



# The future of IT

---

**London.** November 2011

A Computer Futures Roundtable Report

---

**The Computer Futures “The future of IT” roundtable brought together a diverse mix of senior decision makers from across the IT sector for a morning of networking and lively debate.**

Following the results of the “Future of IT” survey Computer Futures hosted a series of roundtables across Europe. The topics discussed included the changing face of IT, the pros and cons of outsourcing, the growth of Cloud Computing and issues of morale and retention.

## **The changing face of IT**

The IT sector is one of continual change and this is no more obvious than in late 2011 against the backdrop of a testing economic climate.

Decision makers across both private and public sectors are being forced to evaluate their practices, account for all expenditure and ensure that their departments are delivering best value and ROI. However, this is not a trend that is exclusive to the IT sector; it has been emerging for several years and has been exacerbated by the current downturn rather than being caused purely by it.

### **According to the panel:**

- Reducing costs over the next year will remain a key challenge as the IT function faces increasing pressure to deliver faster and at a lower cost by reducing margins and streamlining processes. In some cases departments are looking to reduce costs by as much as 25%.
- Longer project timeframes are a thing of the past; IT departments are now having to adopt the approach of delivering smaller blocks of functionality in shorter periods of time.
- Whilst many IT departments continue to be viewed as costly areas of the business, IT has also become increasingly strategic within the business and now plays a key role in shaping the direction of the company.
- It is the development of new technology that drives change in the business and allows it to grow and this is now being acknowledged at board level.
- The impact of the economic environment has been felt across all sectors with many IT departments reducing their number of contractors or choosing not to replace permanent staff. This reduction in staff is proving a key challenge for organisations who are now faced with delivering an increasing number of projects with less resources. Many are turning to outsourcing as a solution.

- Mobility will also be key over the next 12 months – being able to access data securely anytime, anywhere will be a key challenge. With board members keen to work from iPads whilst on the move adapting existing systems to be compliant will be crucial.

*“The IT function faces increasing pressure to deliver faster and at a lower cost.”*

## Third party management

More than 60% of survey participants said that they presently outsource at least one part of their IT function. This concept generated some interesting debate during the roundtable and as many benefits as negatives were listed. Companies like being able to hand over potentially problematic IT functions but at the same time are concerned about the lack of control that this inevitably brings.

### According to the panel:

- With pressure to decrease headcount and costs through reducing the number of contractors and not replacing permanent staff, outsourcing appears to be a promising solution for some.
- Outsourcing 'in-shore' has the added advantage of being able to bring suppliers onto the company premises in order to work alongside them and share knowledge more effectively. Many of the panel also felt that outsourcing 'near-shore' would have similar advantages with reduced costs for flying team members out to suppliers to share knowledge and closer cultures making communication more effective.
- Entrepreneurs and smaller suppliers now offer an attractive option; offering more flexibility and commitment to delivering projects on scope and within budget – a key requirement when outsourcing. Scope creep on projects is a key area of concern meaning flexible suppliers are fundamental and departments are increasingly seeking outsourcers that are willing to do more than the bare minimum specified and who are willing to take accountability for their work.
- Whereas in the past outsourcing could see cost savings of up to 40%, today these cost savings are no longer as high therefore reducing the appeal of outsourcing. As a result many companies are now bringing their IT functions back in-house.
- As costs in India continue to rise, Eastern Europe is becoming an increasingly attractive option for outsourcing. Offering better quality, a better cultural fit and easier communication Eastern Europe is seeing a significant rise in outsourcing from the UK.
- Our panel cited that some organisations make the mistake of outsourcing a function that is performing badly in an attempt to improve it, when in fact outsourcing is most effective when the function that is being outsourced is performing well so that knowledge can be shared with the supplier.
- Outsourcing should enable organisations to expand or contract quickly but in our panel's experience suppliers are unable to respond quickly enough and don't have a pool of experienced professionals they can call upon when necessary.
- Cloud Computing is very much the hot topic, however, in reality very few services are 'true Cloud' – with true Cloud Computing being 'anytime, anywhere'. The panel felt that in most cases it is just new terminology for existing hosting services.
- Our panel offered many definitions of 'Cloud Computing' but were in general agreement that the term 'Cloud' has simply become the buzz word, as Cloud has become more consumer focused through applications such as iCloud, and the term has been more widely used. In reality it was felt that in business it is just another term for not keeping data in-house.
- A key concern around Cloud Computing is the ultimate lack of control. By effectively outsourcing the data management the organisation relinquishes control over when updates are implemented and what functionality will remain available over the long-term. The supplier also becomes the proprietor of the data in many ways.
- New start ups are thought to have the most to gain from Cloud Computing as they are able to take advantage of the scalability and flexibility it can offer. In contrast larger, more established organisations often have legacy systems which they must work with. To throw away existing systems is a costly move that many larger organisations are unwilling to make in the current market. Some may implement Cloud alongside their existing systems but this is dependent on the compatibility of the systems.
- Cloud Computing offers organisations another option and presents an opportunity for cost savings when used effectively. The panel felt Cloud was particularly suited to HR and Payroll systems, where users want to be able to access their data from both work and at home.
- Security and risk continue to be areas of concern. The reliability and speed of connections to access data were thought to be crucial and these have yet to be proven.
- Cloud is non-capital intensive which means other areas of the business see it as a low cost and quick solution, however, they are unaware of the many hidden costs that are often associated with Cloud. In some cases IT departments have also found they have been bypassed as suppliers have gone directly to the rest of the business to offer externally hosted solutions.
- For every problem that Cloud Computing solves the panel felt it raised a new one. But as one participant said 'ignore it at your peril'.

## Morale and recruitment

A massive 78% of survey respondents highlighted morale issues within their IT teams and this was something that was echoed at the London roundtable. This is certainly not exclusive to IT - the morale of any department is challenged when they are put under increased pressure to deliver, yet the topic encouraged some lively debate.

### According to the panel:

- IT professionals generally seek roles with high earning potential but the scope of projects and potential job satisfaction and recognition are far more important factors for morale.
  - There is a lack of standard practices within the IT sector around what managers can reasonably expect when it comes to the delivery of projects that require working outside the normal hours. Whilst some of the panel implemented flexible working practices and pay structures to reward those working beyond the contracted hours, others felt IT professionals were required to undertake 'whatever work is necessary to get the job done' within their existing remuneration packages.
  - For many, retaining the best IT talent has become a challenge with employees choosing to move to higher paid external jobs or moving over to contractor roles which now present a similar level of risk given the economic climate and the number of restructures taking place.
  - 93% of the survey respondents said they had skills gaps within their organisation and our panel were no exception. However, these skill gaps weren't within technical areas – in fact many found employees were often too technical – but that they are lacking softer skills such as business acumen and inter-personal skills.
  - As colleagues from across the business have become more tech savvy and interested in IT strategy, IT professionals have needed to become more client facing and willing to invest the time educating other areas of the business.
  - Too much focus is thought to be given to external training courses whereas in many cases more can be learnt through on-the-job training and from opportunities within the business – particularly when it comes to the competency skills that are lacking across the IT function. It is also fundamental that external training is aligned with the company's strategy.
  - Where the market lacks candidates with the right skill sets companies are now turning to younger professionals who can be brought in and moulded to suit the business. Individuals with the right competencies and are the right fit for the company are the most sought after, with technical skill gaps being overlooked as companies are willing to train and develop employees.
- Whilst the benefits of investing in the development of employees to suit the organisation's needs are widely recognised, the panel also highlighted the potential pitfall of creating highly sought after IT professionals who can command higher salaries in the market. In some cases this can lead to organisations no longer being able to afford their staff and losing their best talent.
  - Social media is playing an increasingly important role when recruiting new IT talent. Our panel said they routinely review social media profiles before interviewing candidates. LinkedIn is also a key channel for recruitment including contacting previous contractors and seeking recommendations from connections.

*“Employees can often be too technical, it is the competency skills they lack.”*

Computer Futures organised several successful roundtables across Europe and we were particularly impressed with the insight from London. We look forward to hosting similar discussions in the future, events that present excellent networking opportunities for our key clients.

**The full 'The future of IT' report will be released in early 2012 and will be available to download from [www.computerfutures.com](http://www.computerfutures.com)**