As companies shift toward a digital future, there’s a growing divide between CIOs who take stewardship of new digital strategies and those who struggle to balance the new agenda with traditional IT roles. Insights from both Cisco and IDC reveal a landscape of digital disconnection.

- **Cisco’s 2019 global IT talent research** shows that 65% of IT and business leaders believe **IT needs to move faster** to keep up with the speed of business.¹

- In a separate study², IDC recently found that **less than half (46%) of companies worldwide are actively charting a course to digital transformation** by creating a single digital strategy and roadmap, rebooting IT culture, and recognizing the inherent advantages of digital experiences.

Many leading organizations have taken steps to modernize their IT foundations by embracing intent-based infrastructure powered by smart algorithms, allowing for scale, and by moving toward a data-driven approach that enables more effective decision making. Many companies, however, are lagging – and even falling behind. For these companies, according to IDC, IT culture is at a standstill, every line of business (LOB) has its own strategy, ROI is calculated on a project-by-project basis, and new ideas are created on “islands of innovation.”

Cisco’s research³ reaffirms the importance of strategic IT in delivering business value: although less than one-third (28%) of IT ops investments are left for transformational initiatives after expenses for “running the business,” those transformational investments delivered significant business impact. This includes measurable improvements in innovation, efficiency and quality of IT operations, and external customer satisfaction.

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1, 3 Connected Futures: Research Report. Next-Generation IT Talent Strategies, Cisco
2 IDC Directions Presentation by Rick Villars, March 2019
Indeed, being “digitally determined” – IDC’s term for following a strategic, enterprise-wide approach to transformation – offers significant benefits. According to IDC analysis⁴, these companies:

- **Innovate** at a faster pace
- **Employ** a customer-centric and empowered workforce
- **Embrace risk** and continuous learning
- **Adapt and leverage** technology and data to operate more efficiently and effectively

Financially, the shift is equally rewarding: Digital manufacturers enjoyed a 1.2% CAGR (compound annual growth rate) revenue boost between 2013 and 2017 and a 2.3% spike in profits, according to IDC⁵. On the flip side, non-digital manufacturers saw revenue dip by 3.1% and profits nose-dive by 2.1%.

**Moving from digital dilemma to digital stewardship**

For many CIOs struggling to move organizations forward, balancing dual agendas is a hurdle. Although 91% of CIO respondents to IDG’s 2019 State of the CIO survey⁶ said their role is becoming more digital and innovation-focused, 80% said they were struggling with the tradeoff between business innovation and operational excellence.

Cisco’s research confirms the difficulty of shifting from tactical to strategic operations. Only 14% of companies surveyed in Cisco’s IT operations study⁷ possess sufficient “pre-emptive” digital capabilities; that is, they are advanced enough to automate business decisions and drive outcomes. Furthermore, 26% were at the lowest level of capability, “reactively” responding to the business’s needs after they occur.

“Organizations can’t stay reactive,” says Zeus Kerravala of ZK Research. “Very quickly, these businesses will fall behind, and many will go out of business.”

So, how do CIOs and IT leaders jump the gap from digital dilemma to strategic digital steward? One critical element is talent, but traditional definitions for IT talent are shifting. In Cisco’s “Next-generation IT Talent Strategies,”⁸ a lack of business acumen in IT was the primary barrier to digital success.

If CIOs are charged with driving technology solutions that translate to solid business outcomes, they and their teams need to understand the business as never before. That means building deep domain expertise and business savvy across products, budgets, customers, users, and markets. But such employees are notoriously difficult to recruit.

“There is a big war to source the very best technical talent and teach them [our business],” a retail banking CIO told Cisco. “But very few technology professionals make the leap from understanding the plumbing to understanding how the business works on top of it.”

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⁴, ⁵ IDC Directions Presentation by Rick Villars, March 2019
⁶ 2019 State of the CIO, IDG
⁷ Connected Futures: Research Report. Transforming IT Operations, Cisco
⁸ Connected Futures: Research Report. Next-Generation IT Talent Strategies, Cisco
As a result of the competitive hiring market, most firms prefer retraining existing teams over hiring new talent for both business skills and technology. But only 37% expect their training budgets to increase. So how are companies fostering talent who understand both IT and the business?

Cisco’s study showed that interdepartmental rotations between IT and the business are the number one way to increase business acumen. Such rotations are a low-cost/high-impact means of expanding skills, awareness, and cross-functional collaboration (versus going outside for hard-to-find business tech talent). These kinds of rotations are a two-way street for learning: Business-side participants come away with a heightened understanding of IT operations and vice versa. In this way, they build the centralized strategic approach of a digitally determined enterprise.

Of course, rotations are not a panacea. Some high-demand IT skill sets, such as those in artificial intelligence (AI) and machine learning, are nearly impossible to foster internally through corporate training and can’t be addressed by rotations alone. By leaning on internal training and rotation programs to solve for business acumen, however, a CIO can free up recruiting efforts and investments to those specific strategic and priority IT skills recruits. At the same time, CIOs can lobby for additional funding for outside seminars, courses, and certifications in emerging technologies. Of course, having IT staff ready and able to support the business directly gives the CIO the permission and the authority to step into strategic conversations.

The digitally determined CIO

What digitally determined CIOs get right is a sharpened focus on strategic responsibilities over most functional and transformational duties.

According to IDG’s “2019 State of the CIO,” 67% of respondents are immersed in business strategist activities. In addition, 32% described their most pivotal role as helping the organization identify parts of the business that could be transformed through digital technologies.

Michael Smith, vice president and CIO at the American Academy of Family Physicians (AAFP), has embraced more business strategy responsibility as he leads the medical association on a turbocharged trip toward digital transformation.

When Smith came on board in 2015, the AAFP was running outdated systems, including Microsoft Office 2003 and Novell NetWare LANs. Over three years, Smith spearheaded a radical digital transformation, migrating to the cloud with applications including Microsoft 365, Workday, Salesforce, and Exchange. He also implemented web and video conferencing, a unified messaging platform, and a complete overhaul of the association’s websites to support personalization and dynamic content.

“We’ve orchestrated a massive transformation of the organization, moving it from being years behind the technology curve to becoming a leader in the association space,” he said.

9, 10 Connected Futures: Research Report. Next-Generation IT Talent Strategies, Cisco
11 2019 State of the CIO, IDG
With the digital strategy already showing results, executive management tapped Smith to strategize with other association affiliates in reimagining operations and taking advantage of automation. “It’s less to do with technology and more around business processes and how to utilize technology in a competitive way to reduce costs and increase revenues,” he explained.

**Best-practices advice**

Like Smith, CIOs leading the shift toward digital business are embracing a customer-centric view. More than half of respondents (55%) to the “2019 State of the CIO” are focused on customer needs as a means of creating revenue-generating initiatives. This includes prioritizing improvements to customer experience; spending more time on customer-centric activities such as developing new go-to-market strategies and technologies; and devoting time to studying market trends and customer needs.

Smith advises CIOs grappling with digital transformation challenges to cultivate a healthy relationship with executive management. This is crucial to gaining support for new initiatives, resources, and talent, he notes, as addressing critical pain points quickly with new digital solutions helps drive credibility. “You’re not going to get invited to the table. The only way you’re going to get there is by providing results,” Smith says.

One way to demonstrate results is by capturing and measuring data. According to a Cisco study of Internet of Things (IoT) best practices, only 26% IT and business decision-makers claimed even one fully successful IoT initiative. But among those successful executives, 87% had provided data in the early stages of their initiatives — data that led to clear business outcomes. This ensured continued buy-in from top stakeholders. This shows the kind of leadership that CIOs need to assume.

In fact, many businesses expect — even wait for — IT to take on a more strategic role. The majority (67%) of technology and business decision-makers in Cisco’s IT talent report agreed that IT is in the best position to lead digital transformation. However, IT will need to make the right changes to fully evolve into that role.

Embracing the role of business strategist and rebooting IT culture will go a long way in driving the digitally determined agenda. With the right plan, and the right talent and modern infrastructure to back it up, CIOs will be well positioned to lead the digital transformation journey, snagging a coveted seat at the leadership table and steering companies on a course to competitive advantage.

**Read the full Cisco research reports here**

- Next Generation IT Talent Strategies
- Transforming IT Operations for Business Value

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12 State of the CIO, IDG
13 Results from a Cisco survey of 1,845 business and IT decision-makers across the US, United Kingdom, and India of organizations that had started or completed at least one IoT initiative.
14 Connected Futures: Research Report. Next-Generation IT Talent Strategies, Cisco