

2010

INDUSTRY LEADERS SERIES
HUDSON ICT

ECONOMIC RECOVERY
AND THE NEW IT
SKILLS CRISIS

FOREWORD



The last 18 months has undoubtedly been one of the most tumultuous economic periods in recent history for Australian and New Zealand organisations. Our businesses, employees and organisational structures have all been tested by the need to continue to grow performance against a backdrop of economic uncertainty and worsening skills shortages.

The effects of this period on the ICT sector have been countless. Now that we are in recovery, reinstated ICT spending is exacerbating the difficulty of finding the people to deliver on a growing wave of projects. However, the 'issue' of skills shortages in the ICT sector is far more complex than simply a lack of headcount to cover increasing volumes of work.

The downturn, as an event, has forced organisations to look closely at their overall needs and better capitalise on the activities of their IT departments to provide clear and deliverable business benefits. Concurrently, as consumers become more tech savvy, organisations become more customer-centric and we continue to innovate with technology, it is becoming clear that a lack of specific skills in the workforce to handle an increasingly diverse project portfolio is as crippling as a lack of headcount.

It is for this reason that Hudson ICT has brought together a diverse group of ICT industry leaders, CIOs working across Australia and New Zealand, to explore these influences in greater depth. Through extensive roundtable discussions and interviews we have worked to identify the factors, both internal and external, that are influencing the operations of ICT within business. We uncover the true complexity of the ICT skills crisis and investigate methods that organisations might adopt in order to ensure they have the right people in the right roles to sow the seeds for a successful and competitive future.

On behalf of Hudson ICT, I would like to extend a warm thanks to the participants and contributors for the time and detailed insights they have contributed to this project. The findings of these discussions are contained in the following report which we trust will prove a useful resource in your own strategic workforce planning.

Martin Retschko
National Practice Director
Hudson ICT

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ECONOMIC RECOVERY AND THE NEW IT SKILLS CRISIS

“THERE’S A TSUNAMI OF PROJECTS COMING AT US,
AND I DON’T SEE THE SKILLS RESOURCES IN THE
MARKETPLACE TO COPE WITH THEM.”
PETER MAHLER





Chief Information Officers (CIOs) have steered their IT organisations through the economic downturn only to find that a potentially greater challenge lies ahead of them. They already face pressure to deliver projects that were delayed, but the rapidly improving economy and increasingly competitive market conditions are driving a new wave of activity that many IT departments simply do not have the skills resources to meet. Even those organisations that maintained staff levels find themselves without the specific skills required to implement an expanded and increasingly diverse project portfolio. Finding those skills is the biggest challenge facing CIOs today.

The economic downturn was a time to cancel and delay projects and IT fell in line with organisational cutbacks of both permanent and contract staff. Some organisations went beyond trimming the metaphorical fat and cut deeply into the meat and muscle of their IT departments. Valuable skills were lost in the purge.

Peter Hourihan witnessed the cutbacks first hand. Currently Hourihan is the CIO and Group General Manager for Supply Chain at Australian Pharmaceutical Industries (API), but he was working at a large logistics company when the downturn hit.

"It's fair to say that we joined the procession of companies slashing costs. The idea was that you continued with anything you've committed to delivering to a customer and anything internal pretty much just stopped."

However, both Australia and New Zealand's economies, and Australia's in particular, proved more resilient than many had estimated. Once again organisations are investing for growth and competitive advantage. For CIOs, this means restarting projects that were delayed throughout the downturn and starting fresh projects to meet new demands from the business.

According to Peter Mahler, former CIO of Coles Myer and current acting CIO of financial services company AXA Australia and the Australian division of the dairy products company Fonterra, the future is dominated by a volume of work for which he has neither the specific skills sets nor overall headcount to handle.

"Projects that were halted last year in a number of companies are now just getting up. There's a tsunami of projects coming at us, and I don't see the skills resources in the marketplace to cope with them."

The skills mix required for successful IT implementations has also continued evolving, demanding ever more sophisticated levels of business and analysis skills. Even those organisations that escaped making redundancies are feeling the heat, as competition for specialist skills reignites career mobility and places pressure on wages. New skills need to be created or recruited. If there was a skills crisis in Australia and New Zealand IT before the downturn, it is nothing in comparison to that which the industry now faces on the upturn.

Surviving the upturn means balancing the recruitment of specialist skills in some areas while developing existing capabilities in others, and then working incredibly hard to retain talent. Contractors are expected to fill a wider range of technical roles, but seasoned IT professionals with advanced business skills will be rarer than diamonds and equally as valuable.

Failure to fully address this new crisis will result in unfulfilled development programs that allow rivals to move ahead. The pressure on CIOs both to recruit and develop the right skills for their business has probably never been higher.

THREE COMPETING NEEDS

“IT’S NOT ABOUT CREATING PRETTIER WEBSITES - IT’S ABOUT MAKING THE WEB A PRIMARY COMMUNICATION AND TRANSACTION MEDIUM.”
DOUGALL MCBURNIE



THE WEB RE-BORN

The web is now front and centre within the IT agenda of most large ANZ IT organisations, with senior management shaking off previous doubts and treating the web as a primary delivery channel. But the skills required to design, develop and implement web-based solutions can be quite different – and not just technically – to those traditionally found within IT teams.

IT investment in the last decade was characterised by the implementation of back-end systems. The new decade, however, is proving remarkable for the significant emphasis being placed on customer-oriented systems. The shift is widespread, with even utility organisations talking about reinventing themselves as retail organisations. At the centre of many of these transformations is the World Wide Web.

Many organisations that went into the downturn with a limited web strategy have emerged as converts to its capabilities as a delivery platform. Possibly the downturn forced organisations to focus on the channels that were delivering the most cost-effective returns, or perhaps this renewed interest stems from a more mature understanding of what the web can do. Equally, it could stem from a growing realisation in some organisations that if they don't move now, their competition will. ANZ consumers are increasingly web-savvy – they have been well trained by US e-commerce sites such as Amazon.com and Zappos.com and expect similar services from local businesses.

According to Dougall McBurnie, CIO at the commercial health services provider Healthscope, companies are modernising and improving the functionality of their web assets. He says current activity is not just about creating prettier web sites – it's about transferring business processes into an online environment and making the web a primary communication and transaction medium, particularly in consumer-centric organisations.

Mahler says that AXA intends for 80 per cent of customer interactions to handle over the web and says there are many other similar examples across Australia and New Zealand.

“For anything that involves interaction with people, they want it done over the web, because it's such a big cost saver for them and it delivers better customer service,” Mahler says. “As CIOs we wanted to do this stuff five years ago, but we were infants and the technology wasn't ready. But now that's where a lot of skills are going to be needed.”



NEW BROADBAND NETWORKS



The new-found focus on the web is almost entirely independent of the Australian Government's planned National Broadband Network (NBN) or the New Zealand Government's Ultra Fast Broadband Initiative (UFB). However, these initiatives raise further issues for CIOs already struggling to find skills.

The fact that both Australia and New Zealand's high-speed broadband plans will take the best part of a decade to deliver has given CIOs some breathing space to consider the impact the plans will have on business competition. Three broad approaches are emerging:

- Do nothing and continue on a path of business-as-usual.
- Start developing a strategy now, but focus on short-term gains through activities such as data centre virtualisation, refreshing core applications to ensure that they are flexible and responsive to changing market conditions, and improving service delivery.
- Commence short-term projects but also begin developing a long-term strategy and project plans based around the capabilities of the new networks.

CASE STUDY: API

The web is a key area of investment for Australian health and beauty retailer Australian Pharmaceutical Industries (API), owner of the Priceline and Soul Pattinson Chemist brands. CIO Peter Hourihan describes web-based development as crucial for API's retail brands and its wholesale pharmacy business. API is executing an extended e-commerce strategy to enhance interaction with both its pharmacist clients and its loyalty card holders, which will be one of the two largest investments the organisation makes in the next two years. He says the goals are twofold: to create a closer connection with pharmacists by offering more data and transactions traditionally performed within API, and also to create an online community for more than three million Priceline Clubcard holders with everything from the ability to order online through to getting access to health information.

"We deal with 4,000 out of the 5,000 pharmacists in the country on a daily basis," Hourihan says. "We have a portal environment where our customers place orders which equate to about 16 per cent of our business – over \$2.5 billion in revenue. This is a critical business for our customers and API and we see huge opportunities for all stakeholders."



CASE STUDY: SA HEALTH

The CIO of the state government healthcare organisation for South Australia, David Johnston, describes his entire strategy for service delivery as being based around applications and services delivered through a web browser. Johnston says SA Health aims to deliver a desktop experience for users regardless of where they are or the device they are using. This, with full authentication, while receiving information that is tailored to the role and location of individuals. SA Health is also investigating the use of a 3D online engine sourced from the gaming industry so consumers will be able to interact with health professionals to receive information online in a virtual environment.

“Ultimately the user will be able to come in as an avatar and talk to another avatar that happens to be a registered nurse, get the information that they want, and remain anonymous,” Johnston says. “The key is the game engine because it changes the whole experience – it becomes an interactive, enjoyable and educative experience.”

But regardless of their plans, CIOs agree that the new networks will have a profound effect on how ICT is delivered and will be a disruptive enabler for customer communication and a strong enabler for new service models such as cloud computing.

McBurnie says the NBN will deliver widespread opportunity for decentralisation and collaboration on health outcomes, but it is important that work commences now to make that future possible.

“The organisations that are thinking about and planning for the NBN and doing the preparatory architectural and infrastructure work now will reap the rewards in years to come. They will be able to respond rapidly to new opportunities, and in doing so will create value for their organisation faster than their competitors.”

Already CIOs speak of user expectations that applications are available anywhere, anytime, which requires new architectures and delivery models. That also means reorganising helpdesks to service customers regardless of where they are or what device they are using.

CASE STUDY: CURTIN UNIVERSITY OF TECHNOLOGY

In a geographically-dispersed industry such as education the new networks represent new opportunities for thinking about providing services to scattered communities. Currently, services are often constrained by the requirement to provide equal service levels to all consumers, including those on low-speed connections.

For Peter Nikolettatos, CIO at Western Australia’s Curtin University of Technology, Australia’s NBN will provide a connection point that enables the University to extend beyond the campus and deliver services such as live tele-teaching with students that are unable to come into the campus every day. Nikolettatos says Curtin University sees the Australian NBN as enabling an internet protocol television (IPTV) strategy that will see the University taking its classrooms into the homes and workspaces of its 43,000 students using whatever devices they have.

“It gives us a greater ability to deliver electronic teaching which we haven’t had before,” Nikolettatos says. “We have lots of students that don’t come from metropolitan Perth so we have got to be able to provide our program to them in a successful way.”

DE-DUPLICATION



“WHAT I’M DOING IS DE-DUPLICATING ICT – WE WANT TO WORK MUCH HARDER ON THE INNOVATION SIDE”
PETER NIKOLETTATOS

There will continue to be a strong focus on backend systems such as enterprise resource planning (ER), and a continuing focus on removing duplicate and redundant processes that commenced during the downturn.

While the web represents new areas of investment for many organisations, significant resources remain devoted to back-end activity such as deployment of ERP applications. Alongside this however is a heavy emphasis on cost reduction and streamlining of IT service delivery, and activities such as server virtualisation and consolidation of IT processes.

Curtin University of Technology CIO Peter Nikolettatos has coined the term 'de-duplication' for his ongoing efficiency program. The goal for Curtin is to streamline and strengthen commodity services and then look at alternative means of sourcing them, including cloud computing. The quest now for Nikolettatos is to ensure that Curtin has the right skills to manage the transition.

"Duplicated ICT in universities is not terribly effective and our IT group was established out of decentralisation," Nikolettatos says. "Curtin has worked really hard to bring that together into a shared services model. What I'm doing is de-duplicating ICT – we want to work much harder on the innovation side."

Nikolettatos is not alone in his desire to consolidate IT into a centralised function with enterprise-wide capabilities. McBurnie says that Healthscope recently replaced and consolidated half a dozen financial systems with an enterprise-strength application.

Agility is becoming critical, but from the perspective of being able to rapidly cope with change, rather than simply deliver outcomes quickly. While many projects still evolve over a period of months and years, increasingly CIOs are expected to be able to deliver specific capabilities in much shorter timeframes to suit the changing requirements of the business. This means being able to respond in real time to changing market conditions.

CASE STUDY: SA HEALTH

SA Health has undertaken a broad efficiency program following the consolidation of numerous health IT organisations into a centrally-managed service. According to CIO David Johnston, in the first 18 months of the program SA Health was able to eliminate \$8 million in recurrent spending simply by eliminating duplications in the supply chain.

"We generate ten or 15 per cent savings on contracts just by pulling them together," Johnston says. "A lot of the activity has been around stabilisation and putting in a standard operating environment. We're now in the second phase, which is harder – for example, 17 help desks have to be consolidated into two."

**"WE GENERATE 10 OR 15 PER CENT SAVINGS ON CONTRACTS JUST BY PULLING THEM TOGETHER."
DAVID JOHNSTON**

SKILL SET CRISIS

“THERE IS A MUCH SHARPER FOCUS ON THE BUSINESS
CASE, A FAR GREATER CONCENTRATION ON HOW
BENEFITS WILL BE DELIVERED”
PETER HOURIHAN

QUALITY COUNTS

CIOs are being asked to take on an increasing range of projects. Some of these were previously approved, then stalled during the downturn. Others are entirely new – a response to increased competitive pressure as the economy rebounds. But all require the right people in the right roles.

The increasing range of projects now being taken on by CIOs requires people and skills that are in short supply. Some of these skills may have been lost to businesses during the downturn, but in reality the skills required today were always in short supply – the shortage is just more acute and visible now that activity is increasing so rapidly. Whereas a CIO might have been able to 'make do' before the downturn, this is no longer possible.

"It's kind of like the perfect storm," says McBurnie, "except CIOs have three independent storms all hitting at once. The business has turned around and asked to get 50 projects up and going, and they need them all yesterday, but IT has lost its flexible resource pool."

An obvious solution is to go above market rates to attract skills. Stories are emerging of offers 50 to 100 per cent higher than some staff had earned in 2009 and demand for contactors throughout 2010 is expected to push through the roof. Rising rates are encouraging CIOs to focus more keenly on retaining their staff – it's better to keep the employees that they have, and the existing knowledge of the organisation they possess, through education and career development opportunities and offering flexible work conditions. However, there is also a desperate, overarching need to create new skills to meet new challenges.



**“THE BUSINESS HAS TURNED AROUND AND ASKED TO GET 50 PROJECTS UP AND GOING, AND THEY NEED THEM ALL YESTERDAY.”
DOUGALL MCBURNIE**

QUALITY COUNTS

One of the effects of the downturn has been to align even more sharply the needs of the overall organisation to the activities of the IT department. While this has been a goal for the better part of two decades, the downturn sharpened the emphasis on those projects that would deliver a clear business benefit.

The understanding by the business of IT's processes, capabilities and contribution has never been higher, nor has the scrutiny to which IT projects are subjected.

"There is a much sharper focus on the business case," Hourihan says, "a far greater concentration on how benefits will be delivered, on the measurement process to deliver them, and who is going to take responsibility, even before you get to an IT discussion."

The closer alignment of IT and business has also resulted in increased confidence and assertiveness amongst CIOs who believe the business better understands the factors that drive IT success. The shortage of candidates is not at the point where organisations are willing to compromise on quality and IT organisations are giving greater consideration to what they want in each new hire. In some instances this is leading CIOs such as Hourihan to put a halt on projects until they can find the right people for the job – including getting access to those within the business who can provide experience and guidance throughout the life of a project. The new emphasis is on quality.

"Every board member you talk to has lived through some sort of IT disaster," Hourihan says. "They can identify with the idea that the CIO will bide their time. Talking to the leadership of the business in commercial terms as opposed to technical terms is always going to be a winner."

While it may take an extra month, and possibly cost marginally more, Hourihan says he would rather wait than put the wrong person in a role.

"TALKING TO THE LEADERSHIP OF THE BUSINESS IN COMMERCIAL TERMS AS OPPOSED TO TECHNICAL TERMS IS ALWAYS GOING TO BE A WINNER." PETER HOURIHAN



BUSINESS SKILLS IN DEMAND

The sharpened alignment of business needs and IT activity is the principal shaper of the new skills crisis, with IT personnel with strong business skills being most in demand.

The ability to take an enterprise-wide view of a business has always been a rare commodity, but has become even more critical to successful development of strategy and project delivery. While technical and vendor-specific skills seem plentiful, strategic and conceptually-oriented skills such as: enterprise architecture; business analysis; project management; business relationships and vendor management; and data management, are in short supply.

This is the heart of the new skills crisis. CIOs uniformly report a need for staff with skills in business analysis, enterprise and solutions architecture, and project management. They want employees who can ask the right questions of a project business sponsor to deliver projects fully and efficiently.

“We are starting to see the competitiveness of the market really picking up, primarily in the project management space,” says Andrew Henderson, CIO at financial services company ING Direct. “It’s always been a challenge recruiting the more specialist roles in architecture and project management and again, we’re experiencing shortages in that space already.”

The consistency of this demand has led rapidly to a shortage of candidates. Business analysts, for instance, are crucial at the first phase of project development when the business and IT are striving to understand how to go about solving specific problems. Solutions architects are required to align business requirements with IT delivery capability, and ensure that new projects follow an integrated approach rather than becoming orphans. Project managers are essential for the successful scoping, resourcing and delivery of projects on time, on budget and with minimal disruption to the business.

According to Mahler, skills that bridge the technology/business divide are harder to locate, yet the pressure to do so is increasing. “The business is saying it can’t delay any more of its investments in IT, so we’ve got to get these projects moving,” Mahler says. “So we are all looking for good project managers and program directors, but they are going to be hard to find.”

Nikoletatos says emerging IT activities such as cloud computing and the creation of new web-based channels are placing further strains on IT departments to find the skills necessary to deliver benefits from these activities.

“From an structural point of view they are different, because they presuppose that architecturally you are starting to move your environment into a utility model,” Nikoletatos says. “That is one of the changes that I think is absolutely different from where we were a few years ago. Hence, enterprise architects whose thinking spans the entire enterprise are very important.”

“WE ARE ALL LOOKING FOR GOOD PROJECT MANAGERS AND PROGRAM DIRECTORS, BUT THEY ARE GOING TO BE HARD TO FIND.” PETER MAHLER

FUTURE FOR TECHNICAL SKILLS

The renewed focus on the web is creating shortages in the skills needed for developing and executing a web and e-commerce strategy.

While standardisation of web technologies will alleviate some of the technical burden, that still leaves CIOs with a shortage of analysis, change management and architecture skills.

The rise in web activity is also increasing emphasis on roles such as security officers to police the boundaries between the business and its suppliers and customers. Alongside that is heightened emphasis on networks to ensure they are sufficiently robust to handle increased online transactions, which will see a greater reliance on external partners for hosting, network management and content management.

Fortunately, there are few troubles with sourcing technical skills. Andrew Henderson, CIO of retail bank ING Direct Australia is not experiencing any issues at the moment in the Dot.Net Java space and other CIOs concur. Many technical skills are increasingly regarded as something that can be easily acquired from external providers.

“The development side of it is really starting to almost come out of the box and will be fairly commoditised,” Henderson says. “So where is the value of the internal development team heading? Traditional skill sets will be augmented as we move forward, so the development roles of today have a lot more business engagement, business awareness and understanding tomorrow.”

Hourihan says CIOs are continuing to hire in technical fields, but are focusing on hiring employees with greater business acumen.

“We now see people being more process-oriented, cautious and deliberate about actually designing what they want and validating that with the business, because they want to get it right the first time and they want to get straight to value.”

Many CIOs are aware that it is their responsibility to develop these skills within existing staff by providing a broader set of experiences and training within the business.

Another aspect of the crisis that is yet to reveal itself may be directly related to the NBN. With so much focus on web-based activity already absorbing web-skilled personnel, Mahler says there is a strong possibility that the NBN will further increase demand for those skills.

“There's big investment going on in modernising our web pages and our ability to do online work over the Internet. So that's where a big set of skills are going to be needed.”

Mahler says the impact of the NBN is being felt now. He has already lost one quality assurance manager to it – from an insurance company – and will lose more. Those organisations that have not begun developing their high-speed web strategies run the risk of finding no one left to implement once they are ready.

“We shouldn't kid ourselves, or think that it's only network people,” Mahler says. “If the NBN suddenly starts talking about getting into new technology, then it will attract people from all industries. Why do people want to go work at Google? It's that type of thinking. For IT people it's not just money, it's also about learning new skills.”



“THE DEVELOPMENT ROLES OF TODAY WILL START TO HAVE A LOT MORE BUSINESS ENGAGEMENT, BUSINESS AWARENESS, AND UNDERSTANDING TOMORROW”
ANDREW HENDERSON

NAVIGATING THE NEW CRISIS

“WE WILL GROW OUR OWN THROUGH PROMOTING
INTERNAL STAFF WITH THE RIGHT APTITUDE AND
ATTITUDE, AND UP-SKILL THEM THROUGH FORMAL
TRAINING AND PROJECTS”
DOUGALL MCBURNIE



SKILLS DEVELOPMENT

Dealing with the skills crisis means moving beyond simply retaining people for the sake of it. Career development programs must also ensure that organisations nurture workers to provide the next generation of skills.

Organisations that build skills from within receive the added bonus of having skilled staff with a strong understanding of the business and its culture – a knowledge base that is impossible to find with staff hired in from outside.

“We’ll grow our own through promoting internal staff with the right aptitude and attitude and up-skill them through formal training and projects,” McBurnie says. “We’ll continue to use partner organisations to fill those roles to meet the high volume of business project demands or where it is not the best use of dollars to hire a permanent staff member.”

Staff development has long been a key consideration for the wider business community and will become a higher priority as competition for skills heats up. It is a concept that has been embraced heavily at Origin Energy, which CIO Olaf Pietschner says focuses on developing and promoting staff from within. Origin has partnered with the US-based Massachusetts Institute of Technology (MIT) Sloan Center for Information Systems Research (CISR) to put staff through a world-class education program that is almost impossible to access through any other organisation in ANZ.

“We give people an experience around education that they can’t get anywhere else and that’s a big factor for retention,” Pietschner says. “We did a temperate check to see what we can work on, and we’re focused on improving where we see weakness and being able to retain talent.”

Pietschner says Origin Energy is also implementing a career path model, so employees know what skills they need to develop in order to progress.

“If we promote people or appoint people we actually make an assessment against those skill matrices,” Pietschner says, “so we know where the gaps are.”



“WE GIVE PEOPLE AN EXPERIENCE AROUND EDUCATION THAT THEY CAN’T GET ANYWHERE ELSE, AND THAT’S A BIG FACTOR FOR RETENTION.” OLAF PIETSCHNER

BUYING SKILLS

There are many areas where external recruitment is going to be necessary, and already Mahler and other CIOs are seeing the signs of increasing staff costs.

"I see so many companies staffing up again, where they cut back before, but I don't see the resources in the market place," Mahler says. "I just don't see so many people walking around saying 'I'm going to find a job'. Rates have not gone up, but the moment some companies start increasing their salaries it's going to have a domino effect. So there's a huge demand and there's a lack of supply."

Mahler agrees that external recruitment is the first option for filling specific roles such as enterprise architects, as it can take too long to get unskilled personnel up to speed. "An enterprise architect is someone who's done a few other jobs," Mahler says. "It's such a high-powered, multi-faceted skill. Yes we will train people, but it takes too long to get people up to speed."

Nikolettatos says that enterprise architects are particularly hard to develop, so recruiting them to meet demand makes sense. But even then, the pickings can be thin. "A lot of people

claim to be enterprise architects but have very little evidence to show you on which large-scale, long-term projects they have worked," Nikolettatos says. "Many people claim to be architects, but a person with ten years experience is difficult to find."

The obvious impact of increased hiring is a reduction of available candidates and that puts pressure on wages. "I don't know whether wage increases are justified or not but I think the pressure is there," Hourihan says. "That is going to be a big deal this year."



CAREER AMBITIONS

An increasing awareness is growing amongst CIOs of the need to present their departments as places where employees desire to work – remuneration alone is not the deciding factor for most.

CIOs need to be aware of the necessity of marketing their organisations as attractive workplaces. Mahler says the chance to work on an interesting and innovative IT project can be used as a retention incentive, as IT professionals rarely leave an organisation because of salary. "It's the challenge of the new technology, of learning a new piece of software, that will help keep people," he says.

CIOs of government organisations in particular have less flexibility in terms of salary and bonuses as a retention tool and believe that their ability to retain staff will become increasingly reliant on how successful they have been in entrenching staff within their organisation. That means focusing on fulfilling the career ambitions of their employees and providing incentives above and beyond just money. Johnston for instance says that once employees of SA Health have been with the organisation for two years they tend to stay put, as they come to appreciate working for an organisation that serves to improve people's lives.

"IT'S PART THE LEADERSHIP DEVELOPMENT PROGRAM TO TRY AND GIVE PEOPLE A LARGER AWARENESS OF THE ORGANISATION AND HOW THEY PLAY WITHIN THAT"
ANDREW HENDERSON

CASE STUDY: ING DIRECT

Henderson says ING Direct is not looking to significantly increase its headcount this year and is focused on retaining personnel through numerous initiatives. Henderson himself works from home one day each fortnight and similar arrangements are encouraged throughout the team. The company offers job-swapping opportunities and is focused on broadening the knowledge and capabilities of its staff, particularly through exposing them to other areas of the business.

"Luckily we do have a number of those opportunities, but you have to be creative as a leadership team," Henderson says. "It's difficult – some of the variance we are seeing around the market in terms of salary is quite significant and there are some organisations that are being fairly aggressive in that regard.

"What we try to do is get people exposed to new technical or business areas, depending on their role and their position. It's part of the leadership development program to try and give people a larger awareness of the organisation and how they play within that."

BUSINESS EXPOSURE

Developing and retaining skills is crucial and some innovative solutions are emerging. IT apprenticeships and using helpdesks as training grounds could be one way to improve both skills and IT's overall cohesion with the wider business.

Hourihan suggests an IT apprenticeship would expose an IT worker to all aspects of business operations, to give them a basis for choosing a more specialised career path. Another idea is to use helpdesk as a training ground for business-oriented IT skills. The helpdesk has often been outsourced as a cost centre, but Johnston says increasingly it is being seen as a key resource in terms of training staff to understand the interface between technology and the business. In some cases outsourced help desks are being internalised.

The helpdesk provides a wide range of experiences across the organisation and its architecture, providing a mechanism for implementing a component of the IT apprenticeship concept. In some instances help desk personnel are being partnered with a mentor, who can fill the skills gap and be asked to contribute to projects.

CASE STUDY: HEALTHSCOPE

At Healthscope McBurnie says that over time the role of the helpdesk staffer may evolve from one handled by a hardware engineer or technology expert, to an employee with applications expertise whose training is also heavily focused on communication skills.

"We have promoted just about everybody that has come into the helpdesk group into other areas of our IT organisation. They have great communication skills from being on the phones, they understand the applications and infrastructure and they understand how the business works. They have a level of organisational awareness the guy on the street doesn't have."

CASE STUDY: ING DIRECT

Organisations are also actively reaching out to the university sector. ING Direct sponsors a program at the University of New South Wales that is opening up opportunities for technology graduates to enter its workforce. ING begins talking to students in their first year, and works on maintaining a relationship with them throughout their academic years.

"They work on site for a three-to six-month period and that gives them an insight into our culture and what we do," Henderson says. "They are really adding a lot of value and contributing from day one which is very exciting to see."

"WE HAVE PROMOTED JUST ABOUT EVERYBODY THAT HAS COME INTO THE HELPDESK GROUP INTO OTHER AREAS OF OUR IT ORGANISATION"
DOUGALL MCBURNIE

INNOVATIVE PARTNERSHIPS

The monolithic outsourcing projects that characterised the last decade have given way to smaller and more strategic sourcing of resources from third parties, or in some cases from cloud service providers.

CIOs expect that vendor-based skills will decline in importance as they source those skills from partners either locally or offshore. Whereas once offshoring was a decision driven by cost considerations, increasingly it is done simply to get access to non-resident skills.

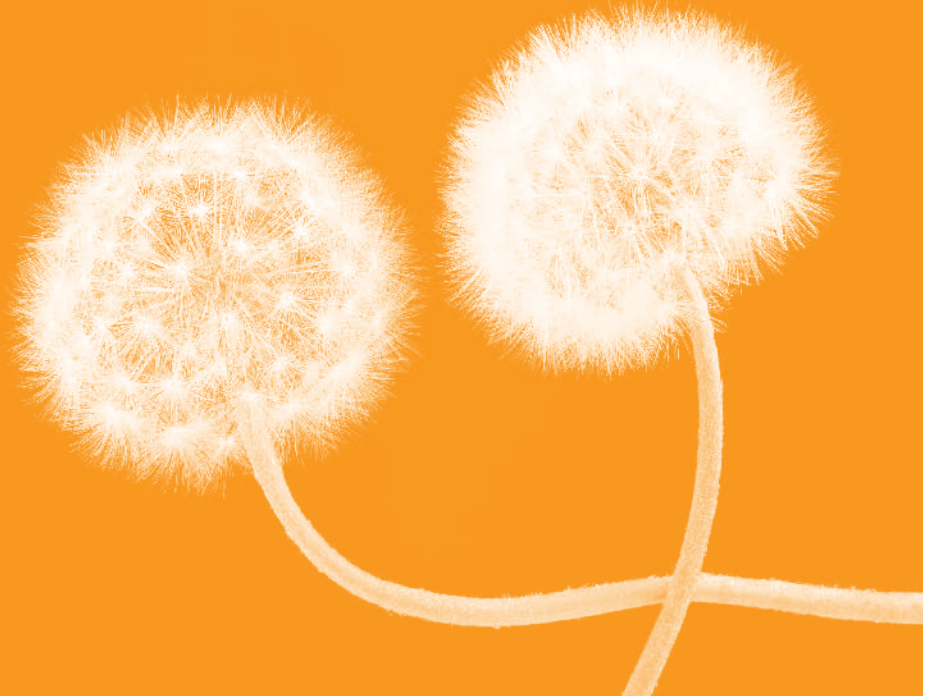
It is possible that by outsourcing their technical skills requirements CIOs will create a second skills crisis, as these service providers find themselves fighting harder to attract the technical skills that their clients need. But the belief is that many of these skills will continue to be sourced from offshore destinations.

That CIOs are turning to external providers also represents a realisation amongst some that it is no longer possible to permanently employ the range of skills that they require for the diverse projects that are being asked to deliver. But this in turn leads to a need for staff with skills in project management, contract negotiation and vendor management.

Despite an increased reliance on external suppliers, CIOs report a desire to reduce the overall number of external relationships they manage. One CIO has cited a program to move to packaged applications that will see his company rationalise its vendor relationships from around 300 today to just seven, enabling better relationships where the client can make more effective use of the vendor's skill base and drive innovation through partnering.



CONCLUSION



While the global financial crisis was not as catastrophic in Australia and New Zealand as many anticipated, the real crisis for CIOs may be only just unfolding.

The green light has been given to many projects that were put on hold during the downturn, and the rapid economic rebound and new competitive market pressures are driving an accelerated program of new IT initiatives. Coupled with the strengthening alignment of IT and business goals and programs, many CIOs are quickly finding themselves not just lacking the resources to tackle the programs that lie ahead of them, but missing many of the skills that are essential to ensuring both the successful delivery of projects and IT's overall ability to service the business's needs.

The increased demand for personnel with skills that are essential to project delivery, such as business analysis, enterprise architecture and project management, will lead to bottlenecks that may be just as effective at stalling new projects as the downturn itself. This is compounded also by the emphasis many organisations are placing on web-oriented, customer-centric applications and services that require not just new technical skills in web-based systems, but also the accompanying business skills to align these projects with the business.

Partnering and co-sourcing will account for some of the new technical and vendor specific skills needed, and organisations are becoming more comfortable working with multiple suppliers. But this will not solve the riddle of how CIOs will fill the gaps in business and strategic skills.

The result is a shortage of skills across the overall marketplace and the need for both external hiring and skills development programs to ensure CIOs can keep up with demand from the business. Pressure is intensifying to improve staff development programs and provide more flexible and stimulating working environments to ensure that staff are motivated to stay put and not be tempted by more lucrative or interesting offers elsewhere.

For those CIOs who have only just survived the downturn, the prospect of managing an increased workload with reduced resources looms large, and may prove to be a much greater challenge than the one from which they have just emerged.

THE 'ISSUE' OF SKILLS SHORTAGES IN THE ICT SECTOR IS FAR MORE COMPLEX THAN SIMPLY A LACK OF HEADCOUNT TO COVER INCREASING VOLUMES OF WORK. MARTIN RETSCHKO

BIOGRAPHIES

ROUNDTABLE PARTICIPANTS



PETER MAHLER, FACILITATOR

Interim Chief Information Officer – AXA and Fonterra Australia

Peter Mahler is the interim CIO at both AXA and Fonterra Australia and a former CIO of Coles Myer. He is an experienced business and IT professional, having built a successful career specialising in IT transformation and business unit cost optimisation. His last three CIO positions involved streamlining and mobilising IT organisations, providing strategy and leadership, and enabling business and IT alignment.

Peter is currently providing consulting and mentoring assistance to a number of firms in areas such as: IT efficiency improvement; strategy and organisational design; mergers and acquisitions; IT project management; process; and governance. He is also on the advisory board of a number of IT companies as well as the University of Melbourne.



DOUGALL MCBURNIE

Chief Information Officer – Healthscope

Dougall McBurnie is the CIO of Healthscope, one of the largest private healthcare operators on the Australian Stock Exchange with hospitals, radiology, pathology and medical centres throughout Australia, and pathology in New Zealand, Singapore and Malaysia.

Before joining Healthscope, Dougall was the General Manager for eBusiness at Coles Myer, where he was part of the IT Leadership team implementing Coles Myer's IT Transformation. He was also Director of Technology for PBL Gaming, a pure-play online casino for the PBL Group, and Chief Architect at Crown Casino, where he led the technology strategy and implementation for one of the largest and most technologically-advanced casinos in the world.



PETER HOURIHAN

Group General Manager, Supply Chain and Chief Information Officer – API

Peter Hourihan was appointed API Group General Manager Supply Chain in September 2009. In November 2009 he was also given the role of CIO, leading the Group Supply Chain division and its 'Revitalise' strategy to streamline its supply chain as well as the integration of IT across its wholesale pharmacy and Priceline businesses into a single service provider.

Peter was previously President of Supply Chain Solutions, Implementations and CIO at Linfox, and his career spans more than 28 years in IT and supply chain, including periods with Massey Ferguson and TNT in the UK and Europe. Peter also spent seven years with Mayne Nickless/ Mayne Group as IT Director Europe, Vice President of Technology North America/Europe and was Global CIO for four years, based first in Sydney and subsequently Melbourne.



DAVID JOHNSTON

Chief Information Officer – SA Health

David is the CIO of SA Health (formerly the South Australia Department of Health), which employs around 30,000 staff. He reports directly to the Chief Executive and is responsible for all ICT services across SA Health, directly employing over 500 staff. The total ICT expenditure of SA Health exceeds \$100 million per annum. There are over 22,000 desktops and around 3,000 applications across the SA Health portfolio.

His professional background includes periods as Chief Information Officer at SA Water Corporation and as an IS Strategy Consultant at KPMG. David was also National Customer Service Manager and Group Strategic Planning Manager at National Consolidated Limited.

BIOGRAPHIES

ROUNDTABLE PARTICIPANTS



PETER NIKOLETTATOS

Chief Information Officer - Curtin University of Technology

Peter Nikolettatos is the CIO of Curtin University of Technology. He has more than 25 years experience in the ICT industry in Australia and overseas, and has held senior appointments including IT Manager for I-MED (Radiology), National Manager eBusiness for Computer Sciences Corporation (CSC) and, more recently, as the CIO of the University of Newcastle.

Peter's experience has been a valuable asset in developing Curtin's capacity to integrate next generation teaching and learning, research support and improvements to corporate services. He holds a fellowship with the Australian Institute of Project Managers, is a member of the Australian Institute of Company Directors and the Australian Institute of Management.



BRAD HOWARTH, WRITER

Writer and journalist

Brad Howarth is a freelance writer and journalist who has contributed to numerous publications in Australia, Europe and the US over the past 15 years. Brad was a senior writer with the business magazine *BRW*, where he held the positions of both Information Technology Editor and Marketing Editor. Brad has also worked as a journalist for the technology section of *The Australian* newspaper.

Since leaving *BRW* in March 2004 Brad has worked as a freelance journalist, writing across a wide range of topics, including technology, marketing, digital media, entrepreneurship, and foreign affairs. He is currently co-authoring his second book, *A Faster Future*, which is an exploration of the future of broadband services and applications, and is due to be published in the second half of 2010.

CONTRIBUTORS

OLAF PIETSCHNER

Chief Information Officer – Origin Energy

Olaf Pietschner is Origin Energy's CIO and is responsible for leading and managing all aspects of the company's information technology environment. Olaf has 18 years' experience leading business change through leveraging technology, with an extensive IT services and consulting background in Europe, US and Asia, including senior management positions with Capgemini in Europe and as a partner with Deloitte.

Throughout his career Olaf has developed domain expertise across a number of industries including energy, media, retail, online, communications and automotive. Prior to joining Origin Olaf worked for News Corporation in Australia and held a range of IT and business executive roles. He successfully transformed its IT organisation and delivered a range of business change program across sales, supply chain, finance, advertising, billing, editorial and online.

ANDREW HENDERSON

Chief Information Officer – ING Direct Australia

Andrew Henderson is the CIO of ING Direct Australia. ING Direct began operating in Australia in 1999 and has now grown to become Australia's fifth largest retail bank, with \$21 billion in deposits, more than \$37 billion in loans and around 1.4 million customers.

Andrew has been with ING Direct for seven years and has recently returned from Eastern Europe, where he successfully led the information technology stream of ING Retail Banks strategic 'green-fields' emerging market program in Ukraine. This project required the development of a corporate head office, full data centre facilities, sophisticated and secure online channels, front and back-office and a modern retail outlet network across Ukraine (including ATM and AST machines).

Prior to moving to Kiev, Andrew was the Chief Architect for ING Direct Australia, where he established the architecture team to deliver the architecture development program.

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