IT Decision-Making in the Digital Age

Are you ready to deal with the moments that matter?

Freeform Dynamics 2016

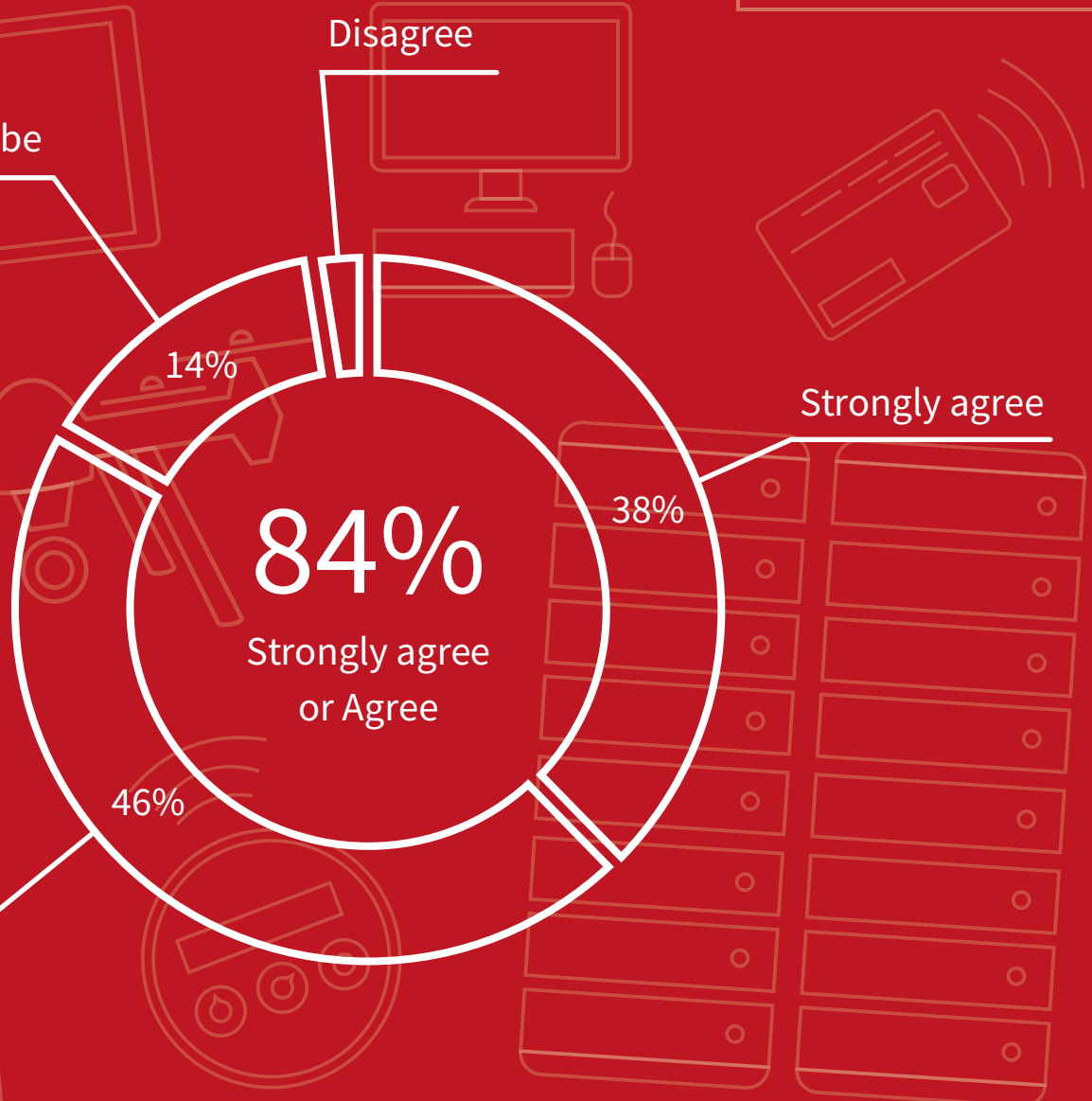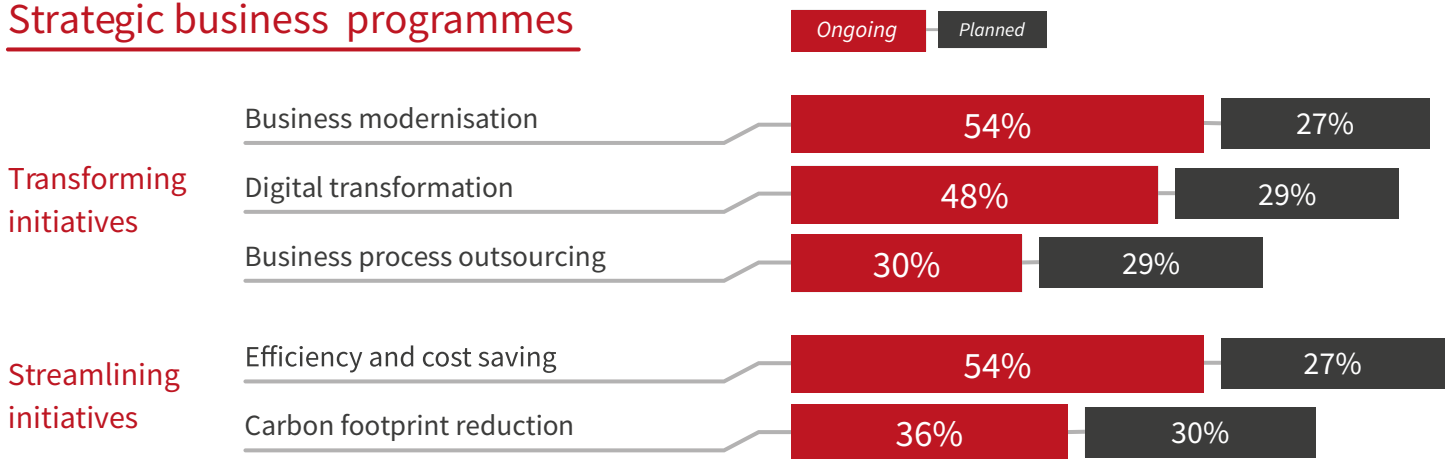# IT is critical to business success in the digital economy

Agree / Disagree
Making the right IT decisions is key to future business success

Disagree

Maybe

14%

Strongly agree

38%

84%
Strongly agree
or Agree

46%

Agree

With technology underpinning so many aspects of the modern business, making the right decisions in this space can nowadays mean the difference between success and failure in pretty much any industry. This came through strongly during a recent research study in which 223 senior, UK-based IT professionals provided feedback via an online survey. The finding we see above may not be that surprising, but it does raise the question of how well technology decisions are made in today's fast moving digital age. The answer is explored in the remainder of this report, along with insights to help you make better IT investment decisions in your organisation.
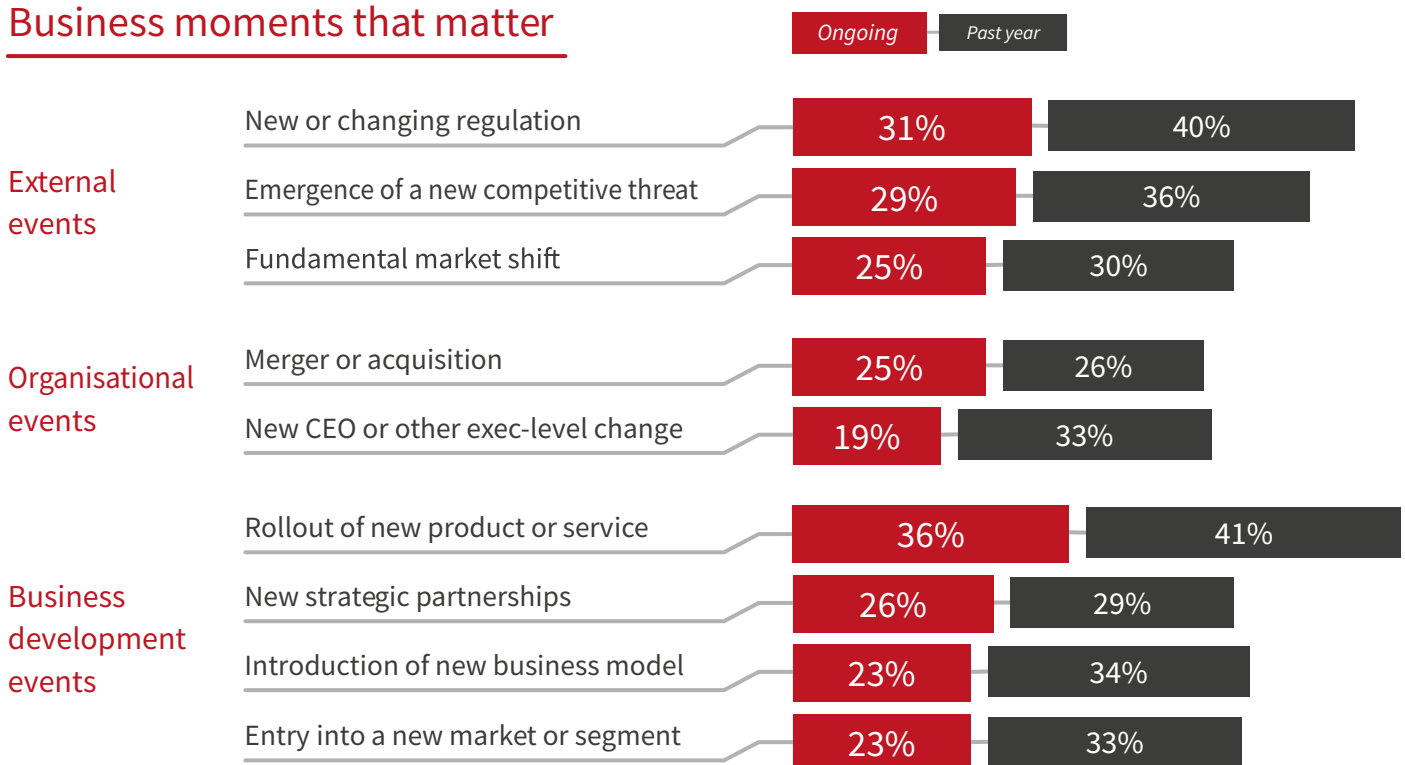
Business forces acting on IT

Strategic business programmes

Ongoing   Planned

Transforming initiatives

	Ongoing	Planned
Business modernisation	54%	27%
Digital transformation	48%	29%
Business process outsourcing	30%	29%

Streamlining initiatives

	Ongoing	Planned
Efficiency and cost saving	54%	27%
Carbon footprint reduction	36%	30%

A good place to start our discussion is with a look at the business forces acting on IT. Most obvious here are the various modernisation, transformation and efficiency progammes that commonly exist. These are typically aimed at driving strategic change on a proactive basis. Then we have more specific events, such as those below.
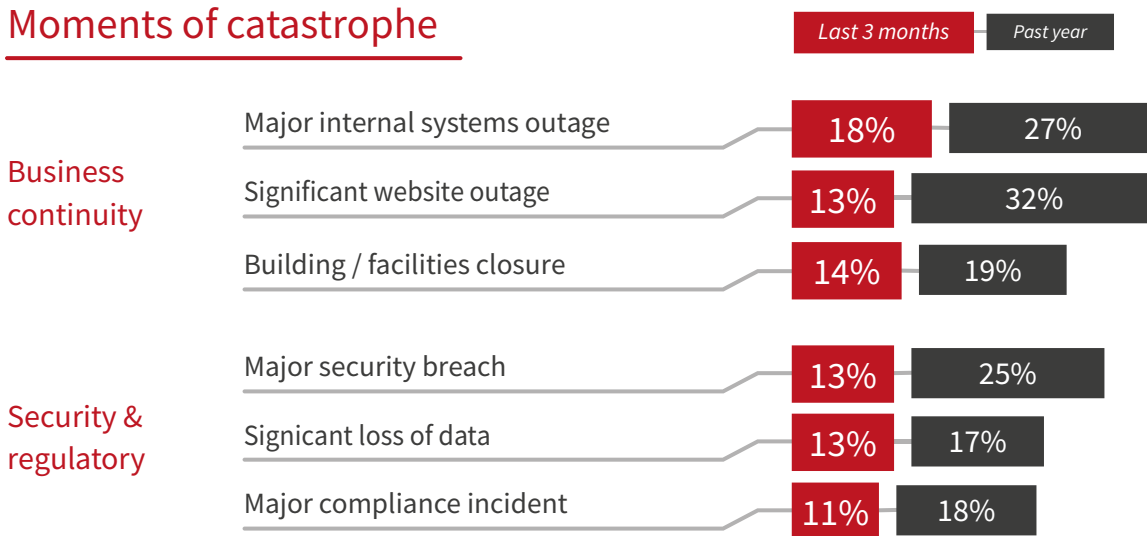
Business moments that matter

Ongoing   Past year

External events

	Ongoing	Past year
New or changing regulation	31%	40%
Emergence of a new competitive threat	29%	36%
Fundamental market shift	25%	30%

Organisational events

	Ongoing	Past year
Merger or acquisition	25%	26%
New CEO or other exec-level change	19%	33%

Business development events

	Ongoing	Past year
Rollout of new product or service	36%	41%
New strategic partnerships	26%	29%
Introduction of new business model	23%	34%
Entry into a new market or segment	23%	33%

What the items on this second list have in common is that they each relate to a moment that matters in business terms, which may or may not be possible to anticipate. Furthermore, many such moments will have technology implications, which will in turn often lead to one or more IT-related decisions needing to be made.
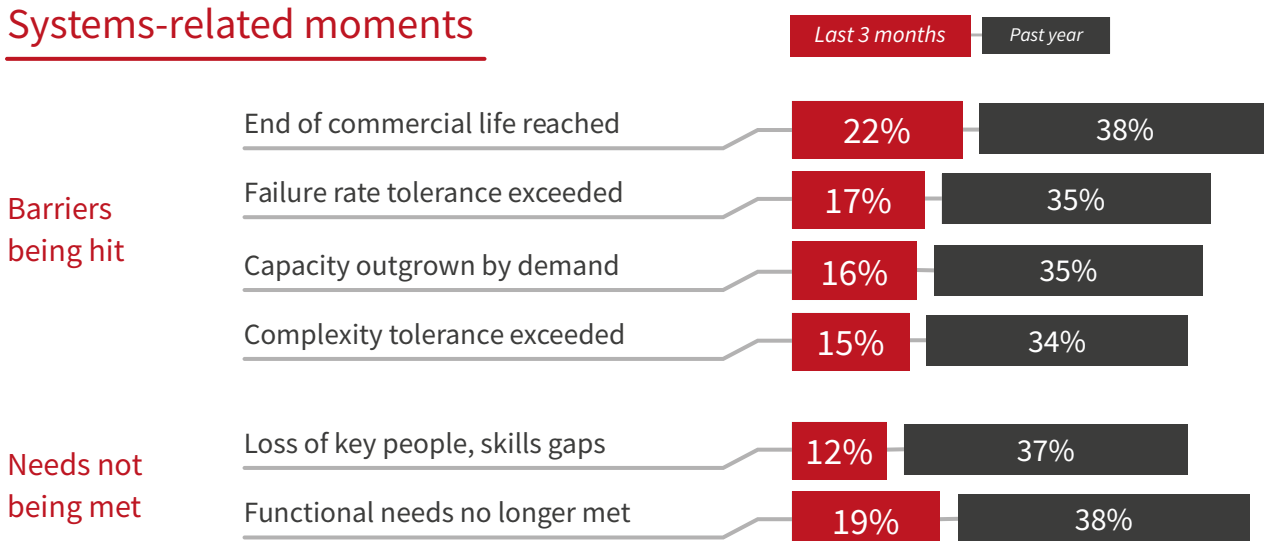
Moments originating closer to home

Moments of catastrophe

Last 3 months | Past year

Business continuity

	Last 3 months	Past year
Major internal systems outage	18%	27%
Significant website outage	13%	32%
Building / facilities closure	14%	19%

Security & regulatory

	Last 3 months	Past year
Major security breach	13%	25%
Signicant loss of data	13%	17%
Major compliance incident	11%	18%

Closer to home for IT professionals, the events listed above represent other moments that matter, but not of the kind we like. When such events occur, IT decisions often need to be made very quickly on how best to remediate the problem. In many cases, a review of current systems and processes will also be triggered, leading to further decisions on the steps and possibly investments required to avoid a similar catastrophe happening again.

Systems-related moments

Last 3 months | Past year

Barriers being hit

	Last 3 months	Past year
End of commercial life reached	22%	38%
Failure rate tolerance exceeded	17%	35%
Capacity outgrown by demand	16%	35%
Complexity tolerance exceeded	15%	34%

Needs not being met

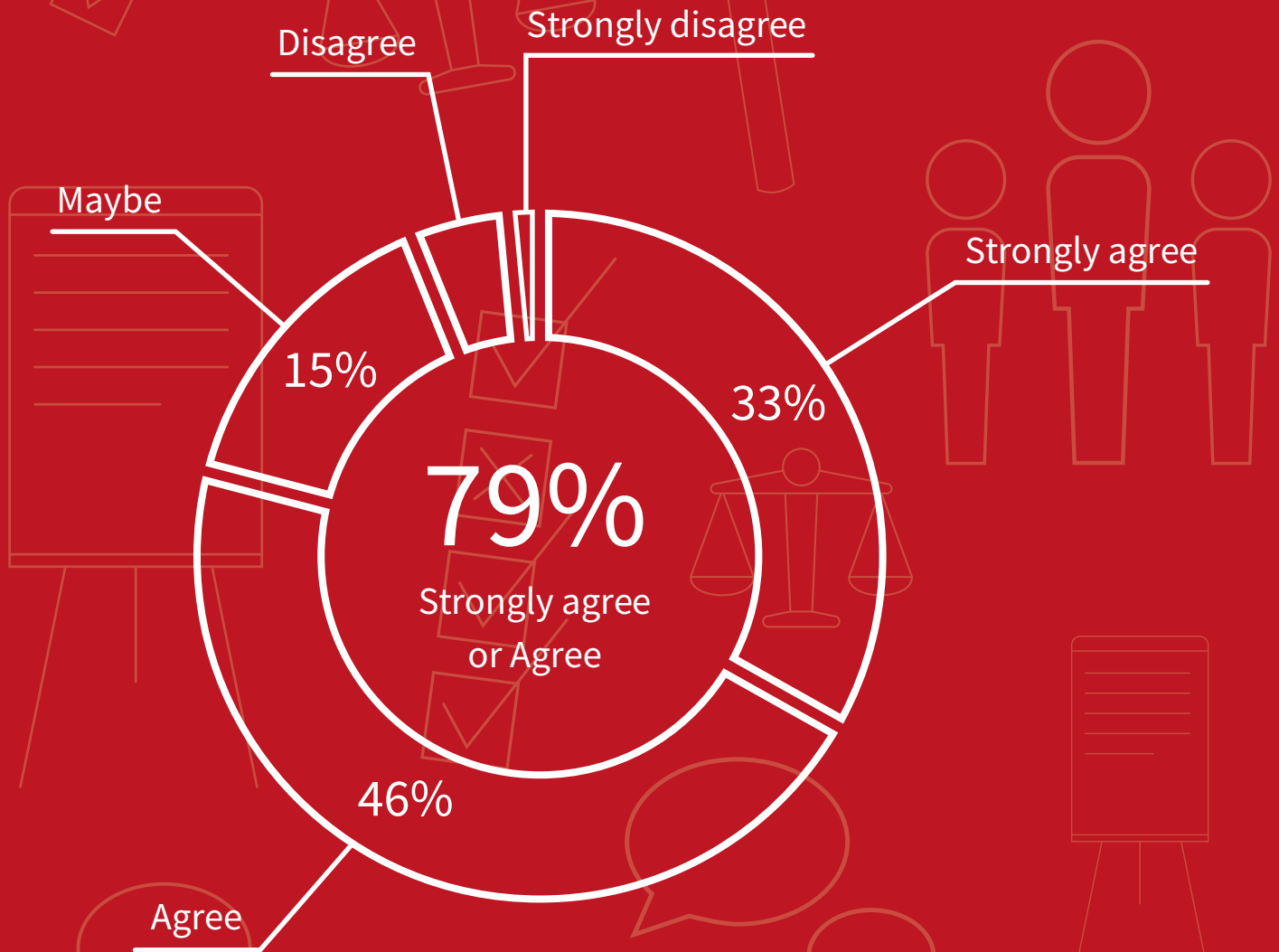|	Last 3 months	Past year
Loss of key people, skills gaps	12%	37%
Functional needs no longer met	19%	38%

Turning to the systems-related moments illustrated here reminds us that running an IT department is not just about responding to overtly business-driven imperatives. As business needs and technology capabilities continue to evolve, nothing stands still for too long in the world of IT. Things break, systems fill up, and functionality and skills gaps arise if you don't act before the moment at which something crosses a line and becomes a problem. While you could argue that decisions here are purely an IT matter, the reality is that funding and resources will often need to be switched from other work, and this will frequently require buy-in from business stakeholders.

Individual parts add up to a complex whole

Agree / Disagree
IT decision-making is becoming more complex and challenging

Disagree   Strongly disagree

Maybe   Strongly agree

15%   33%

79%
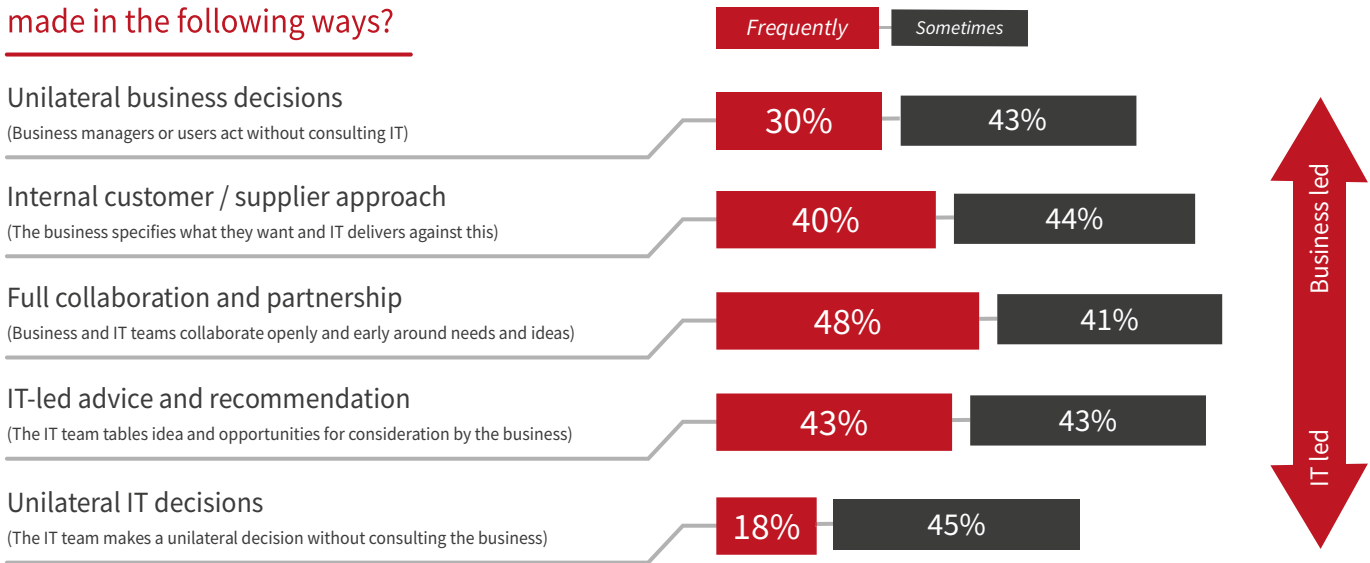Strongly agree
or Agree

46%

Agree

When you consider the various forces and events that precipitate a need to make decisions, it quickly becomes clear that IT departments nowadays have to juggle a whole range of inputs, expectations, requirements and imperatives, often with conflicting priorities. Add to this that many more stakeholders are now involved, some with approval authority, others with veto, and yet more simply with a legitimate opinion, and it would be unusual if you weren't faced with a complex and challenging situation in your own organisation.

Decision-making practicalities

Who's in charge?

How often are IT investment decisions made in the following ways?

Frequently · **Sometimes**

Unilateral business decisions
(Business managers or users act without consulting IT)
30% | 43%

Internal customer / supplier approach
(The business specifies what they want and IT delivers against this)
40% | 44%

Full collaboration and partnership
(Business and IT teams collaborate openly and early around needs and ideas)
48% | 41%

IT-led advice and recommendation
(The IT team tables idea and opportunities for consideration by the business)
43% | 43%

Unilateral IT decisions
(The IT team makes a unilateral decision without consulting the business)
18% | 45%

Business led ▲ / IT led ▼

Most technology decisions are made with input from both IT and the business, often with one or the other taking the lead. The danger is when one of the two parties overly dominates and/or makes decisions unilaterally. This is sometimes legitimate, but can lead to problems if IT is driven by its own agenda, or business people select or set their minds on solutions without understanding the implications or considering alternatives which may serve them better.

Communication and appreciation

Business people often don't 'get it'

71%
Business people often fail to appreciate the potential of modern technology
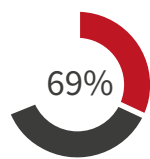
69%
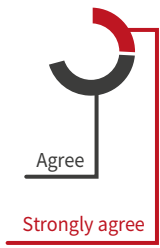Business people often fail to appreciate the realities of IT service delivery

IT teams often fail to tune in
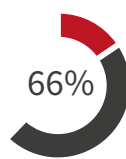
66%
IT people often fail to understand and appreciate the needs of the business

61%
IT people often fail to articulate issues in terms business people can understand
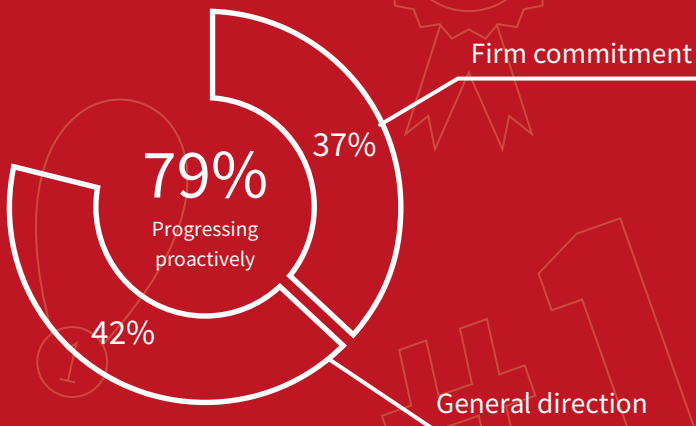
Agree
Strongly agree

Top 5 executive attention grabbers

Catastrophes (e.g. system failures, security breaches, data losses, etc)

Externally driven events (e.g. regulatory, competitive, economic, etc)

Organisational events (e.g. M&A, senior management changes, etc)

Internally driven events (e.g. product launches, market initiatives, etc)

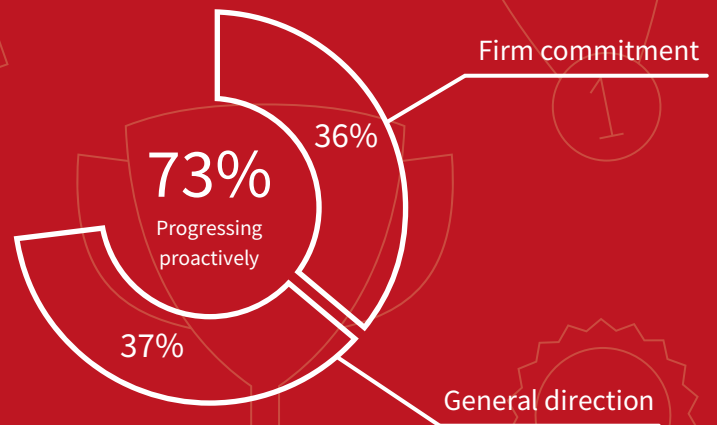**Internal IT requests** (e.g. relating to infrastructure, tools, skills, etc)

You will undoubtedly recognise some of the issues highlighted here. In today's fast-moving and unforgiving markets, the most dangerous of these is arguably business people failing to appreciate the potential of technology, which can lead to a missed opportunity or competitive exposure. Too often, executives only sit up and listen when they are forced to by catastrophes or external events.
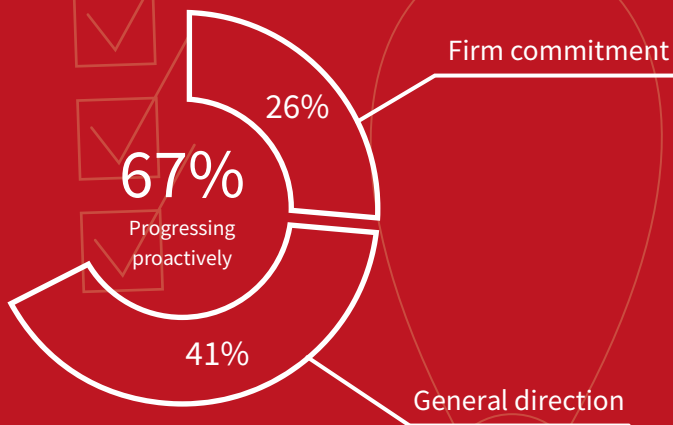
Getting ahead of the game

Do you have overarching strategies or programmes in place within IT to drive or encourage the following?

79%
Progressing proactively

Firm commitment — 37%

42%

General direction

Enhanced automation within IT operations

73%
Progressing proactively

Firm commitment — 36%

37%

General direction

Increased exploitation of cloud computing

67%
Progressing proactively

Firm commitment — 26%

41%

General direction

Use of DevOps and continuous delivery

With so many different forces acting on IT, it makes sense to get the systems part of the equation onto a firmer footing with regard to effectiveness, efficiency and flexibility. The modern approaches presented above are very topical at the moment, and for good reason. Implemented wisely, each one can contribute to better IT responsiveness and reduced costs and risks. But is there any evidence that they really do make a difference?

Learning from the leaders

How well would you say the IT team is performing in relation to the following?

Security & risk

Operational efficiency

Quality of service

Enabling the business

Performance assessment

Growth & development

Responsive to change

Highest scores

Top IT performers
(30% of sample)

Others
(70% of sample)

The IT industry is subject to an ever-changing stream of fads and fashions. Along the way, the value of the latest hot ideas and technologies, and the degree to which market shifts are taking place, can become somewhat exaggerated. At the end of the day, what really matters is whether the actions you take impact IT's ability to deliver a good service and help the business meet its objectives. During research studies such as the one reported here, it's not possible to fully unravel cause and effect, but we can gain some useful insights by studying the behaviour of those who achieve a superior outcome.

To enable this we asked survey respondents to tell us how well they thought they were doing in relation to a set of key performance indicators covering the categories listed above. We then averaged the scores and segmented out the top 30% of the study sample to form a 'Top IT performer' group. So what did we learn from this? Are those achieving better results switching emphasis from on-premise IT to the cloud, for example?
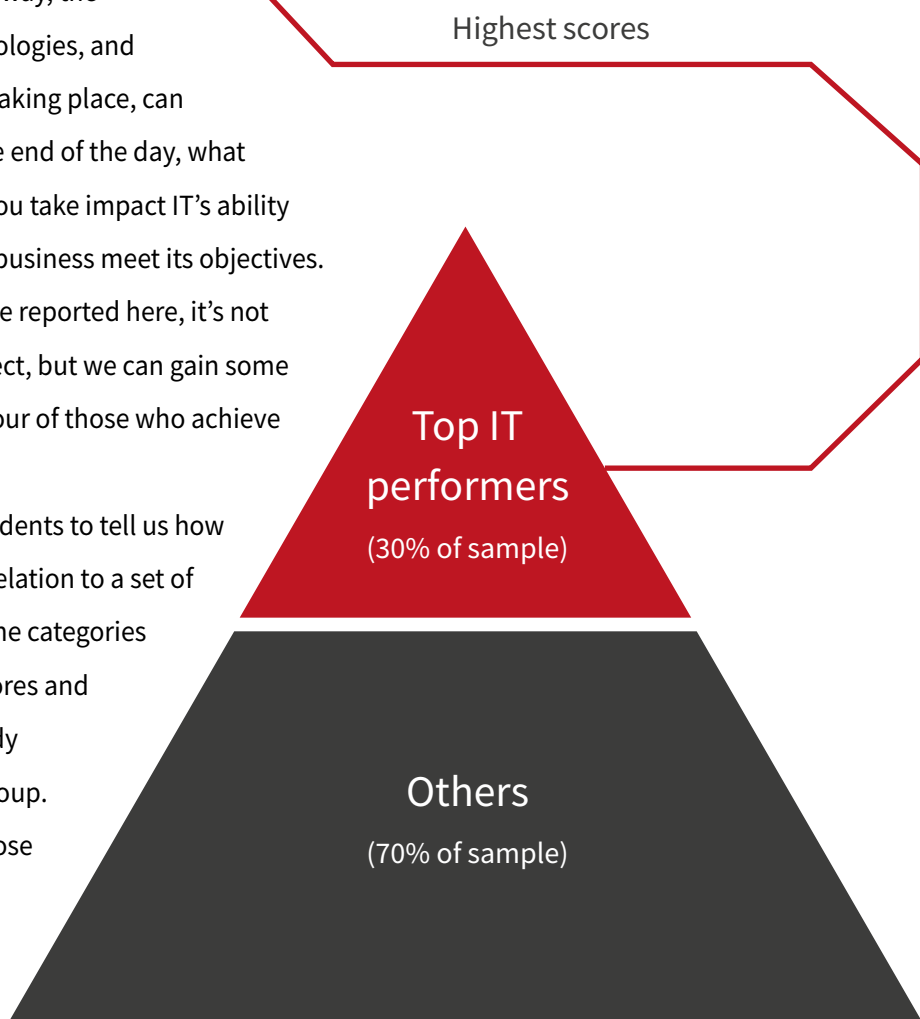
The proactive investment advantage

Strategic programmes

Do you have strategies or programmes in place to drive or encourage the following?

	Firm commitment		
	Top IT performers	Others	Difference
Enhanced automation within IT operations	55%	30%	x1.8
Increased exploitation of cloud computing	52%	30%	x1.7
Use of DevOps and continuous delivery	37%	22%	x1.7
Drive to reduce the datacentre's carbon footprint	40%	18%	x2.2
More energy-efficient IT operations	38%	24%	x1.6

Top IT performers are significantly more likely to be adopting modern delivery options in a committed way. Furthermore, they don't see this as a zero-sum game. Just because they are committing to cloud, for example, doesn't mean they are de-committing from datacentre automation. Indeed, they are often driving improvements on a broad range of fronts, as illustrated by their commitment to energy and carbon-related initiatives.

Tangible investments

Netting all this out, when you look at your IT project portfolio, does it contain any of the following?

	Recently completed		
	Top IT performers	Others	Difference
Business solutions			
Major software development projects	51%	20%	x2.6
Cloud service implementations or migrations	42%	20%	x2.1
Packaged software implementation, migration or upgrade	32%	18%	x1.8
Information management and analytics projects	28%	17%	x1.6
Desktop / mobile access			
Implementation of virtual desktop infrastructure	34%	23%	x1.5
End use computing upgrade / modernisation projects	28%	14%	x2.0
Core infrastructure			
IT infrastructure upgrade or modernisation projects	38%	20%	x1.9
Datacentre facilities (e.g. power / cooling) modernisation	38%	18%	x2.1
Initiatives to enhance IT security	43%	14%	x3.1

Beyond high level programmes, Top IT performers are also more advanced in terms of making specific investments. They are much more likely to have recently delivered on tangible projects in a number of important
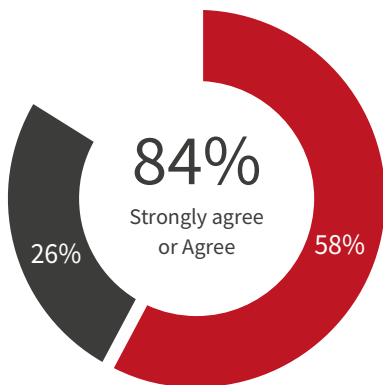
Hybrid-IT as an example of effective decision making

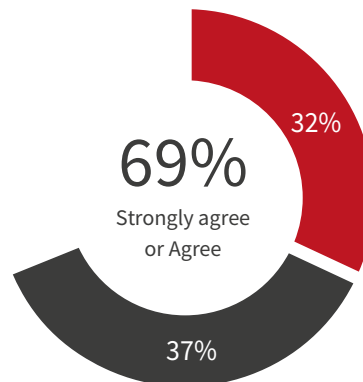## Cloud is good, but your in-house infrastructure remains important

Top IT performers
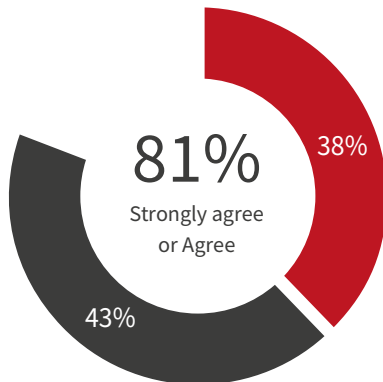
81%
Strongly agree
or Agree

38%

43%

Cloud services are an
important part of our IT strategy

Others

69%
Strongly agree
or Agree

32%

37%

Cloud services are an
important part of our IT strategy

Agree

Strongly agree

84%
Strongly agree
or Agree

26%

58%

We must continue to invest in
our on-premise IT infrastructure

65%
Strongly agree
or Agree

24%

41%
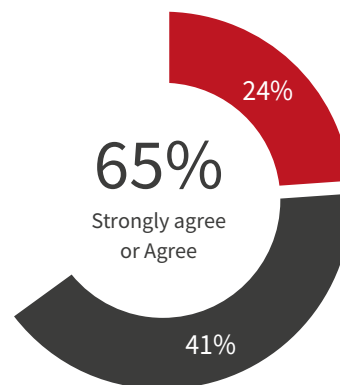
We must continue to invest in
our on-premise IT infrastructure
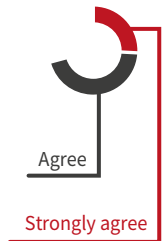
Industry rhetoric often creates the impression that cloud computing represents a magic bullet to solve all IT problems, but in reality it's just part of the equation. Our Top IT performers are clearly exploiting cloud services, but they also tell us in no uncertain terms that the pivot-point for IT will remain on-premise. While not covered explicitly in this study, we know from other research that many investments nowadays are aimed at creating a hybrid environment, with activity distributed across private and public clouds to cater for differing application needs. As part of this, it makes sense for control and management to be anchored in the datacentre.

Tips for effective IT decision-making in the digital era

If you are reading this report, the chances are that you are already involved in IT decision-making in one way or another, so you probably don't need advice on the essentials of how to define requirements, make a business case and evaluate solutions and suppliers. The tips below are therefore focused on aspects of decision-making that we frequently see overlooked or under-appreciated in the context of a rapidly evolving digital environment.

1. Establish good communications

An effective dialogue between IT and business people has never been more important. Trust, collaboration and common language are key here.

2. Agree what really matters

The test here is whether key IT staff can articulate business priorities, and whether business managers can explain where IT fits into business strategy.

3. Think 'change readiness'

Fast is important, but not if it means rigidity and technical debt. Design and engineer platforms and solutions with inevitable change in mind.

4. Set direction and commit

Piecemeal adoption of new platforms and methods is counter productive. Make sure each project and initiative moves you forward in a coordinated way.

5. Look for the tech opportunity

Don't wait for the business need to be defined; new technology developments can sometimes allow things to be done that no one would think to ask for.

6. Don't chase fads and fashions

The notion of migrating everything to the cloud might sound fashionable, but it's probably not wise. Always keep the business rationale in mind.

7. Take responsibility

Cloud and other outsourcing options are not a licence to absolve the business of responsibility for risk, compliance, carbon accounting, etc

8. Remember what you know

While some say cloud "changes everything", it really doesn't. Your experience and instincts on the IT ops and service delivery practicalities are still valid.

Final thoughts

Overarching the above, our recommendation is to instutionalise not just good decision-making practice, but also the consideration of the things that are most important to the business. To take an example, it you have prioritised carbon footprint reduction, make that a standard part of any investment appraisal. When evaluating a new system, make sure the carbon impact is assessed both within the business (e.g. via a reduced need for employee travel or goods transportation) and in the datacentre (energy efficiency of servers, storage devices, etc). Then here, as with anything else you need to measure, so make sure you have the right monitoring and management capability in place. The same principle applies if the aim is digital transformation of working practices or any other strategic initiative. The more you can make business alignment an embedded and natural part of the process, the better.

About the research

The research upon which this report is based was designed and executed on an independent basis by Freeform Dynamics. Data was collected from 223 senior IT professionals from organisations with significant operations in the UK via an online survey. The respondents were from organisations ranging in size from 250 employees to 1000+ employees and from a variety of industry sectors (Manufacturing, Retail, Financial Services, Business Services, Travel & Transport and Telco / XSPs). The study which was completed in October 2016 was sponsored by E.ON.

About Freeform Dynamics

Freeform Dynamics is an IT industry analyst firm. Through our research and insights, we aim to help busy IT and business professionals get up to speed on the latest technology developments, and make better-informed investment decisions.

For more information, and access to our library of free research, visit www.freeformdynamics.com

About E.ON

E.ON is one of the UK's leading energy companies with about five million customers across the country and is part of the E.ON group, one of the largest investor-owned electricity and gas companies in the world. We deliver end-to-end solutions for businesses, working closely with clients to help them become more energy efficient and cost effective.

Our Building Energy Management Systems create detailed feedback on how buildings are performing. This helps you work towards lower running costs, improved comfort and more efficient maintenance. Through our 24/7 remote control from our Energy Management Centre, we'll analyse your energy data, and optimise your energy consumption and efficiency opportunities.

To find out more about E.ON's range of energy solutions and how they can help make your business more profitable in unexpected ways visit www.eonenergy.com/unexpected

Terms of use