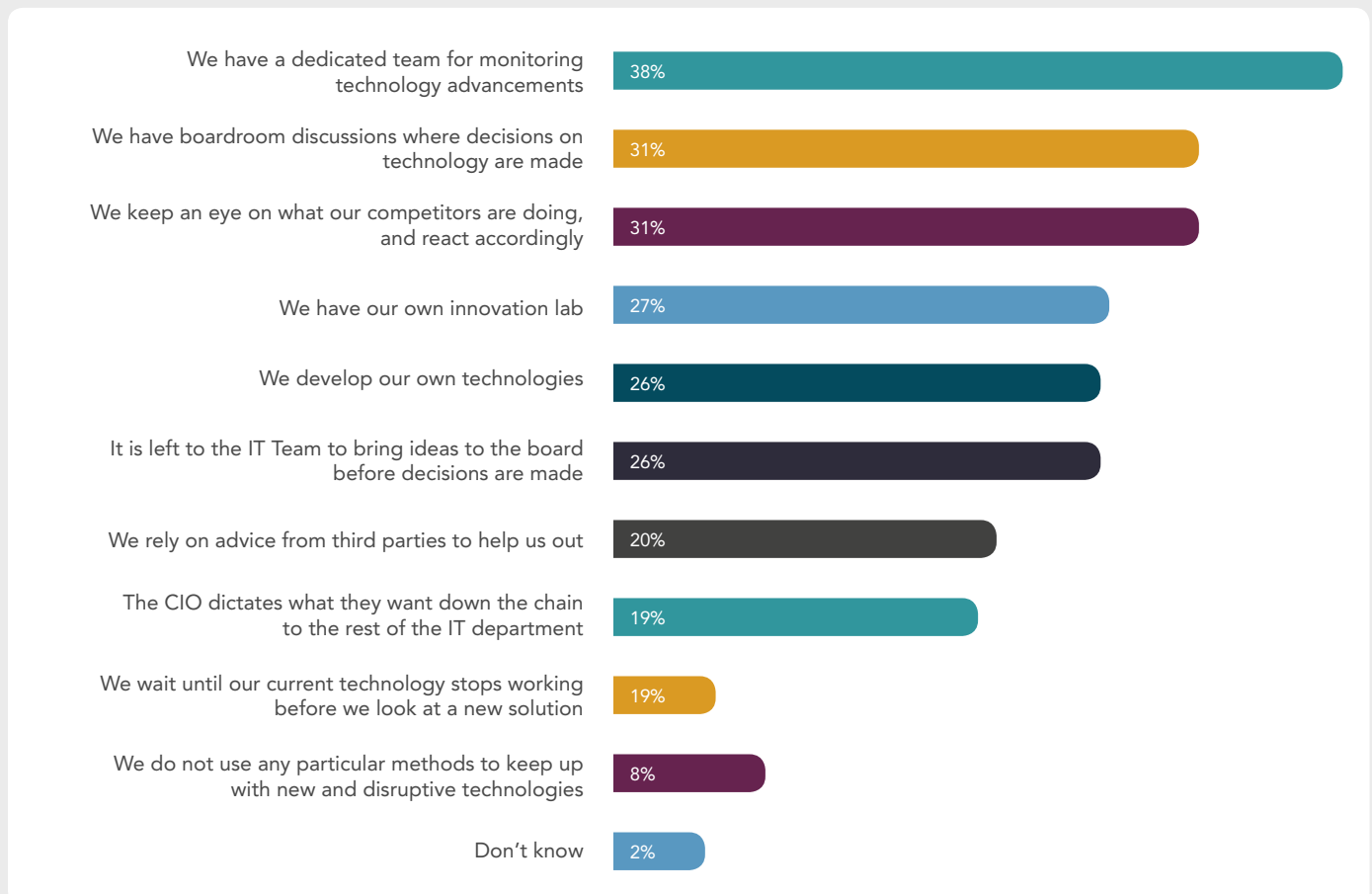## Methods used to keep up with new and disruptive technologies

Method	Percentage
We have a dedicated team for monitoring technology advancements	38%
We have boardroom discussions where decisions on technology are made	31%
We keep an eye on what our competitors are doing, and react accordingly	31%
We have our own innovation lab	27%
We develop our own technologies	26%
It is left to the IT Team to bring ideas to the board before decisions are made	26%
We rely on advice from third parties to help us out	20%
The CIO dictates what they want down the chain to the rest of the IT department	19%
We wait until our current technology stops working before we look at a new solution	19%
We do not use any particular methods to keep up with new and disruptive technologies	8%
Don't know	2%

Figure 9: "What methods does your company use to keep up with new and disruptive technologies?" *asked to all respondents (124)*

KEEPING UP WITH DISRUPTIVE TECHNOLOGIES

A good way of combatting the challenge of disruptive technologies would be to dedicate more IT budget and IT department time to this task.

Currently, on average, 6% of IT budget and 6% of IT department time is allocated to keeping IT teams up to date and trained on new and disruptive technologies. While this shows that organisations are taking this task seriously, it could be argued that the size of this challenge deserves more respect and therefore more resources.

But what technologies should organisations be keeping their eyes on? See Figure 10.

Just under 30% of the respondents believe that artificial intelligence is going to be the most disruptive force in their industry over the next two years, and this is considerably higher than the next most commonly (18%) reported technology of data and analytics.

We have previously seen that most organisations view data and analytics as a critical technology, and they have either already adopted it, or are in the process of doing so, meaning that it is of little surprise that it is not thought of as newly disruptive anymore. However, data and analytics will continue to have a strong focus given the level to which strong data quality and management is a prerequisite enabler for other disruptors such as SaaS integration, RPA and AI.

We do believe that organisations should at least track and monitor artificial intelligence developments within their lines of business and begin identifying both business efficiency and innovation use cases. Organisations that can get ahead of the game with artificial intelligence, through dedicating more resources to monitoring and developing this technology, will put themselves in a strong position compared to their current, and also potential newly disruptive, competitors prior to the commoditisation and democratisation of artificial intelligence.

But, all in all, organisations should be doing more when it comes to managing incoming disruptive technology and approaches as well as curating historic technology, this could quite conceivably be the biggest challenge that they face over the next 10 years.

> **Which technology will be the most disruptive force over 2 years?**

● All sectors
● Financial services
● Manufacturing and consumer products
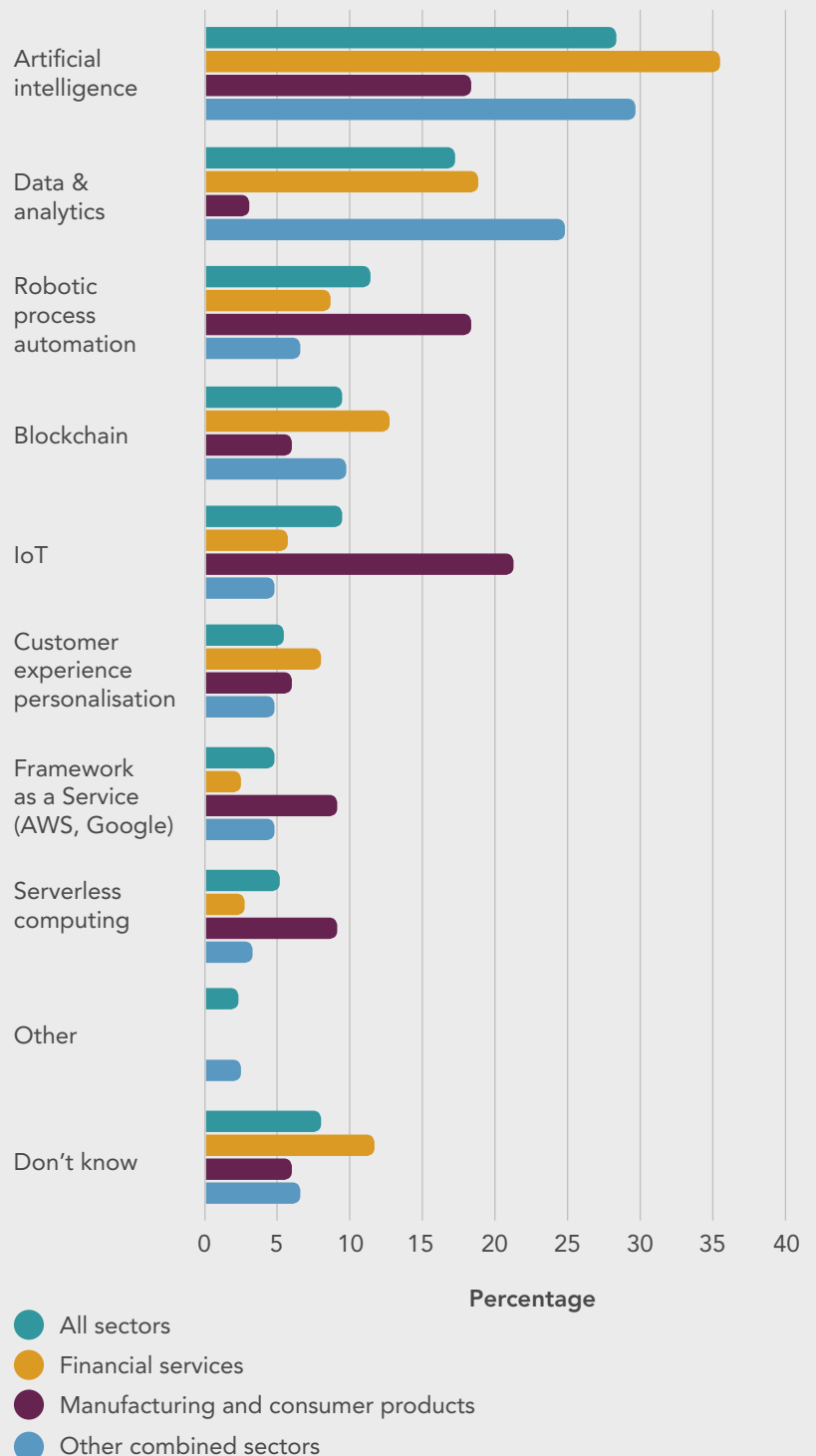● Other combined sectors

Figure 10: "Which technology do you believe will be the most disruptive force in your industry over the next two years?" *split by sector, asked to all respondents (124)*

RECOMMENDATIONS

It is clear that a number of key changes are occurring regarding technology disruption:

1) Disruption and innovation are now occurring more frequently although on a smaller scale - moving from infrequent large changes (over years) to frequent smaller changes (over days/weeks/months)

2) The increased use and integration of 3rd party providers, resulting in less control & discretion over the timing and nature of disruption events - driven by integrated service architectures and X-as-a-service providers.

Whilst organisations are recognising the need for change and being able to keep up with customer demands / expectations, there also continues to be risk associated with over-inflated expectations around both the scale & timeframe of the benefits of disruptive technology & practices. Organisations need to both understand the impact and manage the internal and external expectations around change in order to be successful.

We recommend that organisations need to:

- scope and scale technology adoption realistically and apply appropriate success and benefit criteria, including adopting Agile "trial & learn" and "fail fast" approaches

- ensure that they are effectively 'scouting' technology, making good use of existing technology suppliers' knowledge and learning in partnership with business colleagues

- validate their current status and ability to deploy, support and maintain new technology (and associated processes) to ensure that adoption is consistent and scalable over multiple functions.

IT BUDGETS

The importance of IT to the wider business has been clearly demonstrated.

IT are involved in all areas of the organisation whether that be through keeping systems up and running, implementing strategic change, or adopting new technologies.

And due to this elevated importance of IT, when running surveys in the past we have been keeping track of how IT budgets are changing year on year in respondents' organisations - see Figure 11.

Last year we saw just over six in ten (62%) of our respondents predicting an increase in the size of their budget for the coming year. However, in actual fact only 50% of respondents from the survey this year reported an increase. In similar fashion, more than 30% of our respondents last year predicted that their budget increase would be at least 10%, but in reality only 20% of respondents this year reported such an increase. One influencing factor on these lower than anticipated increases could be declining unit costs. For example, the shift from buying hardware to buying more cloud technologies, where the financial burden is not as high.

Despite expectations not being met in regard to budget increases over the last year, respondents are still almost as bullish this time around, with approaching six in ten (57%) anticipating an increase in their budget for financial year 2019 to 2020. With the dependency on technology growing day by day in business and consumer environments, organisations must start allocating more money to the IT department or they could leave themselves exposed to security risks, and lagging behind their competitors.

IT BUDGETS EXPECTED TO INCREASE FOR 2019
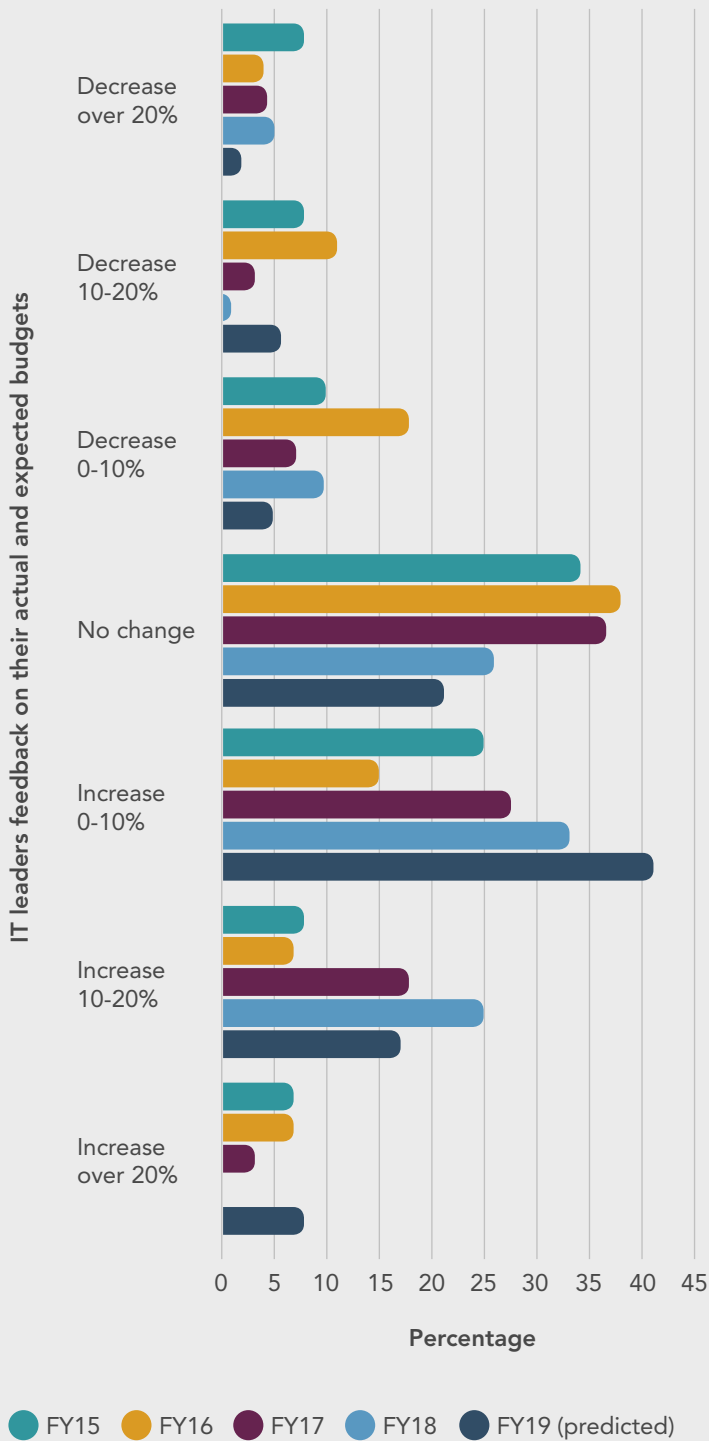
> IT budget change 2015-19

Figure 11: IT budget change 2015-19

Legend: FY15 · FY16 · FY17 · FY18 · FY19 (predicted)

Y-axis (IT leaders feedback on their actual and expected budgets):
Decrease over 20%, Decrease 10-20%, Decrease 0-10%, No change, Increase 0-10%, Increase 10-20%, Increase over 20%

X-axis: Percentage (0, 5, 10, 15, 20, 25, 30, 35, 40, 45)

FUNDING OF DIGITAL SERVICES

Further showcasing how important IT is to the entire business is the way in which digital services are funded.

Just over half (51%) of respondents report that digital services are funded from the IT budget in their company, but additional funding is also allocated from elsewhere indicating that other departments are now also beginning to appreciate how integral IT is to their current and future operations.
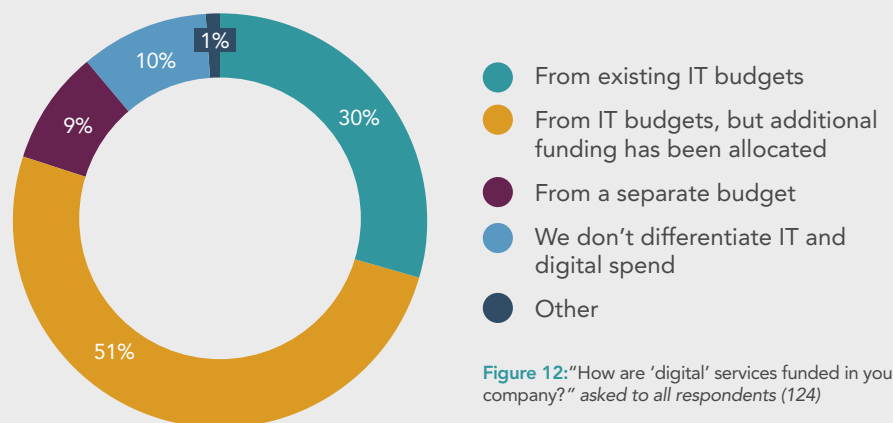
> How are 'digital' services funded in your company?

- From existing IT budgets
- From IT budgets, but additional funding has been allocated
- From a separate budget
- We don't differentiate IT and digital spend
- Other

Figure 12: "How are 'digital' services funded in your company?" *asked to all respondents (124)*

ABOUT THE REPORT ◉

SURVEY METHODOLOGY AND RESPONDENTS

During October and November 2018, Coeus Consulting conducted an online survey among 124 IT leaders.

More than six in ten (64%) respondents are in Chief Information Officer (CIO) or director/head of IT roles, while the vast majority (92%) of those surveyed are from companies with a revenue of at least £500m. A wide range of sectors are represented including energy and utilities, healthcare and pharmaceuticals, and the public sector, but the largest proportions of respondents come from the financial services (27%) or manufacturing and consumer products (26%) sectors.

The research itself was carried out in two separate segments and as such the respondents are from two different sources. 100 of the 124 respondents were collected by an independent market research specialist, using online respondent panels, and were subject to specific screening criteria. For example, these respondents had to be from the IT and digital functions within their company, and their organisation had to have a revenue of at least £200m. The remaining 24 respondents are Coeus Consulting clients, and as such were not required to pass the same screening criteria as they were already identified as IT leaders of large organisations.
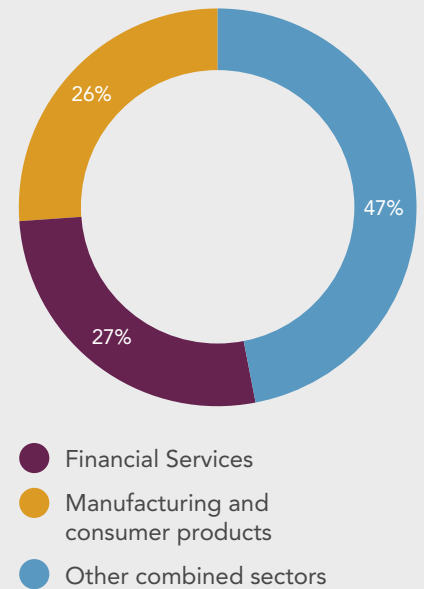

- ● Financial Services
- ● Manufacturing and consumer products
- ● Other combined sectors

Figure 13: "Within which sector is your company?" *asked to all respondents (124)*

❯❯ What is the size of your company revenue?

Less than £200m	1
£200 - £500m	6
£500m - £1bn	17
£1bn - £2bn	16
£2bn - £5bn	25
£5bn - £10bn	11
£10bn - £20bn	19
£20bn - £30bn	13
More than £30bn	13
Don't know	3

Figure 14: "What is the size of your company revenue?" *asked to all respondents (124)*

ABOUT COEUS ❯

Coeus Consulting empowers IT leaders to deliver more. We do this by standing alongside our clients to create, execute or manage tailored and strategic change, and drawing upon our truly independent and unique experience to exceed expectations.

Founded in 2013, we have offices in the UK and Germany.

OUR CAPABILITIES

Our capabilities are the application of rich and deep expertise to the three phases of the project life cycle (Strategy, Execution, and Optimisation). Based on the unique requirements of individual client engagements, we combine these capabilities to create highly tailored services.

Capabilites	Strategy	Execution	Optimisation
Operating Model	Develop tailored IT operating model and organisational structures	Support the implementation of new operating models	Review of operating model against industry leading practices
Commercial Management	TCO review, cost optimisation strategy and commercial leading practice	Implementation of commercial strategy, governance and measures	Maturity assessment, supplier governance and consideration
Technology & Architecture	Enterprise architecture and technology adoption strategies	Execution of complex programmes of technology transition and change	Maximise the value clients can draw from their technology investments
Sourcing	Sourcing strategy to support the build vs. buy decisions	Management of competitive tender process and contract negotiations	Vendor and contract management and health checks and optimization
Change Delivery	Programme and portfolio design and governance	Management or recovery of complex change programmes and projects	Audit and health-check assessments
Services Integration & Operational Excellence	Service strategies, design, and transition strategy for future mode of operation	Implement Service Delivery operating model, tools and processes	Performance maturity assessments
Mergers, Acquisitions & Divestments	IT due diligence and merger or divestment planning	Execution of integration or divestment plan	IT effectiveness and transformation assessments

OUR INSIGHTS

A core function of our Technology and Architecture expertise is the evaluation of technology innovations against the needs of our clients' businesses. Current areas of interest include RPA, AI, IoT, Blockchain, Data & Analytics, Customer Experience Management and Serverless Computing.

THE AUTHORS

BEN BARRY
Director

Ben has held numerous senior positions within consulting and is one of the founding Directors of Coeus. Previously Director, CIO Advisory at KPMG, and prior to that, Xantus Consulting and Capgemini, Ben has over 20 years' experience as a business and IT transformation professional. He has coached and led the leadership of many large organisations on strategy development through to transformation and benefits delivery, and is a proven IT leader with an outstanding track record of delivery.

RICHARD GRAHAM
Associate Director

Richard was named 'Digital Champion of the Year' in 2018 by the Global Sourcing Association (GSA). He has a proven record of successful delivery on complex strategic review and change initiatives of high importance for board level stakeholders. He has worked across a range of operational, IT architecture & application, transformation, and consulting roles within both industry and consultancy.

KEITH THOMAS
Head of Strategy Practice

An experienced Enterprise Architect and IT Strategy consultant with 18 years' experience working across the utilities, retail, public sector, healthcare and media industries. Keith has developed and supported the implementation of business-led strategies in areas such as Digital Transformation, application strategy (communication, collaboration and retail), SIAM, IT infrastructure, CRM and Enterprise applications.

IAN FOSTER
Head of Technology Practice

Ian has over 25 years' experience in IT Infrastructure, Architecture and Strategy, including application development, commercial, technology and product architecture roles, with a strong appreciation of the business, application and technology relationships and evolution. Ian has strong experience in executing large technology tenders, combining technical requirements and commercial value to deliver solution decisions for key business value.

SHAKTI MOHAPATRA
Senior Consultant

Shakti has more than 14 years' experience in technology advisory and industry leadership roles. He brings a broad set of skills from interfacing with senior business and technology decision-makers across multiple industry sectors. He enjoys helping clients embrace change to unlock long-term business benefits, underpinned by technology. Areas of interest include automation, machine learning and Blockchain based use-cases.

GETTING IN TOUCH

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