Deloitte CIO Survey Switzerland 2015

The legacy of the CIO

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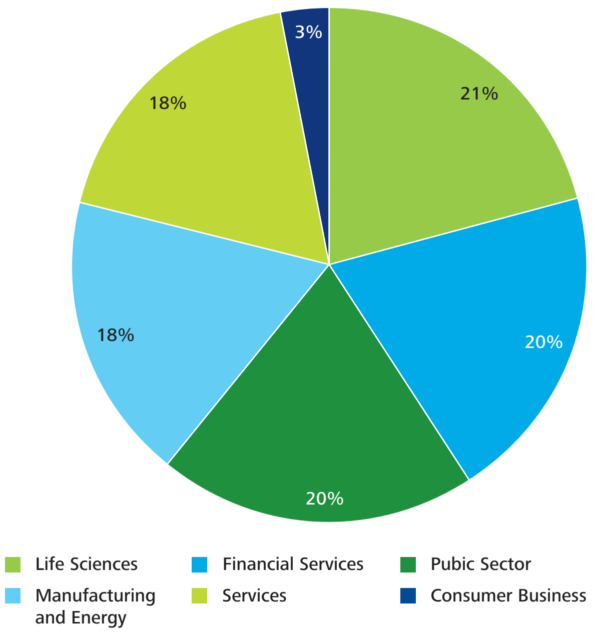
Contents

About the Deloitte Swiss CIO Survey 2015

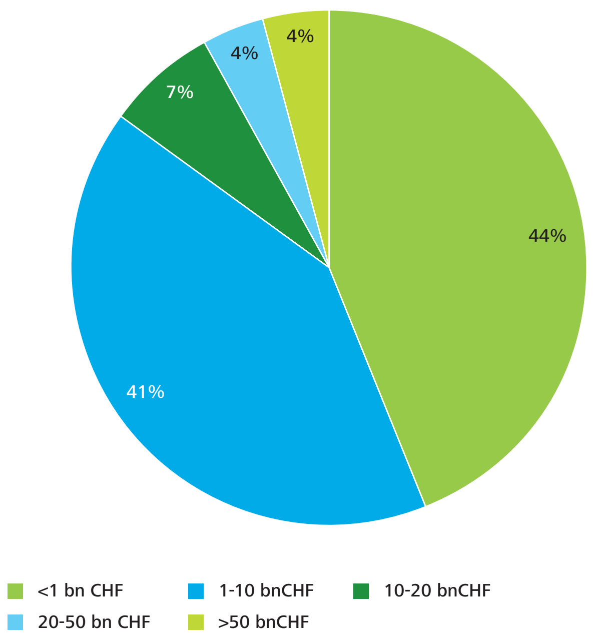
- This survey was conducted between May and August 2015.
- 56 CIOs and IT leaders from Switzerland participated online and in face-to-face interviews.
- The sample represents a wide spread of industries. It also achieved good distribution across company sizes. This gives us confidence that our sample can be used as a proxy for the Swiss corporate IT landscape.
- In addition, the survey sample and distribution are consistent with participation in 2013 and 2014, lending confidence to year-to-year comparisons.
- The Deloitte Swiss CIO Survey 2015 is part of the Deloitte Global CIO Survey. The same set of questions were answered by more than 1,200 CIOs globally. This gives us the opportunity to compare Swiss CIOs with their peers in 43 countries.
- In many cases, the answers of the Swiss CIOs correlate strongly with the global responses giving us further confidence in the representative nature of the Swiss sample.

Figure 1. Participants by industry and revenue size

Industry



Revenue



Executive summary

1

IT budgets increase…
The IT budgets of Swiss companies have grown significantly over the last two years, with 53% of Swiss CIOs reporting a budget increase – higher than in 2013 and 2014 and higher than the global average for 2015.

2

CHF

…but cost reduction remains a major objective
Even as IT budgets have risen, 'cost reduction' is the most frequently cited business priority for Swiss CIOs: 54% call it a priority in Switzerland – greater than anywhere else in the world.

3

CIOs face competing priorities
Aside from cost reduction, the other priorities for the Swiss CIO are to deliver innovation and digital technology. CIOs face the competing priorities of assisting in cost reduction and playing a key role in innovation.

4

CIOs focus on operations…
Swiss CIOs spend a greater amount of their time (37%) on managing IT operations than on any other activity.

5

…but aspire to strategy
Their current focus may be on operations, but if Swiss CIOs had their ideal role description, it would include a higher percentage of time engaged in strategy development (27% rather than 18% of time currently). Of our respondents, 73% see their ideal role as a co-leader of business strategy.

6

Imperfect reporting relationships
CIOs want to report directly to the CEO (62%), but few actually do (31%). Many report to the CFO (24%), but very few see this as the ideal reporting relationship (5%).

7

Clarity about the basis of a trusted relationship
Swiss CIOs are clear as to how they establish trusted relationships: (1) transparency about what they do, which requires (2) effective and open communication, (3) combined with a lot of upfront trust.

8

CIOs mostly in operational roles
The survey results reveal three different types or 'patterns' of CIO: trusted operators, change instigators and business co-creators. Most Swiss CIOs today fall into the 'trusted operator' category, which is consistent with the picture of Swiss CIOs as a group being more operationally focused and less strategically engaged than their international peers.

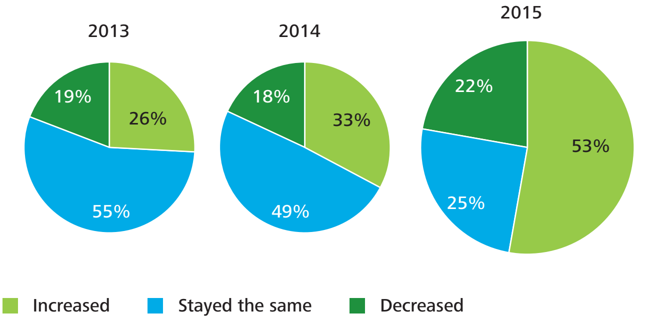
IT budgets – strong growth

IT budgets increasing dramatically

Most CIOs in Switzerland report growth in the size of their approved IT budget for this year, continuing a trend observed since 2013. This year, we see further acceleration in the numbers of budgets growing.

We hypothesise that continued recovery following the economic crisis is taking place alongside a rising awareness of the strategic importance of IT.

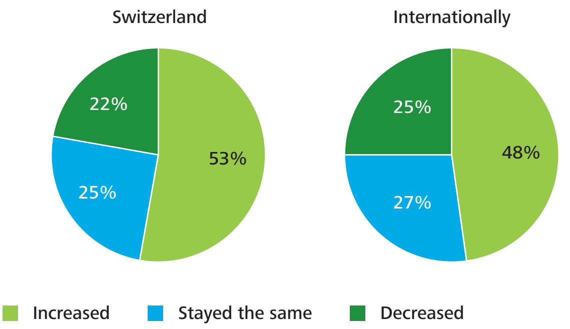
Figure 2. Development of IT budgets
Has your IT budget increased, decreased or stayed the same since your last financial year?



Ahead in international comparison

The numbers reporting growth in IT budgets in Switzerland are above the global trend: 53% compared with 48% internationally. From a subdued position in 2014 relative to their international peers, Swiss CIOs are now more likely to see budget increases than their global competitors.

Figure 3. International comparison of IT budget developments
Has your IT budget increased, decreased or stayed the same since your last financial year?

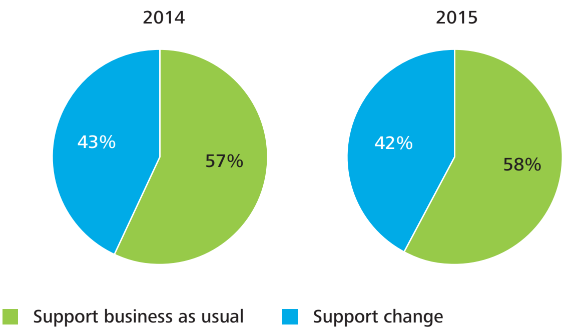


Run vs. change stable

Regardless of industry, geography and organisation size, Swiss and global CIOs reported similar spending breakdowns between support for day-to-day operations (run) and supporting change.

In our experience, a detailed cost analysis will show a typical 70:30 split for run vs. change, generalising across industry. This suggests CIOs might be over-optimistic about how much of their budget is genuinely available for change initiatives.

Figure 4. Allocation of budget
How is your IT budget allocated?



Business priorities – cost *and* innovation

Focus on costs and innovation

Swiss CIOs see both cost reduction and innovation as their top business priorities over the next year, tied at 54%.

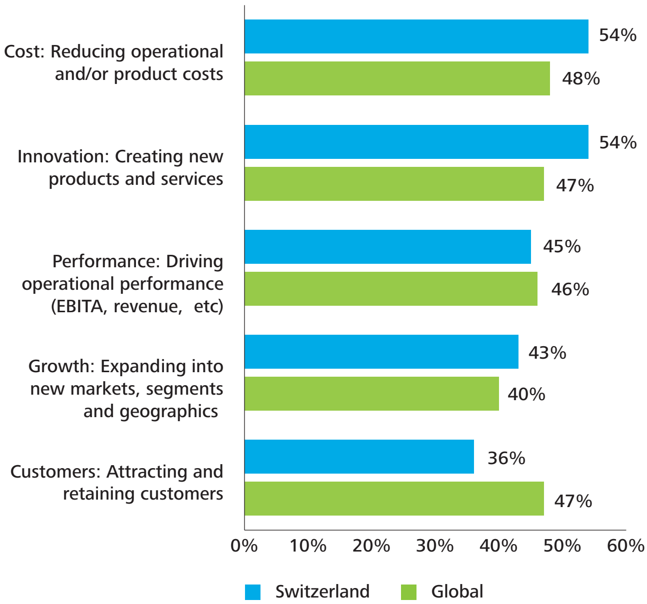
These imperatives are not always in opposition, as innovation can be a source of cost reduction. That said, it is clear that CIOs are being asked to operate under a number of disparate business objectives.

Cost reduction is cited as a business priority by CIOs in Switzerland more frequently than anywhere else in the global survey.

This may appear paradoxical in view of the further increases observed in IT budgets. In our view, this reflects a number of factors:

- The cost consciousness Swiss organisations have adopted since the Franc shock in early 2015.
- The strategic importance of IT, with budgets increasing even in the face of pressures elsewhere in the organisation.
- An approach to IT spend as a means of driving cost reduction elsewhere.

Figure 5. CIOs view of business priorities in Switzerland and globally
What are your organisation's top three business objectives for the next 12 months?



Technology priorities – aligned with business objectives

Alignment of technology and business objectives

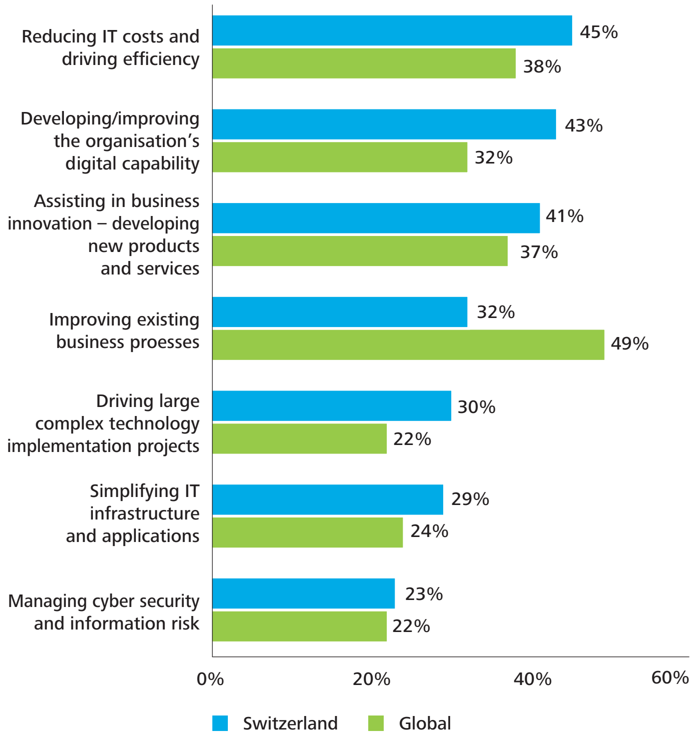
In Switzerland, there is an identifiable alignment between the business and technology priorities of CIOs.

As with the business priorities, CIOs have an unusual mixture of cost reduction (45%) and digital innovation (43%) as top objectives. Both these objectives were also rated more highly in Switzerland than globally.

Lower priority for business process improvement

It is notable that improving business processes was rated as a much lower priority in Switzerland than elsewhere. This may indicate technology's lower level of strategic engagement in Switzerland, for which we have found some evidence elsewhere in the survey. It suggests a tendency to see projects from the technology viewpoint, rather than, for example, as business process improvements.

Figure 6. Technology priorities in Switzerland and globally
What will be your organisation's top three technology priorities for the next 12 months?



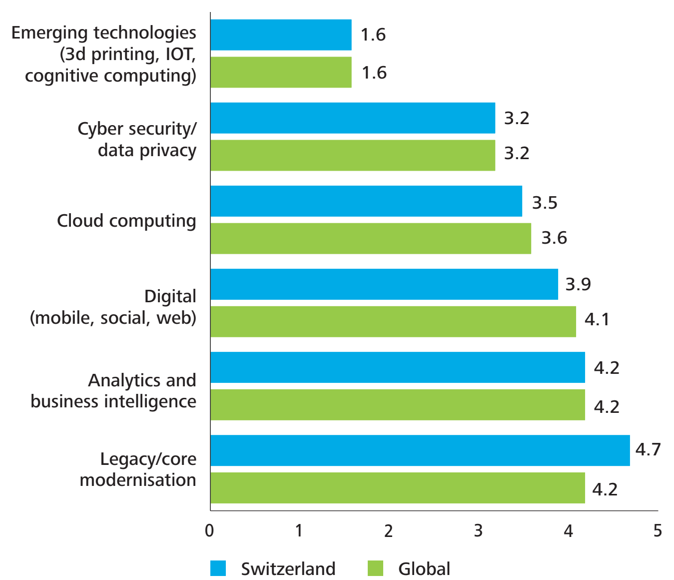
Technology impacts

CIOs in Switzerland closely agreed with international peers on the technologies they thought would make the most significant impact on their business within two years. Most notable was the perception that analytics would have a greater short-term impact on the business than digital or cloud technologies.

Switzerland was distinguished by the greater proportion of CIOs seeing legacy transformation as having an immediate impact, reflecting the greater importance of major tech programmes for our Swiss respondents.

Figure 7. CIOs' view on most significant technologies in the coming years
Which of the following areas of technology will have a significant impact on your business in the next two years?

Scale from 1 (small) to 6 (highest); chart displays the average note



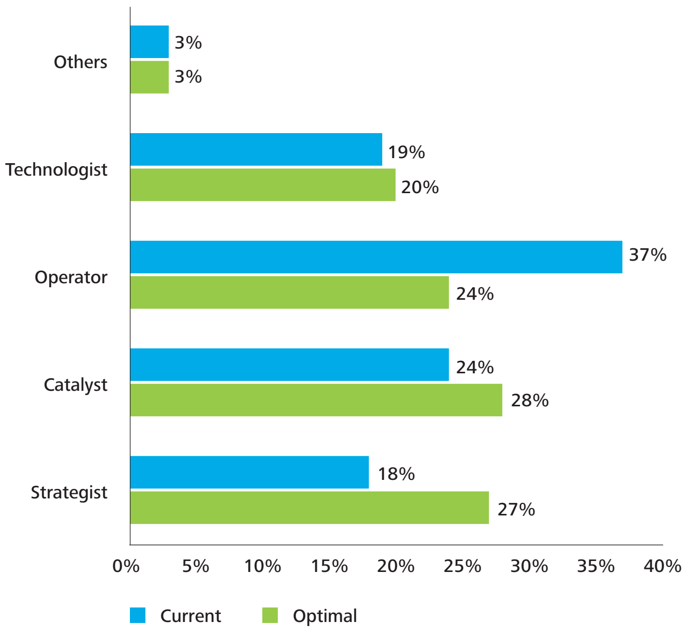
The role of the CIO – aspiring to do more

It is rare to find business leaders who have both the audacity to take big risks and the relentless focus required to manage day-to-day operations. However, the survey results suggest this is exactly what is expected of today's IT leaders.

Several conclusions can be drawn.

- CIOs see more value for themselves and their organisations in time spent as 'strategists' and 'catalysts'.
- CIOs are looking to reduce their time in 'operator' mode. They believe that moving from spending time as an operator will generate value for the organisation.
- The desire to shift from a delivery-focused 'keep the lights on' IT leadership role to more strategic interactions with the business is something we have observed in the Swiss CIO survey over the past two years. We discuss this in more detail in the final section of the report.

Figure 8. How Swiss CIOs spend their time
How do you currently spend your time across the roles strategist/catalyst/operator/technologist? What would be the ideal state?



How CIOs spend their time

There was no significant difference between Switzerland and the rest of the world in terms of how CIOs spend their time currently and how they would ideally spend their time.

The survey suggested four categories of activities, and asked CIOs to allocate the percentage of time they gave to each activity and the percentage they would give in an ideal state.

Technologist
Develop technologies and architectures to support business, drive agility and harness disruptive technologies

Strategist
Partner with the business to influence and shape new business strategies

Operator
Operate and deliver efficient and reliable IT services, information and analyses to support the business while managing risk and protecting core assets

Catalyst
Deliver transformational business change through technology

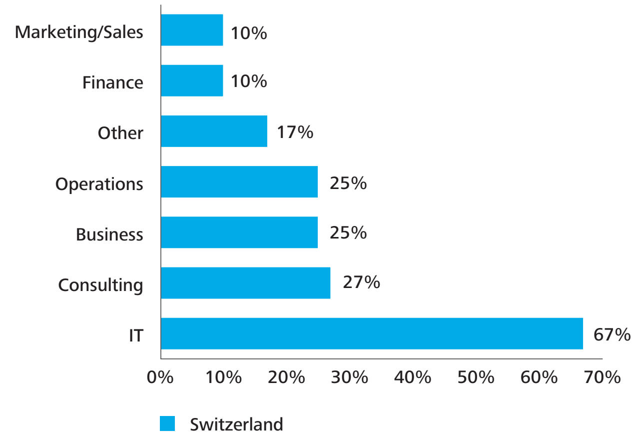
The CIO and business strategy – implementers

The background of CIOs

The global and the Swiss results show a very similar outcome when it comes to CIOs' previous roles: the majority (80%) of CIOs have already had a leadership role before their current role as a CIO. In about two-thirds of cases, this previous leadership role was in an IT context.

The modern CIO typically has a breadth of experience. The survey responses indicate that 62% of Swiss CIOs have had a leadership role outside IT.

Figure 9. Where are Swiss CIOs coming from?
What other types of leadership role have you held?



CIOs and business strategy

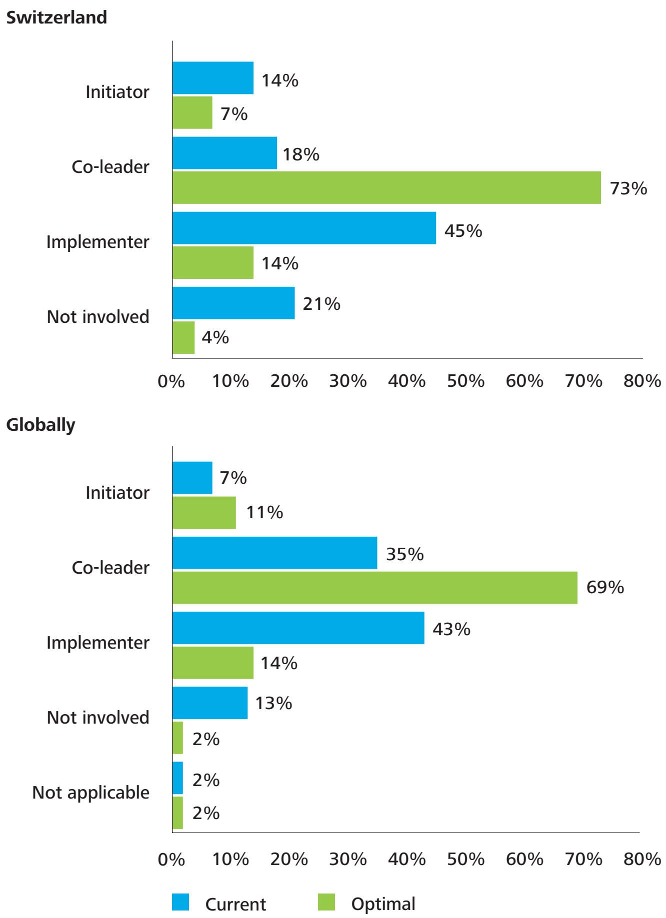
CIOs described their current and desired roles in the formulation of business strategy along a spectrum from 'not involved' to 'initiator'.

Typically, more than half (66%) of Swiss CIOs are either not involved in or are straightforward implementers of business strategy.

Switzerland has a smaller proportion of technology leaders currently acting as either initiator or co-leader of strategy development (32%) than does the global CIO sample (42%). This reflects other indications that CIOs in Switzerland play a less influential role in the overall business than their peers do elsewhere.

Notwithstanding the current situation, CIOs both in Switzerland and globally have a shared perception that they need greater involvement in strategy creation – almost 70% see their ideal strategy role as a co-leader.

Figure 10. CIOs and business strategy
What is your current role and your desired role in business strategy formulation?



The CIO skillset – leadership

Leadership skills in focus

CIOs are humble enough to believe they have something to learn: globally, only 9% of CIOs state they possess all the skills they think are required, and 55% of CIOs believe they are missing more than one desirable skill.

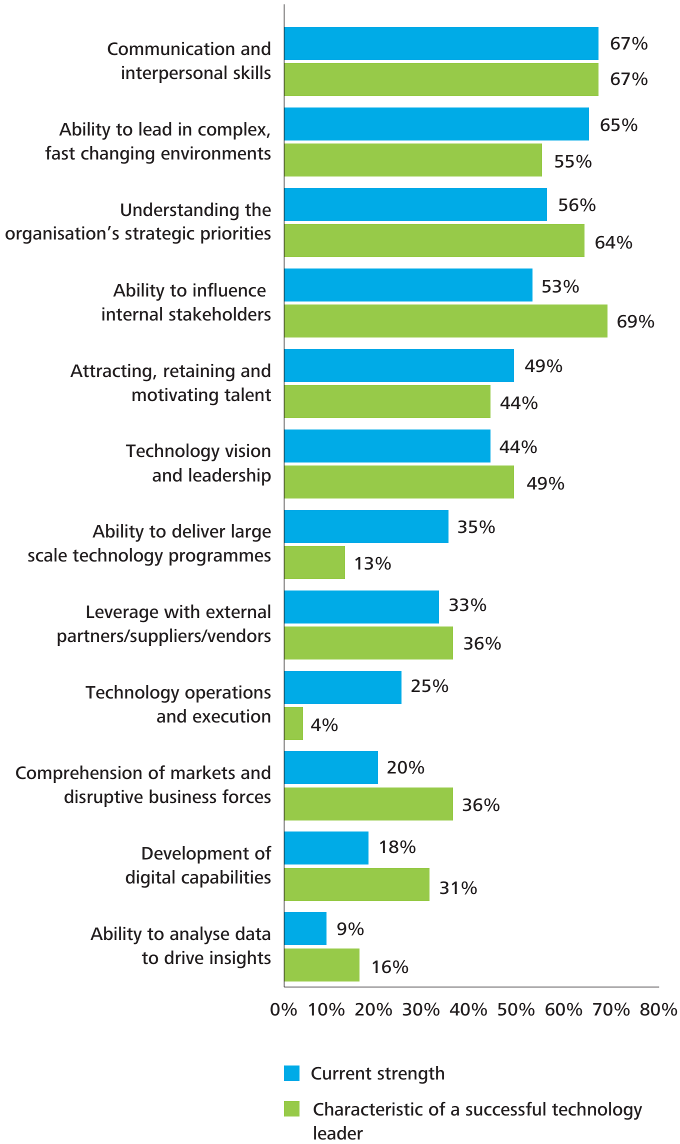
Characteristics that CIOs say they have but do not value as highly tend to be the 'harder' technical skills, such as technology operations and the ability to deliver large scale technology programmes.

Skills rated highly but in short supply include the persuasive and alignment skills of influencing internal stakeholders, understanding the organisation's strategic priorities and grasping markets and change.

The ability to deliver large-scale technology programmes is not perceived as a valuable CIO characteristic, although more than a third of respondents saw it as one of their own core strengths.

In general, the gaps between desired characteristics and possessed characteristics point to overall proficiency in managerial-type activities and a deficiency in leadership skills.

Figure 11. Current and ideal skillset of Swiss CIOs
Which of the following are your current strengths? vs. What do you consider to be the defining characteristics of a successful technology leader?



The relationships of the CIO

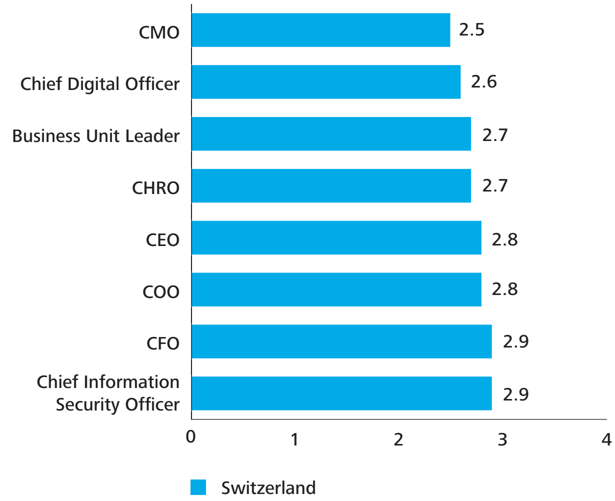
Strength of relationship

Swiss CIOs rank all their relationships with peers and management relatively highly with few poor or average scores given. Some relationships are more prominent than others – every respondent had a view of their relationship with the CEO but less than a third had thought about their relationship with the chief digital officer.

In Switzerland, one relationship is considered 'slightly more difficult': that with the marketing function – the CMO. This relationship has the most nominations as a 'poor' relationship.

This should be an area of attention. No matter how bad the 'chemistry', increasing end-customer engagement and the rise of the digital channel and tools mean the IT and marketing functions increasingly need to collaborate.

Figure 12. What is your current strength in relationship?
Scores 1 (poor) to 4 (excellent); average note per stakeholder



Frequency of relationship

We hypothesise that the frequency of interaction matters and that relationships are all about time. Many CIOs said frequent interactions with other business stakeholders were a key ingredient to their effectiveness and influence within the C-suite.

The survey results show a clear correlation between time and frequency of interactions and strength of relationship.

Interestingly, even though the CIO meets the CMO weekly in 58% of the cases, the connections between these roles are rather weak.

Figure 13. Frequency and strength of CIO relations
Current strength in relationship versus the current frequency of interactions in Switzerland: the percentages per line show how the meetings with a given role are distributed; the colour shows the strength of the relationship.

	Daily	Weekly	Monthly	Quarterly	Annually
CEO	5%	35%	44%	16%	0%
CFO	15%	57%	24%	4%	0%
Business Leadership	31%	43%	20%	6%	0%
CMO (Marketing)	5%	58%	32%	5%	0%
CDO (Digital)	5%	58%	32%	5%	0%

Strong Relationship — Poor Relationship

Not enough data

The frequency of the meetings have a positive effect on the relationship quality

The relationships of the CIO – customer focus and reporting lines

Relationship with the end customers

We asked CIOs about the extent of their engagement with "end customers".

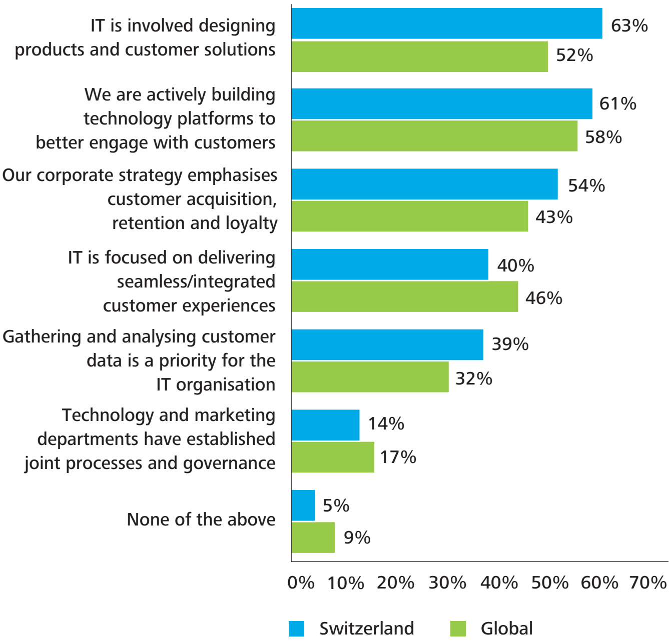
End customer in this case means the ultimate consumer of the organisation`s product e.g. the person who eats the chocolate bar or drives the bulldozer.

Our hypothesis was that as IT becomes more pervasive in the value chain, IT departments that were traditionally highly internally focused now have the opportunity (requirement) to engage and provide services for end customers as well as internal stakeholders.

In this respect it appears Switzerland is ahead of the international group – and for the majority of measures Switzerland ranks higher than the global peers.

It seems clear that in Switzerland the majority of IT organisations are now assisting the businesses with complex (but rewarding) end user interaction

Figure 14. Relationship with the end customer
Which of the following statements is true about your involvement with the end customer of your organisation?

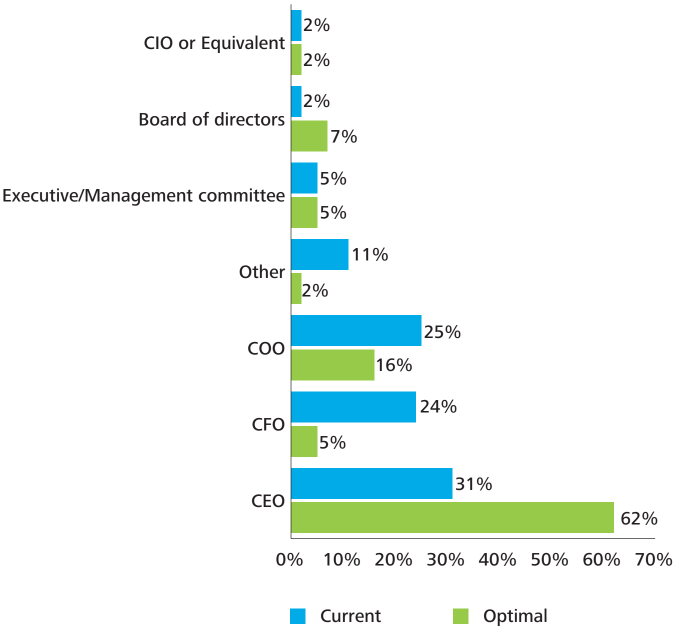


Reporting lines

We asked respondents – who they currently report to, and who they would like to report to?

The current situation shows a diversity of reporting lines across CEO, CFO and COO. However Swiss CIOs have a clear preference for reporting to the CEO rather than the CFO.

Figure 15. Actual vs. preferred line of reports of the Swiss CIOs
Who do you report to?
Who do you think your role should report to in order to be most effective?



Three "patterns" for CIOs

Understanding the CIO patterns…

As we explored the survey data in depth, we uncovered three different CIO 'patterns' – modes of operation that describe how CIOs operate to deliver value.

- **Trusted Operators** deliver operational discipline within their organisations by focusing on cost, operational efficiency and performance reliability. They provide enabling technologies, support business transformation efforts and align to business strategy.
- **Change Instigators** take the lead on technology-enabled business transformation and change initiatives. They allocate significant time to supporting business strategy and delivering emerging technologies.
- **Business Co-creators** spend most of their time on business strategy and enabling change within their businesses to ensure effective execution of the strategy.

We found no significant differences across industries, geographies and company size in the patterns to which CIOs aligned. These patterns occur in similar distribution across the entire population of CIO respondents, although Switzerland has a small over-representation of CIOs operating as Change Instigators.

…and the skills and behaviours they require

No CIO pattern is better than another – they fit to the business context of the organisation. They may also reflect the underlying personality and style of the CIOs themselves.

Patterns are fluid: a different pattern may be needed when the business context changes, a CIO transitions to a new organisation or a new business strategy emerges. What matters is choosing the pattern that matches the business context at any given time.

CIOs' patterns or styles also evolve as a result of their challenges and experiences.

Leading CIOs consciously move from one pattern to another based on their time and place. They develop, hire or rent talent to fill any gaps in complementary skills needed to succeed and add business value.

In the following slides, we examine which of the three patterns best fits a particular business context. This should help you to determine what type of technology leader you need to be in your particular situation.

We also discuss the actions you can take to better match to the CIO pattern demanded by your current role.

Figure 16. Separating CIOs into the three distinct CIO patterns

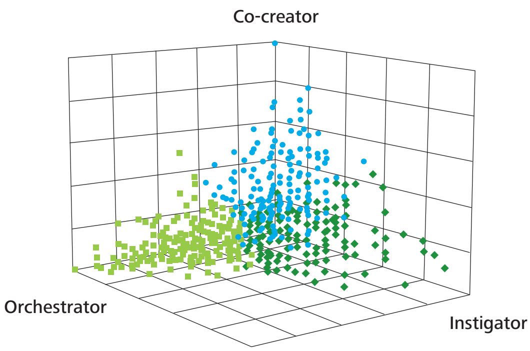
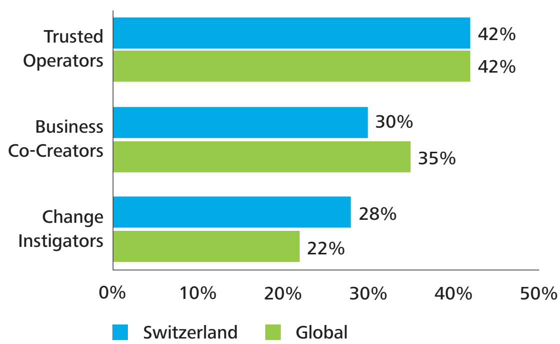


Figure 17. The three "patterns" of the CIO
Distribution of patterns in Switzerland and globally



What defines a Trusted Operator?

Figure 18. Business Priorities
Trusted Operators' top business priorities are cost and performance. The business expects trusted operators to concentrate their efforts on the fundamentals of delivering consistent technology, while ensuring cost efficiency.

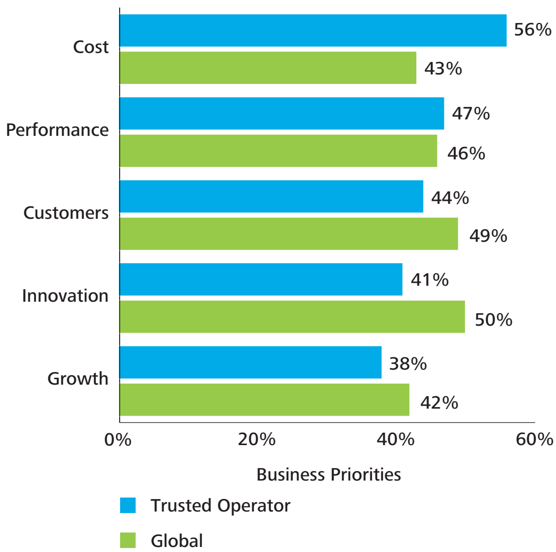


Figure 19. Budget allocation
Trusted Operators have a greater proportion of spend allocated to 'run' in their budget than their CIO peers. Their change spend is also focused on enhancing and enabling – vs. transforming.

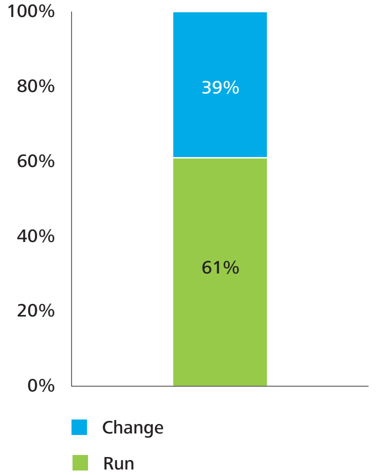


Figure 20. Reporting paths
Trusted Operators have the most distributed reporting responsibility within the 3 CIO types. As much as 37% of the Trusted Operators have a reporting channel outside of the typical options of CEO, CFO and the Executive Board.

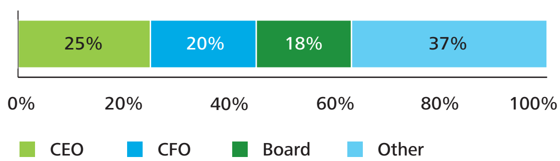
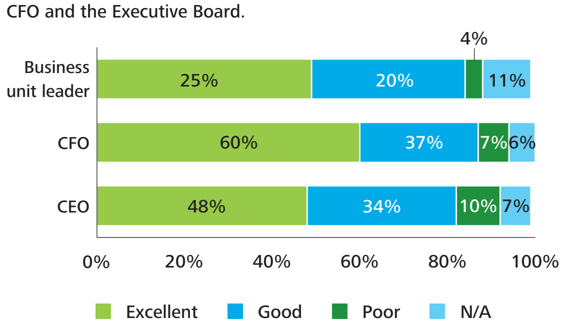


Figure 21. Relationship strength
Trusted Operators have the most distributed reporting responsibility within the 3 CIO types. As much as 37% of the Trusted Operators have a reporting channel outside of the typical options of CEO, CFO and the Executive Board.



The Trusted Operator – a guide

When a business needs a Trusted Operator

- When it faces foundational reliability and performance issues.
- When it needs to stabilise its core business or shrink IT budgets.
- When two companies merge and need a CIO to lead technology-integration efforts.
- When a natural change instigator moves into a company where technology operations are a mess, he or she must become a Trusted Operator – or assemble a team that delivers that profile – to rebuild business trust.

How to become a Trusted Operator

- **Prioritise stability and cost control**
  Look for opportunities to reduce IT spending. Build strong performance monitoring – and get business leaders involved. Communicate about performance and cost metrics frequently and consistently. Be transparent to establish trust.
- **Build a strong partnership with your CFO**
  The CFO should be your closest ally. You both want an efficient, stable technology environment. You both want business leaders to be more accountable for technology spending. You both want a structure to prioritise technology investments.
- **Mind the IT balance sheet**
  Too many CIOs do not understand the assets under their control. Create inventories of projects, hardware, software, data, contracts, people, skills, methods and tools. Evaluate the stability, reliability and cost of these assets. Are they aligned to the needs of the business?
- **Simplify, consolidate and centralise technologies**
  This could mean modernising your operating environment with virtualisation or cloud platforms. Invest in DevOps to automate and improve how your technology assets are designed, built, and maintained.
- **Make cybersecurity a priority**
  Use savings from modernisation to fund cyber investments to ensure stability and security. A breach or disclosure could derail all your other efforts.

What defines a Change Instigator?

Figure 22. Business Priorities
Compared to their peers, Change Instigators are more likely to select growth (47% vs. 39%) and innovation (50% vs. 46%) as their top business priorities. Instigators are actively looking for ways to enhance the role of technology in their organisations.

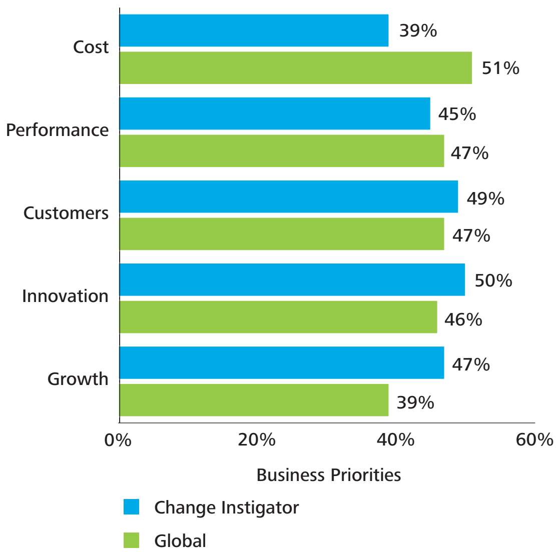


Figure 23. Strengths and Characteristics
Change Instigators have an unambiguous view of their strategic destination. They are experts at painting a picture of this destination and motivating others to follow and execute.

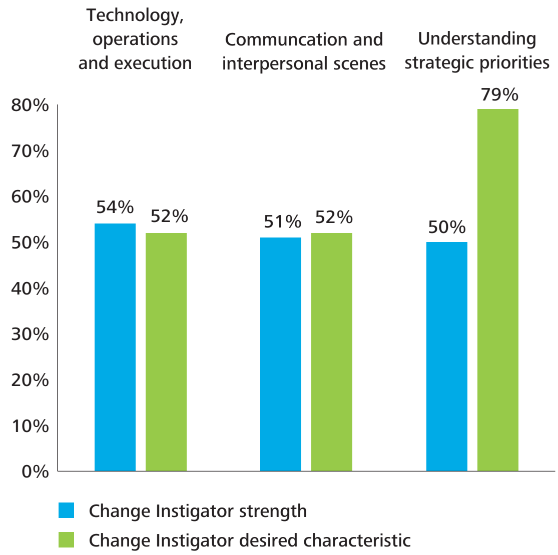


Figure 24. Budget allocation
Change Instigators allocate budget towards innovation and growth, they have a higher change allocation than Trusted Operators and lower than Business Co-creators.

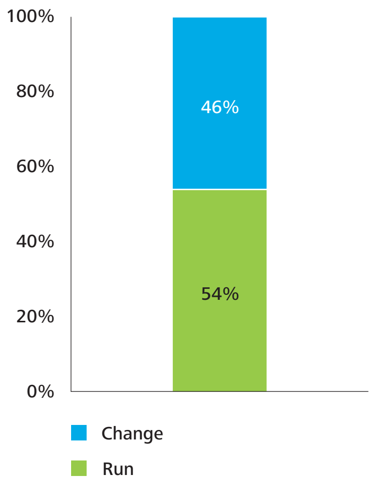
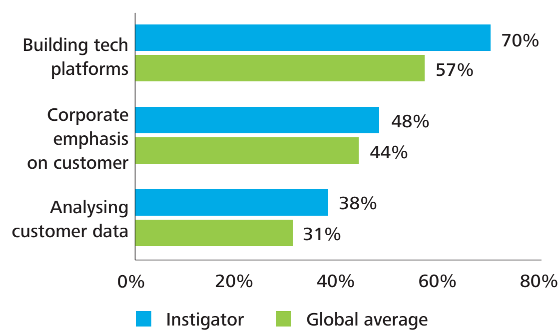


Figure 25. Involvement with end customer
Change Instigators are engaged with the end customer to a greater extent than their peers. Many are building end customer technology platforms (70%), and gathering and analysing data on end customers (38%).



The Change Instigator – a guide

When a business needs a Change Instigator

- When times demand clear vision, tough calls and quick adjustments.
- When there is an organisational mandate for growth and an appetite to change.
- When a long-tenured CIO has been unwilling or unable to drive change.
- When the business wants to use technology to improve engagement with end-user customers.
- When the CIO job comes with a requirement to lead major technology-enabled business change and/or significant cultural change.

How to become a Change Instigator

- **Think ‘prototypes’ and ‘pilots’**
  Change Instigators need to look for ideas, invest in prototypes and pilots, and experiment with multiple solutions simultaneously.

- **Sell your vision**
  Focus on setting – and selling – your overall vision for the technology organisation. Balance your energies between executing and communicating. Recognise that not everyone will be happy with the transformation.

- **Prioritise customer experience**
  All CIOs engage with customers. Trusted Operators focus on back-end technologies; Business Co-creators work to understand customer needs for new products. Change Instigators need to focus on customer experience. Use technology to build an engaging customer journey, without getting stifled by limitations of systems, data or processes.

- **Champion design as a discipline**
  Supplement core technology resources with creative disciplines. Become an advocate for engaging graphic designers, illustrators, user-experience engineers and even cultural anthropologists and behaviour psychologists in the technology sphere.

- **Invest in technology for agility and engagement**
  Change Instigators are unafraid to go outside to build or buy technology capabilities. Look for ways to get your partner’s ecosystem involved in supporting your legacy core, cloud and cyber initiatives.

What defines the Business Co-creator?

Figure 26. Business Priorities
Business Co-creator CIOs must operate across multiple dimensions of creating and delivering value, impacting the top line as well as the bottom line simultaneously. Co-creators see Innovation as their top business priority.

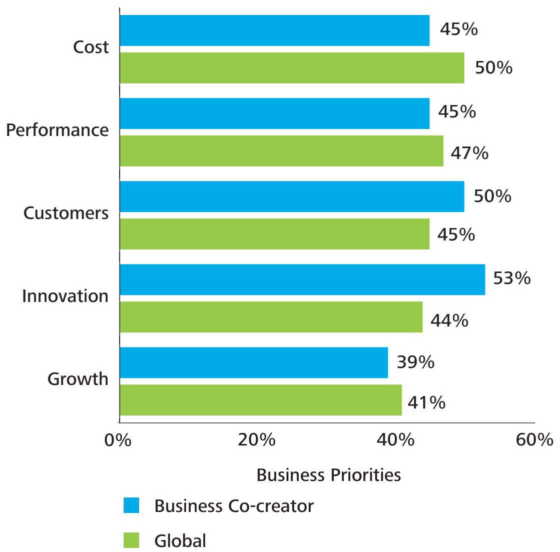


Figure 27. Budget allocation
Business Co-creators have the largest portion of their budget allocated to change activities.

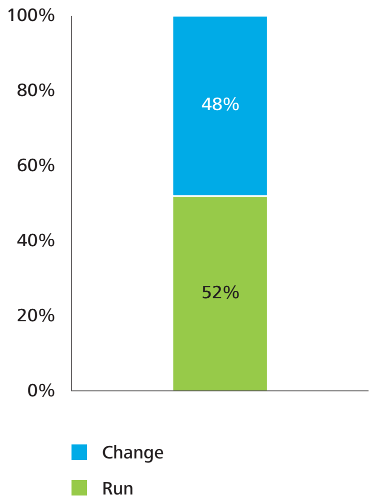


Figure 28. Reporting paths
Business Co-creators are the most likely CIO group to report directly to the CEO or Executive Board with 54%. Co-creators collaborate with business leaders to envision the impact technology can have on the organisation.

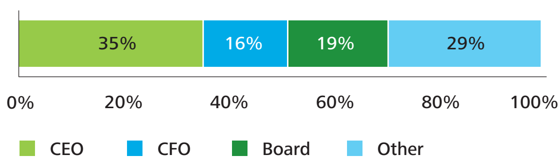
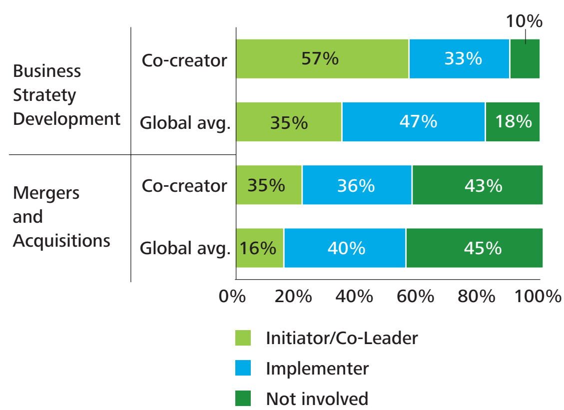


Figure 29. Relationship strength
Business Co-creators are by far the most active CIO type in driving business strategy development. They tend to Initiate or participate in a leader position with decisions they are involved in. They are often involved in business strategy conversations.



The Business Co-creator – a guide

When a business needs a Business Co-creator

- When the organisation is growing quickly.

- When business acumen, stakeholder buy-in and a long-term view of technology investments are paramount.

- This role is often one that is earned over time – and is rarely handed out to new CIOs. Sometimes a change in reporting relationships can send a signal to the rest of the organisation that a new kind of leadership is expected.

How to become Business Co-creator

- **Re-focus on the top line**
  Cost and performance are always part of the equation, but Business Co-creators shift their focus to growth, customers and innovation.

- **Volunteer to lead non-IT initiatives**
  Be a business leader first and a technology leader second. Spend more time understanding and contributing to the overall business strategy. One way to do this is to lead non-IT initiatives.

- **Interact frequently with key business leaders**
  You should always be looking to strengthen your connections to the CEO and CFO, but do not ignore opportunities with heads of business units, marketing and HR. Building these relationships will give you a deeper appreciation for their functional needs and provide opportunities to help them to succeed.

- **Engage deeply in analytics and business intelligence initiatives**
  These are key to finding new ways to add value, through improved efficiency or through creating new products or services.

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