Gartner Executive Programs

Flipping to Digital Leadership

Insights from the 2015 Gartner CIO Agenda Report

Gartner

About the Gartner CIO Agenda Report

The annual Gartner CIO Agenda Report is informed by the world's largest annual CIO survey, which for the past 14 years has tracked how CIOs balance their business, strategic, technical and management priorities. The report comprises survey findings, case studies, expert analysis and actionable insight, enabling CIOs to compare their strategies and activities with the priorities and actions of their global peers, and get a glimpse into what the future may hold. The survey findings in their entirety form the foundation of the annual Executive Programs CIO research agenda.

This year's survey encompasses the views of 2,810 CIOs across 84 countries, representing approximately $12.1 trillion in revenue/public sector budgets and $397 billion in IT spending.

Here are some of the key insights from this year's report.

IT in 2015: Navigating a "digital now, digital first" reality

The digital world and its ramifications have moved from the shadows to center stage, creating winners and losers in all industries and geographies. Cloud, mobile, social and big data are already central to business thinking, and the next set of digital technologies, trends, opportunities and threats is creating yet another competitive frontier.
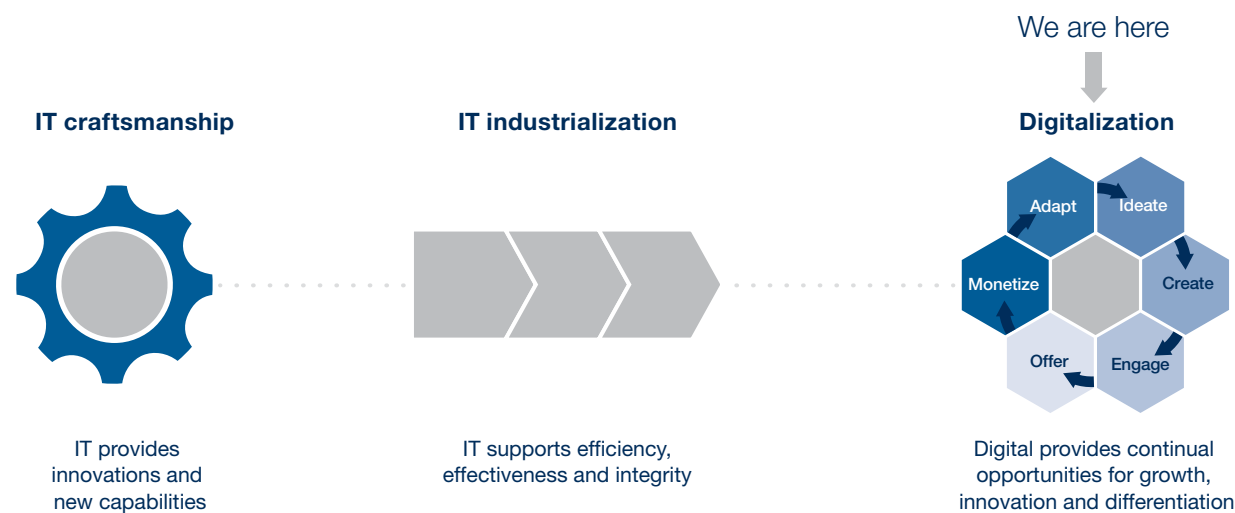
The 2015 Gartner CIO Agenda Survey, as well as our most recent CEO survey, show that not only do CIOs expect, and aspire to, a leading role in digitalization, their CEOs expect them to step up and lead the digital charge during this critical transition period.

To seize this unique opportunity — and ensure that their enterprises survive and thrive in an increasingly digital world — CIOs must accept the "digital now, digital first" reality, address long-standing challenges in value and risk management that could thwart digitalization, and replace pragmatic command and control with vision and inspiration.

In short, they must radically "flip" from long-held behaviors and beliefs, to digital leadership.

Firmly entrenched in the third era of enterprise IT: Digitalization

Last year we explored our entrance into a third era of enterprise IT — where information and technology make a fundamentally different contribution to the business, less tied to the efficiency and effectiveness of internal processes than to enabling disruptive new products, services and business models. That era has now arrived.

IT craftsmanship

IT provides innovations and new capabilities

IT industrialization

IT supports efficiency, effectiveness and integrity

We are here

Digitalization

Digital provides continual opportunities for growth, innovation and differentiation

Adapt — Ideate — Create — Engage — Offer — Monetize

Digitalization is transforming all types of companies. More often than not, these transformations represent both massive opportunities and substantial challenges for the CIO and the IT organization.

Though digital opportunity is everywhere, the overwhelming majority of this year's CIO respondents (89%) agree that the digital world engenders new, vastly different and higher levels of risk, and that the discipline of risk management is not keeping up (69%).

This evolution will require CIOs to improve their ability to balance risk with corporate performance.

The Nexus of Forces — cloud, mobile, social and information — has moved front and center

IT budgets are not growing significantly (global weighted average = +1.0%). CIOs estimate that 79% of IT spending will be "inside" the IT budget (up slightly from last year), but that much digital innovation can and will be funded outside the planned IT spending.

That said, three of the top 5 new technology investment priorities from the 2015 Gartner CIO Agenda Survey are what we call "nexus forces": BI/analytics (i.e., information), cloud and mobile (with digitalization not far behind).

Rank	Investment priority	2014	2015
1	BI/analytics	41%	50%
2	Infrastructure and data center	31%	37%
3	Cloud	27%	32%
4	ERP	26%	34%
5	Moblie	24%	36%
6	Digitalization/digital marketing	17%	11%
7	Security	13%	11%
8	Networking, voice and data comms	12%	12%
9	Customer relationship/experience	11%	8%
10	Industry-specific applications	9%	10%
11	Legacy modernization	7%	7%
12	Enterprise applications	6%	2%

n = 2,793

But this does not represent another cyclic technical innovation phase — simply digesting the nexus and then going back to business as usual. The next wave of digital technology is approaching fast. As described in the 2015 Gartner CIO Agenda Report, diverse companies are already transforming themselves through new digital technologies and trends such as holograms, Google Glass, thinking machines and advanced approaches to analytics.

For at least the next decade, deep technology-driven innovation will be the new normal for market leaders.

In stepping up to lead, CIOs must "flip" their approach to leadership

Information and technology leadership

"LEGACY FIRST" → FLIP → "DIGITAL FIRST"

Though aware of new digital technologies and approaches to information, the CIO mindset is dominated by nurturing and evolving legacy assets and capabilities

Digital business success requires starting with a digital information and technology mindset, and working backward

Value leadership

VISIBLE → FLIP → VALUABLE

Measurement is short-term and input-centric, and value measurement requires cash flow certainty

Digital business success requires building platforms that may not immediately generate ROI but can deal with rapid change and uncertainty, and manage value dynamically

People leadership

CONTROL → FLIP → VISION

CIOs' role and background bias them toward command-and-control leadership focused inside IT

When doing something new or uncertain, vision is the only road map, inspiration the only fuel

Over 9% of CIOs report that their enterprises have a chief digital officer (CDO) — versus 6.6% last year. In our CEO survey, more than 40% of CEOs said they have a senior leader with "digital" in the job title. Clearly, digital leadership roles are rising, and digital leadership will be very dynamic.

What does this mean for the average CIO?

To start the "digital cultural revolution" required to create digital success for their businesses, CIOs (and their enterprises) must proactively "flip" between old and new when it comes to leadership in three areas:

- Information and technology
- Value
- People

Flip information and technology leadership from a legacy perspective to a digital perspective

"LEGACY FIRST" → FLIP → "DIGITAL FIRST"

To succeed in a digital world, enterprises must escape the inertia and "bad complexity" of a structured, legacy perspective, and focus on the future by starting from a digital perspective and working backward.

Flip 1: From "legacy first" to "digital first"

Beyond simplification, cloud and mobile are now valuable options, if not necessities. New and replacement services need to be architected, starting with the assumption that a public cloud solution will deliver services consumed in a mobile setting having a high level of contextualization. This requires flipping from a "legacy-first" to an outside-in, "digital-first" leadership mindset.

Flip 2: From passive reporting to an active search for insight

Backward-looking reporting is insufficient in a rapidly changing digital business world. To create the future and be the disrupter rather than the disrupted, businesses need forward-looking predictive analytics combined with data-led experimentation.

Flip 3: From the nexus to the next horizon

Cloud, mobile, social and information — the Nexus of Forces — are no longer exotic options; they are table stakes for digital business. Diverse enterprises are already exploring new digital technologies and trends, and experimentation with post-nexus technologies is creating the next disruption horizon.

Flip value leadership from what's visible to what's valuable

VISIBLE → FLIP → VALUABLE

A minority of CIOs (39%) and their enterprises currently use categories of investment. But IT-intensive investments should be separated into categories based on what motivates them: fear (keep the business running), fact (extend the business within its business model, markets and tools) or faith (transform the business beyond the known). The digital business opportunity requires faith-based investments, and management capable of dealing with them.

Flip 1: From IT efficiency to value creation

Value is not created by reducing the cost of IT per dollar of revenue, but by increasing revenue per dollar of IT cost, which equals IT productivity. CIOs should consider inverting IT value metrics.

Flip 2: From business case to benefits life cycle

As digital business projects dynamically pivot with experimentation, innovation and learning, business cases may change dramatically. Benefits realization becomes increasingly important as digitalization takes hold. CIOs and their enterprises need to aim to rebalance the amount of effort expended on value measurement and management across the plan-execute-harvest benefits life cycle from 90-10-0 to 40-20-40.

Flip 3: From "hit and hope" to platform value

Transformative, faith-based investments in digital capabilities, platforms and the like entail a high degree of uncertainty, making it difficult to put together a credible cash-flow-based business case. Many digital investments fit this profile, especially when they relate to building a digital capability or platform that will position the enterprise to generate future value.

Flip people leadership from control to vision

CONTROL → FLIP → VISION

Decoupling the day-to-day running of IT from being the digital/information leader and influencer in the enterprise and its ecosystem reveals a powerful opportunity for the CIO. Survey data tells us that high-performing CIOs manage to find an extra 5% of time (one day a month) to engage their board, senior leadership and external customers.

Flip 1: From "control first" to "vision first"

Command-and-control leadership does not suit the digital world. Digital leadership is almost always about vision and inspiration — creating the new and leading with speed, often in areas with a high degree of uncertainty and no well-trodden paths.

CIOs recognize this: 75% plan to change their leadership style over the next three years, most commonly by amplifying their vision (47%) while reducing their command and control (65%).

Flip 2: From aligning with corporate culture to building a digital culture

As management guru Peter Drucker famously said, "Culture eats strategy for breakfast." A traditional, risk-averse corporate culture that views IT only as an infrastructural enabler of transactions will devour even the most innovative digital business strategy. To avoid this fate, CIOs and other leaders need to lead a digital cultural revolution across their businesses, possibly their ecosystems.

Flip 3: From IT management to digital inspiration

Education and inspiration are central tasks for CIOs determined to be digital leaders. In addition to partnering with the most important business stakeholders, and developing a shared understanding of digitalization and what it means to the business, CIOs need to increase the digital savvy of their enterprises. The starting point is to refocus personally after committing the time to do so.

Required in 2015: Radical changes in leadership and management practices

Digitalization is no longer a sideshow — it has moved to center stage and is changing the whole game.

A CIO may run a great IT shop, be aware of digital trends on the horizon and even participate in digital experiments and innovations. But this is still not enough to deliver on the digital promise.

CIOs have a unique opportunity to play a strong digital leadership role in the transformation of their businesses. Seizing this opportunity requires flipping long-held behaviors and beliefs — from a legacy perspective to a digital one in information and technology leadership, from a focus on the visible to the genuinely valuable in value leadership, and from control to vision in people leadership.

These are not small changes. They demand commitment and focus from the CIO, and support from the CEO and CxO peers. For those who succeed, the prize could not be bigger.

Do you and your team have what you need to succeed?

Do you have unbiased external guidance to help you make contextualized decisions on your critical initiatives?

Are you able to mitigate the risk of product decisions with the right partners, products, terms and pricing?

What are the best practices you can use to improve and accelerate change in your enterprise?

Do you have a network of qualified peers who can help you uncover innovative approaches?

Have you defined a strategy for equipping your leaders with the tools and guidance they need for professional development?

Gartner Executive Programs: Membership leads CIOs and their teams to success.

To learn more about our team solutions, contact your Gartner account executive or visit gartner.com/cioagenda.

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About Gartner

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