

Executive Summary

Taming the Digital
Dragon: The 2014
CIO Agenda

This is an Executive Summary of an Executive Programs member report. Each report covers a relevant and compelling CIO topic and contains tools, templates and case studies members can put to work in their own unique context.

We are confident this summary will demonstrate the unmatched quality of Gartner thought leadership and how our unique CIO research and insight support you and your team as you increase IT's contribution and drive greater business success.



2014 No. 1

FOREWORD

CIOs are facing all the challenges they have for many years, plus a torrent of digital opportunities and threats. Digitalization raises questions about strategy, leadership, structure, talent, financing and almost everything else.

This report addresses the question, *How are leading CIOs adapting to the additional challenge the evolving digital world represents?*

“Taming the Digital Dragon: The 2014 CIO Agenda” was written by members of the CIO & executive leadership research group, led by Dave Aron (vice president and Gartner Fellow), assisted by Graham Waller (vice president, executive partner).



Dave Aron



Graham Waller



We would like to thank the many organizations and individuals that generously contributed their insights and experiences to the research, including:

- The 2,339 CIOs who responded to this year’s survey, representing more than \$300 billion in CIO IT budgets in 77 countries.
- The contributors to our interviews and case studies: Luis Uguina, BBVA (Spain); Kevin Gallagher, Channel 4 (U.K.); John Hagel, Deloitte LLP Center for the Edge (U.S.); George Labelle, IPC (U.S.); Larry Matias, Jollibee Foods (Philippines); Gianni Leone, Miroglio Group (Italy); Krischa Winright, Priority Health (U.S.); Dr. Hee Hwang, Seoul National University Bundang Hospital (South Korea); Mike Yorwerth, Tesco (U.K.); José Tam, Universidad Tecnológico de Monterrey (Mexico); and Baron Concors, Yum Brands (U.S.).
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- Other members of the CIO & executive leadership research group: Heather Colella, Richard Hunter, Jorge Lopez, Leigh McMullen, Patrick Meehan and Andrew Rowsell-Jones.

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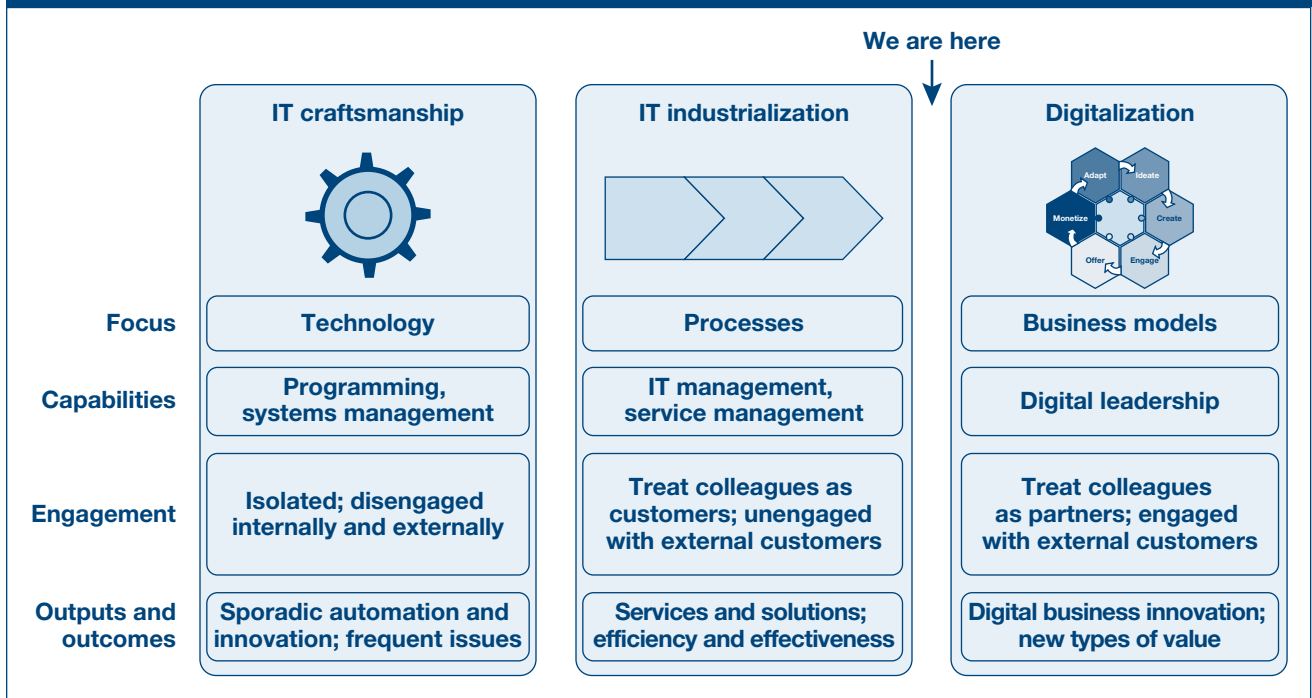
In the IT industry, we have become inured and immune to new buzzwords and messages about how everything is changing. But this time it really is. All industries in all geographies are undergoing radical digital disruption — a “digital dragon” that is potentially very powerful if tamed but a destructive force if not. This is both a CIO’s dream come true and a career-changing leadership challenge.

Welcome to the third era of enterprise IT

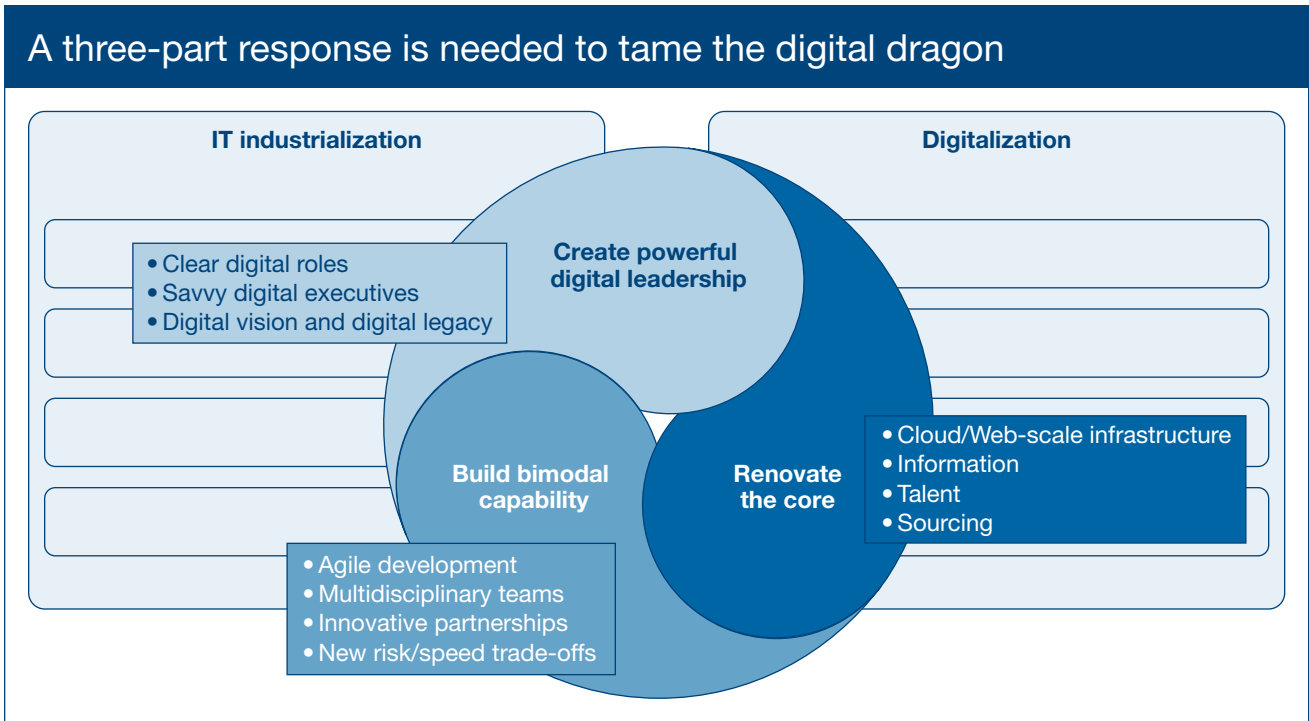
2014 will be a year of dual goals: responding to ongoing needs for efficiency and growth, but also shifting to exploit a fundamentally different, digital paradigm. Ignoring either of these is not an option.

The behaviors mastered in the second era of enterprise IT are potential hindrances to exploiting digitalization (see figure opposite). New capabilities must be developed. Fifty-one percent of CIOs are concerned that the digital torrent is coming faster than they can cope, and 42% don’t feel they have the talent needed to face this future.

We are entering the third era of enterprise IT



In 2014, CIOs face the challenge of bridging the second and third eras with a three-part response. They have to build digital leadership and bimodal capability, while renovating the core of IT infrastructure and capability for the digital future (see figure on page 4).



Create powerful digital leadership

Most businesses have established IT leadership, strategy and governance but have a vacuum in digital leadership. To exploit digital opportunities and ensure that the core of IT services is ready, there must be clear digital leadership, strategy and governance, and all business executives must become digitally savvy.

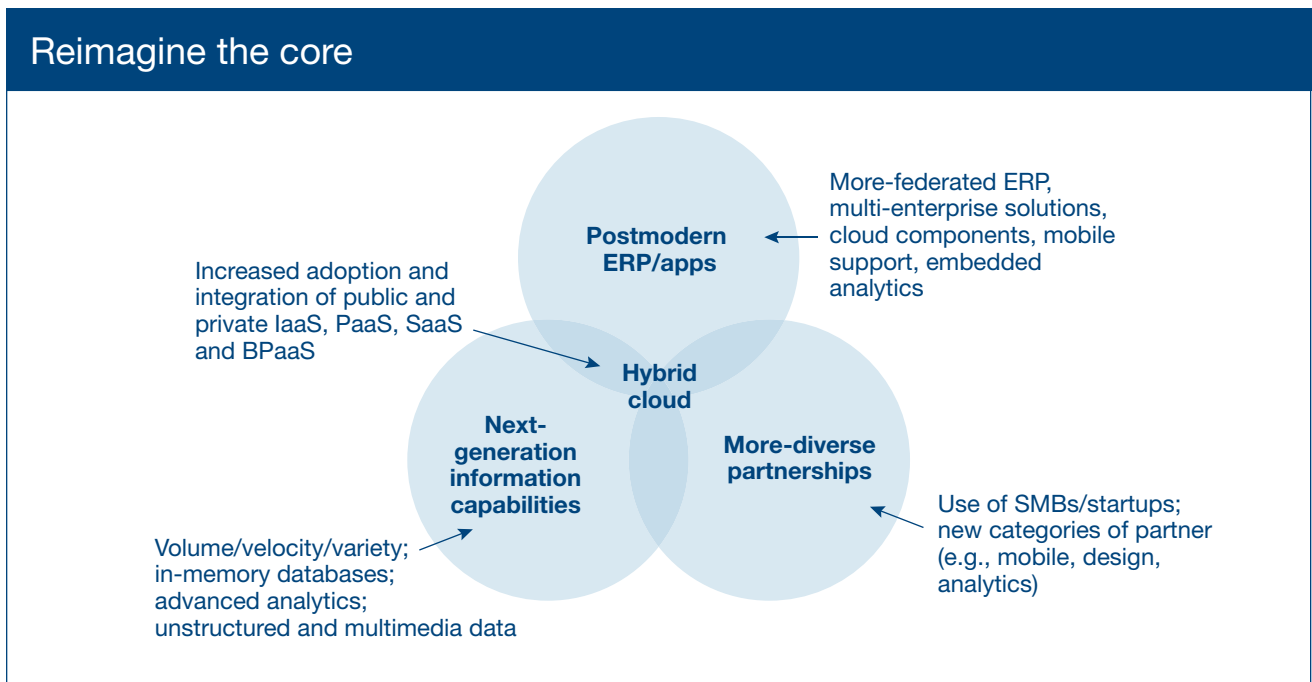
There is a fast-rising trend to hire chief digital officers, who are more likely to come from roles in the rest of the business than from IT. Whatever their previous roles, digital leadership must be clear and powerful. Clarifying the coverage and scope of digital leadership, and integration with enterprise IT leadership, should be high on every CIO's agenda in 2014.

But individual digital leaders are not enough — all business leaders must become digital leaders. The 2014 CIO Survey found that the CEO's digital savvy is one of the best indicators of IT and business performance. To raise digital awareness and digital savvy in your company or public-sector agency, consider interventions like digital nonexecutive directors, technology showcases, "hackathons" (intensive periods for discovering and creating innovations) and reverse mentoring.

Renovate the core

Top technology priorities for 2014 reveal two complementary goals: renovating the core of IT and exploiting new technologies and trends. Exploiting the new speaks for itself. Meanwhile, the core of enterprise IT — infrastructure, applications such as ERP, information and sourcing — was built for the IT past and needs to be renovated for the digital future.

The renovations include moving to a more loosely coupled “postmodern-ERP” paradigm, deploying public and private clouds, creating the information architecture and capabilities to exploit big data, and augmenting conventional sourcing with more innovation, including sourcing from, and partnering with, smaller and less mature enterprises (see figure below). The talent needed to execute on renovation includes different skills, such as digital design, data science, “digital anthropology,” startup skills and agile development.



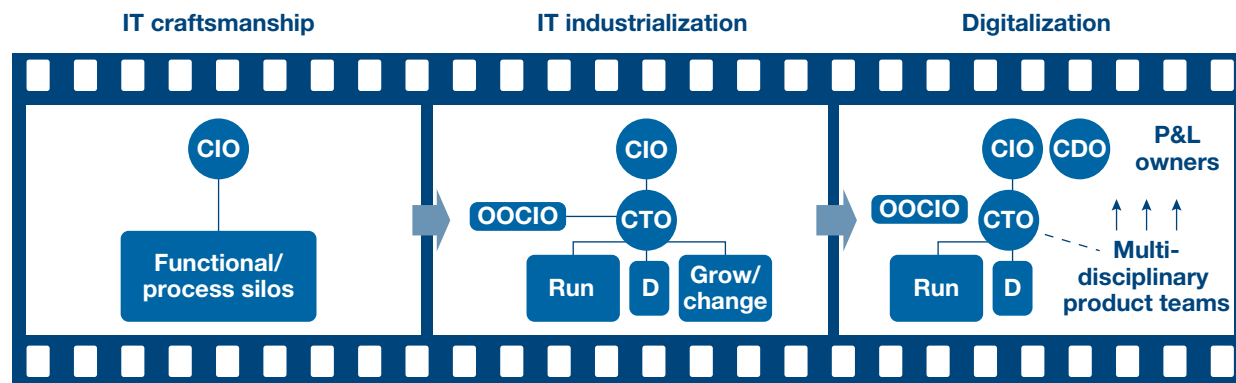
Build bimodal capability

There is an inherent tension between doing IT right and doing IT fast, doing IT safely and doing IT innovatively, working the plan and adapting. The second era of enterprise IT has been all about planning IT right, doing IT right, being predictable and creating value while maximizing control and minimizing risk — in short, about running IT like a business within a business.

To capture digital opportunities, CIOs need to deal with speed, innovation and uncertainty. This requires operating two modes of enterprise IT: conventional and “nonlinear.”

Those CIOs who have moved early on digitalization, learned the lessons and gotten the scars, have often extended their second-era restructuring to a more comprehensive change. In these cases, the grow-and-change function has become a more full-fledged digital development function, often reporting in a straight line to P&L/business unit owners, with a dotted line to IT for architectural governance. Teams are structured around products (not projects) and are multidisciplinary (see figure opposite).

Completing bimodal capability is necessary to compete in a digital world



OOCIO = office of the CIO, running IT as a business (strategy, governance, finance, security and risk, etc.)

CTO = chief technology officer, acting as chief operating officer of IT

CDO = chief digital officer, acting as digital change agent

Run = every aspect of IT needed to keep the business running

D = demand management — internal demand/relationship/account managers facing off to other parts of the business

Grow/change = every aspect of IT needed to execute on growth and change

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