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HARVEY NASH

The Power of Talent

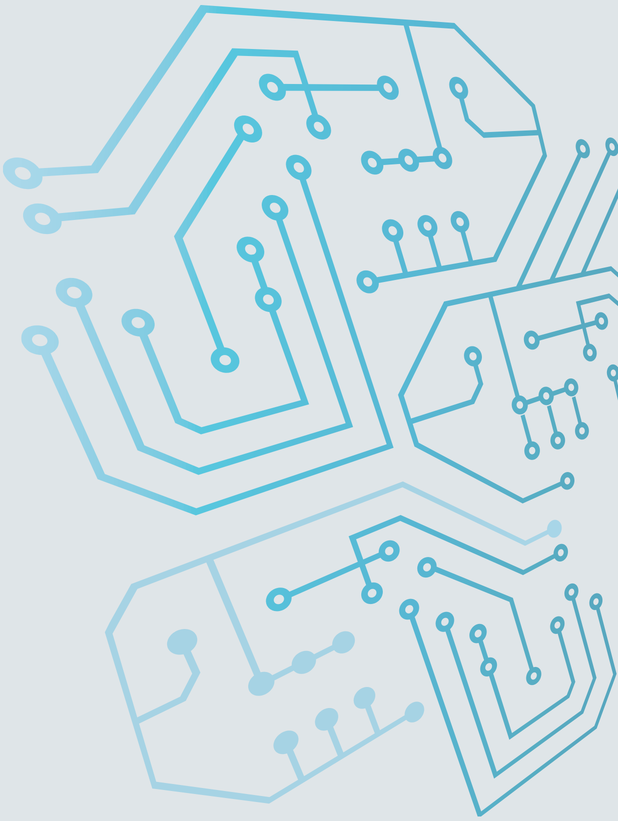
Strategic Insights Survey

An IT Leadership Perspective

sponsored by PA Consulting Group

2009

Contents



media partner: CIO UK

1 Foreword

Welcome to the 2009 IT Leadership Survey

Welcome to our latest publication of the Harvey Nash IT Leadership Survey. Now in its 11th year, this edition has achieved a record 1,345 responses from senior leaders right across Europe.

The level of interest this year clearly demonstrates how important sharing experiences and learning from our peers will be as we all seek to lead our organisations through the current recession.

I would like to thank each of our respondents for taking the time to complete the survey so that Harvey Nash, our partners at PA Consulting and our clients can better understand the challenges today's IT leaders are facing.

Corporations have seen such pressure exerted on them this year that many of our preconceptions about the world and technology may have changed forever. However, the speed and nature of the change has differed across Europe.

So for the first time we have included a country-by-country overview to enable you to compare and contrast how IT leaders from the UK, the Netherlands, Belgium, Ireland, France, Sweden, Germany and Switzerland are adapting to the current economic crisis.

I learnt recently that the word "crisis" in Mandarin is made up of two word characters: "danger" and "opportunity". While no-one can deny that there is obvious risk and danger in our current economic situation, I am drawn in equal measure to the opportunity that currently exists. It seems so too are IT leaders.

In an uplifting conclusion to our analysis this year, we have witnessed IT leaders quickly adapting to the seismic shift in the global economy and proactively seeking opportunities to innovate their way through the downturn. Their objective is not just to survive but to ensure that they, their technology function and their business prosper. After all, it's the best marketing opportunity in years for the technology group within an organisation to really show its entrepreneurial talent.

With insight so important, we hope that this year's survey proves to be even more useful than anything we have produced before. Best of luck with your business this year.

Albert Ellis
Chief Executive,
Harvey Nash

2 Executive summary

> “When economic times are at their worst, you need your top talent working at their best”

A year of change

This year’s IT Leadership Survey by Harvey Nash and PA Consulting has been undertaken during a year of great flux in the global economy. The opinions of IT leaders from across Europe reflect the range and severity of the change.

IT leaders are exhibiting three types of response to the economic climate. Where budgets are stable IT leaders are pursuing a business-as-usual approach, albeit with a slightly more pronounced focus on costs and cash management. Where there is financial pressure there are two prominent approaches. The most prevalent is to “batten down the hatches” by deferring new projects and reducing headcount. However, some IT leaders are being bolder, using lack of cash as a catalyst to stimulate fundamental change in their business, either by innovating with technology or by adopting more agile management techniques.

Retaining talent in a downturn

In their responses from across Europe, IT leaders recognise the importance of retaining a skilled workforce during a recession. This year 67 per cent felt a skills shortage would have a negative impact on their business, up from 61 per cent last year.

However, the emphasis on skills has changed. Investment in acquiring skills is down, especially from overseas, as companies hire less or downsize to adjust to tighter market conditions. There is a greater focus on achieving the most value from existing skills in the business.

Leadership in a downturn

When economic times are at their worst, you need your top talent working at their best to ensure that your business is capable of weathering the storm.

This year’s survey shows that respondents from all over the continent are bearing up well to their responsibilities despite varying levels of experience of managing in a recession. Encouragingly, many IT leaders are able to call on past experience of leading during tough economic times. 72 per cent were leading teams in the 1999/2000 downturn, and 33 per cent had management responsibility during the last major recession, almost 20 years ago, in 1991/92.

IT leaders are being more communicative both up and down the chain. They are reassuring their teams and the business at large, and they are leading by example. They are making tough decisions: 73 per cent changed their IT strategy this year, but change is being managed in a structured and sympathetic way, with a focus on recovery, not panic.

> "Despite budget pressures, base salaries for the top IT leaders remain healthy"

Technology innovation and collaboration

Innovation and collaboration are recognised by IT leaders across Europe as a central approach to reducing the impact of the recession. This year 86 per cent of respondents have been asked by the business to provide technology innovation to aid competitive advantage, and despite pressure on IT budgets the percentage spent on innovation activity remains fairly robust.

Suppliers are still the favoured collaboration partner for innovation activity with more than half, 54 per cent, of respondents having undertaken activity with this group. However, customers now account for almost one-third, 29 per cent, of collaboration activity.

Outsourcing

The drive to cut costs in the short and medium term, combined with the increased flexibility and responsiveness provided by outsourcing in the long term, is behind an ongoing trend of increasing dependency on outsourcing. 76 per cent of IT leaders plan to maintain or increase their outsourcing activity over the next 12 months.

However, expectations of success from offshore outsourcing centres remain mixed. Almost four in ten offshore projects are still not meeting expectations. Therefore, the effective management of outsourcing activity is going to become even more important.

Career and remuneration

A reduction in the churn of top IT talent as a result of the economic downturn was expected going into 2009 and this trend has become evident as economy after economy in Europe slipped into recession.

In an understandable response, the number of IT leaders expecting to move roles within the next 12 months is lower than last year. Currently 20 per cent of respondents think they will be working for a new employer next year, down from just over one-third (35 per cent) last year.

Despite budget pressures, base salaries for the top IT leaders remain healthy with 60 per cent of respondents earning more than €100,000. Remuneration satisfaction and job fulfilment are encouragingly high: 80 per cent of respondents were satisfied or extremely satisfied with their remuneration. It would appear that IT leaders appreciate the continued investment being made in them by their employers, especially at a time when human capital budgets are under intense pressure.

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3 Survey results

3.1 Respondents' profile

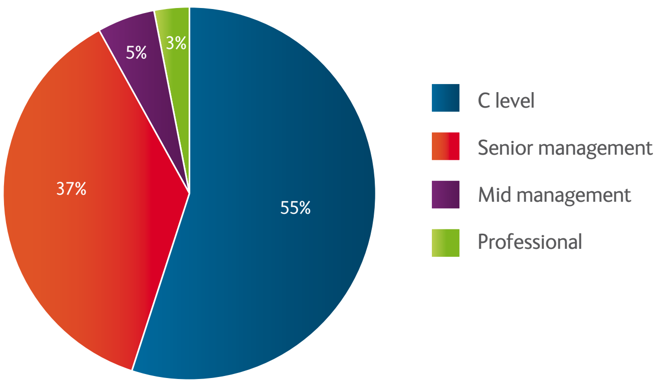
> "The number of respondents to this year's survey was an astonishing 1,345"

The number of respondents to this year's survey was an astonishing 1,345, the highest number of IT leaders ever to contribute from across Europe, and one-third more respondents than last year.

3.1.1 Job roles

92 per cent of respondents were C-level executives or senior managers responsible for a wide variety of technology functions.

Figure 1. Breakdown of respondents by job function

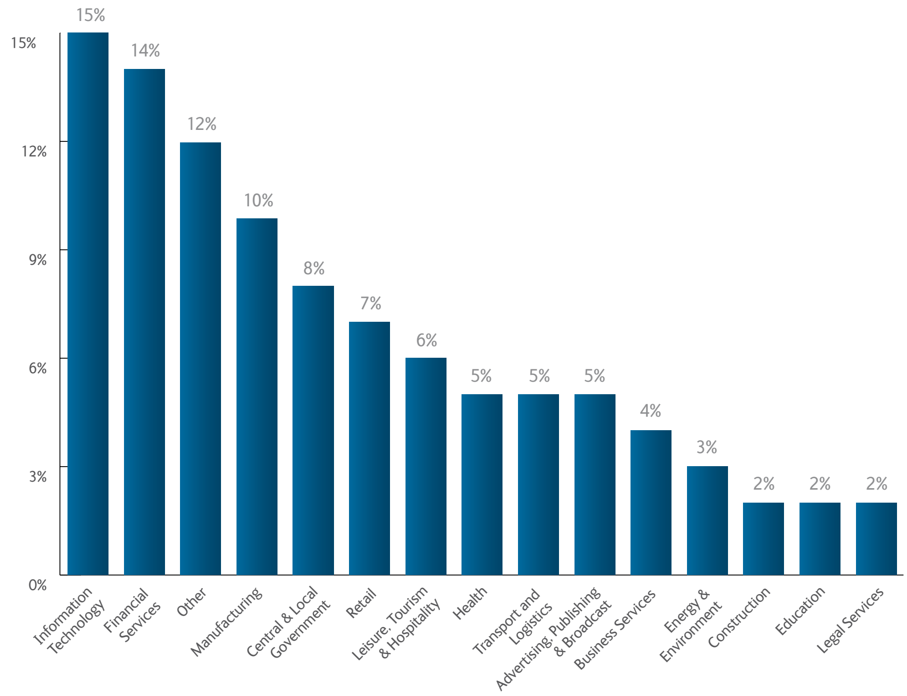


3.1.2 Industry sector

The respondents also came from a wide range of industry sectors, with the largest group (15 per cent) working in the IT industry itself. Similar to previous years, and in spite of the global credit crunch, the next largest group came from Financial Services, with Manufacturing and Government making up the other larger sectors represented.

> "The growing influence of the CFO in reporting lines for technology leaders"

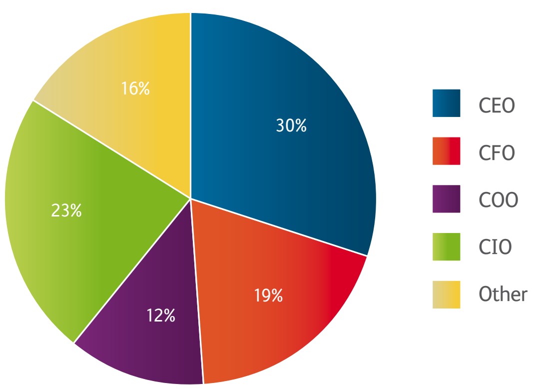
Figure 2. Top industry sectors



3.1.3 Reporting lines

Those reporting directly to the CEO constituted 30 per cent of the respondents, a drop of 6 per cent compared to last year's survey results. Following the CEO, the CFO was the next most reported to at 19 per cent, a 5 per cent increase from last year. The growing influence of the CFO in reporting lines for technology leaders is an example of the growing importance of financial managers within a recession economy.

Figure 3. Reporting lines of respondents



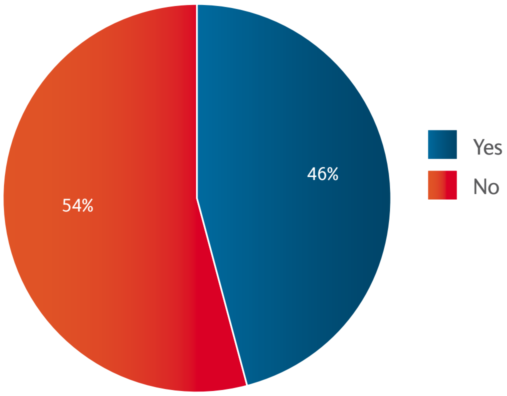
3.1 Respondents' profile

> "In 2009 less than half the respondents were members of their operational Board"

3.1.4 Board membership

In 2009 less than half the respondents were members of their operational Board. This reflects no movement since 2007 when the representation of IT leaders on the Board seems to have peaked.

Figure 4. Board membership



3.1.5 Geographic location

Respondents to this year's survey come from across Europe, with IT leaders from the UK, the Netherlands, Ireland, Germany, Belgium, Switzerland, France and Sweden all contributing heavily.

With an 11-year track record for conducting the survey it is unsurprising that over half (61 per cent) of the respondents came from the UK. However, both the Netherlands and Ireland contributed strongly to the respondent profile with 12 per cent and 11 per cent of respondents respectively. The remaining countries made up the approximately 20 per cent of the remaining respondent population.

3.2 Responsibilities

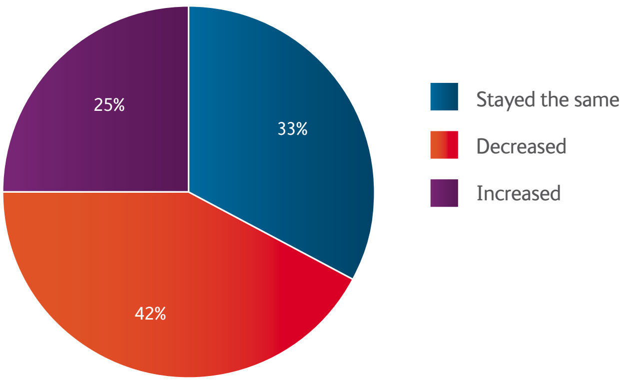
> "42 per cent of respondents reported a decline in their IT budget during the last 12 months"

3.2.1 IT budget

The median IT budget for respondents was in the €1m to €10m (£929,000 to £9.29m) category. 10 per cent had a budget of between €100m and €1bn (£92.9m to £929m) while 5 per cent of IT leaders had responsibility for an IT budget of more than €1bn (£929m).

42 per cent of respondents reported a decline in their IT budget during the last 12 months. This is far more than in 2008 when only 17 per cent of respondents reported a declining budget. It is clear that the global credit crunch and the resulting economic slowdown is having an impact on IT budget responsibility. However, it should be noted that one-quarter (25 per cent) of respondents reported an increasing IT budget despite many countries entering serious recessions.

Figure 5. IT budget change



When asked to provide an indication of the anticipated health of their IT budgets 12 months into the future, almost half (48 per cent) believed their budgets will have decreased. This is up by 6 per cent from the situation today where 42 per cent of respondents are currently experiencing declining budgets. A resilient 18 per cent of IT leaders expect to see further increases in their IT budgets in 12 months time.

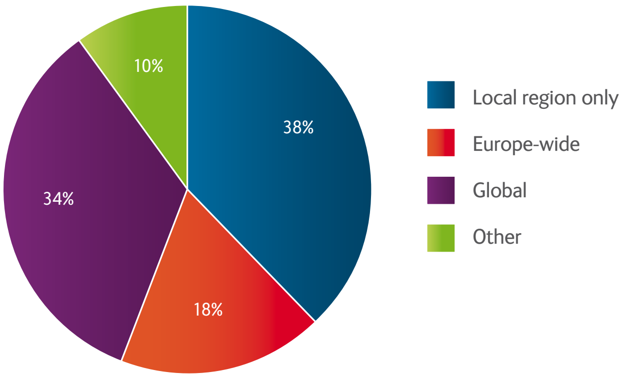
3.2.2 Geographic responsibility

Possibly because of the seniority within the respondent base, only 38 per cent of respondents had a level of responsibility that ended within their local region. 52 per cent had authority that reached across the European continent or globally.

3.2 Responsibilities

> "...more IT leaders in 2009 felt the role of the CIO was becoming increasingly strategic"

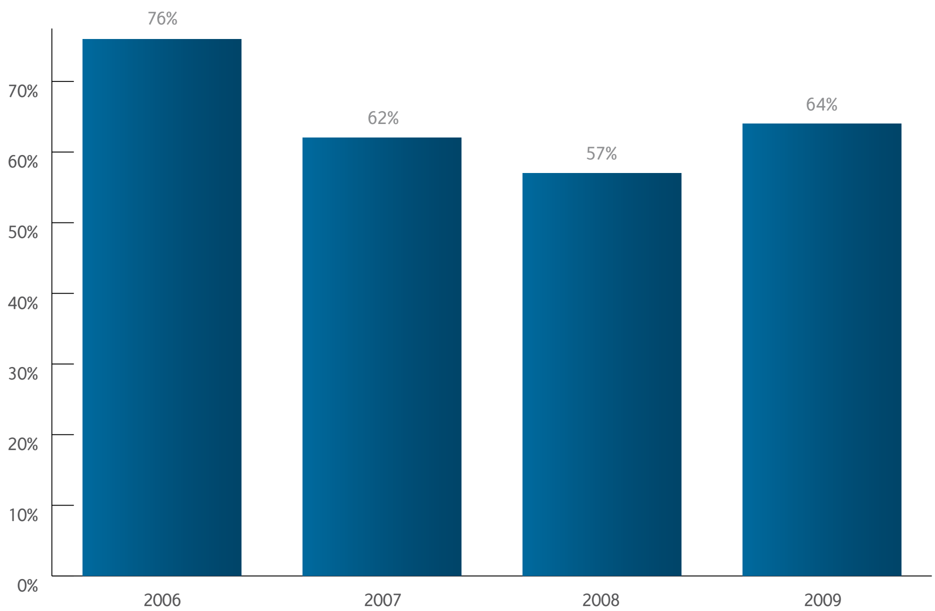
Figure 6. Geographic responsibility



3.2.3 Strategic responsibility

In a reversal of a three-year trend, more IT leaders in 2009 felt the role of the CIO was becoming increasingly strategic. The chart below shows this erosion from a high in 2006, followed by a return to prominence this year. It is interesting to note that IT leaders feel their responsibility more strategically in tough economic trading compared to the 'good times'. More on this later.

Figure 7. Strategic responsibility



> "...the most important business issue the Board is looking to technology to address during the current economic downturn is 'cost saving'"

3.2.4 Key issues for IT

By a significant margin, the most important business issue the Board is looking to technology to address during the current economic downturn is 'cost saving'. 84 per cent of respondents outlined this as their primary responsibility, while 'collaboration to improve operational efficiency' was the second most important issue. Innovation dropped from a priority that 51 per cent of respondents were focused on in 2008 to 44 per cent today. This is expected to a large degree because resources will be channelled into activity that helps increase efficiency and ensure survival during a downturn, rather than investing in new initiatives.

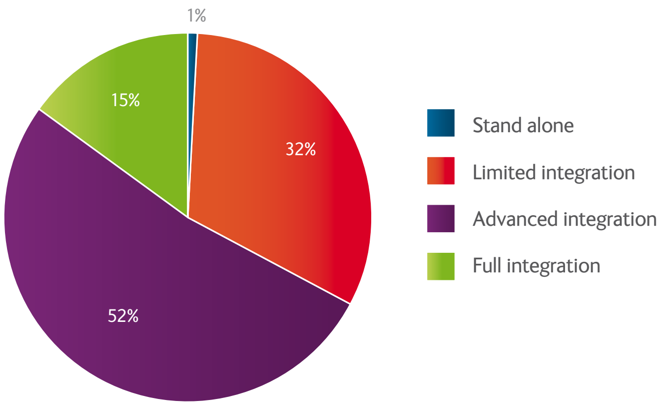
Figure 8. Key issues for IT to address

Cost saving	84%
Collaboration tools to increase operational efficiencies	46%
Innovation	44%
Internet to improve business processes	36%
Improving price competitiveness	34%
Developing new products	31%
Entry to new markets	28%
Responding to globalisation	19%
Other (misc)	8%

3.2.5. IT integration

IT integration with the business continues to be a priority and, encouragingly, continues to improve. This year 67 per cent of respondents identified IT as having achieved advanced or full integration with the business. This is 10 per cent higher than the 2008 level.

Figure 9. IT integration with the business



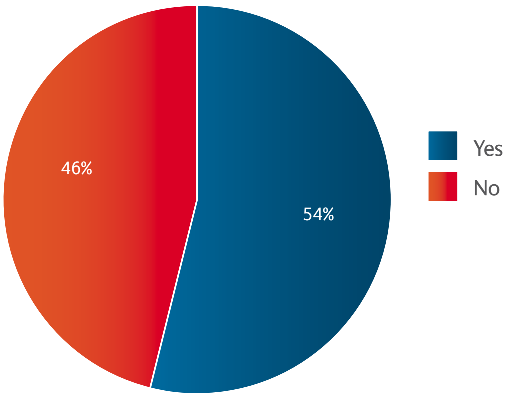
3.3 Skills

> Over half of the respondents, 54 per cent, believe that their business suffers a skills shortage

3.3.1 Skills shortage

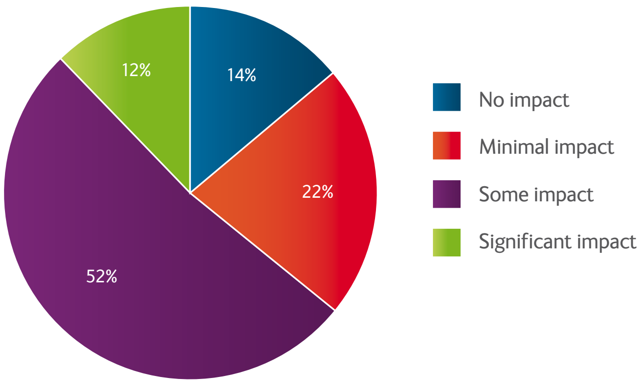
Over half of the respondents, 54 per cent, believe that their business suffers a skills shortage. This is down from a high of 71 per cent last year.

Figure 10. Does your business suffer from a skills shortage?



While fewer respondents felt there was a skills shortage this year, of those that did feel their organisation was lacking some IT skills the impact was seen to be more pronounced. One explanation for IT leaders fearing a greater impact as a result of skills shortage could be that in a year of difficult economic trading the margin for error is much smaller. If those IT skills that are in short supply can be the difference between a business unit surviving or failing, then they will be keenly sought.

Figure 11. What financial impact will this skills shortage have on your business?



This year 64 per cent felt the skills shortage would have a negative impact on their business: this is up from 61 per cent last year. Those skills that were felt to be most lacking were project delivery and business analysis skills, 39 per cent of respondents felt these skills were under-represented in their organisations. While still technical in nature, these skills are also seen as more business centric and are often internal resources rather than being managed as an outsourced solution.

“ Views are shifting rapidly on the value of skills migration ”

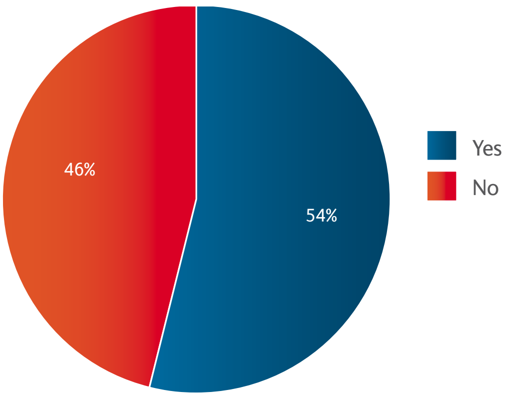
Figure 12. Skills most in demand as a result of shortage

Project delivery	39%
Business analysis	39%
Architecture	32%
IT strategy	28%
Business relationship management	28%
Service management	20%
Development	19%
Testing	18%
Security	16%
Other	7%

3.3.2 Skills migration

Views are also shifting rapidly on the positive value of skills migration. When asked “Do you believe skilled migration from abroad can help fill your skills gap?” 54 per cent responded "Yes". This is down from 72 per cent last year.

Figure 13. Do you believe skilled migration from abroad can help fill the UK skills gap?



This decline has a number of possible contributors: firstly, there is less demand for skills this year (which we have already seen in section 3.3.1.). Secondly, where there is demand for skills, organisations would appear to prefer to source talent locally rather than look to migrate the best talent from overseas. With increased job losses across most sectors there is more talent in the local market to choose from.

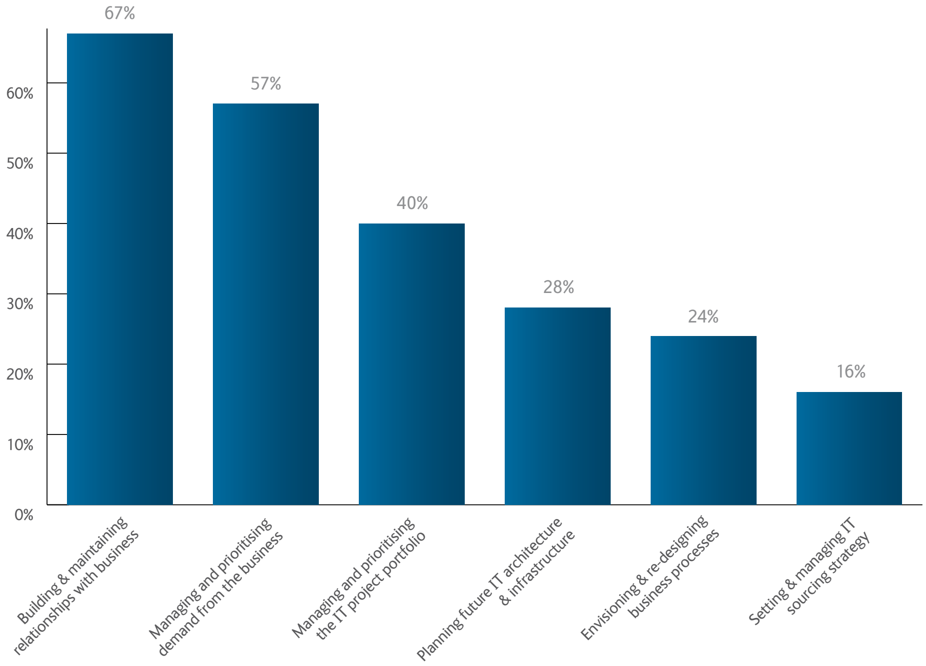
3.3 Skills

> ...having people who could work effectively with the business and ensure that the business achieved value from IT investment was essential

3.3.3 Staff skills

When asked to rate what skills they considered to be very important within their own team, the respondents indicated that having people who could work effectively with the business and ensure that the business achieved value from IT investment was essential. Technical IT ability remained important, for example 40 per cent believed managing the IT project portfolio was crucial, but it was secondary to delivering business value in a tight fiscal environment.

Figure 14. Most important skills in IT team



Rating their team's effectiveness within these same capabilities, the respondents indicated a significant shortfall between the importance the IT leader placed on the attribute and the proportion of staff the leader felt excelled in the discipline.

Figure 15. Percentage of staff rated good or excellent in key skills

	Good / Excellent
Building and maintaining relationships with business	66%
Managing and prioritising the IT project portfolio	64%
Planning future IT architecture and infrastructure	63%
Managing and prioritising demand from the business	59%
Setting and managing IT sourcing strategy	55%
Envisioning and re-designing business processes	41%

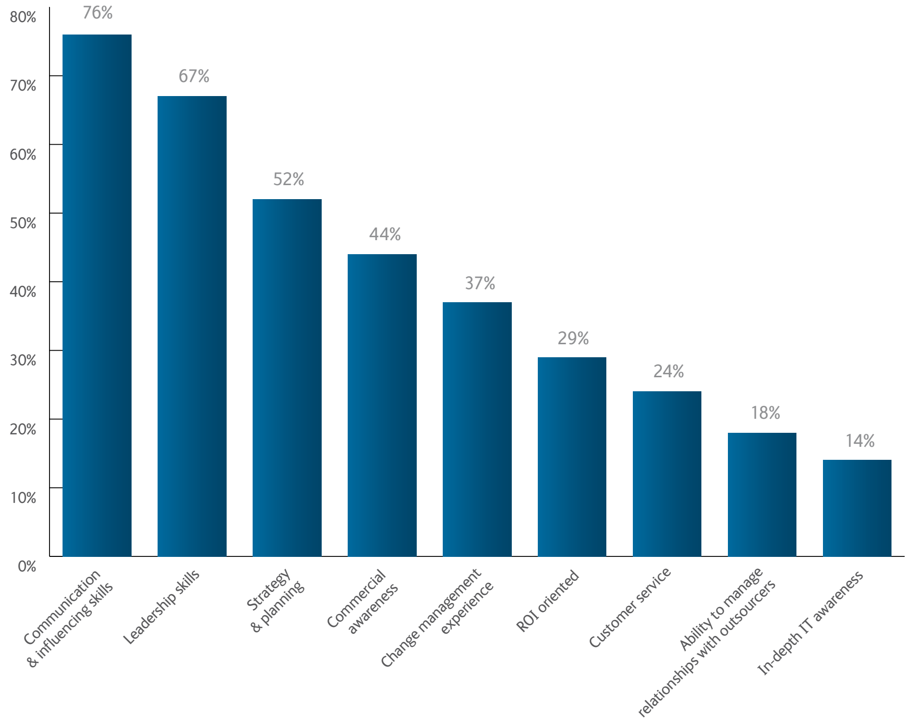
> Is a different type of skill needed to communicate and lead during difficult years?

At best, there was a shortfall of one-third in the capability of the team versus the IT leader's aspiration for their team's ability. When it came to re-designing business processes for the organisation, almost 60 per cent of the IT team's skill was deemed to be below acceptable standards by the respondents.

3.3.4 IT leadership skills

When the respondents were asked to examine their own skills and identify the most important ones, the top three responses considered essential were all soft skills commonly associated with business and management capabilities – communication skills, leadership skills and influencing skills.

Figure 16. Essential skills for IT leaders



The skills identified as most important this year are the same as the ones prioritised last year. While the results are the same, it is interesting to ponder whether the rationale behind the decision has changed because of the changing economic environment.

Communicating a business and technology vision during good economic years is certainly important and requires skill. However, we must pose the question: Is a different type of skill needed to communicate and lead during difficult years?

In a new section to the survey this year, the traits needed to lead during a downturn are explored.

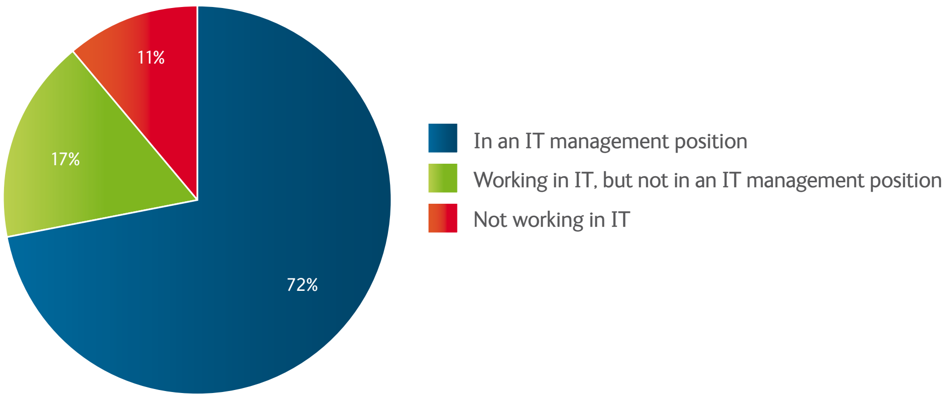
3.4 Leadership in a downturn

> "Leadership in a downturn requires a different approach to leading during buoyant trading"

3.4.1 Leadership experience

Leadership in a downturn requires a different approach to leading during buoyant trading. Different skills are brought to the fore and different decisions often need to be made. An initial quality to consider is the role of prior leadership experience during difficult economic times. Institutional knowledge on how to maintain morale while trading is depressed can clearly be valuable to an organisation.

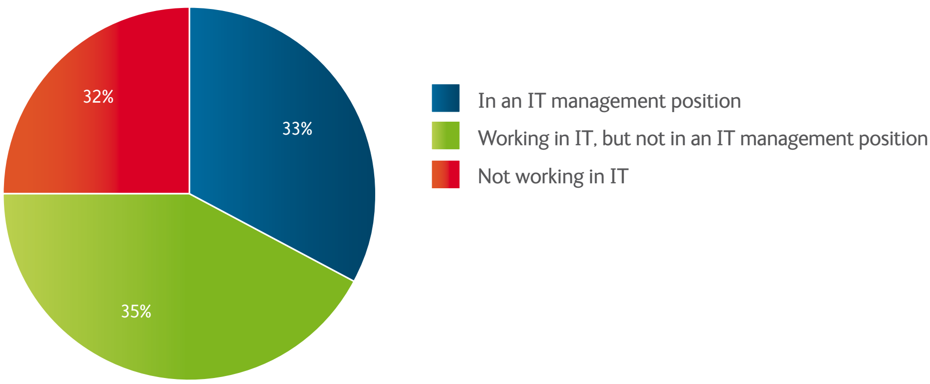
Figure 17. Experience gained during economic downturn of 1999/2000



Encouragingly for many organisations, almost three-quarters (72 per cent) of current IT leaders were in a management position during the technology-driven economic downturn at the turn of the century. This should provide a degree of experience of leading during difficult times that can be utilised in the current environment.

However, the current recession is considered to be significantly more serious than the bursting of the dot-com bubble and the resultant downturn in 1999/2000. Looking further back, the last major recession occurred in 1991/92. In this example far fewer of today's IT leaders were in a position of responsibility.

Figure 18. Experience gained during economic recession of 1991/1992



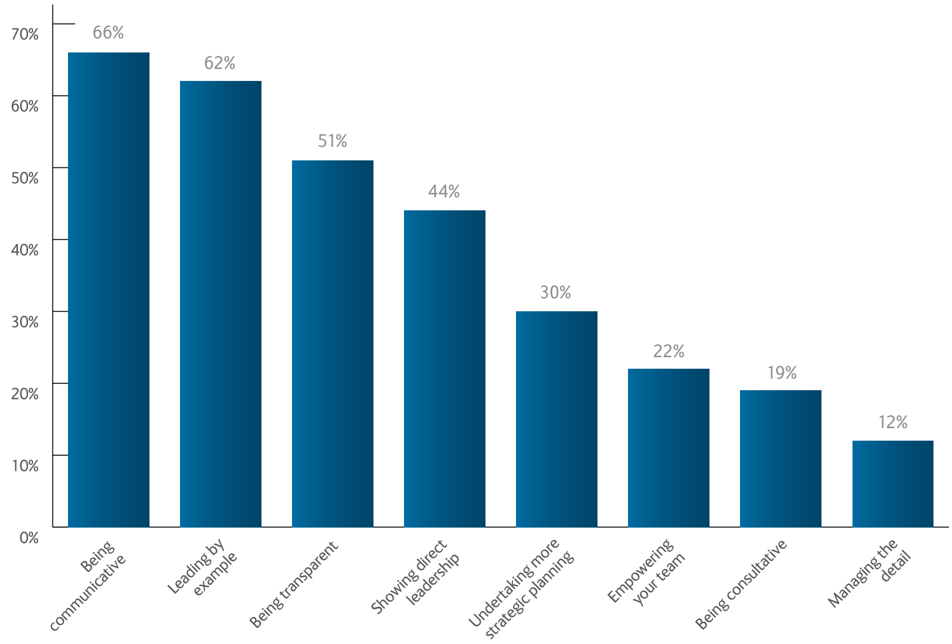
> 35 per cent of today's leaders were working in the IT function during the last recession

During the 1991/92 economic cycle, one-third (33 per cent) of today's IT leaders were in a position of responsibility and will be able to use their knowledge of leading through that recession to better prepare their teams for the economic uncertainty today. 35 per cent of today's leaders were working in the IT function during the last recession but did not have leadership responsibility, while a further 32 per cent were not working in technology at all.

3.4.2 Leadership skills for a downturn

Inferred within the earlier section on general leadership skills was that IT leaders would consider the changed economic environment when thinking about their critical skills. However, to avoid doubt it was felt appropriate to ask a specific question about which skills became more important during an economic downturn.

Figure 19. Skills deemed more important in a downturn



Similar to the generic leadership skills already identified, the respondents placed greater prominence on communicating and leading by example during a downturn. In addition, over half (51 per cent) said being transparent was more important in a downturn and just under half (44 per cent) thought that being more direct in their management style would improve their leadership ability in the current circumstances.

3.4 Leadership in a downturn

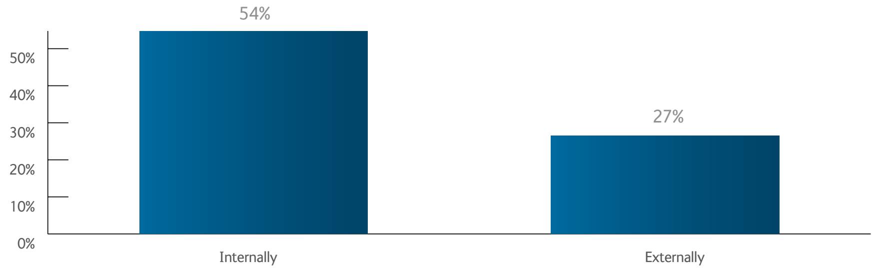
> "The extent of economic change being thrust on companies and their technology departments is forcing a major change in thinking"

3.4.3 Personal brand in a downturn

The role of a leader's personal brand has been explored in a previous Harvey Nash research report. However, it was felt that during an economic downturn, an IT leader's personal characteristics, their 'brand' essentially, becomes more important to how they manage the pressure of leading a team through turbulent economic times.

When asked how important they thought their personal brand would be during the current downturn, over half (54 per cent) said it would be very important while only 1 per cent said it was not important. When asked what impact their personal brand would have externally – in the market and with suppliers – to help manage the company's interests during a slowdown, 27 per cent of respondents thought their brand would be very important, while a further 42 per cent thought it would be important.

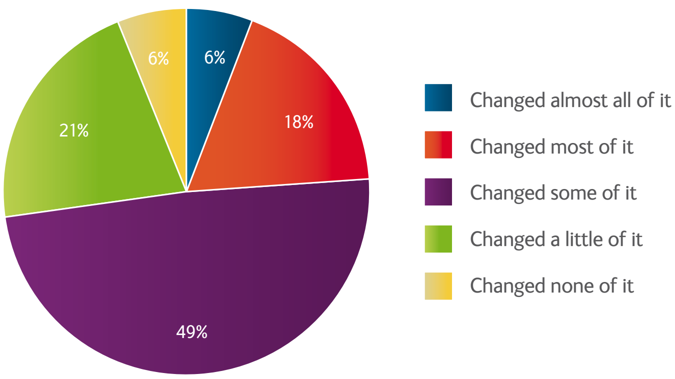
Figure 20. It is very important to have an effective personal brand during a downturn



3.4.4 Downturn strategy

When asked if they had changed their existing IT strategy to adapt to the rapidly changing economic conditions, only 6 per cent said they had not changed any of their activities or plans.

Figure 21. Changes to IT strategy as a result of the economic downturn



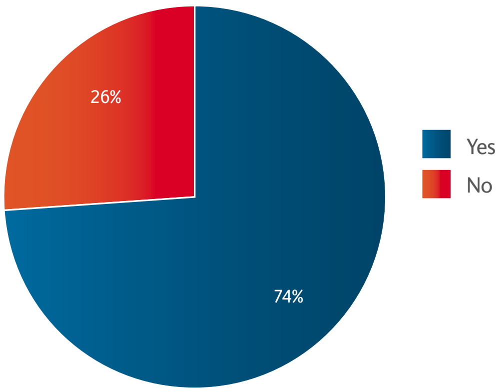
The largest group, 49 per cent of respondents, had adapted their strategy to some extent to manage new economic pressures, while 24 per cent had changed most or all of their strategy. With almost one-quarter of respondents taking significant action, the severity of the problems being faced seems clear. The extent of economic change being thrust on companies and their technology departments is forcing a major change in thinking.

> "Technology as a tool for changing the way the firm operates was also adopted by 24 per cent of respondents"

3.4.5 IT as the change agent

Respondents certainly feel the winds of external economic change buffeting their organisations. However, there are opportunities as well as threats in the current environment. Through a combination of efficiency savings and introducing new modes of working, IT leaders by an overwhelming majority see the opportunity to contribute to the future direction of their company while it navigates through uncharted economic times.

Figure 22. Is the recession a good opportunity to raise the profile of IT?



There are a number of ways that respondents think the technology function can act as the change agent for their business and make a positive contribution to the ongoing health of it.

Figure 23. Change strategies implemented by technology function in a downturn

	Strongly agree
New processes that increase efficiency and reduce costs	34%
New ways of working together within the firm	24%
New channels and IT enabled interactions with customers	23%
New ways of understanding customer needs through business intelligence	15%
New ways of working with suppliers	10%

More than one-third of respondents (34 per cent) agreed that "new processes to increase efficiency and reduce cost" have been successful at enabling the technology function to be a catalyst for positive change.

Technology as a tool for changing the way the firm operates was also adopted by 24 per cent of respondents in their approach for raising the profile of IT during the recession, while 23 per cent adopted the same approach for changing the customer experience and fostering loyalty within key groups.

3.5 Innovation and collaboration

> “86 per cent of respondents have been asked by the business to provide technology innovation”

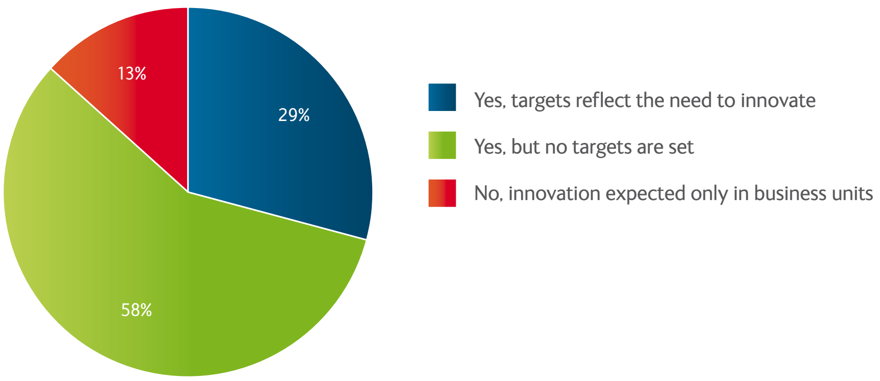
As seen in the previous section, IT leaders are using their skills, the ability of their teams and the turbulent environment to reshape the role of technology in their companies. Innovation & collaboration will be key ingredients in making this transformation successful. As we mentioned last year, “IT has always held the promise of delivering more than just a support function, of being a business driver” and today this is more relevant than ever.

In last year’s survey, we looked at IT innovation and the role it had to play as a driver for business growth and value creation. This year the reasons to innovate may have changed but the demand has not.

3.5.1 Demand from the business for IT innovation

86 per cent of respondents have been asked by the business to provide technology innovation that aids competitive advantage. However, only 29 per cent have undertaken innovation in a structured way with targets and strategic planning.

Figure 24. Demand from the business for IT innovation



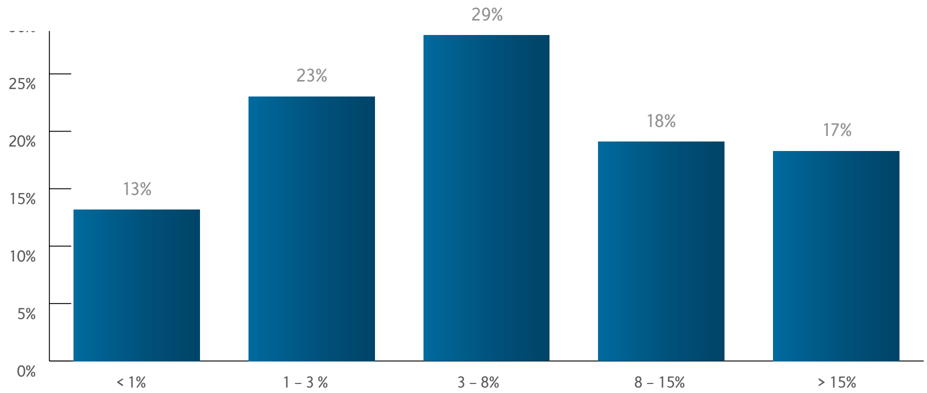
These results are similar to those from last year when 28 per cent of respondents were innovating with targets and 55 per cent were innovating without. The results of innovation are also in line with previous years and remain mixed. Only 14 per cent felt their innovation had been very successful, although 62 per cent said they were having reasonable success. Almost one-quarter, 24 per cent, admitted to experiencing limited success and facing a range of challenges when approaching innovation.

3.5.2 Innovation investment

From previous Harvey Nash research, undertaken over a number of years, we have seen that the amount invested in innovation activities correlates directly to the level of innovation success. Planning and benchmarking for success are also important, but without resources, innovation will normally fail.

> Despite pressure on IT budgets the percentage spent on innovation activity remains fairly robust

Figure 25. Proportion of IT budget allocated to innovation

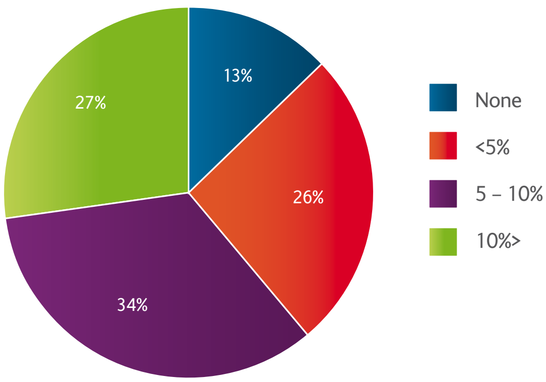


The 17 per cent of respondents who are investing more than 15 per cent of their IT budget in innovation activities are expected to enjoy more innovation success. Conversely, the 13 per cent who allocate less than 1 per cent of their IT budget will be likely to experience the most disappointment with innovation results.

Despite pressure on IT budgets the percentage spent on innovation activity remains fairly robust. This year, 35 per cent of respondents were investing more than 8 per cent of their IT budget in innovation, compared to 42 per cent of respondents in 2008. Considering the scale of the macroeconomic challenge being faced, it is encouraging to see so many IT leaders innovating their way to recovery.

Rewards for innovation investment are also being enjoyed. Almost one-third, 27 per cent, are enjoying more than 10 per cent ROI from their innovation activities this year while over half the respondents, 61 per cent, are achieving an ROI of 5 per cent or more.

Figure 26. ROI from innovation investment



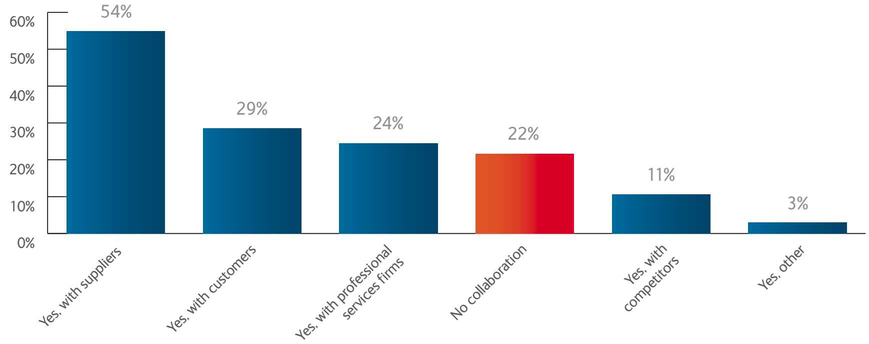
3.5 Innovation & Collaboration

> "The importance of collaboration has never been more defined"

3.5.3 Innovation collaboration

The importance of collaboration has never been more defined. There is certainly a sense that 'we're all in this mess together'. Many IT leaders are looking to collaborate with stakeholders across their business activity to squeeze growth out of a stagnant market.

Figure 27. Collaboration partners



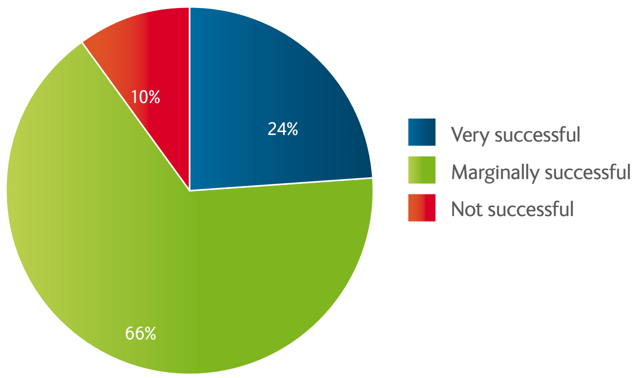
While one-fifth of respondents still claim not to collaborate, the desire to work with others towards shared goals is now firmly established. Suppliers are still the favoured collaboration partner with more than half, 54 per cent, of respondents having undertaken activity with this group. Customers now account for almost one-third, 29 per cent, of collaboration activity.

11 per cent of respondents have collaborated with competitors, reinforcing the opinion that many IT leaders recognise that their industry peers face the same challenges as them and that if they can work together it is likely that everyone will recover quicker. In fact, when asked about the trigger for such activity a large group, 35 per cent of respondents, said it was a change in business focus as a result of trading conditions that encouraged them to collaborate with others.

3.5.4 Collaboration success

The desire to collaborate is also based on previous success, both internally and industry wide.

Figure 28. Collaboration success



"The primary benefit of collaboration activity is to speed up development of new products and services"

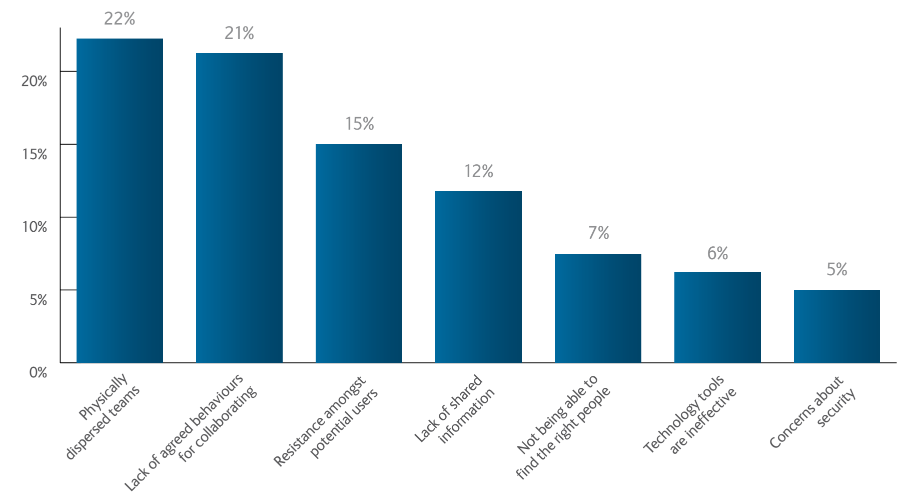
Almost a quarter of respondents, 24 per cent, claimed to have experienced very successful collaboration projects while two-thirds, 66 per cent, had enjoyed a measure of success with their collaboration activity. Only 10 per cent had failed to achieve any level of success.

The primary benefit of collaboration activity is to speed up development of new products and services according to 61 per cent of respondents. Additionally, the strengthening of supplier and customer relationships was highlighted by 42 per cent of respondents as a key benefit of collaboration.

3.5.5 Barriers to collaboration

The benefits of collaborating are clear, but what stands in the way or more IT leaders collaborating more often? A range of barriers to collaboration were identified by the respondents.

Figure 29. Barriers to collaboration



Despite advances in technology to aid collaboration across borders, the geographic limitations of global business, essentially not having people in the same locations, are the primary barrier to effective collaboration, experienced by 22 per cent of respondents. A lack of a strategic approach to collaboration activity, such as the inability to agree behaviours for working together, accounted for 21 per cent of respondents failing to undertake effective collaboration activity.

3.6 Outsourcing and offshoring

> "Outsourcing has retained its now established position as a mainstream business strategy"

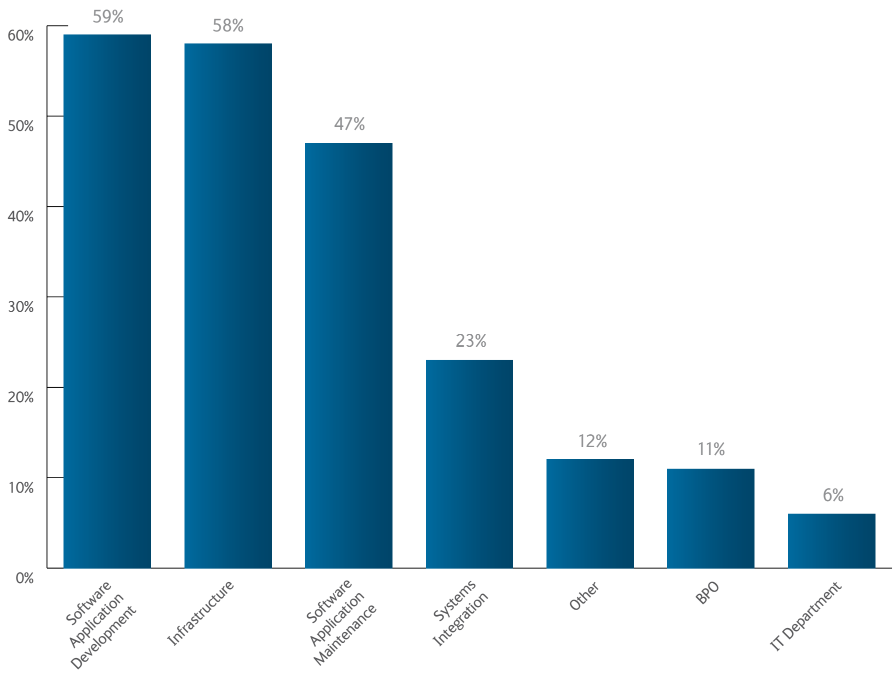
3.6.1 IT functions outsourced

Outsourcing has retained its now established position as a mainstream business strategy. A range of IT functions continue to be outsourced to some degree by most respondents. Of the functions most outsourced, both Software Application Development (59 per cent) and Infrastructure (58 per cent) were outsourced by the largest number of IT leaders.

The maintenance of Software Applications was also outsourced by almost half of the respondents (47 per cent) while almost one-quarter (23 per cent) were regularly outsourcing their Systems Integration activity.

In the current environment, where budgets are coming under greater pressure, it is interesting to note that 6 per cent of respondents were already outsourcing their entire IT Department's core responsibilities to streamline costs. Additionally, more than one in ten IT leaders were using Business Process Outsourcing (BPO) to undertake large process-orientated activity outside the IT Department.

Figure 30. IT functions outsourced



3.6.2 Outsourcing spending

Outsourcing spending has increased slightly compared to last year with 52 per cent of respondents spending more than 10 per cent of their IT budget on outsourced activities. This compares to exactly 50 per cent previously. Marginal increases in spending on outsourcing has been the trend now for the past four years.

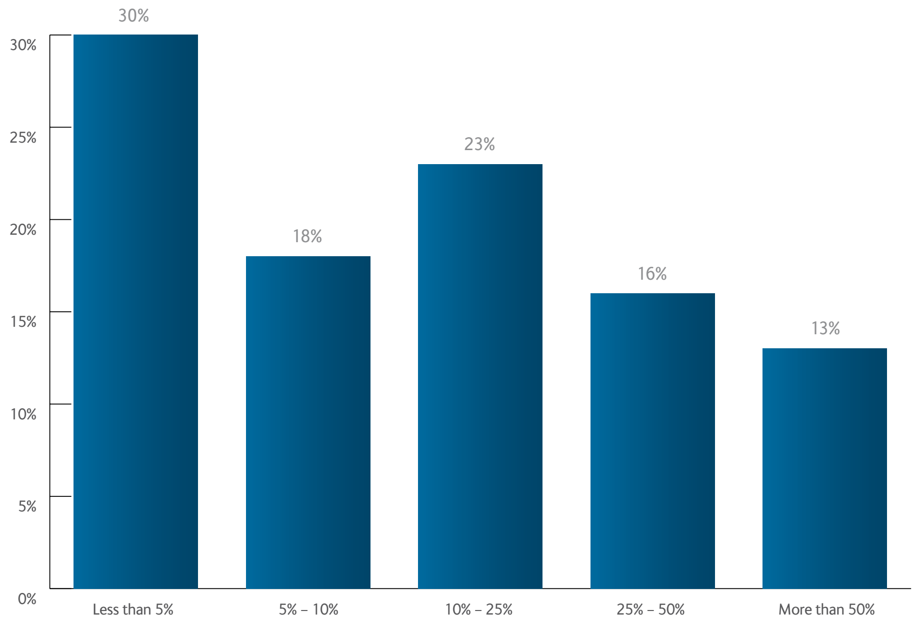
> "...one-third of respondents (33 per cent) said they were planning to increase their outsourcing spending during the coming 12 months"

At the lower end of the investment cycle there has also been a shift. IT leaders who previously spent between 5 and 10 per cent of their IT budget on outsourcing have dropped 7 per cent, from 25 per cent to 18 per cent. At the same time those investing less than 5 per cent of their IT budget in outsourced activity rose from 25 per cent to 30 per cent.

It would appear that those who are not fully engaged in outsourcing are scaling down their investment this year, possibly due to budget restraints, while those who are already seeing returns on their outsourcing investment (those who currently invest more than 10 per cent of their IT budget) are gearing their activity up to benefit from greater recession cost savings.

Considering that the median IT budget remains within the €1m to €10m range, outsourcing still represents a sizeable amount of capital investment.

Figure 31. Current outsourcing spending

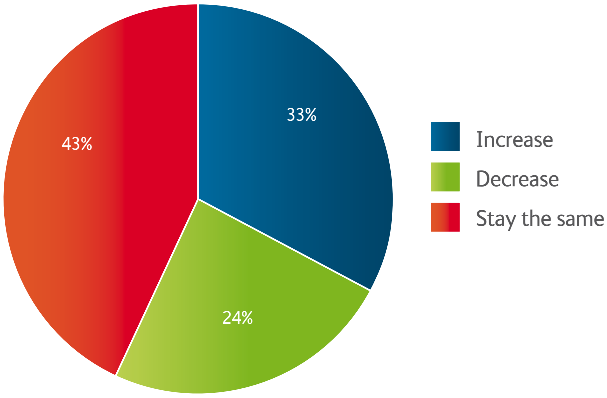


Looking forward, one-third of respondents (33 per cent) said they were planning to increase their outsourcing spending during the coming 12 months. These expectations are significantly down on last year's expectations when pre-recession plans included an increase in outsourcing spending for over half (53 per cent) of respondents. Almost one-quarter of IT leaders (24 per cent) believed their outsourcing spend will decrease next year, up from 13 per cent last year. However, the majority - 43 per cent - remained confident that investment in outsourcing activity will remain at current levels.

3.6 Outsourcing and Offshoring

> "This year cost reduction has leapt into the top slot as the most important reason to outsource"

Figure 32. Forecast change in outsourcing spending next year

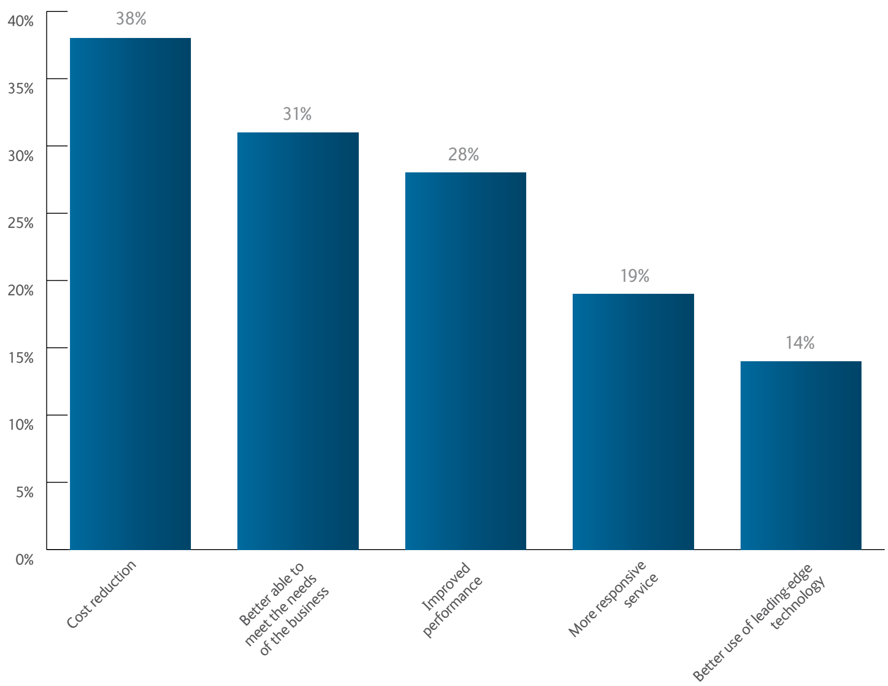


3.6.3 Reasons to outsource

Last year the top reason for outsourcing was stated as being better able to meet the needs of the business while cost reduction came in second. This year cost reduction has leapt into the top slot as the most important reason to outsource. It is cited by 38 per cent of all IT leaders as the primary decision making factor.

31 per cent of respondents still argue that outsourcing provides them with the ability to better meet the needs of the business and 28 per cent are seeing improved performance. However, it is the drive to save money, lower costs and survive the downturn that is currently driving IT leaders in their outsourcing strategies.

Figure 33. Most important reasons behind the decision to outsource

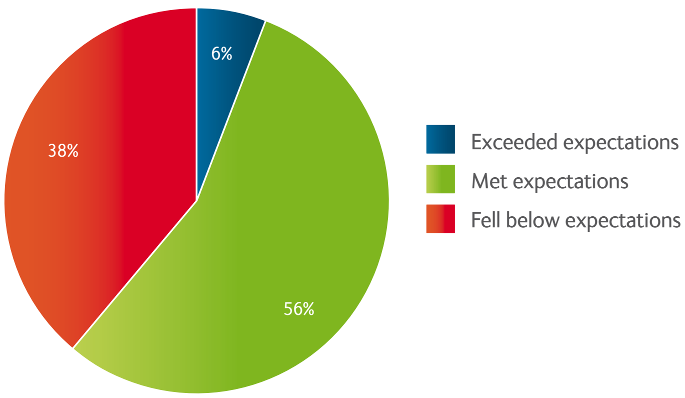


"During the next 12 months almost one-third (28 per cent) of respondents will increase their offshoring activity despite budget restraints"

3.6.4 Offshoring

For those that offshore, 62 per cent felt that their expectations of offshoring were either met or exceeded. This is down slightly on the trend last year when 66 per cent said they were happy with their offshore providers. A 4 per cent downward adjustment can be partly explained by the pressure to achieve greater return on investment during tougher economic times. Assets are "sweated" more to get greater value from them and expectations of offshoring partners will be raised as everyone works harder to lower costs.

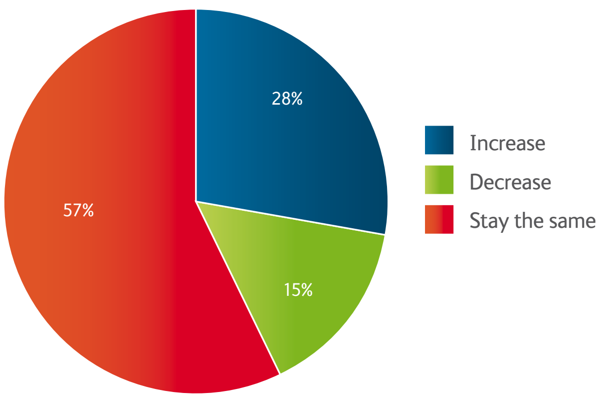
Figure 34. Offshoring expectations



During the next 12 months almost one-third (28 per cent) of respondents will increase their offshoring activity despite budget restraints. 15 per cent will be likely to reduce their investment in offshoring or have offshoring projects coming to a conclusion while the remainder (57 per cent) will maintain their offshore investment levels.

The number of respondents looking to reduce their investment in offshoring has risen – from 8 per cent last year to 15 per cent this year – and those looking to increase investment has dropped significantly – from 41 per cent last year to 28 per cent this year. This is unsurprising. However, it should be noted that investment in both outsourcing and offshoring continues, just at lower levels, and that an underlying commitment to these strategies remains.

Figure 35. Predicted change in offshore activity



3.7 Employment and career

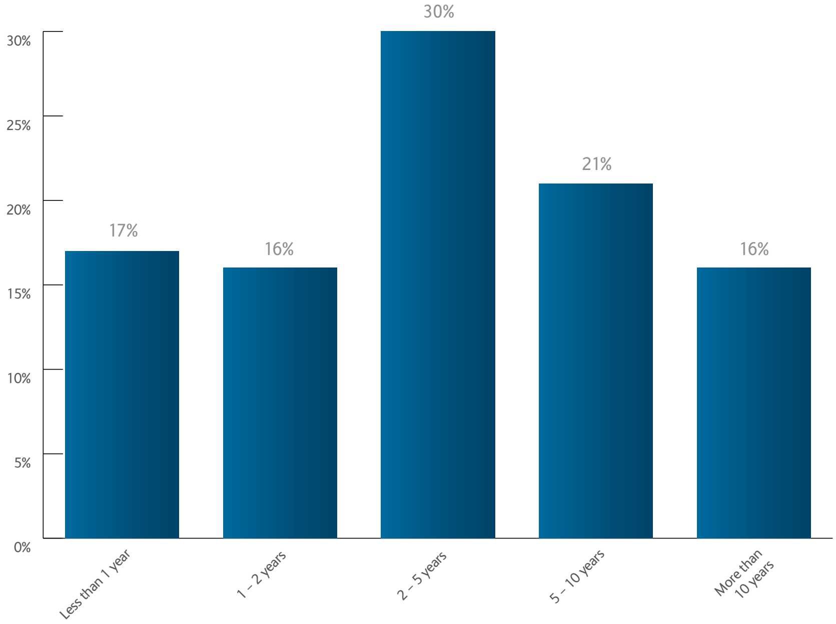
> "...the number of IT leaders expecting to move roles within the next 12 months is lower than last year"

3.7.1 Length of time with current employer

In a continuation of last year's trend, the largest group of respondents (30 per cent) report having been with their employer for two to five years. This was also the largest group in 2007.

Almost the same percentage of respondents have been with their employer for less than one year (17 per cent) as have been with their employer for more than ten years (16 per cent). It appears that one segment of IT leaders, almost one fifth of them, were prepared to move roles within a turbulent economic climate, while the percentage of respondents who were seeking to ride out the storm with their current employer is up slightly this year.

Figure 36. Length of time with current employer



3.7.2 Length of time expecting to stay with current employer

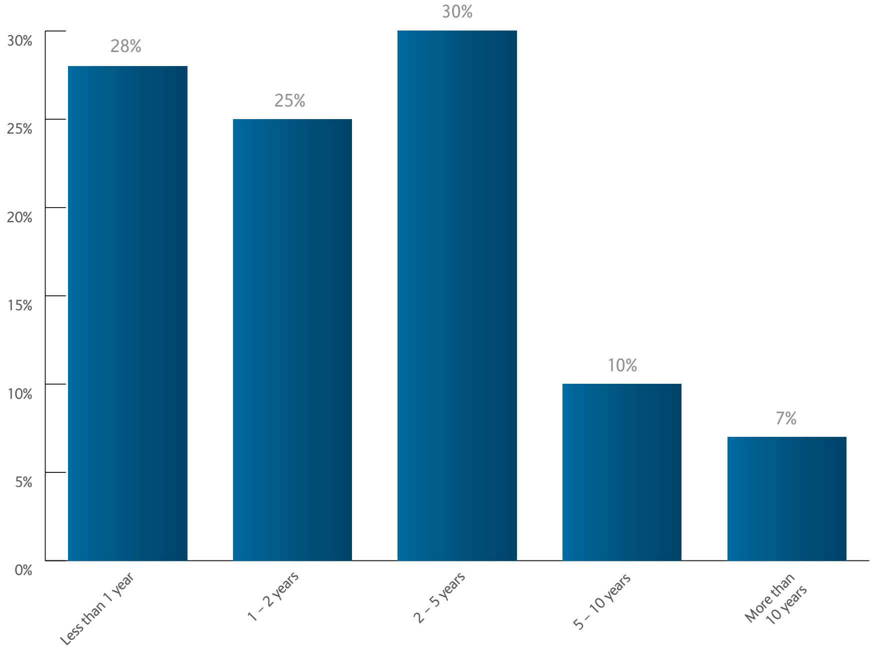
In an understandable response to the business climate, the number of IT leaders expecting to move roles within the next 12 months is lower than last year. Currently, 20 per cent of respondents think they will be working for a new employer next year, down from just over one-third (35 per cent) last year.

While it appears that a number of respondents are taking a slightly longer-term view of their current role, one-fifth of the IT leadership community are still looking for new roles this year.

Additionally, both long-term categories are up marginally this year. The number of people expecting to stay with their employer 5 -10 years is up from 8 per cent to 10 per cent, and those keen to stay more than ten years is up from 4 per cent to 7 per cent.

> IT leaders, like all employees, are more content with their role and prepared to focus on the challenges the business has to overcome

Figure 37. Length of time expecting to stay with current employer

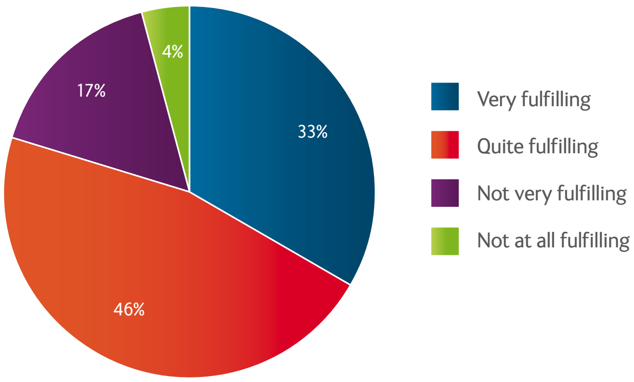


3.7.3 Level of fulfilment

Last year it was noted that IT leaders who found their role either fulfilling or very fulfilling had steadily declined from 84 per cent in 2006, 79 per cent in 2007 to 74 per cent in 2008. In 2009 there has been upward movement in this trend, with those responding that they were fulfilled or very fulfilled rising 5 per cent to 79 per cent.

One argument for this reversal of trend occurring this year can be linked to the level of job security. When times are good and job opportunities plenty, IT leaders are not shy about demanding more from their roles. When times are tough and opportunities are sparse, IT leaders, like all employees, are more content with their role and prepared to focus on the challenges the business has to overcome.

Figure 38. Level of fulfilment with current role



3.7 Employment and career

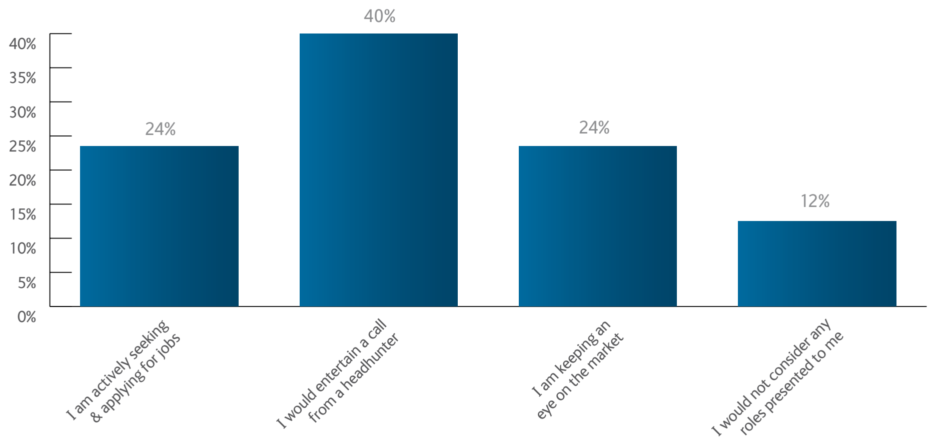
> "Almost one-quarter of all respondents (24 per cent) are actively looking for new jobs"

3.7.4. Job search activity

Almost one-quarter of all respondents (24 per cent) are actively looking for new jobs. Some of this movement may well be natural turnover as a result of relocations, retirements and restructuring, but it is interesting that, despite the clear decision by some respondents to ride out the storm with current employers, the number of IT leaders actively applying for new jobs is only down 5 per cent on last year.

The large majority of respondents (40 per cent) would take a call from a headhunter if the role was relevant for them. This is also in line with last year's opinion.

Figure 39. How active in looking for a job?

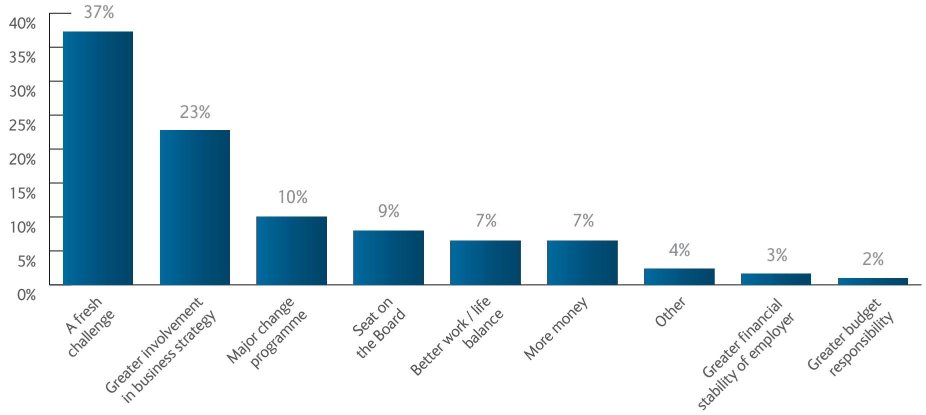


3.7.5 Reason for moving jobs

This year, as it was for the last two years, the top reasons for changing jobs were to pursue a fresh challenge and have greater involvement in business strategy. 60 per cent of respondents cited these reasons compared to only slightly more (63 per cent) last year.

The opportunity to run a major change programme and to secure a seat on the Board are distant third and fourth priorities for IT leaders considering a move.

Figure 40. Top reasons for moving job



3.8 Compensation

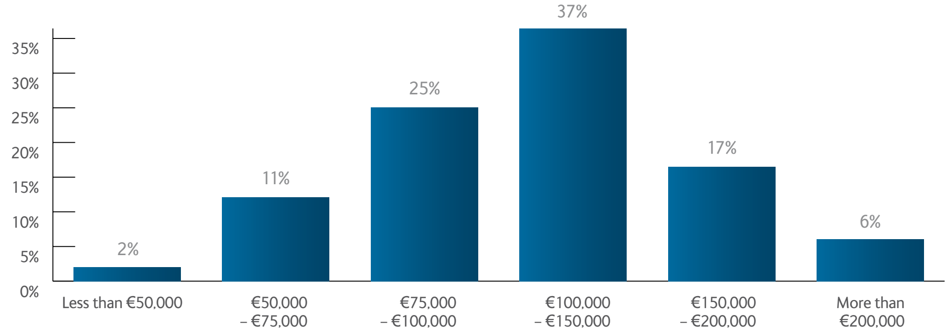
> Base salaries for the top IT leaders remain healthy, with 60 per cent of respondents earning more than €100,000

3.8.1 Base salary

Base salaries for the top IT leaders remain healthy, with 60 per cent of respondents earning more than €100,000.

While the majority of IT leaders will have been hired before the economic slide into recession, which may reflect their positive base salary level, it is reassuring to see the need to attract and retain key talent appears to be in the mind of the Board remuneration committees.

Figure 41. Base salary



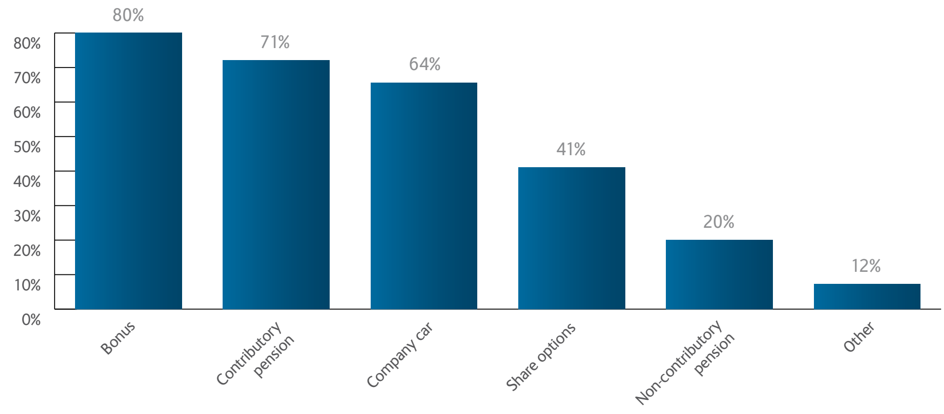
3.8.2 Benefits

Technology leaders continue to enjoy a range of benefits, such as pensions, car allowances, stock options and bonuses. Receiving a bonus was the benefit most often received by respondents, 80 per cent in all, with a median bonus equal to 20 per cent of their base salary.

A contributory pension was also received by 71 per cent of respondents; a company car was a benefit enjoyed by almost two-thirds (64 per cent) of IT leaders and 41 per cent were eligible to receive share options as a result of their remuneration package.

While all benefits are down slightly on the previous year, it is only by a few percentage points. Considering the budgetary environment IT leaders are working within, the proportion of respondents receiving a range of benefit options remains encouraging.

Figure 42. Remuneration benefits



3.8 Compensation

> "80 per cent of respondents were satisfied or extremely satisfied with their remuneration"

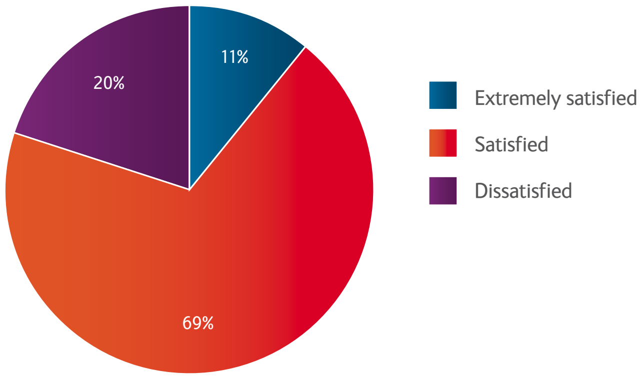
3.8.3 Compensation satisfaction

Considering that the previous section remained, on the whole, very positive for an IT leader's remuneration package during a recessionary market, it is pleasing to also note that satisfaction with remuneration is high.

80 per cent of respondents were satisfied or extremely satisfied with their remuneration. This is up marginally on the figure for last year.

With eight out of ten respondents content with their base salary and benefits, it would appear that IT leaders appreciate the continued investment being made in them by their employers, especially at a time when human capital budgets are under such pressure.

Figure 43. Satisfaction with remuneration



4 Country profiles

4.1 Belgium overview

"...the key traits identified to be of benefit to an IT leader during a downturn were 'communication and Influencing skills'"

About the respondents

33 per cent of IT leaders in Belgium report to the CEO and 47 per cent have a seat on the operating Board. These are both slightly higher than the European average, suggesting a high strategic focus. IT leaders in Belgium are focused on a range of strategies to adapt to the global economic recession. These include cost savings (79 per cent), collaboration for operational efficiency (61 per cent) and innovation (43 per cent).

Skills

Over half the respondents from Belgium (54 per cent) felt their business suffered from a skills shortage and 35 per cent thought that the shortage was serious enough to measurably limit the growth of their business. IT strategy skills are top of the skills wish-list for Belgian IT leaders, closely followed by business analysis skills.

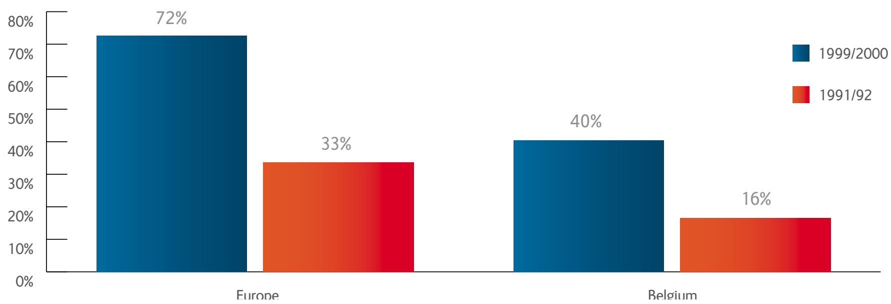
In line with European peers, the key traits identified to be of benefit to an IT leader during a downturn were 'communication and Influencing skills' (by 79 per cent of respondents) and 'Leadership skills' (by 64 per cent). Exactly half of the respondents believed there was value in migrating skilled professionals into Belgium; this is very slightly below the European average of 54 per cent.

Leadership in a downturn

Belgium appears to be at a disadvantage when it comes to experience of managing the IT function during an economic downturn. Across Europe, 72 per cent of respondents had been in an IT leadership position during the 1999/2000 economic downturn and 33 per cent had been in a similar position in 1991/92 during the last major recession. This compares to only 40 per cent of Belgian respondents who were in a leadership position in 1999/2000 and 16 per cent in 1991/92.

This relative lack of experience has the potential to affect the ability of Belgian leaders to manage the current downturn. However, 68 per cent of Belgian IT leaders are adapting their IT strategy to meet the challenges of the current economic climate, broadly in line with the 73 per cent across Europe.

Figure 44. Europe vs. Belgium – IT leadership experience in a downturn



Innovation and collaboration

Belgian IT leaders have overwhelmingly embraced the innovation culture, with 83 per cent stating that innovation is at the heart of their IT strategy. Almost one-third of respondents (29 per cent) had seen a return on investment of more than 10 per cent from their innovation activity, which is slightly higher than the European average.

48 per cent have collaborated on innovation projects with suppliers, 39 per cent with professional services firms and 26 per cent with customer groups. The most significant barrier to collaboration in Belgium is resistance from potential users, which is different to the majority of other IT leaders in Europe who have stated that physically dispersed teams are their most significant hurdle.

"Belgian IT leaders have overwhelmingly embraced the innovation culture"

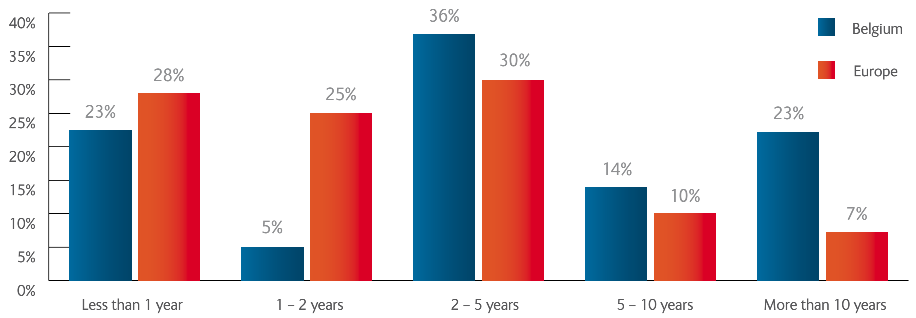
Outsourcing and offshoring

The role of outsourcing and offshoring as a cost saving function has placed it at the forefront of the IT leader's weaponry in fighting the global recession. Belgian respondents are continuing their investment in outsourcing activity, with 77 per cent maintaining or increasing their outsourcing this year. Their objective is to reduce costs over the next 24-48 months. Software Application Development (55 per cent) and Infrastructure (45 per cent) are the two most popular functions to outsource.

Employment and career

For senior executives, the Belgian IT job market has slowed during the past 12 months. Only 9 per cent of respondents have been with their employer for less than a year, which suggests that many IT leaders are taking a more consolidated look at their career while the economic situation stabilises. This is reinforced when looking at the below graph, which shows a greater desire by Belgian IT leaders to stay with their employers for longer than their European peers.

Figure 45. Belgium vs. Europe – length of time expecting to stay with employer



87 per cent of Belgian respondents are satisfied with their remuneration package which is higher than the European average. 55 per cent receive a base salary of more than €100,000, which in the current economic environment is encouraging to see as it indicates that talent continues to be rewarded.

4.2 France overview

> "The majority of IT leaders in France do not believe their organisation is suffering from a skills shortage"

About the respondents

65 per cent of respondents from France were C-level executives, which is encouragingly higher than the European average for this survey (54 per cent). A further 10 per cent of respondents were senior IT managers. This level of seniority contributed to the geographic responsibility seen from French IT leaders. Only 10 per cent had responsibilities that were limited to the country where they were based, with 90 per cent having a European or global view.

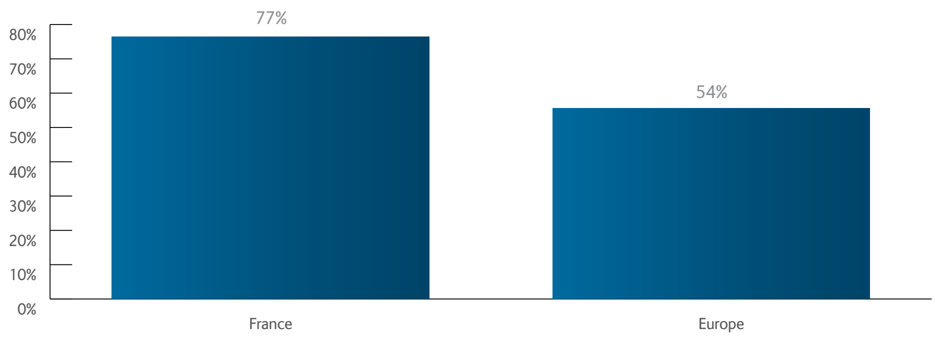
Three-quarters of French IT leaders believe the role of the CIO is becoming more strategic and 50 per cent of the respondents currently sit on the operational Board of their organisation. All of this points to an active and internationally focused senior IT community in France.

Skills

The majority of IT leaders in France do not believe their organisation is suffering from a skills shortage. 57 per cent said they were not experiencing a skills gap, compared to 46 per cent across Europe. For those in France who identified a skills gap, business analysis skills were in most demand (46 per cent).

For those French IT leaders who were looking to add to the skills portfolio in their team, it is far more likely that they will look overseas to find them. 77 per cent said they would benefit from, and actively encourage, the migration of skilled labour from abroad. This compares to a European average of only 54 per cent.

Figure 46. France vs. Europe – eagerness to use skilled migration



Leadership in a downturn

62 per cent of today's IT leaders in France were in a management position during the 1999/2000 economic downturn. During the last major economic recession, in 1991/92, 46 per cent were in a position of responsibility. This compares to a European average of 72 per cent for 1999/2000 and 33 per cent for 1991/92. Overall, a fairly good level of recession management experience exists in French technology teams.

French IT leaders are adapting to the economic downturn by adjusting their IT strategy. 69 per cent reported changing their plans this year to some extent. This compares to 73 per cent across Europe.

77 per cent of the respondents from France also saw opportunity within the current environment and are looking to technology-driven cost-saving solutions and innovation activity to show the value that IT teams can add in a recession.

Innovation and collaboration

IT leaders in France are very open to the use of innovation activity. 83 per cent regularly use innovation to add value and 82 per cent can happily point to successful results from their innovation activity. This success is also achieved with less investment. 18 per cent of French respondents are spending 8 per cent or more of their IT budget on innovation activity, compared to 35 per cent across Europe.

Collaborating to achieve innovation success is the favoured strategy for an overwhelming 92 per cent of French IT leaders. They use innovation collaboration to strengthen customer and supplier relationships (64 per cent) and to enhance the quality of products and services (45 per cent).

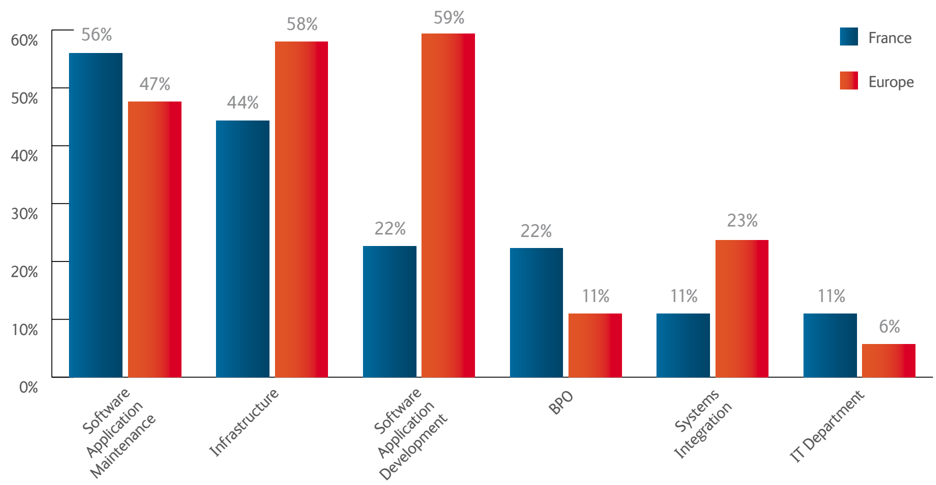
> "Collaborating to achieve innovation success is the favoured strategy for an overwhelming 92 per cent of French IT leaders"

Outsourcing and offshoring

40 per cent of French respondents are working with a declining IT budget this year and 50 per cent believe their budget will decrease next year. In this environment the popularity of outsourcing and offshoring as a cost-saving initiative is increasing. 77 per cent will maintain or increase their investment in outsourcing this year to benefit from cost savings over the next few years.

A range of functions are being outsourced by French IT leaders, and the preference is quite different to other European IT leaders. While French respondents prefer to outsource their Software Application Maintenance, the bulk of European respondents preferred Infrastructure outsourcing. The outsourcing of the entire IT department is also more popular in France than the rest of Europe.

Figure 47. France vs. Europe – IT functions outsourced



Employment and career

Only 10 per cent of IT leaders in France moved roles in the past 12 months. However, there appears to be a greater willingness to consider new roles next year with 50 per cent of respondents from France considering a change in 2010. An overwhelming 80 per cent are actively looking at the job market and would consider moving if the right opportunity came along. 55 per cent of French IT leaders are earning €100,000 or more, which is largely in line with remuneration across the continent (where 60 per cent earn €100,000 or more).

4.3 Germany overview

> "The skills needed to excel as an IT leader in Germany are broadly similar to those across Europe with a couple of key exceptions"

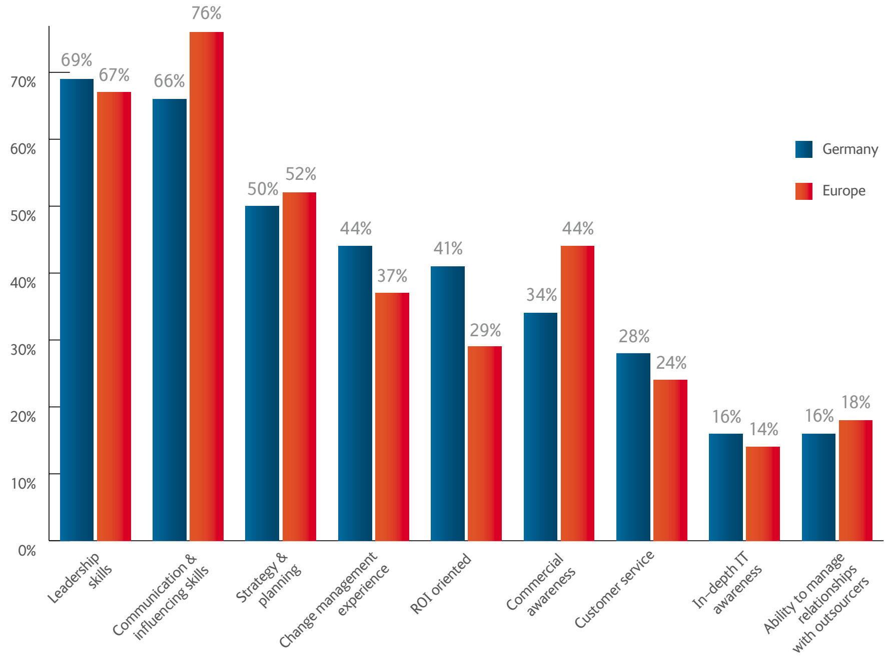
About the respondents

Fewer German IT leaders sit on the Board of their organisation (38 per cent) than the European average (46 per cent). From a technology perspective, corporate Boards are looking to IT leaders in Germany to reduce cost (a priority for 84 per cent of respondents), improve price competitiveness (53 per cent) and innovate (50 per cent).

Skills

The skills needed to excel as an IT leader in Germany are broadly similar to those across Europe with a couple of key exceptions (see figure below). German respondents put more emphasis on leadership rather than communication, which is the top skill identified by most across Europe. Being results oriented when it comes to return on investment (ROI) is also rated significantly higher in Germany than across Europe.

Figure 48. Germany vs. Europe – key skills of an IT leader



When it comes to the skills of their team, 69 per cent of German respondents said they suffered a skills shortage. This is significantly higher than the European average of 54 per cent. The skills most in demand are IT strategy (required by 52 per cent) and service management (required by 48 per cent). German IT leaders are also far more likely to look overseas for the most effective skills, with 70 per cent expecting skilled migration to help plug their skills gap. This is 16 per cent higher than the European average.

Leadership in a downturn

Just over half (52 per cent) of German IT leaders had management responsibility during the 1999/2000 downturn, compared to 72 per cent across Europe. During the last major recession in 1991/92 only 15 per cent today's IT leaders in Germany were managing an IT function compared to 33 per cent across Europe.

67 per cent of German IT leaders have adapted their strategy to meet the challenges of operating in a major recession. This is broadly in line with the response from across Europe where 73 per cent have adapted their strategy. This similarity is reassuring as it suggests that a comparative lack of experience in managing historic recessions is not affecting how current German IT leaders are adjusting and managing their responsibility during this recession.

Innovation and collaboration

74 per cent of respondents from Germany innovate as part of their ongoing IT strategy; this is below the European average of 86 per cent. However, IT leaders in Germany see the benefit of innovation collaboration.

84 per cent claim to have seen success and a return on investment from their innovation collaboration activity, mostly to enhance the quality of products and services (68 per cent). German IT leaders collaborate most with suppliers (48 per cent) and customers (40 per cent) but claim a lack of shared information is the biggest barrier to further innovation collaboration.

> “60 per cent of German respondents will maintain or increase their investment in outsourcing this year”

Outsourcing and offshoring

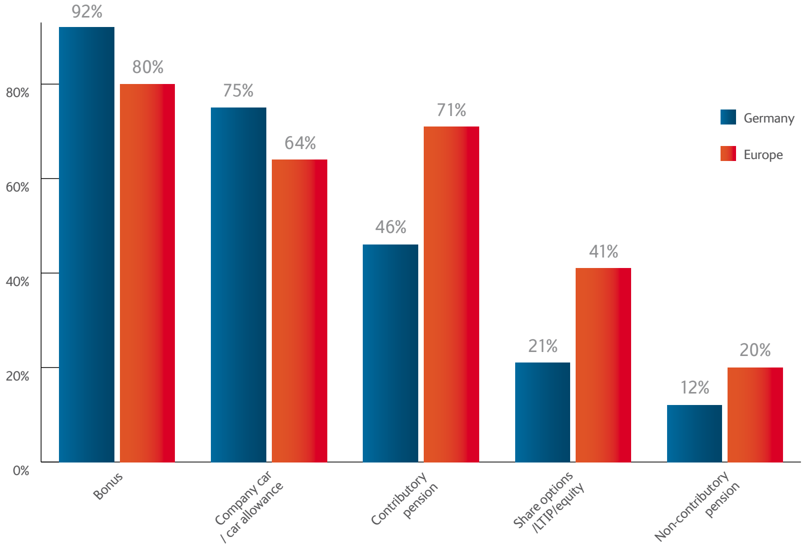
60 per cent of German respondents will maintain or increase their investment in outsourcing this year. Cutting costs is the top priority with Infrastructure (74 per cent) and Application Software Development/Maintenance (58 per cent) being the top functions outsourced.

Employment and career

The job market for IT leaders in Germany has, like many in Europe, been influenced by the global economic downturn. Almost one-fifth (17 per cent) of German respondents joined their current employer less than 12 months ago, but a much larger percentage are planning to stay in their role for two years or more (37 per cent), until the economic situation improves.

56 per cent of German IT leaders are earning more than €100,000 per year, which is only very slightly below the European average of 60 per cent. However, there appears to be a noticeable difference between the benefits package offered to German respondents compared to their European peers. A greater emphasis on the end-of-year bonus and a company car, at the expense of contributory pensions and share options, suggests a much shorter-term approach to benefit packages in Germany.

Figure 49. Germany vs. Europe – Benefits package offered



German IT leaders fall below their European colleagues with their remuneration satisfaction: 70 per cent compared to an average rate across the continent of 80 per cent. This is not currently affecting the loyalty of German respondents. However, when the economic situation improves, greater job movement is expected if satisfaction levels do not pick up.

4.4 Ireland overview

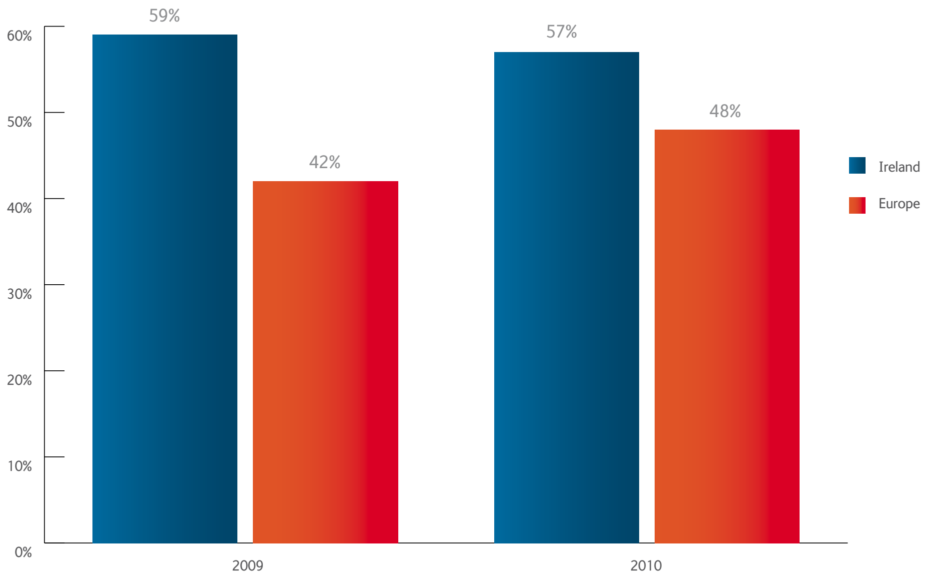
> “Irish IT leaders are not panicking or resorting to knee-jerk decision making”

About the respondents

Reporting lines for Irish respondents were broadly in line with other European countries and Board membership for IT leaders was 44 per cent, only 2 per cent lower than the European average. However, Irish IT leaders do not share the optimism of their European peers when it comes to growing the strategic influence of the technology function. Only 56 per cent see this occurring in 2009 compared to 64 per cent Europe-wide.

IT budgets are also under more pressure in Ireland compared to the rest of Europe. Almost two-thirds (59 per cent) of Irish respondents saw their IT budget decline this year, 17 per cent more than the European average (42 per cent). The situation is only marginally improved when forecasting 2010 when 57 per cent of IT leaders in Ireland expect further budget cuts.

Figure 50. Scale of IT budget cuts – Ireland vs. European average



Skills

46 per cent of Irish respondents believe they lack key IT skills in their organisation compared to 54 per cent generally in Europe. Business analysis (35 per cent) and project delivery (32 per cent) were the two skill sets most in demand by Irish respondents. The use of skills from abroad to help fill the Irish skills gap is more popular than in Europe as a whole. 65 per cent believe skilled migration is a positive trend while the European average is 11 per cent lower.

Leadership in a downturn

While 72 per cent of IT leaders across Europe were in an IT management position during the 1999/2000 downturn, only 56 per cent of Irish IT leaders were. Similarly, in the 1991/92 recession, only 18 per cent of Irish IT leaders were in a position of management responsibility, 15 per cent lower than the European average.

Despite appearing to suffer from greater budget pressure and lacking the recessionary experience seen in other parts of Europe, Irish IT leaders are not panicking or resorting to knee-jerk decision making. 46 per cent have changed some of their IT strategy in line with changing economic conditions, but this is largely in line with changes seen across Europe.

Innovation and collaboration

Irish respondents were more open than their European colleagues to the tools of innovation and collaboration in order to overcome the recession. 41 per cent of IT leaders in Ireland were investing more than 8 per cent of their IT budget in innovation activity, 6 per cent higher than the European average.

Barriers to innovation collaboration persist. In a reflection of the frustrations experienced by IT leaders across Europe, Irish respondents felt their physically dispersed technology teams were the number one barrier to successful collaboration.

> "Irish respondents were more open than their European colleagues to the tools of innovation and collaboration in order to overcome the recession"

Outsourcing and offshoring

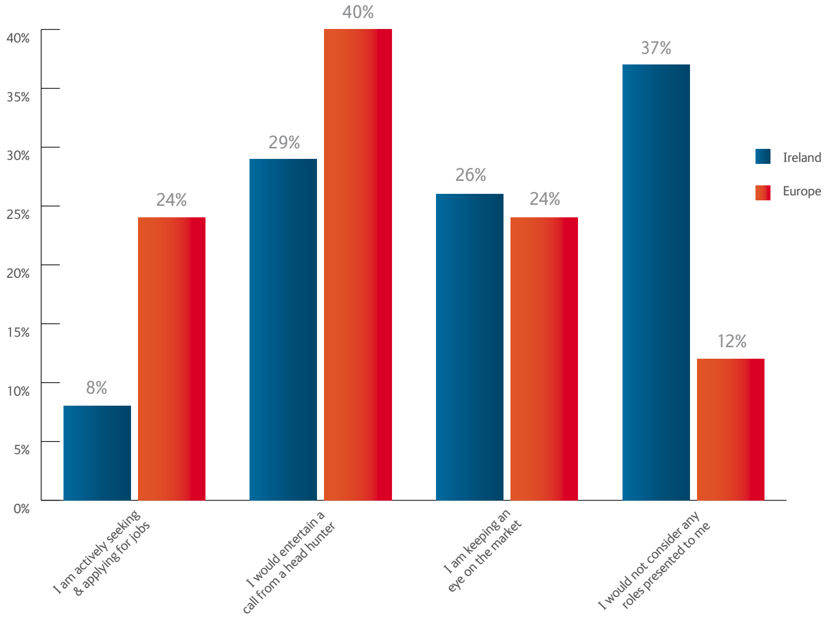
26 per cent of Irish respondents plan to increase their outsourced investment over the next 12 months. When outsourcing is undertaken, the most popular function to outsource is Software Application Development (54 per cent).

Offshore activity remains popular with IT leaders in Ireland, with 85 per cent continuing or increasing their offshore activity in 2009. The core objective of this offshore activity is to reduce costs, and with budgets under more pressure in Ireland than in most European countries the popularity of offshoring here is not surprising.

Employment and career

There has been less movement in the Irish IT talent pool compared to Europe generally. 18 per cent of Irish IT leaders have been in their jobs for two years or less, compared to 33 per cent across Europe. Irish IT leaders are less likely to be proactive in the job market during the coming year.

Figure 51. Ireland vs. Europe – activity within the job market



IT leaders in Ireland remain well remunerated, with 55 per cent of respondents earning €100,000 or more. Benefits packages also appear robust despite the economic malaise, with 82 per cent receiving a contributory pension and 68 per cent receiving a bonus.

Satisfaction with remuneration packages is also high, with 88 per cent of IT leaders in Ireland being satisfied or very satisfied with their offer. This is 8 per cent higher than the European average.

4.5 Netherlands overview

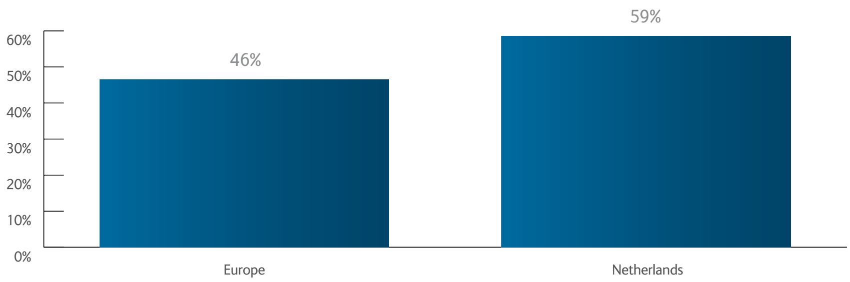
> Dutch businesses appear to be well staffed by senior IT leaders who have experience of leading technology functions during difficult economic times

About the respondents

Respondents from the Netherlands operate at the highest level of the IT function. 51 per cent are CIOs who have ultimate responsibility for technology. Beyond the CIOs, 38 per cent of respondents to the survey identified themselves as senior IT managers.

CEOs dominate the reporting line for respondents from the Netherlands. 30 per cent report to the Chief Executive, which is at the same level as the European average. IT leaders from the Netherlands also enjoy a more strategic role within their organisations. Significantly more sit on the operational Board, 59 per cent compared to 46 per cent across Europe, and 63 per cent felt the role of the CIO in their business was only going to become more strategic in future.

Figure 52. Netherland vs. Europe – Board membership for CIOs



Skills

IT leaders in the Netherlands are feeling the impact of a skills shortage more keenly than colleagues in the rest of Europe. Almost two thirds, 61 per cent, said they were suffering from a skills shortage during the economic downturn. Business analysts were in most demand, by 40 per cent of respondents, while architecture skills were second, required by 38 per cent.

Respondents from the Netherlands also disagree with many of their European peers about the value of skills migration. 51 per cent of Dutch respondents felt that the migration of skilled professionals was not beneficial to filling the local skills gap. While admittedly the number of respondents from across Europe who were in favour of skilled migration fell significantly this year, the majority of respondents from other countries were still marginally positive, unlike the Netherlands.

Leadership in a downturn

Dutch businesses appear to be well staffed by senior IT leaders who have experience of leading technology functions during difficult economic times. Almost three-quarters (74 per cent) were in IT leadership roles during the last downturn, more than the European average. Furthermore, almost one-third (28 per cent) of the Dutch respondents were in a position of responsibility during the last major recession in 1991/92. They believe that to lead effectively during a downturn one must be honest and clear with communication, and lead by example.

63 per cent of respondents from the Netherlands are adapting their IT strategy in light of the fast-moving, and deteriorating, economic conditions. However, they are less opportunistic than their European colleagues about taking advantage of the poor climate. Across Europe 74 per cent of respondents believe the recession presents a chance to raise the profile of IT within the business, compared to only 66 per cent of IT leaders in the Netherlands.

4.5 Netherlands overview

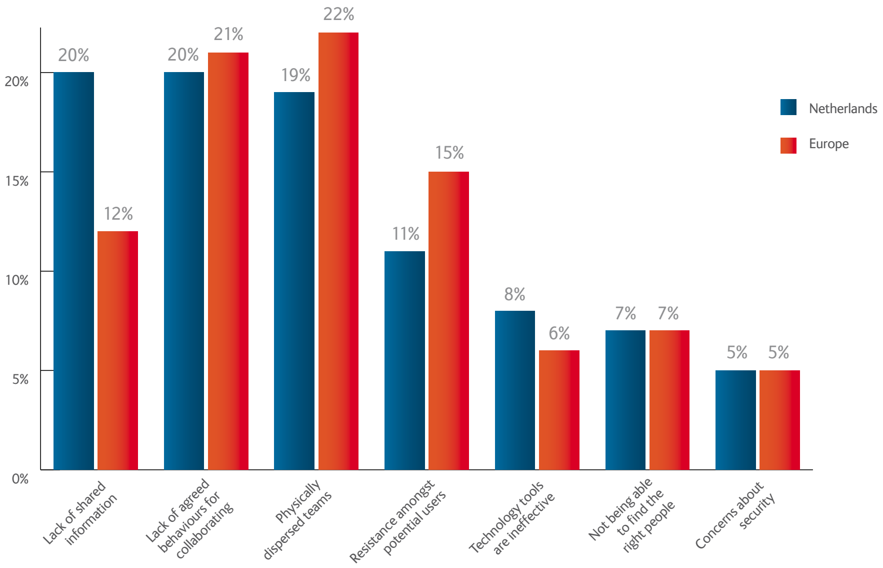
Innovation and collaboration

85 per cent of Dutch respondents confirm innovation is important to their ongoing IT strategy. 78 per cent have also enjoyed better than expected success as a result of innovation activity. Speeding up the development of products and services, as well as enhancing the quality of services, are the innovation priorities for Dutch IT leaders.

Their collaboration partners are most often suppliers (63 per cent of the time) and the Dutch utilise suppliers more than colleagues across Europe. When looking at barriers to more effective collaboration, a lack of shared information is the key issue for IT leaders in the Netherlands. A lack of agreed behaviours for collaborating is also a major hurdle to be overcome.

> “Base salaries remain overwhelmingly positive for Dutch IT leaders”

Figure 53. Netherland vs. Europe – barriers to more effective collaboration



Outsourcing and offshoring

Fewer Dutch IT leaders appear to have suffered budget cuts this year (35 per cent) compared to their peers (European average 42 per cent) and this is having an impact on their desire to invest more in outsourced activity.

Over the next 12 months, 91 per cent of Dutch IT leaders are expected to maintain or increase spending on offshore-based outsourcing solutions; this is 6 per cent above average. IT Infrastructure services are the most likely function to be outsourced by Dutch respondents.

Employment and career

17 per cent of IT leaders have been with their current employer for two years or less compared to a European average almost double that figure, 33 per cent. Job satisfaction is running at 83 per cent in the Netherlands, and fewer Dutch IT leaders are looking to change jobs this year, 22 per cent compared to 28 per cent across Europe.

Base salaries remain overwhelmingly positive for Dutch IT leaders, with 78 per cent earning more than €100,000 per year compared to 60 per cent across Europe. This can be partially ascribed to the seniority and experience of the Dutch respondents who participated in the survey, but it is also a testament to the calibre of the Dutch IT community generally.

4.6 Sweden overview

> “The strategic influence exerted by IT leaders in Sweden is noticeably higher than their peers in Europe”

About the respondents

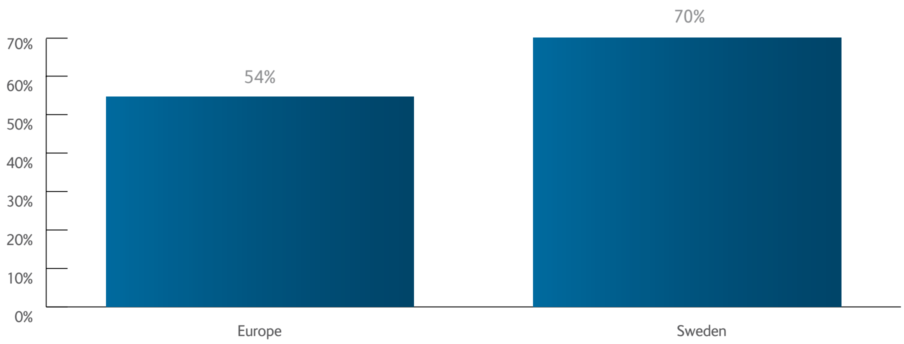
The strategic influence exerted by IT leaders in Sweden is noticeably higher than their peers in Europe. When asked if the role of the CIO is becoming more strategic in their business, a resounding 84 per cent said it was. This is extremely positive; the comparable figure across Europe was 64 per cent. Of those respondents who sit on the Board, 91 per cent of the respondents from Sweden were focused on cost-saving initiatives as their top priority.

Skills

A skills shortage exists in Sweden and more than two-thirds of IT leaders there are being affected by it. The impact of the skills shortage is less pronounced in other European countries. Architecture and project delivery skills are the most in demand, by 36 per cent of Swedish respondents. People with business relationship management skills are in the second tier, demanded by 32 per cent of IT leaders.

Many respondents are in favour of the migration of skilled professionals to help support growth. Almost three-quarters (70 per cent) supported the continued flow of skilled labour into the country; this is 16 per cent higher than the European average.

Figure 54. Sweden vs. Europe – support for the continued flow of skilled migration



Leadership in a downturn

Swedish IT leaders are able to draw upon a significant amount of experience of leading technology functions during a downturn. 85 per cent of the respondents were in a position of responsibility during the last economic downturn in 1999/2000 and more than a third managed IT teams through the last major recession in 1991/92.

60 per cent of respondents from Sweden are leading their teams with a revised IT strategy this year as a result of the deteriorating global economy. This is prudent, bearing in mind the scale of change that economic pressures have forced in the past year.

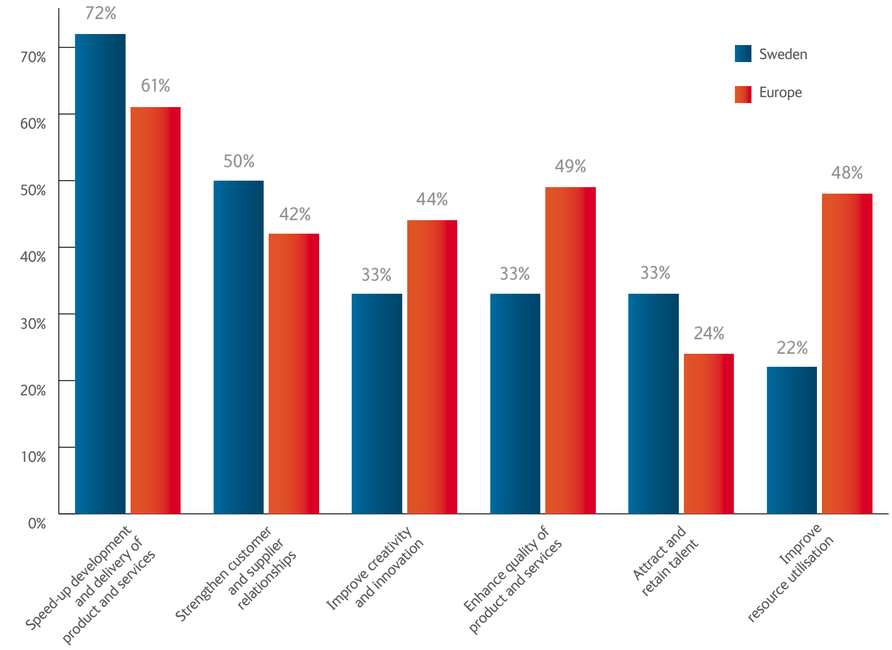
Innovation and collaboration

Swedish business is well known for its creative and innovative approach in many sectors. Therefore it is unsurprising to see that 90 per cent of Swedish respondents believe innovation should be at the heart of their IT strategy. 94 per cent of Swedish IT leaders have empowered their teams to collaborate both inside and outside their organisation to achieve greater innovation success.

As can be seen in the chart below, Swedish IT leaders are ahead of Europe when innovating to speed up the development and delivery of products and services. 72 per cent focus their energy and investment into this activity compared to a European average of 61 per cent. Strengthening customer and supplier relationships is pursued by 50 per cent in Sweden and only 42 per cent in Europe.

> "Swedish IT leaders are ahead of Europe when innovating to speed up the development and delivery of products and services"

Figure 55. Sweden vs. Europe – innovation collaboration priorities



Outsourcing and offshoring

The primary focus of outsourcing as a cost-saving tool is ensuring that 83 per cent of Swedish IT leaders will maintain or increase their outsourcing investment over the next 12 months. Incredibly, of those Swedish respondents who undertake outsourcing services offshore, 100 per cent plan to increase or maintain their levels of investment. The breakdown is split 50/50: half plan to invest more offshore this year and half will maintain funding at the current level.

Employment and career

The majority of IT leaders in Sweden have been with their current employer between two and five years (56 per cent), which is significantly longer than the European average and would suggest a greater degree of loyalty and job satisfaction in Sweden.

Just over half of the Swedish respondents (51 per cent) earned more than €100,000 last year as a base salary, which compares to a European average of 60 per cent. They have one of the highest remuneration satisfaction levels in Europe at 89 per cent.

4.7 Switzerland overview

> "91 per cent of respondents from Switzerland see communication, leadership and influencing skills as the most important for IT leaders"

About the respondents

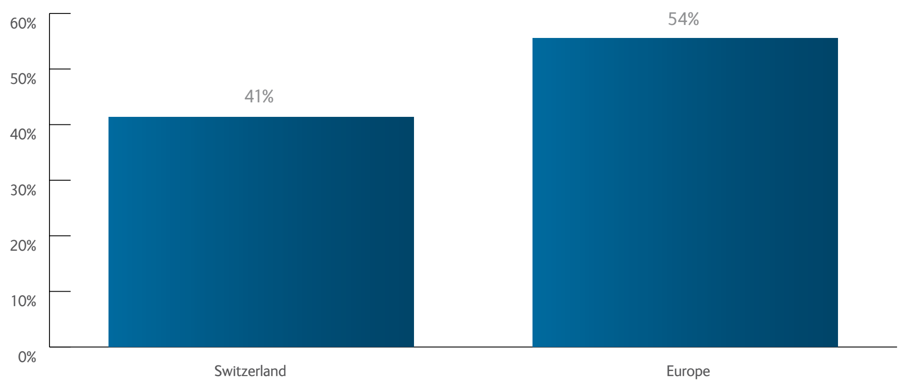
IT leaders from Switzerland work closely with the CEO, with 42 per cent reporting directly to the top executive, and the percentage of Swiss respondents who sit on their organisation's operational Board is also above the European average (52 per cent compared to 46 per cent). This combination of evidence helps to provide a snapshot of a senior community of IT leaders in Switzerland, operating comfortably at the top of their function and enjoying a global outlook.

Skills

91 per cent of respondents from Switzerland see communication, leadership and influencing skills as the most important for IT leaders looking to advance to the main Board. All the above issues were rated higher than an in-depth awareness of technical IT. The Swiss are more comfortable than many of their European colleagues with the range of skills available in their technology team. Under half (48 per cent) of respondents from Switzerland said they faced a skills shortage. However, 63 per cent of those said the shortage was significantly affecting their ability to grow their business.

Despite their global outlook, Swiss IT leaders are less inclined than their European peers to look to the migration of skilled professionals as a route to augment the skills in their current team.

Figure 56. Switzerland vs. Europe – interest in using skilled IT migrants



Leadership in a downturn

41 per cent of the current IT leaders in Switzerland were in a position of management responsibility during the 1991/92 recession. This is higher than the European average of 33 per cent and positions Switzerland well in coping with the current downturn. Swiss respondents believe that being communicative (62 per cent) and transparent (47 per cent) are the key traits for leading in a recession economy; these are in line with European trends.

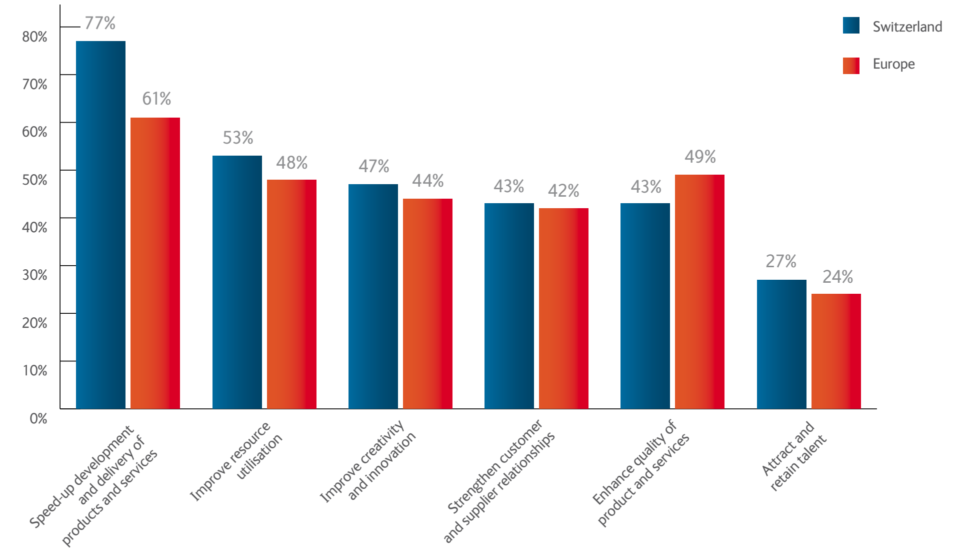
39 per cent of Swiss respondents have reported a decline in their IT budget this year. Looking forward, 54 per cent expect to see a budget cut next year. In this environment 68 per cent of Swiss respondents are adapting their IT strategy. However, the same proportion (69 per cent) also sees opportunity in the current economic situation. Using their skill, and that of their teams, they see a real chance to prove the value of cost-effective IT innovation.

Innovation and collaboration

90 per cent of Swiss respondents have embraced IT innovation as a means to add value to their business. 83 per cent state they have been successful in achieving measurable results. Collaboration is the key to successful innovation according to 100 per cent of IT leaders in Switzerland. They collaborate to speed-up the development and delivery of products and services (77 per cent) and to improve resource utilisation internally (53 per cent). Swiss respondents collaborate on innovation activity more readily than their European peers.

> "90 per cent of Swiss respondents have embraced IT innovation as a means to add value to their business"

Figure 57. Switzerland vs. Europe – focus of innovation activity



Outsourcing and offshoring

Swiss respondents collaborate most with IT suppliers, many of which are outsourcing or offshoring partners. 22 per cent spend more than a quarter of their entire IT budget on outsourcing so it remains a central component of many IT strategies in Switzerland.

Operating within a recession economy, where IT budgets have been seen to be under pressure, it is not surprising to see that the top priority for outsourcing activity is to reduce costs for the business. Infrastructure (67 per cent) and Software Application Development (52 per cent) are the two most outsourced activities, as they are in most European countries.

Employment and career

IT leaders in Switzerland are taking a similar view to many of their European peers when considering their own career development. There has been less movement within the top tier of technology leaders this year, and when asked 48 per cent said they believed they would be with their employer for the next 2-5 years. This is higher than previous years but broadly in line with current European trends.

Levels of job satisfaction and remuneration fulfilment remain high in Switzerland. 90 per cent say they are satisfied or very satisfied with their employer. This is in large part due to their beneficial salary and benefits package. 88 per cent of Swiss IT leaders earned the equivalent of €100,000 or more this year, which is significantly higher than the European average of 60 per cent.

4.8 UK Overview

> "Reacting to fast-moving changes in the UK and global economies has forced 9 per cent of the UK respondents to change almost all of their IT strategy"

About the respondents

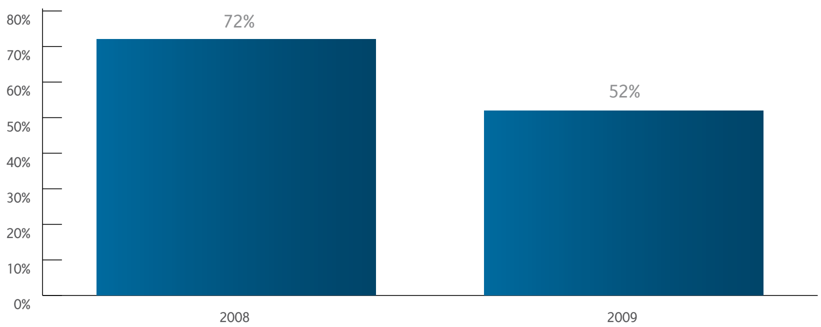
44 per cent of UK respondents were members of the Board compared to a 46 per cent average across Europe. However, they are more optimistic about their future strategic influence than their European colleagues, with more than two-thirds (67 per cent) saying they felt their role was becoming more strategic.

Skills

UK respondents are feeling the impact of a skills crunch and believe it is having a detrimental impact of their organisation's ability to operate through the global recession. In the UK, 54 per cent of IT leaders said they were feeling the impact of a skills shortage, and the skills most in demand were project delivery (required by 43 per cent of respondents) and business analysis (needed by 40 per cent).

Greater emphasis is placed on communication and influencing skills by UK respondents, 81 per cent, compared to 76 per cent across Europe. Additionally, IT leaders in the UK are less inclined to look overseas for the best IT talent. Only 52 per cent believe skilled migration from abroad can help fill the UK skills gap, significantly down from 72 per cent in 2008.

Figure 58. UK respondents – skills migration 2008 and 2009



Leadership in a downturn

IT leaders in the UK agree with peers from across Europe when it comes to leading their teams and businesses through the recession. Communicating in an open and transparent way was identified as the most important way to manage their department.

Reacting to fast-moving changes in the UK and global economies has forced 9 per cent of the UK respondents to change almost all of their IT strategy. This underlines the seriousness of the economic climate in the UK and the level of change IT leaders have adapted to.

Innovation and collaboration

Innovating their way out of the recession is a key priority for IT leaders in the UK. 88 per cent of UK respondents had achieved success with their innovation collaboration activity and almost two-thirds are working on projects to speed up the development and delivery of products and services. This is in line with results from across Europe.

Respondents from the UK have a greater fear than their European counterparts that physically dispersed teams will be a significant barrier to successful collaboration. 24 per cent said this was the most likely cause of collaboration to fail, while 20 per cent said they expected resistance to collaboration from IT users within their organisation.

> "Innovating their way out of the recession is a key priority for IT leaders in the UK"

Outsourcing and offshoring

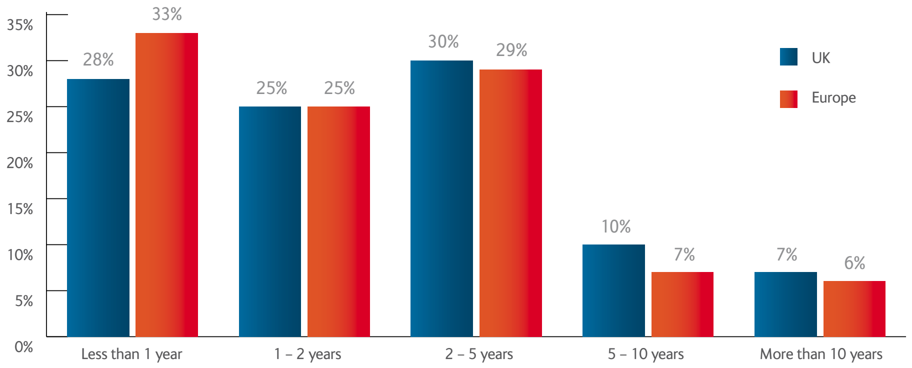
40 per cent of UK respondents said cost reduction was on their mind this year when considering outsourcing and offshore projects. However, they are also more bullish than their European counterparts on their outsourcing spending for next year. 37 per cent said they will spend more in 2010 compared to a European average of 33 per cent.

Employment and career

Churn within the IT leadership talent pool in the UK is down, just as it is across many European countries. However, more respondents from the UK have moved roles in the last 12 months (21 per cent) compared to the European average (17 per cent). Interestingly, UK respondents also are more likely to move job this year compared to peers in Europe.

Some UK respondents may be concerned about enforced changes resulting from redundancies, but optimism within the community remains higher than the European average.

Figure 59. UK vs. European average – length of time forecast with current employer



UK respondents are also weathering the economic storm with their base salary and benefits packages, which are up slightly on 2008 figures. In 2008, 15 per cent received a base salary of £150,000 or more; this year the equivalent salary was received by just over 20 per cent, although it is unlikely that this upward trend will continue through 2010.

5 Comment and conclusions

Comment by PA Consulting

Stop, I want to get off!

The past 12 months have been extremely turbulent. Change on a scale that many of us never thought possible has occurred and we should take a moment to look a little more closely at what the IT leader has been coping with at a macroeconomic level before exploring their everyday challenges.

A global economy in crisis, growing unemployment in industries that have been used to a decade or more of uninterrupted growth, and declining budgets: the pressure to do more with less has never been stronger.

Considering what they have experienced this year it would be understandable if most respondents to the Harvey Nash / PA Consulting Group IT Leadership Survey just wanted to ignore the outside world! And, in PA's view, this has happened to a certain extent.

We see three types of IT response to the economic climate. For the IT organisation where budgets are stable (for example programmes with long-term funding or organisations with a parent company that has access to cash) it is largely business as usual. Where the parent company does have financial worries, there are two IT responses – the most prevalent is to "batten down the hatches" by deferring new projects and reducing headcount. However, a few organisations are being bolder, using lack of cash as a catalyst to stimulate fundamental change in their approaches to IT, either by innovating or by adopting more agile methods.

Clearly, the approach an IT organisation adopts, and its success or otherwise, is very much influenced by the abilities of its IT leadership.

A new role for talent

Talent will be the key to economic recovery. We have heard this many times during the last 12 months, from politicians and business leaders, and even from our own organisations.

IT leaders recognise the importance of retaining a skilled workforce during a recession. However, the emphasis on skills has changed. Investment in acquiring skills is down, especially from overseas, as companies hire less or downsize to adjust to tighter market conditions. The significant drop in the desire to migrate skills is not xenophobic: simply a practical and cost-related decision when there is more talent available in the local market.

The development and utilisation of existing skills is now growing in prominence. This is particularly true around managing the interaction between the technology function and the wider business. Business analysis and project management skills are in more demand than ever before.

With the recession expected to last well into next year for most European economies, businesses must do better with the skills they have got as well as maximise the value from any skills they acquire.

As we shall see later, IT leaders have to be the champions of skills innovation and lead from the front when it comes to getting the best out of their company's human resource.

Looking for a safe pair of hands

When economic times are at their worst, you need your top talent working at their best to ensure your business is capable of weathering the storm.

This survey shows that respondents from all over the continent are standing up to their responsibilities despite varying levels of experience of managing in a recession. Encouragingly, many IT leaders are able to call on past experience of leading during tough economic times. 72 per cent were leading teams in the 1999/2000 downturn, and 33 per cent had management responsibility during the last major recession, almost 20 years ago, in 1991/92.

More respondents report operating strategically at the very top of their business. 64 per cent report taking a more strategic role this year, the first rise in the strategic focus of IT leaders since 2006. It is unclear whether this is because organisations are recognising and utilising the experience of IT management from the last downturn, leading to a shift in the corporate responsibility of IT leaders, or whether it is simply because a lack of cash across the board means that IT and business groups can now align in the face of a common challenge.

Nevertheless, IT leaders are being more communicative both up and down the chain. They are reassuring their teams and the business at large, and they are leading by example. They are making tough decisions: 73 per cent changed their IT strategy this year, but change is being managed in a structured and sympathetic way, with a focus on recovery, not panic.

5 Comment and conclusions

Reshaping the role of technology

Some IT leaders are using their skills, the ability of their teams and even the turbulent environment to reshape the role of technology in their businesses. Innovation and collaboration will be key ingredients in making the transformation from managing the crisis to pursuing a successful recovery. However, these leaders are in the minority.

As we mentioned last year, "IT has always held the promise of delivering more than just a support function, of being a business driver" and today this is more relevant than ever. Innovation and collaboration can reduce the impact of the recession by helping prove – both internally and externally – that the company remains creative and focused on growth despite economic pressure.

However, by comparing collaboration results in this year's survey with those from 2008 and 2007, it appears that most IT leaders are becoming introspective. While collaboration with suppliers remains unchanged, collaboration with customers and other third parties is significantly reduced. This reinforces our view that creative IT activity is being reduced, and cost reduction through internal efficiency improvements (predominantly through renegotiating deals with suppliers) is by far the dominant item on the agenda.

It will be interesting to see how these different strategies play out in the longer term. We believe that businesses that collaborate with key groups during the downturn will recover together, will recover faster, and will emerge stronger than those who try to survive in isolation.

Outsourcing: too big to fail...

We've heard the phrase "too big to fail" used in a negative way during the banking crisis, but for outsourcing the financial pressures that are afflicting so many budgets are having a positive impact on the continued drive towards outsourced services. However, it is important to consider that outsourcing deals agreed during today's economic climate need to be sustainable and flexible enough to succeed when the global economy improves.

The drive to cut costs in the short and medium term, combined with the increased flexibility and responsiveness provided by outsourcing in the long term, is behind this ongoing trend. It is clearly evidenced by the 76 per cent of IT leaders who plan to maintain or increase their outsourcing activity over the next 12 months.

However, expectations of success from offshore outsourcing centres remain mixed. Almost four in ten offshore projects are still not meeting expectations. Therefore, the effective management of outsourcing activity is going to become even more important.

Given the central importance of outsourcing and with the margin for error so slim because of economic pressures, the outsourcing industry, and those IT leaders who champion it, can ill afford another Satyam fiasco which risks further reducing confidence in the offshore market.

What now?

In last year's survey we expected to see a reduction in the churn of top IT talent as a result of the economic downturn. We were proven right. This trend was evident in every country, as economy after economy slipped into recession in 2009.

In an understandable response, the number of IT leaders expecting to move roles within the next 12 months is lower than last year. Currently, 20 per cent of respondents think they will be working for a new employer next year, down from just over one-third (35 per cent) last year.

This does not mean that IT leaders are putting their career on hold. Far from it actually. With almost two-thirds keeping an eye on the job market, IT leaders are just looking for the right opening. The level of economic change we are witnessing should provide that opportunity.

Money will not be the reason most IT leaders move to their next job. Financial packages will continue to be under pressure as businesses and economies struggle to recover. Rather, the recession is giving some IT leaders a taste for leadership on a grander scale.

Great leadership, of course, is what is required of those with the vision and the courage to effect positive change in troubled times. We believe that IT leaders who are able to unite their teams behind the following four goals will find their strategic roles and business influence rapidly expanding:

1. Continued project excellence that enables critical business change
2. The pursuit of business-leading innovation
3. The ongoing drive towards greater operational effectiveness
4. The development of an outstanding pool of talent

Over the next 12 months IT leaders will have the opportunity to show greater leadership in their teams and the wider business. They will use skills not required during growth years, and they will help provide a strategic vision that is technology led and enables the business to navigate its way through a turbulent global economy to reach recovery and growth on the other side.

As an IT leader, if you are aware of this opportunity and you are willing to pursue it, you can emerge from this recession even stronger than you entered it.

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