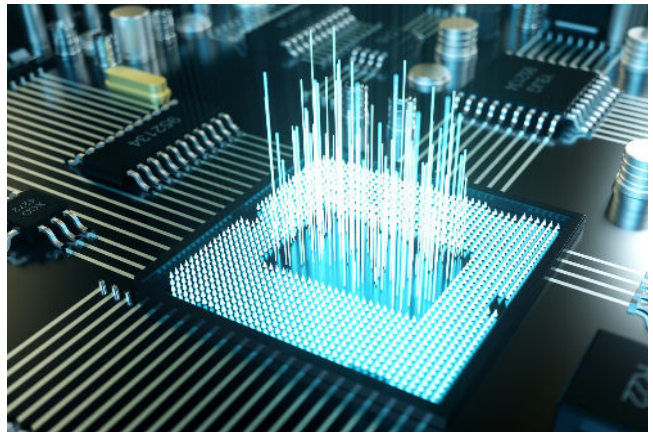
ThoughtLab

The new IT leadership agenda

# Rethinking strategies for the next business era

A thought leadership report for ServiceNow

June 2024



# A new IT leadership agenda

The metamorphosis of digital transformation into business transformation, combined with the meteoric rise of AI and other game-changing technologies, is giving rise to a new IT leadership agenda.

This new agenda sets seven areas of urgency for CIOs and their management teams over the next two years:

1. Put technology at the core of business strategy
2. Deliver on a wider business remit
3. Lead the next wave of digital transformation
4. Galvanize business performance through AI
5. Align IT operations with business goals
6. Engineer the future of work
7. Build a top-performing IT leadership team

This report, based on a global survey of 500 IT leaders across three regions and six key industries, will explore how IT leaders will come to grips with these new IT leadership imperatives.

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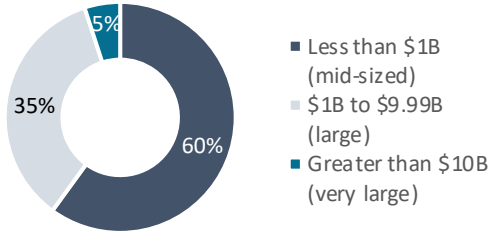
# Research background

# Sample profile

**500**

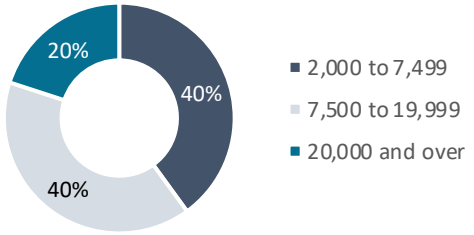
Total survey respondents

## Respondents by revenue

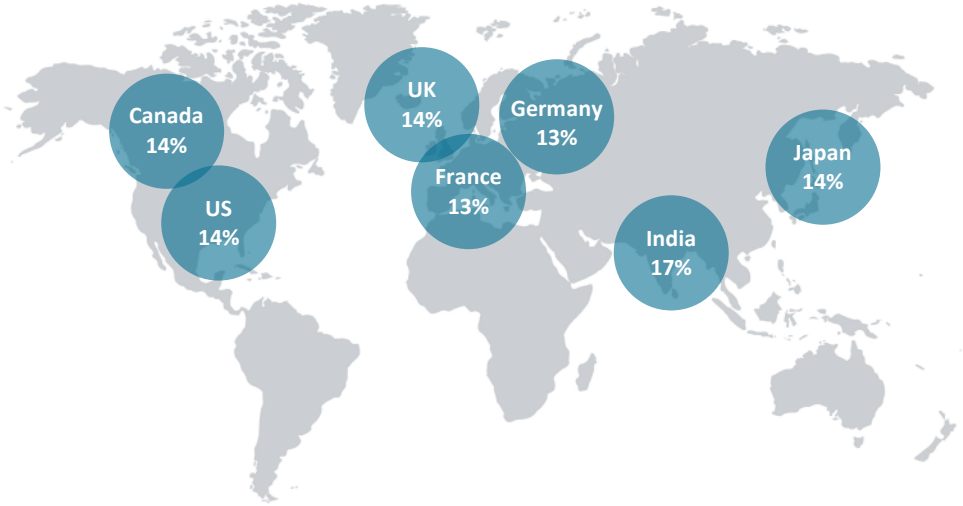



**$5.8 billion**
Average revenue

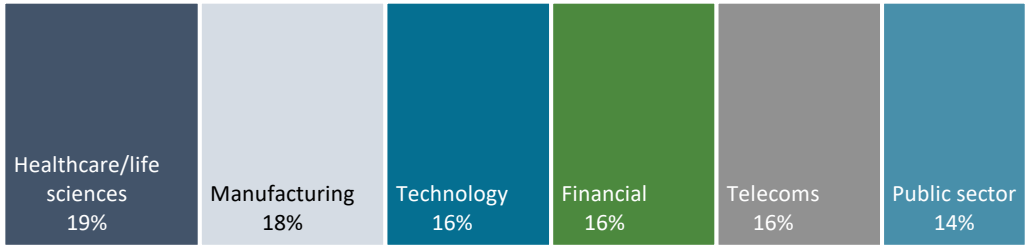
## Respondents by employee size




## Respondents by country*




## Respondents by sector*

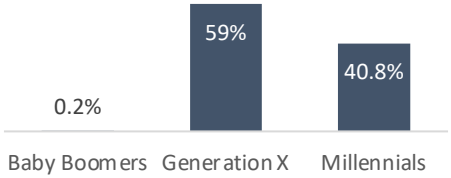



* Figures may not sum to 100% due to rounding.

## Respondents by title

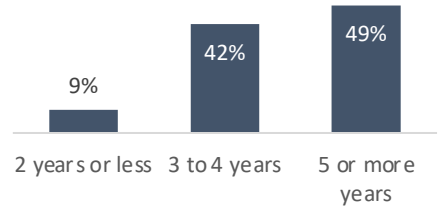
| | |
|---|---|
| CDO or equivalent | 17% |
| CIO or equivalent | 17% |
| CTO or equivalent | 16% |
| Direct report to CIO, CTO, or CDO | 50% |

## Respondents by age




**44.7 years**
Average age

## Respondents by tenure




**4.6 years**
Average tenure

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# Defining top performers

Some IT leadership teams in our study do a better job than others in driving business performance. To understand the impact of IT on performance, we categorized organizations based on the number of performance benefits generated by the IT team over the last two years, as reported in Q31.

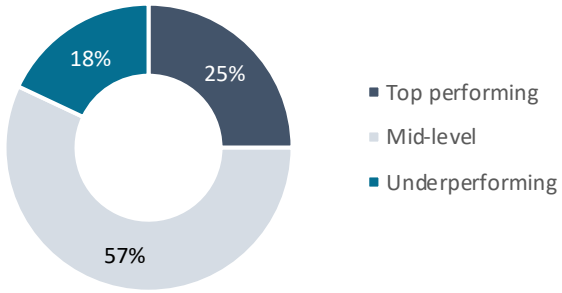
**Q31. In which areas did the IT team have the greatest impact on your organization's performance over the last two years?**

- Greater cost savings
- Increased revenue growth
- Higher profitability (smaller budget deficits for public sector)
- Improved customer (citizen) satisfaction and engagement
- Deeper insights into customer (citizen) needs
- Greater productivity and efficiency
- Greater resilience and agility
- New business models
- Accelerated innovation and time to value
- Better planning and decision making
- Better products and services
- Greater transparency and trust
- Improved risk management and compliance

We then classified the organizations into three groups:

- **Top performers** – IT team has greatest impact on 7 or more areas of organization's performance
- **Mid-level performers** – IT team has greatest impact on 3-6 areas of organization's performance
- **Underperformers** – IT team has greatest impact on 1-2 areas of organization's performance

**25% of IT teams qualified as top performers, 57% as mid-level performers, and 18% as underperformers.**



# 1. Put technology at the core of business strategy

# The new IT agenda for a digital-first business era

As digital transformation morphs into business transformation, the IT leadership agenda is changing. To help their organizations compete and grow in a digital-first business era, IT leaders in our study have identified five key imperatives for the next two years:

1. **Boost innovation and speed to market.** To cope with fast-changing customer needs and growing competition, innovation and speed to market is the top priority for IT leaders over the next two years. Almost half of IT leaders, particularly those in the manufacturing sector, also prioritize creating new products and services, a key area of future innovation.
2. **Build technical literacy and a new digital mindset.** Increasing technical literacy across the enterprise is the second-highest priority for IT leaders. But IT leaders plan to go beyond technical training to foster a digital mindset: 55% will help drive change management, and 41% prioritize building a strong culture of innovation.
3. **Drive customer and business growth.** Improving customer satisfaction, acquisition, and retention is the third top imperative for IT leaders. This priority is part of a wider goal to ignite business performance: 48% of IT leaders will focus on expansion into new markets, and 43% on top-line growth and shareholder value, a key priority for the resource-strapped public sector.
4. **Boost employee productivity and efficiency.** To fuel profitable growth, IT leaders will need to continue to increase employee productivity and drive down costs, intertwined priorities cited by over half of respondents. Improving employee productivity is a top priority for over 7 in 10 IT leaders in the fast-paced and competitive financial industry.
5. **Insulate their organization from risk.** With digital innovation ushering in new risks and regulations, over half of IT leaders—particularly in the highly regulated healthcare sector—put reducing business and compliance risks high on their agendas. And with risks rising in an inter-connected world, building up resilience and agility is a goal for nearly half of IT leaders surveyed.

## Top business priorities over next two years

## Leading industry by key priorities

**Financial services**
Build technical literacy (84%)
Improve employee productivity (71%)

**Healthcare/life sciences**
Reduce business and compliance risks (60%)

**Technology**
Boost innovation/time to market (84%)
Drive customer satisfaction (84%)

**Manufacturing**
Create new products and services (53%)

**Public sector**
Drive top-line growth and stakeholder value (49%)

**Telecoms**
Increase resilience and agility (58%)
Build strong org. culture (47%)

Q9. As you look ahead over the next two years, which are your top business/management priorities?

# Business transformation is a growing team sport

On average, IT leaders now frequently work with **4.7** CXOs; the number will rise to **6.2** in two years.

To reinvent their businesses for a digital-first world, IT leaders are working more closely with their C-level colleagues across the enterprise—a trend that will gather momentum over the next two years.

IT leaders most frequently partner with an average of 4-5 CXOs, typically the Chief Transformation Officer and the CEO, followed by the Chief Innovation Officer, Chief Customer Officer, and COO. As tech-fueled business transformation moves into high gear, these core relationships will become more pervasive. For example, 70% of IT leaders will work frequently with the CEO over the next two years, up from 59% today, and 67% will work frequently with Chief Customer Officers, up from 48%.

At the same time, as their business roles widen, IT leaders will collaborate more regularly with a more diverse set of business leaders, rising to an average of over six. Over half of IT leaders will partner more frequently with CHROs, as the emphasis on employee experience and productivity grows. The percentage of IT leaders collaborating with Chief Risk Officers, Chief Product Officers, Chief Strategy Officers, and Chief Sustainability Officers will increase materially.

**Industry power couples**

IT leaders in healthcare are more likely than others to team up with Chief Transformation Officers, Chief Experience Officers, and Chief Marketing Officers as they prepare for a new era of telemedicine and patient care. Similarly, IT leaders in manufacturing are more likely to collaborate with the Chief Product Officer as they become more involved in product and service development.

With the financial industry undergoing top-down transformation, IT leaders are partnering with leaders at the top of the pyramid, including CEOs, COOs, Chief Innovation Officers, and Chief Strategy Officers. Because of the nature of their business, IT leaders in financial services are more likely than others to have a closer relationship with the Chief Risk Officer. Given the complexity and cost of business change in telecoms, more IT leaders in that industry will work closely with the board of directors.

Q12. With which senior executives do you work most frequently today? With which will you work more frequently over the next two years?

**CXOs with whom IT leaders work frequently**

| | Now | Next 2 years | % pt. increase | Leading industry 2 years |
|---|---|---|---|---|
| Chief Transformation Officer | 60% | 65% | + 5 ppt | Healthcare (70%) |
| Chief Executive Officer | 59% | 70% | + 11 ppt | Financial (80%) |
| Chief Innovation Officer | 50% | 58% | + 8 ppt | Financial (77%) |
| Chief Customer Officer | 48% | 67% | + 19 ppt | Tech (85%) |
| Chief Operating Officer | 42% | 58% | + 16 ppt | Financial (74%) |
| Chief Human Resources Officer | 33% | 51% | + 18 ppt | Tech (56%) |
| Chief Experience Officer | 29% | 34% | + 5 ppt | Healthcare (40%) |
| Heads of business units | 29% | 36% | + 7 ppt | Tech (41%) |
| Chief Risk Officer | 25% | 35% | + 10 ppt | Financial (55%) |
| Chief Product Officer | 20% | 30% | + 10 ppt | Mnfg. (45%) |
| Chief Marketing Officer | 19% | 26% | + 7 ppt | Healthcare (37%) |
| Chief Strategy Officer | 18% | 34% | + 16 ppt | Financial (43%) |
| Chief Sustainability Officer | 15% | 27% | + 12 ppt | Financial (33%) |
| Board of Directors | 10% | 15% | + 5 ppt | Telecoms (22%) |

# IT teams are catalysts of business performance

With an expanded remit beyond just managing technology, IT leaders are helping to foment better business performance in a range of ways:

- **Drive innovation.** The largest impact that IT leaders have had over the last two years is to help accelerate innovation and time to value (cited by 42%). Other innovation impacts include better products and services (37%) and new business models (34%).
- **Improve operations.** IT leaders also bolster operations by increasing productivity and efficiency (39%), generating greater cost savings (36%), and enabling better planning and decision-making (35%).
- **Boost financial results.** IT teams also contribute to increased revenue growth (36%) and higher profitability (33%).
- **Generate business growth.** IT leaders support this goal by enabling deeper insights into the customer (38%) and improved customer satisfaction and engagement (37%).
- **Manage risks.** IT teams have enhanced risk management and compliance (38%), transparency and trust (38%), and resilience and agility (33%).

Over the next two years, IT leaders will have an even greater positive impact on their organizations, with the largest gains around cost savings and revenue growth.

Q31. In which areas did the IT team have the greatest impact on your organization's performance over the last two years? In which areas do you expect the IT team to have the greatest impact over the next two years?

**IT's impact on performance**

| | Last 2 years | Next 2 years | % pt. increase | Leading industry last 2 years |
|---|---|---|---|---|
| Accelerated innovation and time to value | 42% | 47% | + 5 ppt | Manufacturing, 48% |
| Greater productivity and efficiency | 39% | 47% | +7 ppt | Manufacturing, 45% |
| Deeper insights into customer needs | 38% | 41% | + 3 ppt | Financial, 43% |
| Improved risk mgmt. and compliance | 38% | 44% | + 6 ppt | Healthcare, 49% |
| Greater transparency and trust | 38% | 40% | + 3 ppt | Healthcare, 40% |
| Improved customer satisfaction | 37% | 44% | + 6 ppt | Telecoms, 44% |
| Better products and services | 37% | 38% | + 2 ppt | Manufacturing, 41% |
| Greater cost savings | 36% | 46% | + 10 ppt | Healthcare, 47% |
| Increased revenue growth | 36% | 45% | + 9 ppt | Technology, 40% |
| Better planning and decision-making | 35% | 40% | + 4 ppt | Public sector, 43% |
| New business models | 34% | 40% | + 6 ppt | Telecoms, 37% |
| Higher profitability | 33% | 40% | + 7 ppt | Healthcare, 43% |
| Greater resilience and agility | 33% | 36% | + 3 ppt | Technology, 45% |

Walgreens Boots Alliance

# A new business role for IT in digital healthcare services

**Sam Sahana**

Chief Digital Information Officer, Walgreens Boots Alliance

Digital transformation is not a one-time process, but a series of waves, explains Sam Sahana, Chief Digital Information Officer for the international retail division of pharmacy giant Walgreens Boots Alliance. Since 2018, the company has gone through four such waves focused on cloud migration, employee and customer experience, and then expanding into omnichannel experiences. “What we did in 2018-19 was more technology focused, but from 2020 onwards it has been very much a business transformation,” he says. “We are evolving the business model with new products, services, and supplier relationships rather than simply modernizing our technology.”

As Sahana explains, Walgreens Boots is transforming from a pharmacy to a healthcare services business. It is now involved in telemedicine, testing, walk-in clinics, and as some countries liberalize regulation, direct prescribing by pharmacists. Moreover, prescriptions in some regions have moved entirely to electronic pharmacy platforms. “All of this obviously requires new technology both for service delivery and new supplier connectivity,” he says.

With the move to telemedicine and electronic pharmacy applications, the role of IT has evolved. “Technology has moved from an enabler to a core component of the business proposition,” Sahana explains. As a result, he and his team have a much greater role in the company’s business strategy. “This includes the nature, shape, and size of services that we would deliver, the cost and capabilities that we would require to do it, and the priorities from a business perspective rather than from a technology perspective,” he says. He now has a direct decision-making role in areas such as telemedicine, where the technology platform is at the heart of the business.

**Shifting from a business enabler to strategist**

This new role means that Sahana works more closely with the CEO, CFO, and Chief Innovation Officer, rather than serving as an enabler for the marketing and product organizations, as in the past. “It is much more about defining the new services than about delivering a service which has already been defined,” he says. “We are looking at what kind of healthcare service we would provide, where we would be able to provide it, how the customer would interact with it, what suppliers we would use. We are also looking at the risks, the core benefits case—not just the cost case—and the size of the investment.”

As his role has changed, so have the metrics for his performance and compensation, particularly as the IT group has evolved from a cost center to a hybrid model—with some parts now a revenue center. “In the past, we were measured by things like availability, uptime, and the robustness of the system. Now, with the telemedicine systems, we are measured by net promoter score and, for the testing services, by revenue.“ Costs are less important than business outcomes. “It’s less about how much money is spent, and more about customer satisfaction, fulfillment rates, and the percentage of discontinuing doctors, for example,” he says.

Sahana’s change of focus has meant an evolution in his skill set and that of his team. “It’s about envisioning change, leading change, and understanding the impact of change across the business,” he says. They need a greater breadth of business knowledge and more strategic skills to help formulate change and make a business case. To help, the firm has provided executive coaching for Sahana and for managers down several levels. He also has gained knowledge working with a major consulting firm brought in to help develop the new businesses. However, Sahana is looking to ensure that his move toward the business side does not go too far. “I can’t have a disproportionate focus on strategy in what is, after all, a highly operational function,” he says.

# 2. Deliver on a wider business remit

# As business transforms, so does the role of IT leaders

With technology now at the center of business strategy, the role of the IT leadership team is changing across five major business areas:

1. **Strategy and change management.** Over 6 out of 10 IT leaders play more active roles in business strategy and change management. Strategy is a particular focus for those in the public sector, which needs to catch up with the more switched-on private sector to stay relevant to its constituents.
2. **Financial performance.** Almost two-thirds of IT leaders focus more on cost management and profitability, and 46% on growth and shareholder value. IT leaders in manufacturing and the public sector give greater attention to the former; those in the financial industry, to the latter.
3. **Digital transformation.** About 6 out of 10 IT leaders make digital transformation a focal point. To ensure these efforts deliver value, 48% concentrate on driving ROI from technology investments. IT leaders in manufacturing focus on digital transformation to reserve their place in Industry 4.0.
4. **Future of work.** IT leaders are nurturing the human side of transformation. Over half are more engaged in talent management, as well as CX and EX, and only slightly fewer, in workflow digitization. IT leaders in the high-touch financial sector are well out front with their passion for experience.
5. **Governance and resilience.** Over half of IT leaders—and 60% in the forward-looking technology sector—focus more on the responsible use of AI and other emerging technologies. More IT leaders see g their remit extended to resilience and risk management.
6. **Sustainability and decarbonization.** With net-zero carbon goals top of mind for organizations, IT leaders take on a greater role in driving sustainability and decarbonization, particularly those in the public sector, given their responsibility to citizens and need to comply with government regulations.

Q15. How is your role changing at your organization?

**Changing role of IT leaders**

| I am more focused on … | All | Leading industry |
|---|---|---|
| Strategy and vision | 67% | Public sector,71% |
| Cost management and profitability | 62% | Mnfg., public sector, 64% |
| Digital transformation | 59% | Mnfg., 67% |
| Change management | 59% | Technology, 66% |
| Talent management, skills development | 54% | Public sector, 60% |
| Customer and employee experience | 52% | Financial, 66% |
| Governance of AI and emerging techs | 51% | Technology, 60% |
| Workflow digitization and automation | 50% | Technology, 61% |
| Driving ROI from technology investments | 48% | Public sector, 56% |
| Business growth and shareholder value | 46% | Financial, 54% |
| Sustainability and decarbonization | 46% | Public sector, 57% |
| Agile working, software development | 45% | Public sector,53% |
| Resilience and risk management | 42% | Telecoms, 58% |

# IT leaders are measured on a broader mix of metrics

The way IT leaders are measured is changing in line with their expanded business remit, growing priorities, and broader C-Suite partnerships. Because of the complexity of their job, IT leaders are now measured on about five key performance indicators across technology and business activities.

As in the past, the largest share of IT leaders are measured against operational targets, such as project delivery success and system uptime. But with cyberattacks on the rise—and rapid digital innovation opening vulnerabilities if not done securely—75% of IT leaders are now measured on the strength of their data security and privacy systems. In the data-sensitive healthcare industry, 82% of IT leaders are assessed on their ability to defend against cyber intrusions.

**Metrics geared to IT's business goals**

Given their central role in business transformation, IT leaders are now assessed similarly to their C-Suite colleagues. For example, almost two-thirds are measured on their organization's revenue and cost performance. The share is even higher for IT leaders in the resource-strapped public sector (69%). And with customer experience critical for business success, 51% are assessed against customer performance metrics, such as net promoter score.

Reflecting its high priority, innovation is now a common metric for 56% of IT leaders, particularly those in healthcare companies. To ensure the value of such digital innovation, an equal share of IT leaders are measured against financial metrics, not just basic IT budget variances but increasing the ROI of tech investments.

Q16. Which types of metrics are used to assess your performance at your organization?

| Metrics used to assess the performance of IT leaders | All | Leading industry |
|---|---|---|
| Operational, such as IT project delivery success or system uptime | 87% | Financial, healthcare (89%) |
| Cybersecurity, such as number of breaches and incident response time | 75% | Healthcare (82%) |
| Business-related, such as impact on overall revenue, costs | 65% | Public sector (69%) |
| IT employee management, such as engagement/satisfaction/retention | 57% | Financial (72%) |
| Financial, such as IT budget variance or ROI of technology investments | 56% | Financial (68%) |
| Innovation, such as number of new technology initiatives and projects | 56% | Healthcare (68%) |
| Customer-centric, such as Net Promoter Score or other CX metrics | 51% | Financial (60%) |
| Vendor management, such as effectiveness of vendor relationships | 47% | Public sector (56%) |

> We have established metrics to gauge the success of IT initiatives and the value they contribute to our overall functioning. This empowers us to make informed decisions backed by data, drive continuous improvement, and justify forthcoming IT investments.
>
> **IT leader, Japan, manufacturing**

IT leaders are measured on **4.9** metrics on average.

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# Business 4.0 will require IT teams to acquire new skills

To spur business transformation over the next two years, IT leaders will need a richer set of business and technology skills. IT leaders identified an average of nine key skills they will need to be future ready. CIOs say they will require even more—10.

**IT leaders will need broader business skills…**

Project management will continue to be a core skill for IT leaders, who will need to optimize time to market and value over the next two years. As IT leaders implement business change with the C-Suite and the staff, they will need to draw on a variety of people skills, from talent management and change management to leadership, communication, and interpersonal capabilities. To map a new path forward with the management team, IT leaders will have to hone their abilities to think innovatively, analytically, and strategically. Knowledge of the business will become a prerequisite for IT leaders, particularly the CIO.

**…and more diverse technical skills**

Staying ahead of rapid technological change will require IT leaders to sharpen their digital skills in three fundamental ways. First, they will need to stay abreast of the latest trends in cloud computing, IT infrastructure, data management, AI, and other new emerging technologies. Second, they will need to keep on top of best practices in agile working and software development. Third, they will have to build their expertise in cybersecurity and IT governance for tomorrow's riskier, digital world.

**Skills most important for IT leaders over next two years**

| Technical skills | | Highest by role |
|---|---|---|
| Cloud computing | 68% | Direct report (75%) |
| IT infrastructure | 57% | Direct report (63%) |
| Cybersecurity | 56% | CTO (76%) |
| AI expertise and skills | 51% | CIO (64%) |
| Agile working skills | 49% | CDO (57%) |
| Data management/ analytics | 45% | CIO/CTO (53%) |
| IT governance/ compliance | 43% | CIO (69%) |
| Software development | 41% | CIO/CTO (44%) |
| IT modernization | 36% | CIO (52%) |

| Business skills | | Highest by role |
|---|---|---|
| Project management | 82% | Direct report (86%) |
| Talent mgmt & dvlpmt | 46% | Direct report (49%) |
| Innovative thinking | 45% | CIO (70%) |
| Change management | 45% | CTO (49%) |
| Leadership skills | 43% | CIO (55%) |
| Collaborative, interpersonal skills | 42% | CIO (53%) |
| Analytical thinking skills | 41% | CIO (51%) |
| Knowledge of business | 38% | CIO (51%) |
| Strategic planning | 37% | CIO/CTO (40%) |

Q17. Which of the following technical and non-technical skills and knowledge areas will be most important for you in your role and for the IT staff generally to succeed over the next two years?

# How the role of IT leaders is evolving across industries

Enhancing sustainability within the organization is a key objective of the evolving IT function. This may encompass the integration of energy-efficient IT solutions, the reduction of paper consumption through cloud storage, and the effective use of technology to optimize waste management practices.

**IT leader, Japan, telecoms**

IT functions provide technical support and training to employees, which enhances workforce skills and ensures smooth technology adoption.

**CTO, US, healthcare**

IT is evolving from a support role to that of a strategic partner, collaborating closely with various business units to gain insights into their needs and creating technology-based solutions that will help in driving business objectives.

**CTO, UK, technology**

The ongoing focus of our department lies in cultivating business acumen, enabling us to grasp the demands of various departments and effectively transform technological solutions into tangible benefits. This fosters collaboration and ensures that our IT initiatives directly tackle the business challenges faced.

**IT leader, India, public sector**

Implementing energy-efficient IT solutions represents a major evolution for us, as it promotes sustainability within the organization.

**IT leader, Japan, financial services**

Providing training and upskilling opportunities for IT staff is crucial in an evolution process, as it is helping them to stay abreast of evolving technologies and industry trends.

**IT leader, Germany, manufacturing**

**The changing CIO role in healthcare**

As the CIO of Bolton NHS Foundation Trust, a publicly funded hospital serving a community of 400,000 citizens in Greater Manchester, UK, Philip Scott has long had a diverse array of responsibilities, from technology, analytics, and DevOps to IT governance, cybersecurity, and digital training. According to Scott, moving the hospital's IT infrastructure to the cloud has freed up his time to work on higher-order business transformation initiatives with his clinical operational colleagues.

"I'm now more involved in strategic planning, preparing financial statements, and in meeting our sustainability and clinical safety requirements," says Scott. As a result, he now works much more closely with the senior leadership team, including the CEO, COO, CFO and the Chief Medical Officer.

Scott sees his transition as part of a broader trend among CIOs. "CIOs have historically come from a tech background. But CIOs now need to have a wider spectrum of knowledge and experience. In healthcare, knowing medical terminology and practice is very important—you need to really understand the business."

# 3. Lead the next digital transformation wave

# Taking digital transformation to the next level

With digital innovation advancing at breakneck speed, IT leaders will need to guide their organizations through the next phase of transformation. They will have to make the right value-driven investments in emerging technologies while scaling digital innovation across the enterprise in lockstep with business imperatives.

To make this happen, IT leaders plan to spend more time on technology-related priorities. Over the past two years, they devoted a roughly equal amount of time to business and technology issues, as business priorities grew in importance. Over the next two years, however, they plan to pivot their focus to technology, spending 57% of their time on technology and 43% on business issues. The emphasis on technology will even be greater for IT leaders in very large organizations: 68% of their time will be devoted to technology.

**Driving continuous transformation**

Our research shows that accelerating digital transformation is a top priority over the next two years for 62% of IT leaders. For very large organizations with deeper pockets—and more to lose if they fall behind—the percentage is a staggering 96%. Related priorities include modernizing IT infrastructure on the cloud, managing tech and cyber risks, scaling AI across the enterprise, improving data management, and digitizing and integrating CX, EX, and UX.

The intensity of technological change is placing a heavier burden on IT leaders. Some 55% have set delivering ROI from technology investments as an imperative for the next two years. And 49% prioritize tracking and testing new and emerging technologies to make sure this happens. This will be the norm for IT leaders (84%) in very large organizations.

Q10. What percentage of your time has been spent on achieving these technology priorities versus business/management priorities over the last two years, and what percentage do you expect to spend over the next two years?
Q8. As you look ahead over the next two years, which are your top technology priorities?

**How IT leaders spend their time**

| | | All | Mid-sized | Very large |
|---|---|---|---|---|
| Last 2 years | Business/management | 51.8% | 54.7% | 39.2% |
| | Technology | 48.2% | 45.3% | 60.8% |
| Next 2 years | Business/management | 43.0% | 45.3% | 31.6% |
| | Technology | 57.0% | 54.7% | 68.4% |

**Technology priorities**

| | All | Mid-sized | Very large |
|---|---|---|---|
| Modernize IT infrastructure on cloud | 63% | 60% | 88% |
| Accelerate digital transformation | 62% | 57% | 96% |
| Manage technical and cybersecurity risks | 62% | 54% | 84% |
| Scale AI across the organization | 57% | 51% | 84% |
| Deliver ROI from technology investments | 55% | 49% | 76% |
| Improve data management and control | 52% | 47% | 64% |
| Track and test new technologies | 49% | 43% | 84% |
| Digitize and integrate CX, EX, and UX | 49% | 43% | 80% |
| Ensure smooth functioning of IT operations | 48% | 40% | 80% |
| Support remote work with efficient tools | 46% | 40% | 60% |
| Train, develop, and acquire IT staff | 43% | 37% | 72% |
| Manage and negotiate with IT vendors | 43% | 39% | 44% |
| Align IT and business strategy | 28% | 23% | 64% |

# Driving value through digital technologies

Widescale digital transformation can be expensive if done incorrectly. Under pressure to preserve margins while accelerating transformation, IT leaders are moving to value-based technology investing. Under such an approach, IT leaders base their investment decisions on which technology can generate the greatest value for their organization. As part of the process, IT leaders are more carefully measuring cost-benefits and ROI.

Over the last two years, IT leaders found that AI was the top driver of business performance (50%), followed by cloud (44%), cybersecurity and privacy (42%), collaboration tools (41%), and DevOps and low code/no code platforms (39%). Given their effectiveness, these technologies will be a prime focus for IT leaders over the next two years, especially AI (75%), cloud (75%), cybersecurity (73%), and DevOps and low code/no code platforms (54%).

**Other technologies targeted for next two years**

Data management systems, vital for driving AI initiatives, will be a priority for 61% of IT leaders, especially those in the technology industry. Most IT leaders will also prioritize automation and RPA, particularly those in healthcare and public sector, in which manual processes are often used. Omni-channel solutions, a priority for 46% of IT leaders, is particularly in the cross-hairs of technology and telecoms companies, which are leading the charge to seamless, multi-device experiences.

Industry can have a large impact on technology priorities. For example, 50% of IT leaders in healthcare prioritize digital twins, given their ability to create personal models of patients and predict healthcare outcomes. And 48% of these leaders target virtual and augmented reality, which can enhance telemedicine experiences and surgical planning.

Q23. Which technologies have had the greatest impact on your organization's performance over the past two years, and which ones are you prioritizing over the next two years?

**Technologies with greatest performance impact, priority next two years**

| | Impact | Priority two years | Leading industry by priority |
|---|---|---|---|
| AI (including generative AI) | 50% | 75% | Technology, 80% |
| Cloud computing | 44% | 75% | Technology, 90% |
| Cybersecurity and privacy | 42% | 73% | Financial, 88% |
| Virtual collaboration tools | 41% | 41% | Manufacturing, 51% |
| DevOps tools & low/no code platforms | 39% | 54% | Public sector, 58% |
| Internet of Things/sensors | 37% | 44% | Public sector, 53% |
| Digital twins/simulation models | 36% | 45% | Healthcare, 50% |
| Virtual and augmented reality | 35% | 40% | Healthcare, 48% |
| Omni-channel solutions | 33% | 46% | Telecoms, technology, 51% |
| Data management systems | 33% | 61% | Technology, 66% |
| Blockchain | 33% | 36% | Technology, 43% |
| Automation and RPA | 31% | 51% | Public sector, healthcare, 54% |
| Integrated digital enterprise platform | 29% | 41% | Public sector, financial, 49% |

# How IT leaders use latest technologies

The IT department has successfully integrated business process management (BPM) tools to oversee, enhance, and consistently enhance business operations. The results have been highly positive.

**CDO, US, financial services**

We are using augmented reality (AR) and virtual reality (VR) in our organization to improve our training programs, product visualizations, and customer experiences.

**IT leader, Japan, manufacturing**

Advanced data analytics enables us to analyze large quantities of data from multiple sources, identify trends, optimize production processes, and enhance product quality.

**CIO, UK healthcare**

By embracing DevOps, we are able to establish accountability and foster transformation, leading to a swift adoption rate and a competitive edge.

**IT leader, Germany, technology**

By incorporating IoT devices and sensors into the system, data collection and process automation have been seamlessly integrated, leading to enhanced operational efficiency and more effective resource management.

**IT leader, UK, financial services**

Our utilization of edge computing allows for enhanced data processing and storage efficiency, ultimately resulting in decreased latency.

**CDO, UK, manufacturing**

Predictive maintenance powered by IoT and analytics helps us reduce downtime costs by addressing equipment failures before they occur.

**CIO, Canada, public sector**

Cybersecurity enhancements, artificial intelligence, and machine learning integration help in robust security measures to protect sensitive data and maintain business continuity.

**CDO, US, telecoms**

# IT leaders sharpen their focus on technology risk

As digital innovation accelerates, technology risks mount. These can include heightened cybersecurity vulnerabilities as systems grow in complexity and interconnectedness, creating new attack vectors, as well as compliance risks as worldwide regulations shift. Worse yet, technology risks around system failures and supply chains often escalate as organizations expand their dependence on digital infrastructure and ecosystems.

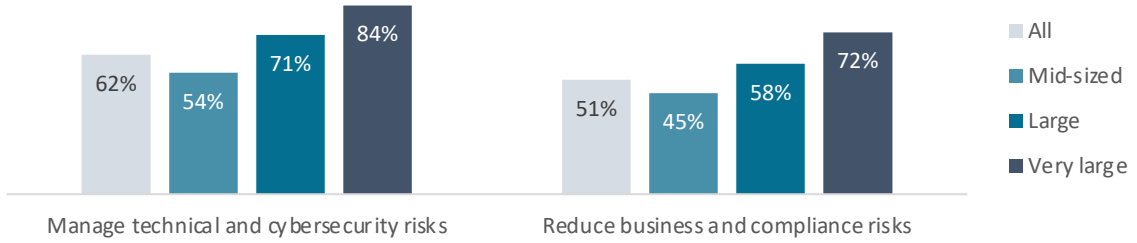
As a result, managing and minimizing risks will become paramount for IT leaders over the next two years**.** Larger organizations, with their more complex and interdependent operations and ecosystems, placer a higher priority on risk management. “Controls need to be built into new technologies at an early stage,” says Sean Dunphy, CIO at Barclays Investment Bank.

Currently, more than 8 in 10 IT leaders have a major or lead role in managing data privacy, cybersecurity, and technical risks, and more than 6 in 10 are responsible or influential in ensuring business resilience and continuity and managing business and compliance risks.

“The IT function is marking an evolutionary change while prioritizing cybersecurity practices more to protect sensitive data and maintain integrity to protect from threats,” says the CIO of a Canadian financial services company. “The primary focus lies in the anticipation of business requirements and the proactive development of suitable solutions.”

Q8. As you look ahead over the next two years, which are your top technology priorities?
Q9. As you look ahead over the next two years, which are your top business/management priorities?
Q14. What is your role in the following organizational and technology activities?
Q15. How is your role changing at your organization?

**Risk management is a top priority over the next 2 years**




**Areas where IT leaders have a major or lead role**

**42%** of IT leaders say they are focusing more on resilience and risk management

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# IT budgets are growing fast to fund digital innovation

To fund their digital innovation initiatives, IT leaders across industries have been steadily increasing their IT budgets. In FY2022-23, they raised their IT budgets by 6.4%, and then by 8.6% the year after. Next year, they plan to continue to boost their IT budgets, this time by 9.6%.

Many IT leaders see a virtual cycle effect from these digital technology investments. They drive greater profits, which can then be plowed back into new technology investments.

**Budgets vary by company size and industry**

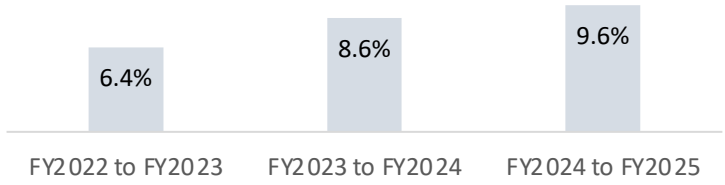
IT leaders at very large organizations, which have deeper pockets, are at an advantage. They have outspent their smaller peers over the last two years and that trend will continue over the next year, when they will augment spending by 14.8% vs. 9.5% by IT leaders in mid-sized organizations.

Spending varies by sector. With ambitious digital plans and relatively high margins, IT leaders in financial services (10.6%) and telecoms (10.5%) plan to spend the most over the next year. Weighed down by lower margins, IT leaders in manufacturing companies will increase their budgets less than their peers in other industries.

IT leaders in the public sector are seeing the greatest spending growth, from 3.9% in FY2022-23 to 9.9% next year. As part of their efforts to course correct, IT leaders in technology companies will moderate their IT spending next year, the only industry to do so.

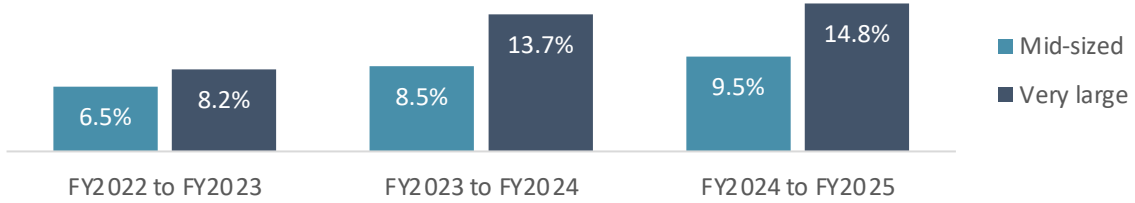
Q24. How much did your organization's overall technology budget change from FY2022 to FY2023 and from FY2023 to FY2024? How much do you expect it to change from FY2024 to FY2025?

**IT budget increases**




> The company's investment in advanced technologies and applications has led to increased profits and enhanced overall performance.
>
> **IT leader, UK telecoms**

**IT budget increases by revenue size**




**IT budget increases by industry**

| | Financial | Healthcare | Tech | Mnfg. | Public sector | Telecoms |
|---|---|---|---|---|---|---|
| FY2022 to FY2023 | 6.6% | 6.5% | 7.6% | 6.3% | 3.9% | 7.0% |
| FY2023 to FY2024 | 8.0% | 8.9% | 9.3% | 9.0% | 7.2% | 9.0% |
| FY2024 to FY2025 | 10.6% | 9.3% | 9.0% | 8.3% | 9.9% | 10.5% |

# 4. Galvanize business performance through AI

# IT leaders see AI as an investment priority—and a game-changer

Over two-thirds of IT leaders believe that AI will radically change how work gets done in their organizations. For data-rich industries, such as technology and financial services, the percentages are even higher, 84% and 76%, respectively.

According to IT leaders surveyed, AI has had a greater impact on their organizations than any other technology investment. Giving these promising results, 75% of IT leaders are prioritizing the wider use of AI over the next two years.

**IT leaders are stepping up AI investments**

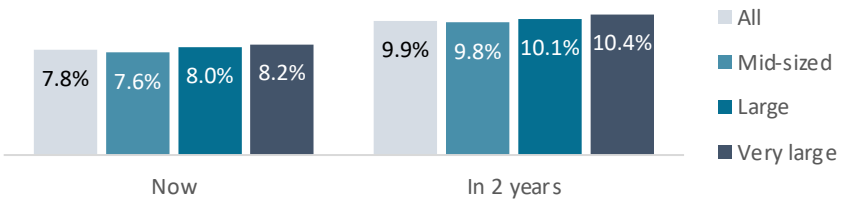
Recognizing the transformative power of AI and its ability to unlock value—particularly as it becomes easier to implement and use—organizations of all sizes and types are racing to put AI to use across many parts of their businesses.

Organizations now invest an average of 7.8% of their IT budgets on AI. Over the next two years, that will jump to 9.9%. IT leaders at larger firms outpace their counterparts at mid-sized (8.2% vs. 7.6%), but not by much. This small gap will persist into the future (10.4% vs. 9.8%), as both mid-sized and larger organizations rush to harness AI.

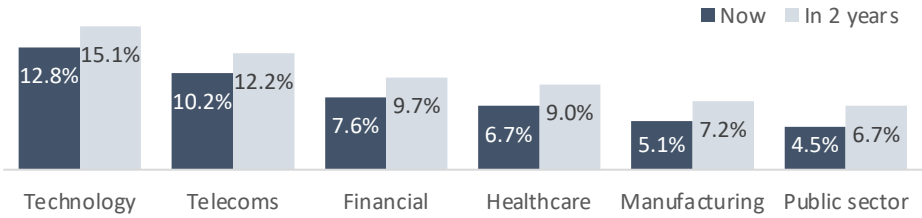
Given their digital sophistication, IT leaders in the technology industry are placing the biggest bets on AI (12.8% of their IT budgets) and will continue to do so over the next two years (15.1%). With the responsible use of AI a major concern for government, the IT leaders in the public sector are investing less than others (4.5%) and will continue to trail over the next two years (6.7%).

Q18. Do you agree or disagree with the following statements regarding how digital technologies will likely transform work in the future? Q23. Which technologies have had the greatest impact on your organization's performance over the past two years, and which ones are you prioritizing over the next two years? Q29. What percentage of your organization's total IT budget is allocated to AI initiatives today and what will the percentage be in two years' time?

**AI investments as % of IT budgets**




**AI investments as % of IT budgets by industry**




**AI is a priority across industries**

| | All | Financial | Health | Tech. | Mnfg. | Public sector | Telecoms |
|---|---|---|---|---|---|---|---|
| AI will radically change how work gets done | 68% | 76% | 67% | 84% | 57% | 58% | 68% |
| Prioritizing AI over the next two years | 75% | 77% | 70% | 80% | 72% | 71% | 78% |

**50%** of IT leaders report that AI had a great impact on performance over the last two years.

**75%** of IT leaders prioritize adoption of AI over the next two years.

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# AI is a high-powered value driver for IT leaders

IT leaders use AI in myriad ways to drive value. They now apply it across their business to solve complex problems, spur growth and innovation, and optimize processes.

Over the last two years, organizations centered on using AI to **reduce costs** and **drive growth.** The CIO of an Indian healthcare firm, for example, told us that AI algorithms helped the company analyze customer data and thereby generate revenue and satisfy customer demands.

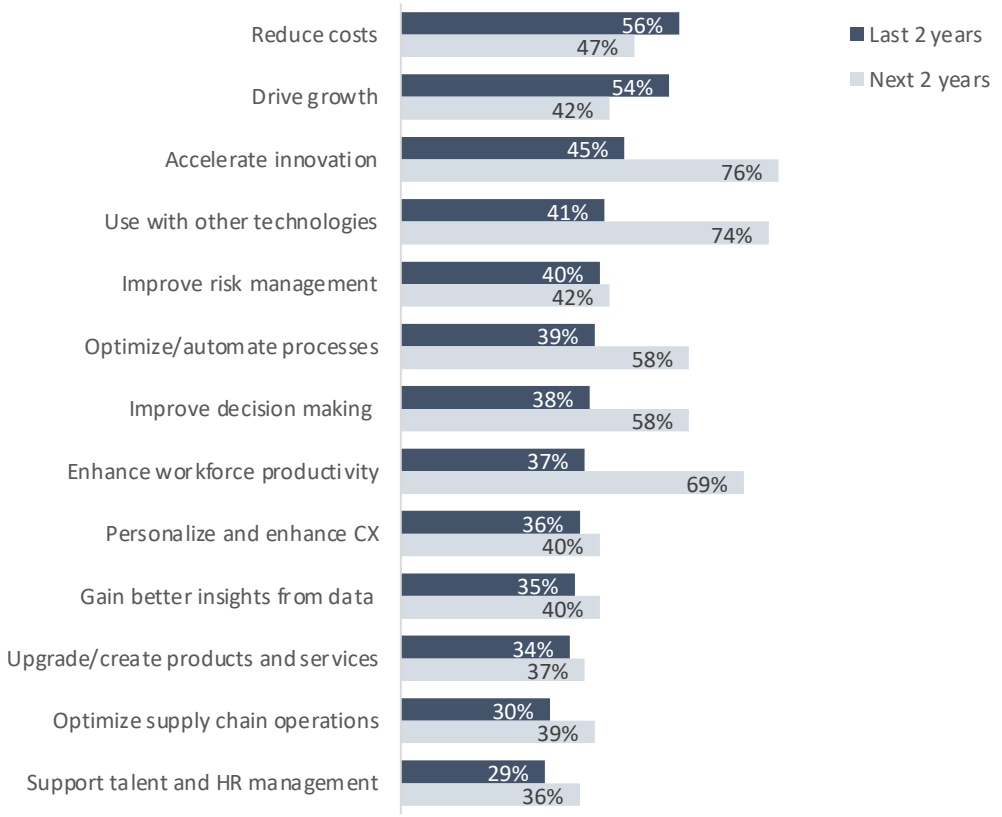
Over the next two years, as IT teams expand their use of AI, other value drivers will rise to the fore:

**Accelerating innovation,** a value driver for 45% of IT leaders over the last two years, is expected to be a benefit for 76% of IT leaders over the next two years. Almost as many plan to unlock greater value by using AI synergistically with other technologies. An IT leader in Japan's public sector spoke of this benefit: "Through automation, data analytics, cloud computing, and AI technologies, the IT function can optimize business processes and create value."

**Operational and workplace benefits**, such as enhanced workforce productivity, optimized processes, and better decision-making, are also slated for growth. The CIO of a US IT firm is already reaping this benefit: "We use AI for workplace planning, as AI can process huge amount of data fast and accurately, allowing for more efficient decision-making and analysis."

**AI-supported supply-chain management** will also create more value, according to IT leaders, as their organizations strive to get better control of byzantine ecosystems. "AI has played a crucial role in optimizing our supply chain, empowering us with real-time inventory tracking capabilities for improved operational efficiency," says the CIO of a German healthcare firm.

**How AI creates value**




Q25. Which are the main ways that you and your IT team have used AI to create value over the last two years, and which are the main ways you plan to use AI over the next two years?

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# Keeping pace with AI's rapid evolution

AI is a swiftly changing life form. IT leaders now embrace all types of AI, including newer types like Gen AI and autonomous systems. The speed of adoption, already quick, is expected to accelerate over the next two years.

Currently, organizations have made the most progress (moderate/significant progress) in the use of digital assistants (71%), RPA (69%), and machine learning (68%). Progress with NLP (67%), Gen AI (61%), and computer vision (58%) has also been swift. Over the next two years, companies plan to make more progress across all AI life forms, especially Gen AI, NLP, and computer vision.

**Rapid uptake of Gen AI**

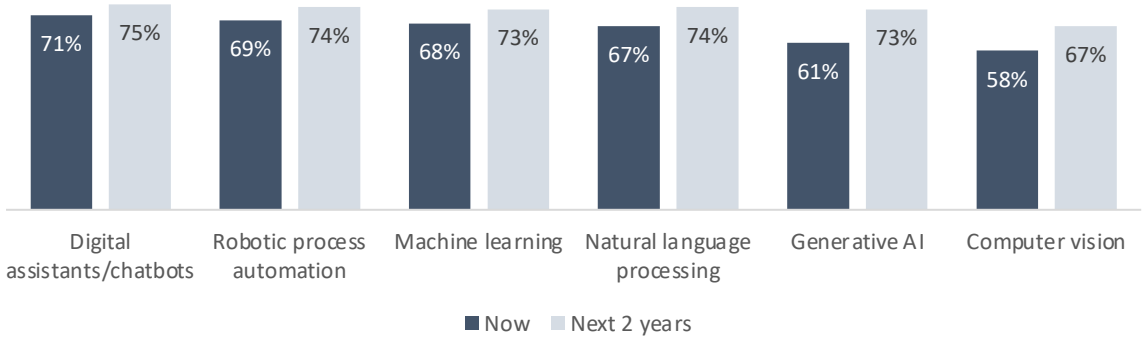
The pace of adoption of Gen AI—which made its market debut in 2022—illustrates the fleetness that IT leaders will need to keep up technological change. Over the next two years, nearly three-quarters of IT teams expect to have made moderate or significant progress in using Gen AI—putting Gen AI usage on par with the other types of AI.

IT leaders are already impressed with the results from Gen AI. The CDO of a Canadian telco reports that Gen AI is enabling the firm to speed product development, improve customer experience, and boost productivity. An IT leader in a French financial institution is enhancing creativity, efficiency, and customer acquisition through Gen AI's flair in generating content.

Very large organizations are well out in front, with 84% making moderate or significant use of Gen AI—rising to 96% in two years. IT leaders in technology and financial services firms are the furthest ahead now, and those in IT and telecoms expect to make the most progress over the next two years, from 63% today to 77% in two years (a 22% growth rate).

Q27. How much progress have you and your IT team already made in implementing the following forms of AI across your organization, and how much progress do you plan to make over the next two years?

**Use of forms of AI (moderate/significant progress)**




**Use of generative AI (moderate/significant progress), by size and industry**

| | All | Mid-sized | Very large | Tech | Financial | HC | Telecoms | Public sector | Mnfg. |
|---|---|---|---|---|---|---|---|---|---|
| Now | 61% | 53% | 84% | 74% | 72% | 67% | 63% | 51% | 41% |
| 2 years | 73% | 64% | 96% | 88% | 83% | 79% | 77% | 61% | 51% |

# IT leaders are implementing a wide array of AI use cases…

AI is a versatile tool that IT leaders use for different tasks. On average, IT leaders report having already implemented 10 AI use cases across four main areas, outline below:

1. **Customers.** Customer service, recommendations, conversational support (via chatbots), and customer intelligence are the top use cases for customers and among the main use cases for AI overall. Says an IT leader with a French manufacturing firm: "By employing AI for customer intelligence and analysis, we can easily understand what our customers desire, enjoy, and anticipate. This helps us tailor our services to meet their needs more effectively."
2. **Employees.** Organizations use AI for employees somewhat less than for customers. The top use cases are workplace planning and analysis, remote working and collaboration, recruitment and onboarding, and training. "By offering efficient training methods using AI, we achieve two significant objectives: conserving resources and enhancing the skills and knowledge of our team members," notes an IT leader with a German IT firm.
3. **Risk and controls.** This is one of the most common areas where AI is deployed. Top uses include data security and privacy, fraud detection, risk management, and performance analysis. In the words of the CTO of an Indian IT firm: "The utilization of AI-enabled risk management tools helps in the evaluation of historical data, which aids in the adoption of quantitative measures to eliminate potential threats and anticipate future opportunities."
4. **Strategy and operations.** Content generation via Gen AI is the top use case in this area. Others are machinery maintenance, supply-chain optimization, and data and process mining. A UK manufacturer IT leader uses AI for supply-chain optimization: "AI has added value to planning, including production, inventory management, and product distribution."

Q26. Which of the following AI use cases have you and your IT team already implemented, and which are you prioritizing over the next two years?

**AI use cases already implemented**

**Customers**

| | |
|---|---|
| Customer service and fulfillment | 46% |
| Recommendations to customers | 43% |
| Conversational support | 43% |
| Customer intelligence and analysis | 41% |
| Self-service interface | 40% |
| Buying experience | 38% |
| Sentiment analysis | 34% |

**Risk and controls**

| | |
|---|---|
| Data security and privacy | 46% |
| Fraud detection and mitigation | 46% |
| Risk management | 44% |
| Performance analysis and reporting | 39% |
| Financial controls and auditing | 38% |
| Regulatory monitoring, compliance | 37% |

**Employees**

| | |
|---|---|
| Workplace planning and analysis | 40% |
| Remote working and collaboration | 39% |
| Streamlining workflows/ productivity | 39% |
| Recruitment and onboarding | 38% |
| Employee training and development | 38% |
| Workplace safety and sustainability | 37% |
| Conversational HR support | 31% |

**Strategy and operations**

| | |
|---|---|
| Content generation/summarization | 46% |
| Machinery/equipment maintenance | 42% |
| Supply chain optimization | 40% |
| Data and process mining | 40% |
| Predictive analysis/scenario analysis | 37% |

# …while mitigating the risks

As AI adoption speeds up, concerns about its ethical, privacy and other risks are escalating. IT leaders must address and mitigate these risks as they implement AI throughout their organizations. To this end, over half of IT leaders intend to focus more on the ethics and governance of AI and other emerging technologies (slide 12).

IT leaders are taking a plethora of steps to ensure the responsible use of AI. Most important is driving data privacy and security, followed by ensuring transparency in AI decision-making. Nearly half are also implementing guidelines for AI handling of personal data.

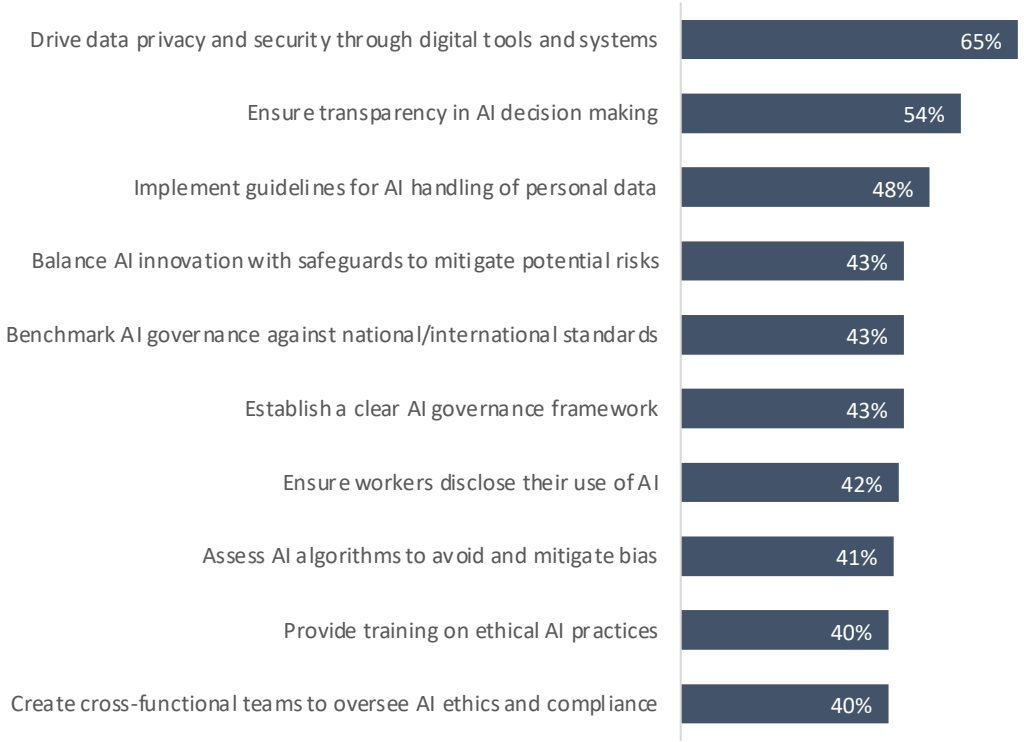
**Balancing the upside and downside of AI**

"We've become more open to taking risks now, as long as we take them very responsibly," says Sam Sahana, Chief Digital Information Officer for the international retail division at Boots Walgreens Alliance. "We have a set of guardrails in place that we are continuously strengthening. We know what customer data we have, where it is, and how we are using it for testing with AI. But we realize that we need to create a more robust framework for ethical use."

Only about 4 in 10 IT leaders, however, are establishing such an AI governance framework, a crucial measure. Other important steps that some IT leaders are taking include assessing AI algorithms, creating teams to oversee AI ethics and compliance, and providing training on ethical AI practices.

Q28. Which steps are you taking to ensure the responsible use of AI in your organization?
Q15. How is your role changing at your organization?

**Top 10 ways that IT leaders ensure the responsible use of AI**




**51%** of IT leaders are focusing more on the ethics and governance of AI and other emerging technologies.

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# AI use cases by industry

### Financial services

Real-time monitoring of organizational operations decreases the likelihood of financial losses due to fraud.
**IT leader, France, financial services**

AI-enabled financial controls and auditing improves investment decision-making and portfolio performance.
**CDO, US, financial services**

### Healthcare/life sciences

Supply chain optimization has made demand for medical supplies and pharmaceuticals predictive, ensuring the critical stocking vital items.
**CIO, France, healthcare**

AI-powered patient data analysis has been most effective, leading to more targeted treatment plans and improved patient outcomes.
**IT leader, Japan, healthcare**

### Technology

Remote working and collaboration can be made more flexible through AI, allowing for work schedules to be managed, work-life balance to be improved, and sensitive data to be safeguarded.
**CIO, US, IT**

We've utilized AI for IT service desk automation, resolving routine user issues faster and freeing IT staff for complex tasks.
**IT leader, Germany, IT**

### Manufacturing

We use AI to analyze real-time data on inventory levels, which assists in reducing storage costs and waste in the organization.
**IT leader, Canada manufacturing**

Maintaining machinery efficiency by using proactive maintenance with the data collected by AI helps us prevent costly downtime and repairs.
**CIO, Japan, manufacturing**

### Public sector

AI-powered chatbots on government websites have significantly reduced call center wait times, improving citizen service accessibility.
**IT leader, France, public sector**

AI-supported data security and privacy provides the protection we need, leading to a stellar reputation among clients, partners, and the business world.
**CDO, Germany, public sector**

### Telecommunications

Our investment in AI-powered network automation has significantly reduced downtime, leading to a more reliable connection for our customers.
**IT leader, Germany, telecoms**

AI-supported data security and privacy is safeguarding sensitive customer data and network infrastructure.
**IT leader, Canada, telecoms**

Q26a. Of the AI use cases you have implemented, which has been the most effective and what benefits are you seeing?

# 5. Align IT operations with business goals

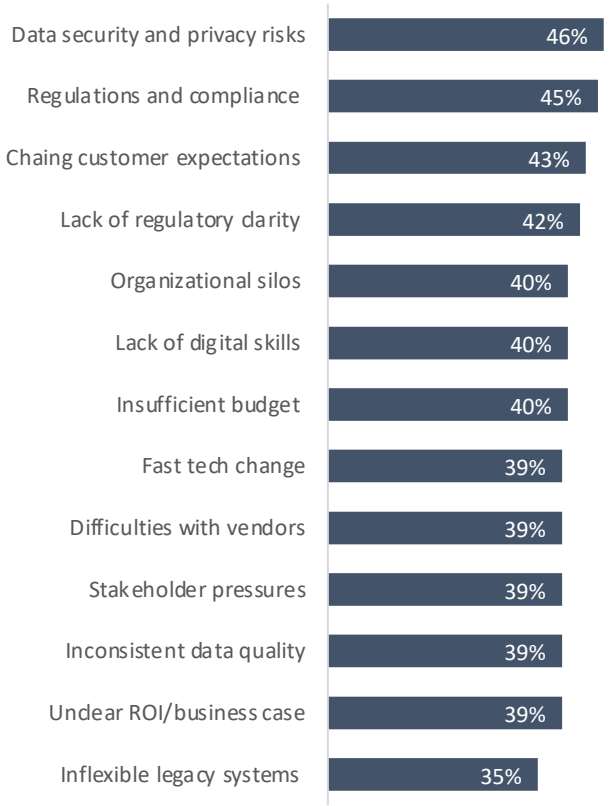
# Building a future-ready operating model

IT teams face many challenges along their digital transformation journey. Some come from outside the organization, such as growing cybersecurity, compliance, and vendor risks, or fast-shifting customer expectations, competitive pressures, and technological advances. Others come from within, such as organizational silos, inconsistent data quality and access, and unclear ROI and business cases.

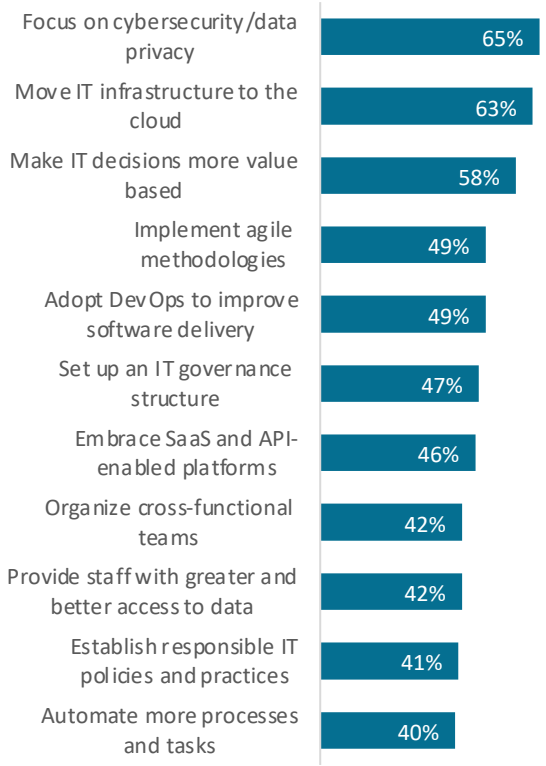
Overcoming these hurdles requires a future-ready IT operating model. Here are five steps that IT leaders prioritize to future proof their infrastructure:

- **Secure infrastructure and data.** About two-thirds plan to sharpen their focus on data security and privacy to protect against cyber attacks as they expand their digital infrastructure and processes.
- **Develop a modern, scalable IT platform.** IT leaders will move their IT infrastructure to the cloud (63%) and embrace SaaS and API-enabled platforms (46%) to scale solutions faster and effectively.
- **Make value-based IT investment decisions.** Nearly 6 out of 10 IT leaders prioritize value-based IT decision-making to ensure their technology investments generate sufficient ROI.
- **Step up speed and agility.** To win in a competitive, fast-moving marketplace, speed and agility are essential. Nearly half of IT leaders prioritize DevOps and agile methodologies like Scrum and Kanban to accelerate software delivery and time to value.
- **Establish an IT governance structure.** Almost half of IT leaders will concentrate on installing an IT governance structure that sets out roles and responsibilities, and about 4 out of 10 are introducing policies to ensure ethical IT practices.

**Challenges inhibiting digital strategy**




**Top steps to ensure operating model is future ready**




Q30. Which are the top challenges inhibiting your ability to advance your organization's digital strategy?
Q21. Which of the following steps are you prioritizing to ensure your IT operating model is future ready ?

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# Turning IT into a hybrid revenue-cost center

Over the last two years, most IT departments operated in one of two ways: as a cost center, with technology treated as an overhead expense for the business, or as a revenue center, striving to grow the top line of the business by developing new products, services, and business models.

**The emergence of hybrid IT centers**

As digital transformation evolves into business transformation, IT leaders are gravitating to hybrid IT centers that pull these two goals together. Under this approach, IT leaders make investments to drive the overall performance of business through revenue growth and cost savings. Successful big tech players, such as Amazon and Microsoft, were some of the first to use hybrid IT centers.

Currently 88% of IT leaders surveyed operate their IT department with a sole focus (cost or revenue) and only 11% as a hybrid center. Over the next two years, the percentage of those with hybrid centers will nearly double (to 19%), as the goals of IT leaders align with those of the management team. While hybrid centers will still be in the minority, the fast rise indicates an emerging trend.

**Very large organizations are already embracing hybrid IT centers**

Over the last two years, 64% of very large organizations with over $10 billion in revenue operated revenue centers, 8% cost centers, and 28% hybrid centers. Over the next two years, IT leaders in very large organizations—bellwethers of future trends—will make a dramatic shift, with hybrid centers jumping to 64%, revenue centers falling to 36%, and cost centers essentially disappearing.

Over the last two years, only a small percentage of organizations in any industry used hybrid IT centers, with technology slightly out in front. Over the next two years, all industries will lift their use of hybrid centers. Technology firms will stay ahead of others, but other organizations will move fast to catch up. For example, the share of hybrid centers among financial services firms will double and those among telecoms firms will triple.

**Type of IT center used in past and future**

| | | All | Mid-sized | Large | Very large |
|---|---|---|---|---|---|
| Last two years | Cost center | 48% | 58% | 37% | 8% |
| | Hybrid | 11% | 10% | 12% | 28% |
| | Revenue center | 40% | 32% | 51% | 64% |
| Next two years | Cost center | 40% | 51% | 27% | - |
| | Hybrid | 19% | 14% | 22% | 64% |
| | Revenue center | 41% | 35% | 51% | 36% |

**Hybrid IT centers, by industry**

| | All | Financial | Healthcare | Technology | Mnfg. | Public sector | Telecoms |
|---|---|---|---|---|---|---|---|
| Last 2 years | 11% | 10% | 13% | 15% | 12% | 13% | 6% |
| Next 2 years | 19% | 20% | 19% | 24% | 22% | 13% | 17% |

Q22. Has the IT department operated as a cost or revenue center (or hybrid) over the last two years? How do you expect it to operate over the next two years?

# Decentralizing IT to empower the business

As organizations push to become digital-first enterprises, a centralized structure can hold them back. To avoid this trap, most IT leaders are decentralizing their IT operations, distributing IT decision-making and resources to different business units, departments, and locations. Under this approach, the role of the central IT department often shifts to a center of excellence that sets IT policies, installs shared systems, and provides advice.

Sean Dunphy, CIO of Barclays Investment Bank, has made this transition. Rather than an executor of technology solutions, Dunphy has become an advisor to business teams seeking to solve problems through technology. “My ultimate goal is to take the shackles off technology so that it can do what it needs to do.”

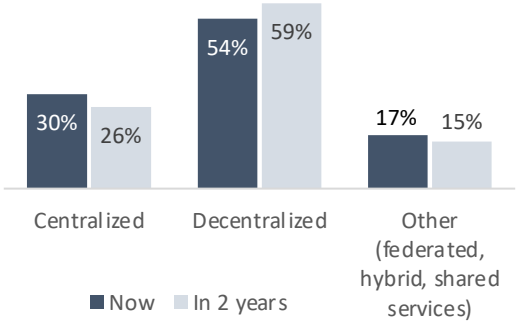
**Liberating digital innovation through decentralization**

Today, 54% of IT leaders operate under a decentralized IT structure; over the next two years the percentage will increase to 59%. This trend is most evident among very large organizations. Currently, 72% of very large enterprises have decentralized their IT organizations, compared to 47% of mid-sized ones. In two years, the percentages will rise to 76% and 54%, respectively.

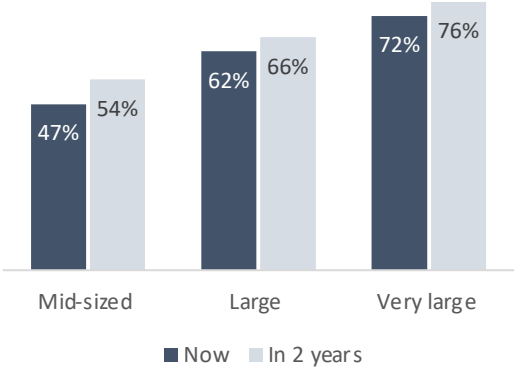
The move to decentralization is sweeping across all industries. Some 63% of the IT teams within technology and financial service firms expect to be decentralized in two years. Manufacturers will take the biggest leap, from 49% decentralized today to 61% in two years.

By decentralizing the IT function, IT leaders will empower business units and divisions to make digital decisions best suited to their needs. The overall aim: instill the organizational agility and innovation mindset needed to succeed in the next stage of digital transformation.

**IT organizational approach, all firms***




**Degree of decentralization, by revenue size***




**Degree of decentralization, by industry**

| | All | Financial | Healthcare | Technology | Mnfg. | Public sector | Telecoms |
|---|---|---|---|---|---|---|---|
| Now | 54% | 57% | 51% | 62% | 49% | 53% | 50% |
| Two years | 59% | 63% | 59% | 63% | 61% | 56% | 54% |

Q20. Which of the following best describes your organization’s IT operating model? Which do you expect it to be in two years?

* Figures may not sum to 100% because of rounding.

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Barclays Investment Bank

# A decentralized, hybrid IT model that eliminates cost and drives new revenue

**Sean Dunphy**

CIO, Barclays Investment Bank

The digitization of investment banking and capital markets has had a profound impact on the role of the CIO and the IT department, explains Sean Dunphy, CIO of Barclays Investment Bank. One major shift has been the IT group's transition from a pure cost center to a hybrid model that drives both cost savings and growth—partly by creating a virtuous cycle that allows the bank to reinvest in innovation and new business. "These days, the only way that a company can invest is to free up capacity from existing funds," says Dunphy. "A good CIO needs to be both an accountant and a technologist. The technology has got to be so efficient that it is taking out mundane costs, allowing money to be put back into more value-added processes within the organization."

This approach can cut across all areas of the organization, including finance, operations—and even real estate, he notes, as technology enables remote working and fewer offices are needed. "You come up with solutions where you can reinvest costs to start driving revenue, where you never had the luxury to do so before," Dunphy says. Customer onboarding is one example of how IT can help drive revenue. "In the past, onboarding could take three weeks, as documents go back and forth with the legal department and everyone signs—and we aren't getting any cash through the door in that time," says Dunphy. "If I can reduce that three weeks to a 12-hour process, we can get revenue in the door three weeks earlier." Similarly, reducing back-office fail rates and resolving them more quickly improves customer satisfaction and boosts revenue, he explains.

"The role of the CIO is evolving very fast," says Dunphy. "Historically, the CIO's role was to execute what senior business stakeholders wanted to get done. But those roles are now reversing: Instead of the business developing a solution and the IT group finding the technology to support it, the CIO is now finding the actual solution to a problem the business is defining. The CIO is now an advocate for technology and telling the business what's possible."

**Infusing IT into the business through decentralization**

To make this kind of contribution, however, IT specialists must be close to the business. To make that possible, Barclays has moved from a largely centralized IT operation to a more decentralized approach, with a center of excellence supported by IT staff embedded in different business units. Those IT specialists report to the business unit heads, while the CIO and center of excellence ensure quality control, consistency of methods, and access to the right tools.

"This is a paradigm shift for us," Dunphy says. "Our people are sitting in the business, and adding real value and generating revenue for the firm because they are able to understand what that business needs," For example, Dunphy says, an IT specialist can more easily find and fix inefficiencies, such as automating market modeling previously accomplished with spreadsheets. "Now, with the press of a button, analysts can do something instantaneously that might have taken weeks," he says.

Dunphy and his team use this problem-solving approach to take the role of IT in revenue generation a step further, with embedded IT specialists formulating new ways of collecting and analyzing data. "Data analytics, data mining, and understanding and predicting trading patterns and market trends as they happen—that's really where this whole business is going," says Dunphy. "Financial cycles are speeding up, and history can be a way of predicting the future. The front office now needs people who understand data and look at trends and spikes in data, more than smart traders who know how to make deals."

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# 6. Engineer the future of work

# Democratizing technology across the enterprise

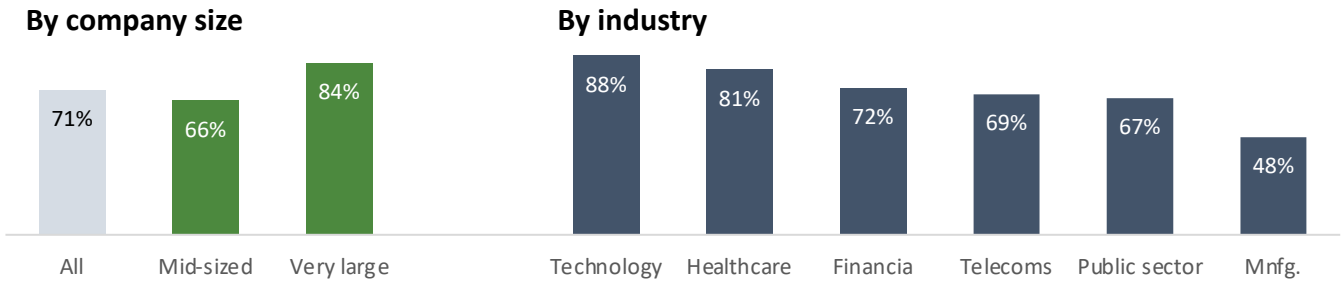
IT leaders need to ensure that the IT literacy of employees keeps up with the speed of digital transformation. Unfortunately, today the digital skills gap is wide: 71% of IT leaders surveyed believe that most employees will require much greater technical and data literacy skills. The percentage is even higher among IT leaders in larger organizations (84%) and in digitally focused industries, such as technology (88%) and healthcare (81%).

To bridge the technical skills gap, 86% of IT leaders now play a lead or major role in building technical knowledge across the enterprise. Slightly more are doing the same for their IT teams. This is a critical step since IT staff will need greater expertise on the latest digital technologies and solutions to implement the next phase of digital transformation.

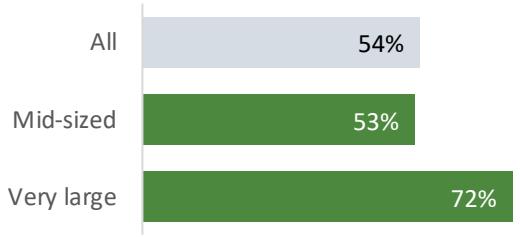
**Providing non-technical staff with tools to succeed**

In addition to digitally upskilling staff, IT leaders provide them with more intuitive digital solutions to make them more self-reliant. Over the next two years, over half of IT leaders plan to prioritize the use of low-code/no-code platforms that democratize software development by allowing non-technical staff to build applications and automate processes on their own. At the same time, IT leaders will focus more on DevOps to streamline the software delivery process and provide staff with better digital tools aligned with their business goals.

**IT leaders agreeing most employees will require much higher technical and data literacy skills**




**IT leaders prioritizing DevOps and low-code/no-code platforms over next 2 years**




**86%** of IT leaders have major or lead role in building technical literacy across the organization.

**89%** have major or lead role in overseeing IT team development.

Q14. What is your role in the following organizational and technology activities?
Q18. Do you agree or disagree with the following statements regarding how digital technologies will likely transform work in the future?
Q23. Which technologies have had the greatest impact on your organization's performance over the past two years, and which ones are you prioritizing over the next two years?

# Recalibrating the human-machine equation

As new technologies are adopted—particularly traditional and generative AI—IT teams will need to adjust the balance between technology and human work. More than two-thirds of IT leaders believe that machines will handle most routine tasks in the future. A similar percentage think that automating routine tasks will free up staff to work on more complex tasks that cannot be delegated to machines. Critical thinking, creativity, emotional intelligence, and judgment are just some of the areas where humans will hold an advantage over algorithms in the view of IT leaders.

Nearly 60% of IT leaders anticipate that many roles at their organizations will be replaced by technology, but that new roles will emerge. These new roles will necessitate that employees develop a higher order of skills that complement what machines will do.

**IT views vary across industries**

IT leaders will need to work with the C-Suite to set the right blend of humans and machines for their industry. Those in healthcare/life sciences have the most extreme view: 68% foresee a disruption in employee roles as technology revolutionizes many areas, from patient care to R&D and diagnostics. In contrast, only 39% of IT leaders in manufacturing expect machines to replace people. Instead of replacing employees, they plan to upskill them to help them adapt to new technologies and digital processes.

IT leaders across industries agree that technology will handle most routine tasks and thereby allow employees to work on more complex tasks requiring human thought and emotion. Technology and financial services firms are the greatest proponents of this view, while manufacturers and public-sector organizations are slightly less sure.

**How digital technologies will transform work**

| | All | Financial | Healthcare | Technology | Mnfg. | Public sector | Telecoms |
|---|---|---|---|---|---|---|---|
| Machines will handle most routine tasks. | 68% | 77% | 65% | 84% | 57% | 57% | 69% |
| Technology will free up people to work on more complex tasks that require critical thinking. | 68% | 76% | 72% | 70% | 54% | 65% | 73% |
| Many roles will be replaced by technology, but new roles will emerge. | 59% | 60% | 68% | 62% | 39% | 61% | 64% |

Q18. Do you agree or disagree with the following statements regarding how digital technologies will likely transform work in the future?

# Recasting how work gets done in the future

IT leaders in our survey expressed strong views on how technology will change the future of work. Seven out of 10 believe technology will make work more efficient and staff more productive. Almost as many envision massive productivity gains thanks to new technologies, such as AI.

As technology makes it easier to work remotely and flexibly, 69% of IT leaders believe that the freelance economy will grow. And 65% think that technology—such as flexible work options, translation tools, inclusive design, and online training programs—will enable firms to attract and support a more diverse pool of workers. IT leaders need to help make this happen by ensuring that digital initiatives are inclusive and accessible to all employees, regardless of their background, abilities, or level of digital literacy.

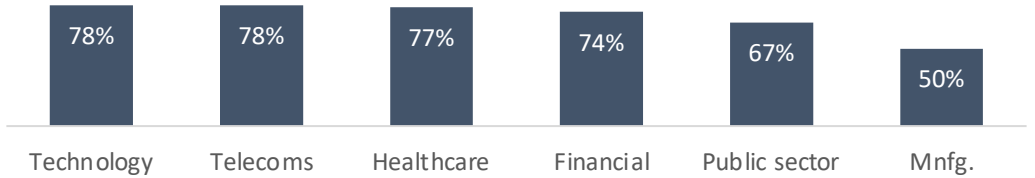
**Preventing digital overload**

IT leaders are also acutely aware of the downside of digital working. Nearly 70% believe that constant connectivity and the pervasive use of digital tools will lead to digital burnout. As part of their remit, IT leaders will need to take steps to prevent such overload and better manage work-life balance, providing platforms for open communication, resources for mental health support, and encouraging healthy habits and boundaries in the digital workplace.

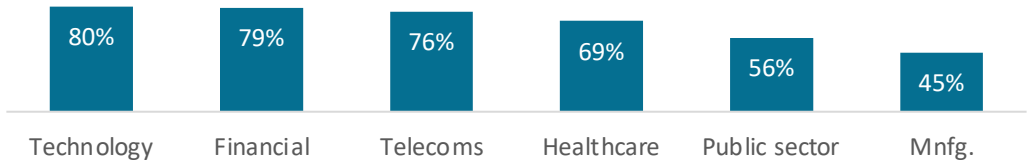
IT leaders in the largest organizations in our study are more strident advocates of the power of technology to transform work. Almost all of them (96%) think that technology will give rise to a freelance economy, which will enable their organization to fill talent gaps. And 72% believe that technology will allow them to do this with a more diverse set of workers. Given the size of their employee pool, 80% of IT leaders in very large organizations believe that technology will lead to massive increases in productivity.

| How digital technologies will transform work | All | Mid-sized | Very large |
|---|---|---|---|
| Working flexibly will become the norm | 71% | 65% | 96% |
| Technology will make work more efficient and staff more productive. | 70% | 65% | 72% |
| Freelance economy will grow as technology facilitates remote work. | 69% | 62% | 96% |
| Constant connectivity and digital tools will lead to digital burnout. | 68% | 63% | 76% |
| Technology will lead to massive increases in productivity. | 67% | 61% | 80% |
| Technology will attract and support a more diverse pool of workers. | 65% | 61% | 72% |

**Technology will make work more efficient and staff more productive**




**Technology will lead to massive increases in productivity**




Q18. Do you agree or disagree with the following statements regarding how digital technologies will likely transform work in the future?

# 7. Build a top-performing IT leadership team

# What top-performing IT leaders do differently

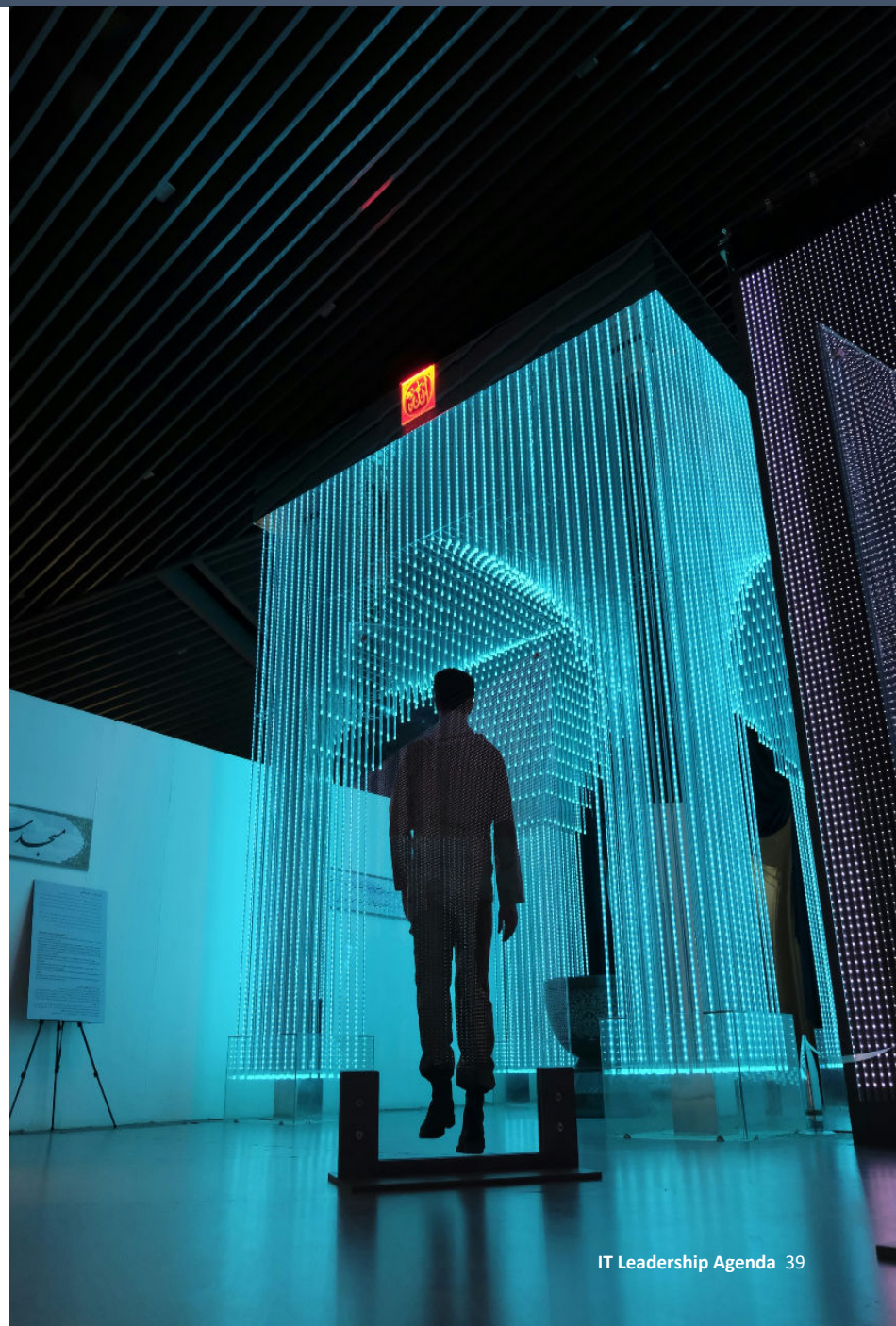
Based on their ability to drive business performance, we categorized IT teams into three groupings: top performers, mid-level performers, or underperformers. Top-performing IT teams generate many more benefits for their organizations (7 or more), from fostering innovation, growth, and financial results to improving operations and risk management. What's more remarkable, they do this without spending more than those in other organizations.

This section highlights what top performers do differently from others in the survey in each area of the IT agenda to achieve their results.

### 1. Set more ambitious priorities and work with the C-Suite to achieve them

Top-performing IT leaders make innovation and speed to market their north star and inculcate innovation into the corporate culture (83% vs. 62% of others). But they don't stop there. They also prioritize driving growth and shareholder value (55% vs. 40%) and customer acquisition and retention (71% vs. 60%), while reducing costs (59% vs. 49%) and risks (59% vs. 48%).

Top performers typically work with more senior executives than their counterparts (5.2 vs. 4.5). With business transformation top of mind, they work more closely than others with the CEO (81% vs. 51%), the Chief Transformation Officer (68% vs. 57%), the CHRO (44% vs. 30%), and heads of business (38% vs. 25%).



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# What top-performing IT leaders do differently (continued)

### 2. Play a broader role in business transformation, with the skills needed to succeed

Top-performing IT leaders take on wider remits that extend to developing products and services (85% vs. 72% of others), ensuring resilience (69% vs. 59%), fostering innovation (67% vs. 58%), managing risks (68% vs. 57%), and communicating with stakeholders (67% vs. 57%). Strikingly, they are much more active in developing digital transformation strategy (81% vs. 64%), crucial for competing in a digital-first business environment.

A broader business remit requires a wider skill set. Top-performing IT leaders have these: innovative thinking (68% vs. 37%), collaborative, interpersonal skills (66% vs. 34%), leadership and communication (60% vs.37%), analytical (56% vs. 36%), business knowledge (51% vs.33%) and strategic planning (56% vs. 31%). At the same time, top performers have greater knowledge of the tools of the trade, most notably IT infrastructure (71% vs. 52%), cybersecurity (68% vs. 52%), AI (64% vs. 47%), IT governance (59% vs. 38%), and software development (58% vs. 35%).

### 3. Excel at value-driven digital transformation

Top-performing IT leaders plan to concentrate on the next round of digital transformation over the next two years (74% vs. 57%). This will involve completing their mainframe exit and modernizing IT infrastructure on cloud (75% vs. 59%), scaling AI across the enterprise (67% vs. 54%) and aligning IT and business strategy (44% vs. 23%).

What sets top performers apart is their ability to extract greater value from technology. Over the last two years, top-performing IT leaders have generated almost twice as much value from technologies than others. These include core technologies, such as cloud (63% vs. 37%), cybersecurity (60% vs. 36%), and IoT (60% vs. 29%), as well as emerging technologies such as VR/AR (56% vs. 27%), blockchain (52% vs. 27%), and quantum computing (34% vs. 17%).

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# What top-performing IT leaders do differently (continued)

### 4. Fast track AI and drive greater benefits

Top-performing IT leaders are more advanced than others in their use of traditional AI, such as machine learning (83% vs. 63%), as well as in emerging forms, such as Gen AI (76% vs. 56%). They also are better at extracting value from AI: accelerating innovation (70% vs. 37%), gaining insights from data (57% vs. 34%), using AI with other advanced technologies (60% vs. 34%); enhancing workforce productivity (56% vs. 31%); optimizing supply chain (48% vs. 24%); and managing risk and detecting fraud (57% vs. 34%).

Top-performing IT leaders are in a better position to fast-track AI because of the progress they have made in mitigating its risks. They are ahead of their peers in a long list of risk management areas, including establishing a clear AI governance framework (65% vs 36%), creating cross-functional teams to oversee AI ethics (56% vs. 35%), ensuring transparency in AI decision making (69% vs. 49%), providing training on the ethical use of AI (55% vs. 35%), requiring workers to disclose their use of AI (56% vs. 37%), and assessing algorithms to mitigate bias (54% vs. 37%).

### 5. Aligning IT operations with business goals

To ensure that their IT infrastructure is future ready, top-performing IT leaders plan to take more steps across people, process, and technology. On the people front, high-performing IT leaders work with business leaders to align technology and business strategies (41% vs. 21%) and organize cross-functional teams to work together on IT projects (56% vs. 37%). On process, they focus on creating an IT governance structure that sets out roles and responsibilities (59% vs. 43%) and establishing policies to ensure responsible IT process (53% vs. 37%). Their technology priorities include embracing SaaS and API-enabled platforms (71% vs. 37%), adopting DevOps (70% vs. 42%), and moving IT infrastructure to the cloud (75% vs. 59%). Over the next two years, twice as many top-performing IT leaders plan to use hybrid IT centers, with their use growing from 12% today to 24% by 2026.

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# What top-performing IT leaders do differently (continued)

### 6. Provide staff with the digital skills and tools to succeed

Driving digital innovation, a top goal of top-performing IT leaders, requires a higher level of digital competency among staff. Nearly 8 out of 10 top-performing IT leaders agree that employees will need much higher technical skills in the future. Top-performing IT leaders go one step further: they provide their staff with the digital tools they need to be more effective and self-reliant. Over the next two years, 52% of top-performing IT leaders will prioritize the use of DevOps to streamline the software delivery process and low-code/no-code platforms to allow non-technical staff to build applications on their own.

Top performers also have a more forward-looking view than others on the impact of digital technologies. More believe that technology will handle most routine activities (75% vs. 66%) and make employees more efficient and more productive (79% vs. 67%). They foresee that it will also free up people to work on more complex, value-added tasks (82% vs. 64%) and help them attract a more diverse workforce (76% vs. 61%).

# ThoughtLab

ThoughtLab is an innovative thought leadership and economic research firm providing fresh ideas and evidence-based analysis to help business and government leaders cope with transformative change. We specialize in analyzing the impact of technological, economic, and demographic shifts on industries, cities, and companies.

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