HOW CIOS AND IT LEADERS ARE SHAPING THE FUTURE OF WORK

ANALYST REACTION TO FUZE'S BREAKING BARRIERS 2020: HOW CIOS ARE SHAPING THE FUTURE OF WORK REPORT

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ABOUT FUTURUM RESEARCH

Futurum Research provides research, insights and analysis to the market that help tie leading and emerging technology solutions to strategic business needs. The purpose behind each of our reports is to help business executives and decision-makers gain a better understanding of the technologies driving digital transformation, connect the dots between the practical business requirements of digital transformation and the forces that impact employees, customers, markets and experiences, and take appropriate action regarding critical digital transformation opportunities.

HOW CIOS AND IT LEADERS ARE SHAPING THE FUTURE OF WORK

Technology is the fuel that business now runs on. In the last decade, advances in cloud computing, mobility, and software have radically transformed not only the way companies do business but how people work. Just as consumers have taken to their laptops, tablets and smartphones to search for information, get around, stay connected with friends, manage their day, and make purchases, office workers have also been using their laptops, tablets and smartphones to access virtual workspaces, collaborate with their peers, stay connected with the office when they are away, attend meetings, pitch ideas, and close deals.

A huge piece of the digital transformation of the business world is obviously technological, but another is cultural: the younger a worker is, the more likely it is that he or she will naturally want to do business using convenient digital tools that don't tether them to a desk or office, and don't limit their creativity or operational potential. Conversely, the older a worker is, the more likely it is that he or she may not enjoy the same instinctive fluency with new collaboration and productivity tools that comes naturally to their younger peers. This meeting point of old and new technologies, and incumbent and young workers, is simultaneously one of the areas of greatest opportunity for most businesses, and one of the areas suffering from the greatest amount of friction. When friction occurs, it generally comes in the form of reluctant technology adoption, slow technology deployments, asymmetrical technology investments, and laborious ecosystems of collaboration which can divide rather than unite coworkers on the basis of age and fluency with new mobile-friendly technology solutions.

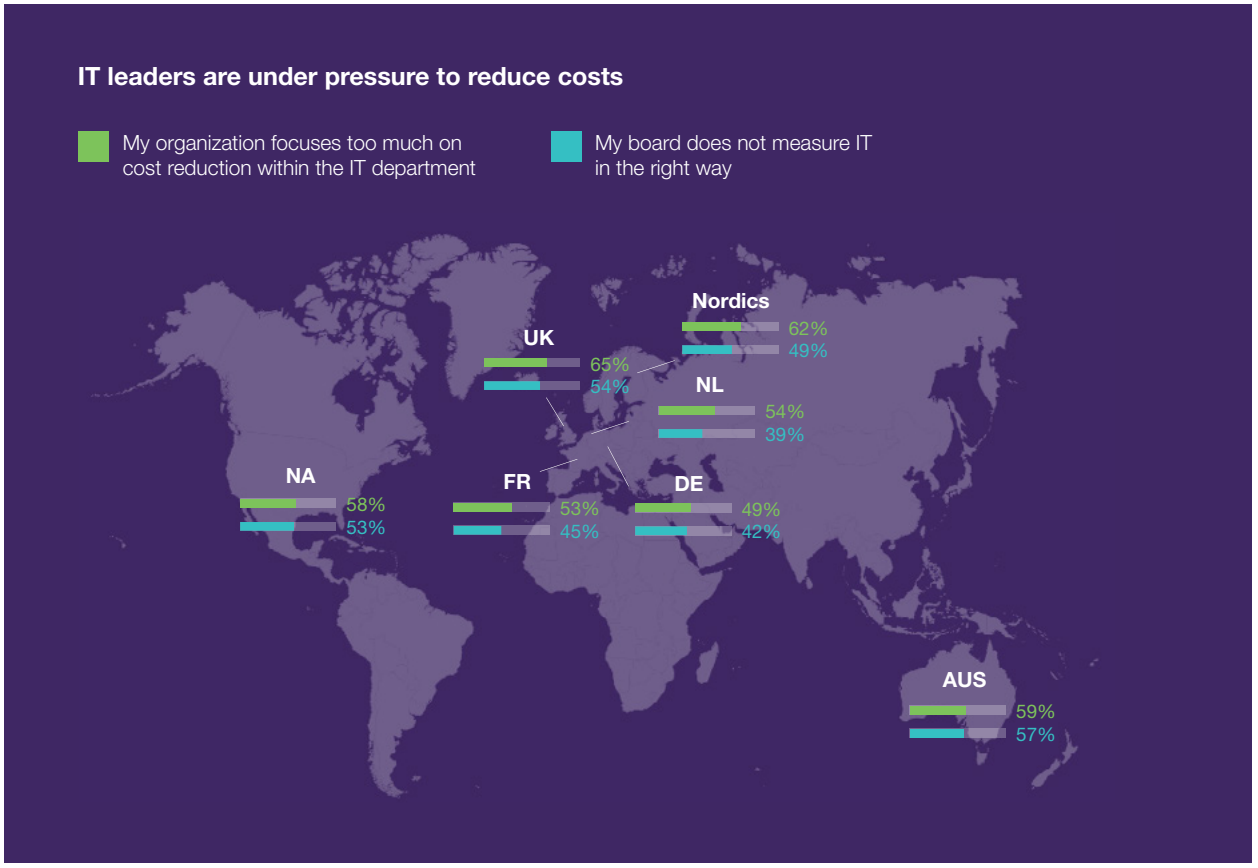
The older a worker is, the more likely it is that he or she may not enjoy the same instinctive fluency with new collaboration and productivity tools

As companies progress along their digital transformation journeys, IT leaders must now transcend their traditional support and technical roles, and become active transformation leaders and change agents. While their primary focus should remain squarely on driving technology adoption, facilitating technology deployments, and streamlining technology management across the organization, as leaders, they must also take into consideration both the cultural and operational ripple effects of this great technology upheaval. By doing so, IT leaders will find themselves in a stronger position to anticipate and address cultural hurdles that may hinder technology adoption, throw their technology deployment initiatives off balance, and complicate rather than streamline technology management. Fuze's latest report, *Breaking Barriers 2020: How CIOs are Shaping the Future of Work*, which surveyed 900 IT leaders, 6,600 workers, and 3,300 teenagers (dubbed the app generation) from around the globe, gives us a glimpse into how to do exactly that. A third-party research lead by firm Vanson Bourne in the UK focused on regions including North America, Europe and Australia. We spent several weeks digging through its data and findings, and finally distilled it all into several key themes, and a meticulously curated list of data points we found especially revealing. Here they are.

IT leaders must now transcend their traditional support and technical roles, and become active transformation leaders and change agents

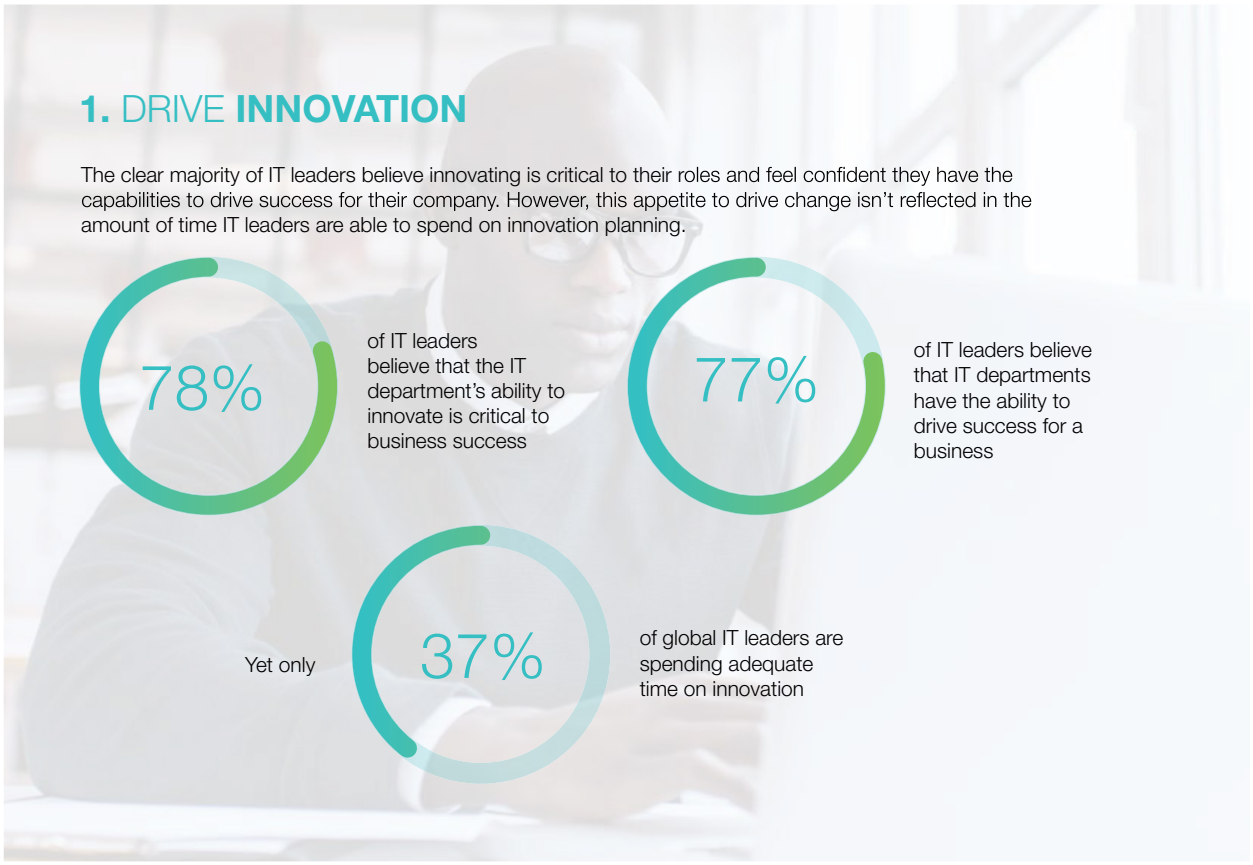
THE ROLE OF IT IS CHANGING

The first theme we identified is the apparent gap between, on the one hand, the expectations of senior executives and board members as to the value of their organizations' technology investments, and on the other, the expectations of CIOs and IT leaders as to where the value of these investments may actually lie. One of the most unavoidable data points in the report indicates that 91% of IT leaders are currently feeling pressure from senior executives to prioritize IT cost reductions, with an average goal of 12% in the next five years.



In and of itself, neither this focus nor the 12% target seem out of line. After all, it is in a business executive's nature to try and trim the fat and look for cost reductions wherever they may be found. Additionally, the report, as we will discuss in greater detail later, also points to a need to simplify (consolidate) the average IT app ecosystem, and reduce the total amount of IT time currently devoted to managing platforms and resolving user issues. But IT leaders are pushing back against the notion that IT is merely a cost center: While 44% of IT leaders are being measured on their ability to cut costs, 47% express a desire to be measured based on their ability to innovate, and 40% on their ability to drive revenue for their organization. This is significant for several reasons, not

the least of which is that a paradigm shift may be occurring with regard to technology's value proposition in the business world: IT's role, much like Marketing before it, is actively moving from the cold gray provinces of the "means to an end" business function category (and even "necessary evil" in still far too many organizations) to the far more valuable "business driver" business function category. As the digital age continues to radically transform every industry and market, technology has become one of the most vital elements of business success both in the SMB and the enterprise space. From mobile-first experience design and the importance of the cloud in delivering agile and secure solutions at speed and at scale, to new innovative categories of solutions like machine learning, cognitive computing, artificial intelligence, augmented reality, and the Internet of Things, technology has now become the fuel that businesses run on.



As a result, 77% of CIOs and IT leaders now believe that IT departments have the ability to drive success for a business. Not just assist in driving it, but actually drive it. This is an extraordinary shift from how IT's role was viewed just a decade ago. Back then, most business leaders would have thought of IT as a support function for other business units. The fact that so many senior executives still tend to focus more on IT cost savings than IT-driven business innovation and revenue generation indicates that not everyone is moving on from that perception at the same rate. And yet, most IT leaders today no longer think of their departments as being in a business support role. Instead, they see IT having to take on a true business leadership role, and they are right to be moving in that direction. The world's most agile and digitally-adaptive companies – companies that have fully embraced digital transformation as a means of becoming more competitive – don't just share this view, they are giving their CIOs and CTOs much better seats at the decision-making table, and reaping the rewards of that decision.

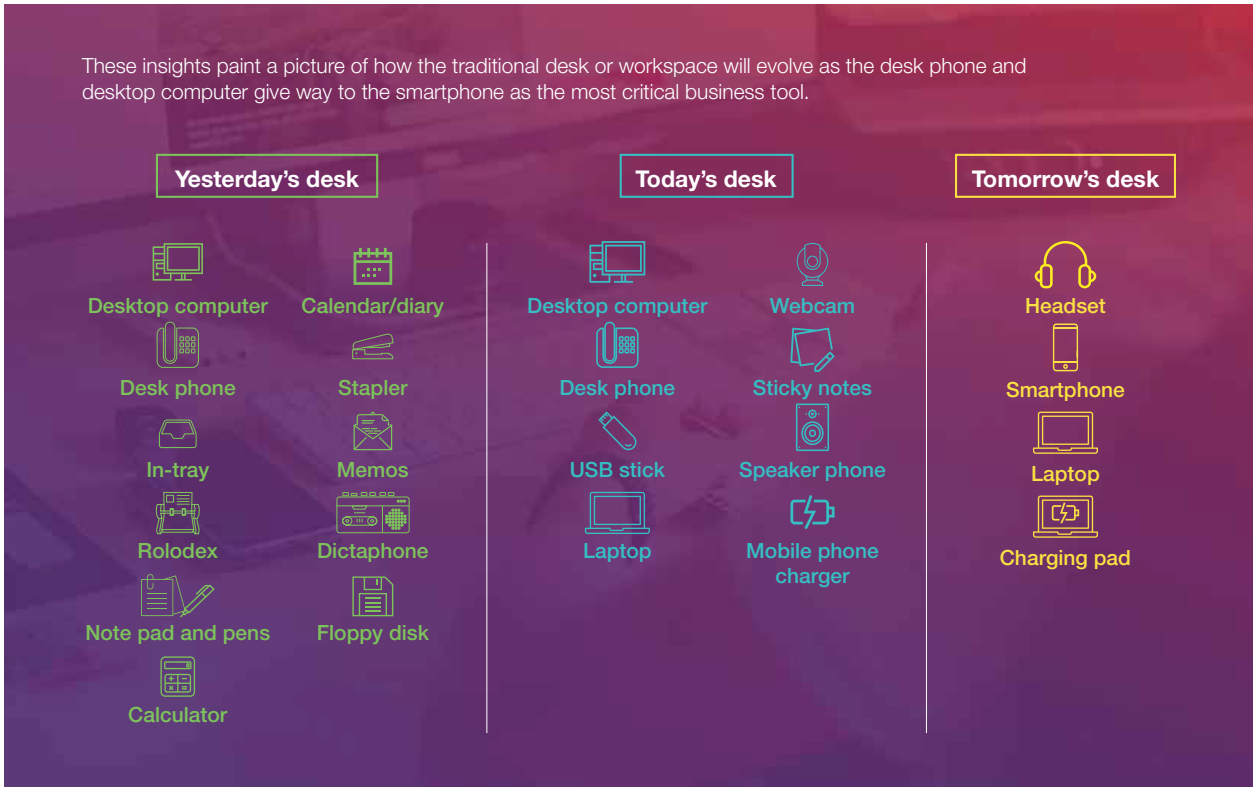
THE WAY WE WORK IS RADICALLY CHANGING

PART 1: TOOLS

The second central theme of the report is that the way we work is fundamentally changing. One aspect of this change is illustrated by the evolution of the tools we all keep around our desks over the last decade.

Without getting into the minutiae of paper clips and staplers, we can draw a quick observation about the evolution of the white collar workspace: Ten years ago, that workspace would have consisted of a desktop PC, a desktop phone, a calculator, a calendar, inbox and outbox trays, drawers of paper files, and maybe even a fax machine. By 2020, that same workspace is likely to look much simpler, with little more than a laptop, a smartphone, a headset, and a charging pad. That is partly because most of yesterday's physical business tools have been replaced by apps and software, and partly because work is also becoming increasingly mobile, but another reason is that the workforce itself is changing.

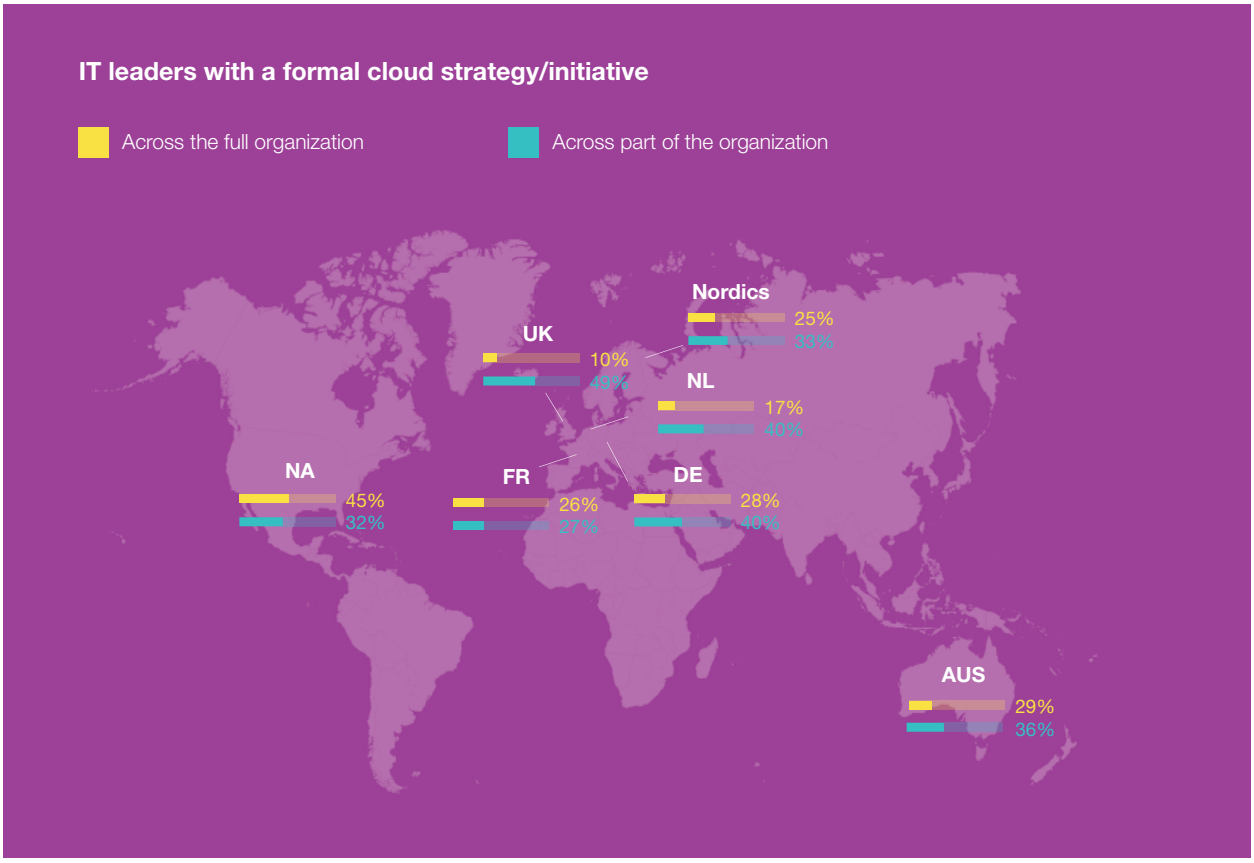
The report makes a solid case for the different tools favored by successive contemporary business generations, and their evolution through the years. Baby boomers, for instance, many of whom are in senior leadership positions today, are still most comfortable using the telephone, letters, memos, and the trusty Rolodex to conduct business. Generation X, on the other hand, tends to favor PCs, email, and picking up the phone to get work done. The business tool preference of Millennials lean towards laptops, smartphones, messaging, and email. The "app generation" (workers born since 1999) are most comfortable with smartphones and tablets, apps ecosystems, and video. Note the steady erosion of the mechanical keyboard as an interface, and the importance of device portability and digital functionality to the next generation of professionals currently entering the workforce.



The consolidation of work desk tools isn't solely a result of technological innovation, however. If it were, these tools would just get smaller and faster but their functionality would remain pretty much the same. That is not what is happening. The way these tools are changing is fundamental. They are meant to adapt to a far more mobile professional ecosystem that transcends traditional definitions of "the desk" and "the office." In short, we aren't seeing Desktop PCs and desktop phones getting smaller. We are seeing a shift from a world of static productivity tools with hardline connections to data to a world of increasingly portable and mobile productivity tools that are wireless connected to data. This suggests an acceleration of the movement towards the death of the desk – as people need fewer tools at work and are more comfortable moving around the office.

THE CLOUD: REGIONAL DIFFERENCES AND SOLVING THE ADOPTION GAP

The third theme revolves around the vital importance of the cloud, where on-demand storage, computing power, and software are made readily available at scale. Among its long list of benefits, the cloud allows businesses and their IT departments to subscribe to whatever technology solutions they need rather than purchase them outright. Aside from the obvious financial benefits, another advantage of the cloud over traditional IT models is that technology solutions that live in the cloud tend to remain current, which means that organizations are always using the latest and most up-to-date versions of those technologies. It is no surprise then, that cloud adoption has been a significant objective of IT departments around the world in the last three years. But for all the talk surrounding the cloud, we were surprised to discover that most organizations still do not have formal cloud strategy initiatives, and haven't been as eager to embrace the cloud as one might expect.



The report indicates that North America is well ahead of other regions included in the study, with 45% of organizations indicating that they currently have a formal company-wide cloud strategy. Europe lags behind with 25%, and the UK trails the pack with only 10% of organizations reporting that they have formal company-wide cloud strategies. These numbers are staggeringly low. Conversely, when asked if their companies have formal cloud strategy initiatives for parts of their organization (as opposed to being company-wide), 32% of North American businesses raised their hands, Europe fell so-

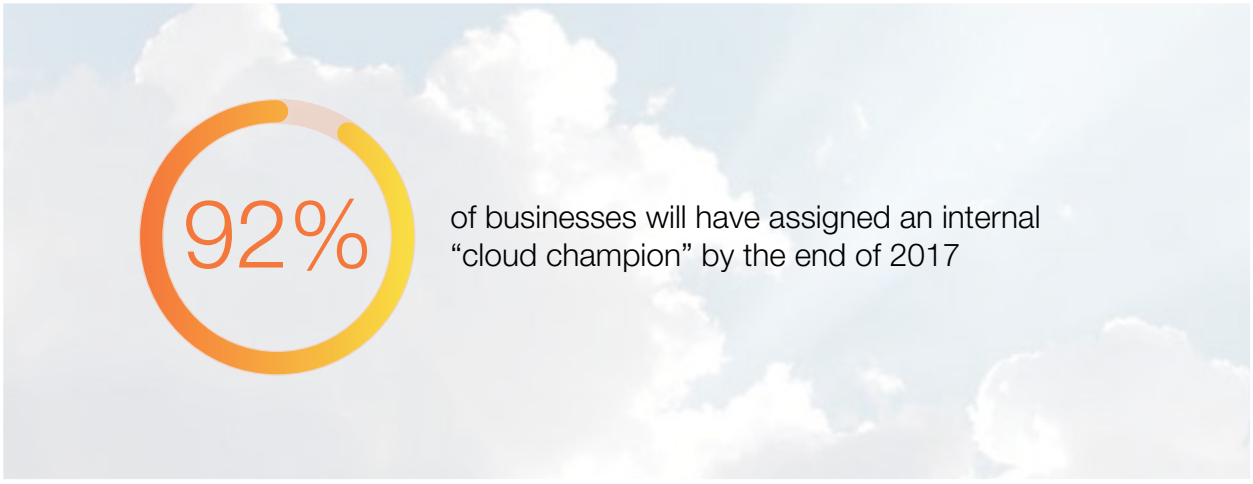
mewhere between 30% and 40% depending on the country, and the UK made up a lot of ground with 49% of businesses. These numbers suggest that cloud adoption maturity cycles vary from country to country. France and Germany, for instance, do not appear to be working off the same cloud adoption timetable, even though they share a border. This is significant because it means that business competitiveness in relation to digital capabilities is likely to be affected by what country that business operates in. It also means that as different parts of the world adapt to new technologies at different rates, and digital tools allow enterprising companies to enter new markets with far fewer geographic limitations than before, incumbent industries may find themselves at a disadvantage when suddenly confronted with far more digitally mature competitors.

To be clear, we regard the transition from siloed cloud strategy initiatives to company-wide cloud strategy initiatives as a factor of an organization's digital maturity in the same way that we regard the transition from informal cloud strategy initiatives to formal cloud strategy initiatives. When we look at the report's data, what we see is that North America is further along the spectrum of digital maturity than Europe as a whole, and very much ahead of the UK in that regard.

What we find even more remarkable is that on the whole, 92% of businesses – and these are the same businesses that produced the numbers we just went over – expect to have assigned an internal cloud champion by the end of 2017. The significance of this is twofold:

- Regardless of where they fall along the digital maturity spectrum, 92% of companies are clearly aware of the importance of the cloud, and are committing additional resources to its adoption.

- Regardless of where they fall along the digital maturity spectrum, 92% of companies recognize that the only way to ensure adequate cloud adoption is to create a dedicated cloud evangelization and ownership mechanism inside their organization.



Although the gap between less than 50% of companies having formal cloud strategies of any kind and 92% of companies pledging to assign an internal cloud champion may seem counterintuitive at first, it actually makes sense: If cloud adoption looked more like 80-90% across the board, most organization would see little need to install internal cloud champions to facilitate and own the process. We therefore see this 92% number as a clear signal that organizations are simultaneously aware of the cloud's importance, and of the friction keeping them from both developing and executing a cloud adoption strategy at a more aggressive pace.

THE WAY WE WORK IS RADICALLY CHANGING

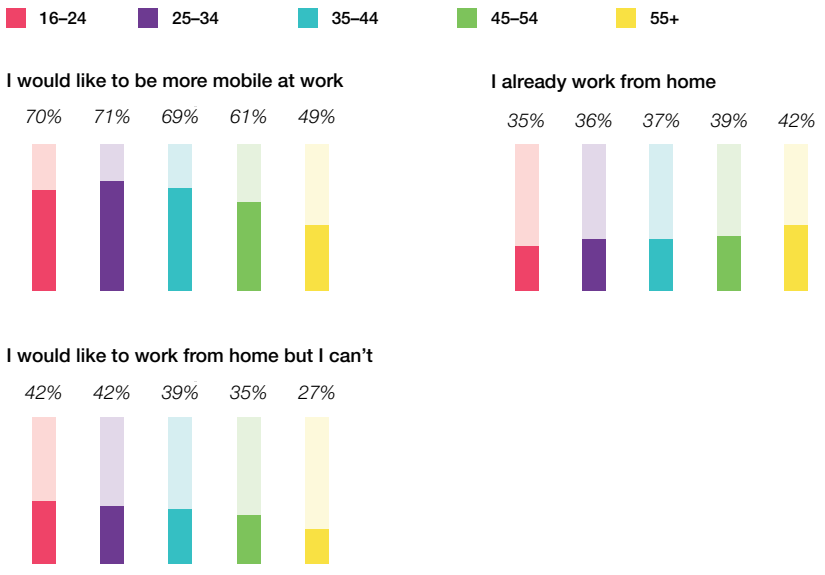
PART 2: ATTITUDES AND BEHAVIORS

Another aspect of the changes affecting the way we work is illustrated by the evolution of attitudes and behaviors towards work, particularly now that productivity and collaboration tools have become so mobile.

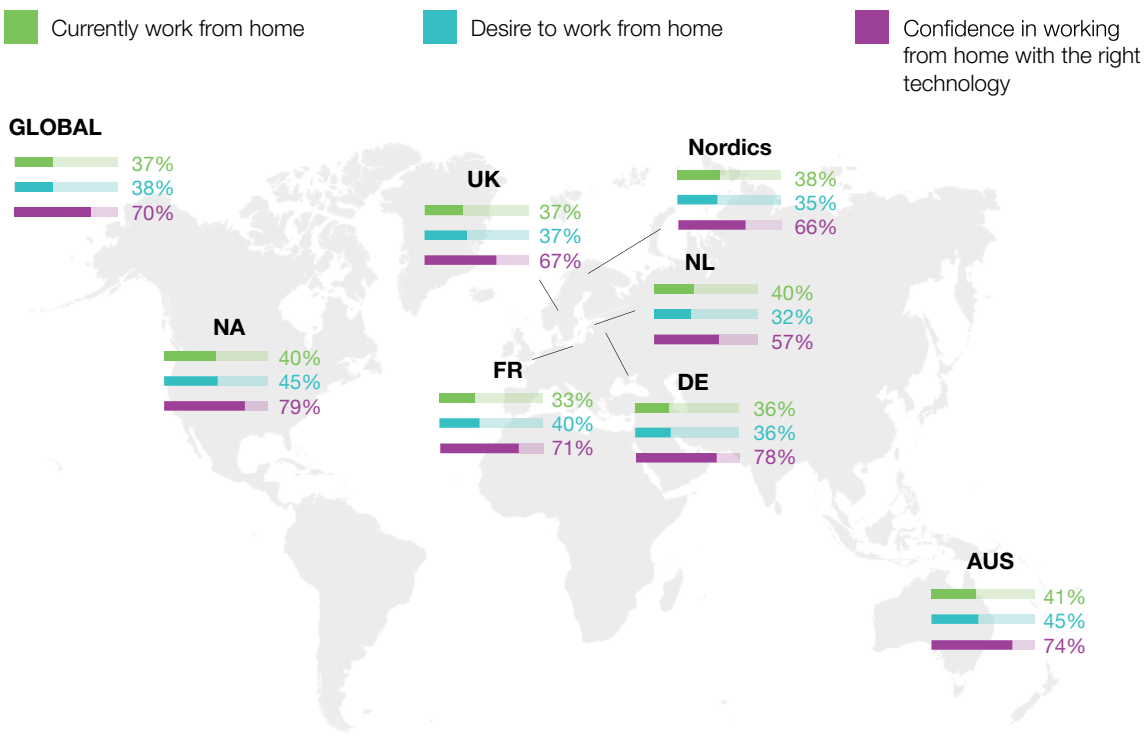
We can start with the fact that 85% of workers find the idea of working from home appealing. Given the potential benefits, both social and professional, of working with people face to face, and the rewarding nature of an engaging workplace, the fact that this number is so high is remarkable to us. Regardless of technological advances, it suggests that a large proportion of workplaces may be failing to motivate and engage employees, and/or provide them with a rewarding work environment. Although this calls for a separate discussion about workplace cultures and experience design, we note that unappealing or otherwise demotivating workplaces may be contributing to the adoption of productivity tools whose purpose is essentially to allow workers to escape to work environments they find more rewarding.

When asked more directly if they would like to work from home, the numbers drop a little compared to the more hypothetical version of that question. Instead of 85% positive replies, responses drop to 71% or below, with rather clear generational differences: The app generation, Millennials and Xers (that is, everyone under the age of 45, answers along a relatively similar trajectory, with 16-24 year-olds at 71% yes, 25-34 year-olds at 70% yes, and 35-44 year-olds at 69% yes. When 45-54 year-olds and 55+ year-olds were asked if they would like to work from home, however, only 61% and 49% respectively replied in the affirmative. It is difficult to gauge whether younger workers are more open to working from home because they are more comfortable with digital productivity and collaboration tools, or if the reason for that difference is cultural, but beyond questions of causation, we note a clear correlation between attitudes towards work and the adoption of mobile productivity and collaboration tools and methodologies: The more likely an age group is to favor working from home, the more likely that same age group is to be using mobile productivity tools, and vice-versa.

Flexible working preferences (by age)



Flexible working preferences (by region)



We caution that these generational differences may create obstacles to effective collaboration in the workplace between younger and older workers, and may lead to wildly different expectations regarding workplace behaviors that could lead to friction. One aspect of these differences in expectations is cultural: older workers may expect their younger peers or employees to physically be present in the office to justify their value to the organization, and may not understand or accept their need for mobility. Another aspect of this is technological, and relates to the very different collaboration tools that various age groups tend to favor: Managing a generationally diverse workforce may require a flexible but formalized collaboration ecosystem that connects rather than divides age groups along technological lines. We know, for instance, that Xers favor email as their go-to collaboration tool, while many Millennials and younger app generation workers favor messaging type collaboration apps and mobile video to communicate with each other. If incumbents in an organization choose to remain in their technological comfort zone, or that organization fails to actively adopt and deploy new collaboration tools used by younger workers, it may have trouble attracting and retaining younger professionals, and may find itself struggling to keep up with the pace of change.

Older workers may expect their younger peers or employees to physically be present in the office to justify their value to the organization, and may not understand or accept their need for mobility.

Two specific data points from the report jump out at us in this regard:

- Globally, 82% of IT leaders perceive young people as a benefit to the workplace.
- Also globally, 76% of IT leaders believe that the success of new technologies depends on user satisfaction.

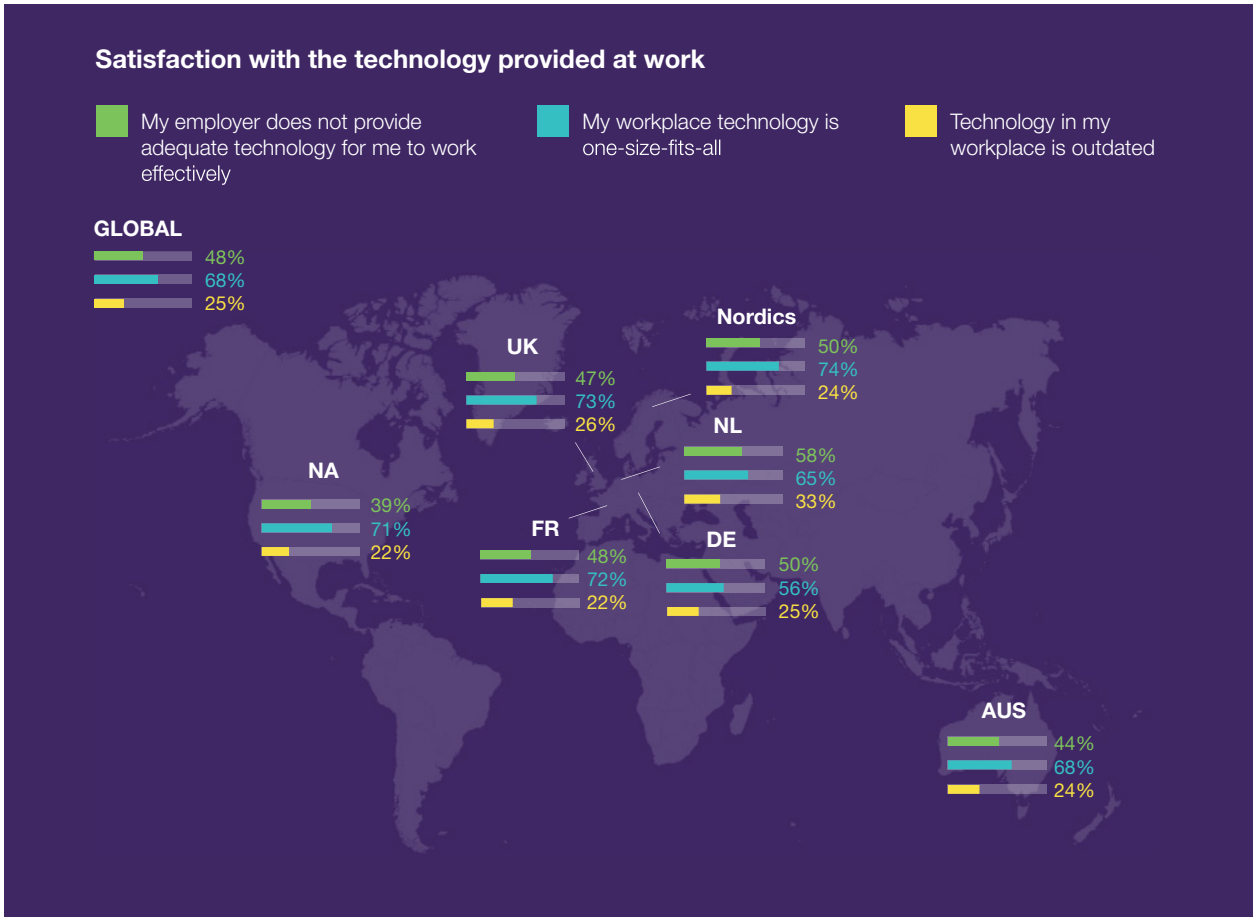
What these numbers suggest to us is that organizations should establish active technology adoption and revitalization programs if they have not done so already, with a particular emphasis on helping older workers adapt to new productivity and collaboration tools, and integrate them into their daily work. (Note that this kind of program may require the use of incentives.) If new technology deployments are to be successful, and they must be successful, care must be taken to ensure that every member of the team is properly equipped to achieve an adequate degree of fluency with new productivity and collaboration tools relatively quickly.

Circling back to our original discussion about working from home, it is worth mentioning that 37% of workers already work from home in some capacity, and that this number is likely to grow in the next three to five years.

IT LEADERS DIVIDED: EAGER ADOPTERS VERSUS LAGGARDS

Beyond the report's central themes, we also noted a number of interesting data points we feel compelled to single out and cast a spotlight on. These data points caught our eye either because they add additional layers of insight to some of the themes we have just explored, or they open the door to related discussions about the current state of Digital Transformation among companies around the world, and common attitudes towards business technology adoption in general.

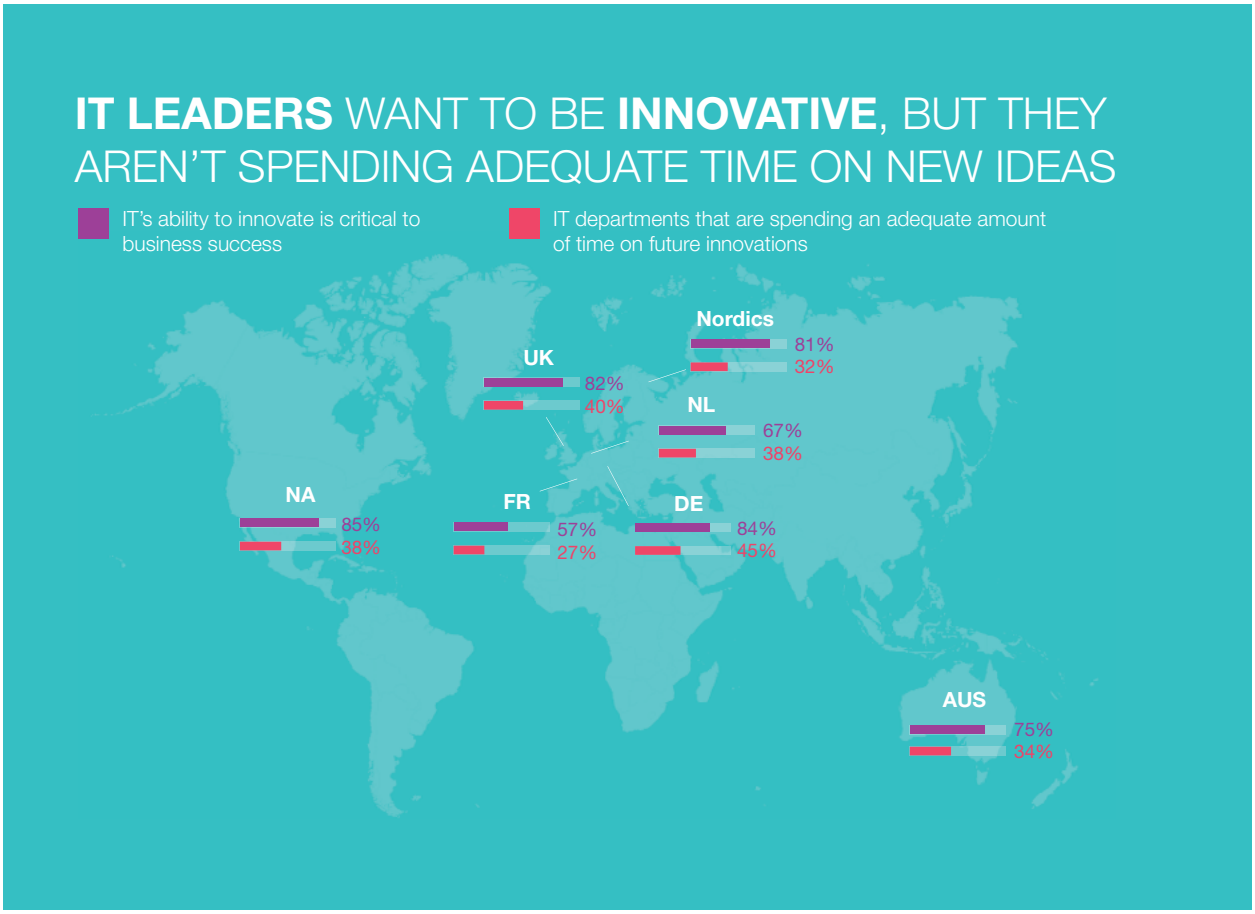
For instance, we were surprised to find that only 59% of IT leaders around the globe feel that adopting new communication technologies should be a priority. That number looks significantly better in North America with 76% responding in the affirmative, but given the importance of communication technologies to businesses in the age of mobility – both in terms of the workforce becoming increasingly mobile, and in terms of digital communications having become a core element of every business regardless of the industry – we find it surprisingly low. Our reasoning is as follows: If 92% of respondents have signaled a need to create a an internal cloud champion role, it stands to reason that the same percentage of businesses should naturally see the need to treat the adoption of new communication technologies as a priority. This would of course apply to both internal communication technologies (to be used for collaboration and to optimize information sharing across every business unit) and external communication tech-



nologies (with which businesses interact with customers and markets). The fact that 24% of North American businesses and 41% of businesses globally haven't yet realized that communication technologies are the beating heart of their business in the digital age suggests that a large segment of the business community has yet to reach a degree of digital maturity that would make them adequately competitive in markets currently being taken over by far more digitally mature and agile companies.

Another data point we found a little perplexing is that despite the fact that 83% of IT's time is spent managing IT and communications platforms, and resolving user issues, and despite the fact that the typical IT department manages, on average, 4 different voice conferencing solutions, 4 different video call solutions, and 4 different messaging solutions, when IT leaders (globally) were asked if simplifying their company's app ecosystem is a priority for them, only 64% responded in the affirmative. We would expect that, given the balance of their operational burden and cost savings objectives, 100% of IT leaders would consider the simplification (or consolidation) of their own platform ecosystems to be among their top three priorities. We are somewhat perplexed and concerned that as many as one third of IT leaders don't seem all that concerned about a) working to shift at least some of their department's resources away from wrestling with unnecessarily complex app ecosystems so they can focus more on proactive innovation, and b) working to create a more cohesive and manageable app ecosystem for the organizations they serve. This disconnect suggests to us that as many as one third of IT leaders may in fact fall into the category of "manager" more than that of "leader." That is to say that they may be more comfortable being reactive than proactive in regards to driving their departments and the organizations they serve forward. If this observation proves to be accurate, the impact of this will be felt at both ends of that IT leadership spectrum, with companies whose IT leaders are proactive leaders finding their path to digital maturity accelerated, and companies with reactive IT managers falling further and further behind.

100% of IT leaders would consider the simplification (or consolidation) of their own platform ecosystems to be among their top three priorities.



This observation is further compounded by the disconnect between the 78% of IT leaders who believe that IT innovation is critical to business success versus the 37% who manage to spend what they consider adequate time working on it. If as many as 63% of IT leaders feel that they are not spending adequate time and resources on IT innovation, and 37% feel that they are, but 36% of IT leaders feel that simplifying their app ecosystem to free up resources isn't a priority, something is clearly off-target about 36% of IT leader's attitudes towards either technology management or operational efficiency, or both. This raises a very big red flag for us in regards to the degree to which ineffective IT leadership may be hindering the progress of as many as one third of the world's companies already struggling to adapt to a rapidly changing world.

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We are encouraged, however that 92% CIOs want to lead digital transformation, 91% want to drive business growth, and 93% want to champion innovation. Even if all of the strategic and operational pieces of the puzzle aren't in place in every organization yet, at least the intent is there. No matter how many obstacles may stand in their way, 9 in 10 CIOs understand that IT should be taking a leadership role in innovation, digital transformation, and business growth.

KEY TAKEAWAYS

For the sake of clarity, and simplicity, we distilled our insights from Fuze's Breaking Barriers 2020: How CIOs are Shaping the Future of Work report into two short lists: The first is a list of observations which, strung together in order, help create a narrative around the insights we derived from the report. The second list outlines actionable IT-specific imperatives that we feel should be integrated into every organization's digital transformation initiative.

Observations:

- The digitization of the work desk, combined with a shift towards mobile productivity, is radically transforming the modern workplace.
- BYOD (Bring Your Own Device) IT policies are gaining speed, with 43% of workers using their own mobile phones for work, and 39% their own laptops.
- The mobile workforce as a trend is picking up speed, with roughly 70% of workers under the age of 45 expressing a desire to be able to work from home, 37% of the global workforce already doing so.
- 70% of workers around the world are confident that the right technologies can make them as productive working from home as they would be working at the office.
- The introduction of both the cloud and mobility have been at the heart of the technological revolution businesses are currently experiencing.
- Although fewer than 50% of organizations currently have a company-wide/unified formal cloud strategy initiative, 92% of organizations expect to have an internal cloud champion role in place by the end of 2017. This signals that the cloud is finally about to reach a mainstream adoption inflection point across the business world.
- Generational differences within the workforce are simultaneously accelerating mobile technology adoption (mostly among younger generations of workers) and slowing down the rate of mobile technology adoption (mostly among older generations of workers).
- Not surprisingly, 82% of IT leaders perceive young people as a benefit to the workplace.
- Depending on the country, 24%-36% of workers still believe that fax machines are necessary business tools.
- 91% of IT leaders report pressure from senior executives to reduce technology costs by an average of 12% in the next five years.
- 47% of IT leaders, however, want to be measured on their ability to innovate rather than simply cut costs, signaling a shift in the role of IT in a technology-driven world.
- 40% if IT leaders also want to be measured based on their ability to drive revenue, which further suggests that IT is shifting from a support (cost center) role to a leadership (profit center) role.
- As IT transitions from cost center to profit center, we expect that IT leaders, including CTOs, CIOs, and CDOs, will find their seats at the decision-making table increasingly nearer to the CEO's.

- In regards to technology adoption, 76% of IT leaders believe that the success of new technologies depends on user satisfaction.
- 48% of workers report that their employer does not currently provide adequate technologies to be effective.
- In contrast, only 59% of IT leaders feel that adopting new communication technologies should be a priority, and only 64% feel that simplifying their app ecosystem should be a priority.

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