LOGICALIS
Architects of Change

Logicalis CIO Report 2024: Australian Results

The Future Face of Tech Leadership

Emerging technologies and their impact on the CIO role

10 YEAR ANNIVERSARY SPECIAL EDITION

Contents

P 3 Foreword, Anthony Woodward, CEO Logicalis Australia

P 4 Executive summary

P 6 Visionary leadership

P 12 Navigating the next era of security

P 18 Sustainable tech leadership

P 22 Mastering the balancing act

Foreword

Anthony Woodward
CEO Logicalis Australia

Over the past few years, Australia's CIOs have told us how much they value the insights that our annual research report delivers each year. Now in its tenth year, the Logicalis Global CIO Report continues to act as a barometer for the actions, ambitions and priorities of technology leaders in Australia and around the world. Reading it helps you not only keep tabs on what other CIOs are thinking, but also to track how your own technology plans and ambitions are developing.

Since the report was first published in 2013, we've seen several shifts in the way technology has driven business value. We collectively began the decade by shifting away from capital intensive approaches to infrastructure, embracing cloud operating models and delivering business outcomes as part of a digital transformation through the agility offered by as-a-service approaches.

Midway through the decade we saw a shift in focus towards operational integrity, the protection of data, data sovereignty and cybersecurity. I'm sure you remember coming under intense pressure to become more adaptable as we scrambled to get our teams working from anywhere during the pandemic. In the past couple of years, we've adapted again with the sudden arrival of AI and all its promises and challenges.

As these shifts have occurred, the Logicalis Global CIO Report has charted the evolution of the responsibilities of CIOs.

Our 2023 report highlighted the meteoric rise of the CIO to the boardroom. This year, with a focus on the outcomes for Australian technology leaders, we see how that responsibility has grown and new leadership challenges now require CIOs to master a tricky balancing act.

From the rapid rise of AI and advanced security threats to global economic uncertainty and the mounting need for climate action, these disruptive forces demand considerable time and attention from CIOs. Future-focused tech leaders need to stay true to their strategy, to stay curious and experiment, learn from mistakes, deliver value quickly and place a few bets on technology along the way.

In this report we'll look at some of the disruptive forces in detail, and explore the traits, the attitudes and actions that define modern technology leaders. These CIOs recognise that protecting and steering their organisations into the future requires a decisive yet divergent leadership style.

Executive summary

Our tenth CIO Report comes at a time when the industry is heading towards an uncertain future. Slow growth in the global economy, increasingly sophisticated security threats and seismic technological advancements have collided to create a complex landscape for any technology leader.

As the remit of the CIO becomes even broader and more business-critical, there's a need to balance competing priorities to meet both short- and long-term business goals, maintaining stability while delivering change.

Facing the disruptive forces within the technology arena requires a range of leadership qualities to address the opportunities and threats that the evolving landscape serves up.

The future tech leader must hone their unique style, so they can harness the opportunities driven by the disruptive forces at play and leave a lasting legacy.

Visionary

Generative AI's rapid rise to fame in 2023 was cause for concern and excitement in equal measure, a reaction mirrored among our CIOs. 92% of respondents in Australia are already actively seeking opportunities to incorporate AI into their business, along with other next-generation technologies like Private 5G.

Despite economic caution being exercised elsewhere, certain projects are getting a free pass with 90% of CIOs setting budgets aside solely for the development of AI solutions. This commitment to investment demonstrates just how significant AI could be in reshaping industry and how today's CIOs are putting themselves front and centre in the fourth industrial revolution.

Hypervigilant

The security threats that have been building over the last decade have risen exponentially in recent months. The rise of quantum computing and AI, enabling more sophisticated attacks, are playing out for almost every business. A staggering 91% of CIOs in Australia reported experiencing a cyber hack in the last year and almost all those surveyed experienced business damage as a consequence.

Despite the efforts Australian businesses are putting into safeguarding their operations, just two out of every five respondents feel completely prepared to handle another major security breach. Technology leadership in today's security environment requires a level of hypervigilance somewhere between intense curiosity and paranoia.

Sustainable

Last year we highlighted the growing recognition among CIOs of their role in sustainability. This year, the dial has shifted further in the right direction and CIOs are moving from acknowledgement to action.

94% of respondents are increasing investment in environmental sustainability initiatives and, perhaps more importantly, 99% say their function has a voice in the company's overall sustainability planning and target setting, with at least half of these seeing their voice as integral to the process.

With technology being such a critical enabler of environmental progress, CIOs are leading with consideration, being decisive in the balance between profit and purpose in delivering sustainable IT for future generations.

Adaptive

One of the biggest challenges for the CIO throughout the year ahead will be balancing priorities.

A slow global economy continues to constrain spending but with once-in-a-generation opportunities and fundamental threats on the horizon, CIOs need to identify where their time and resources can deliver the most value and where efficiencies can be sought.

Strong technology leadership throughout 2024 requires CIOs to become masters of the balancing act, thinking long term, short term and immediate as well as recognising the importance of strategically identifying the resources to execute and whether they're insourced or outsourced. ■

Visionary leadership

The explosion of next-generation technologies fuelling the fourth industrial revolution in Australia, requires CIOs to become visionary leaders, able to clearly see future opportunities and guide their organisations confidently through disruption.

With high anticipation and some alarm bells, AI has undoubtedly launched global debate, new businesses, and whole industries in the space of just a few months. Our research found that AI is the number one priority area in 2024, with 63% of CIOs in Australia selecting it as a top priority, significantly above the global average of 55%. Furthermore, 92% are actively seeking opportunities to incorporate AI capabilities into their companies.

AI is the number one priority area for CIOs in Australia in 2024

In general, the thirst for AI in Australia is above the global average, with Australian CIOs taking more action, and investing in AI at higher rates than their counterparts. One area where the script flips, is around concerns for regulating AI internally and threats to the core business. Here, Australian CIOs are less worried on average than CIOs around the world.

The enthusiasm for AI integration goes beyond the IT function, with 89% of respondents reporting substantial demand from across their organisations for the technology. In response, CIOs in Australia are moving rapidly.

- 94% of Australian CIOs have established working groups dedicated wholly to AI, 7% above the global average
- 89% have committed to developing stronger AI skill sets among employees
- 90% have earmarked budgets solely for AI development and implementation

According to a recent study from Gartner study, one in ten businesses have already put generative AI solutions into production showing that CIOs recognise there's no time to waste.

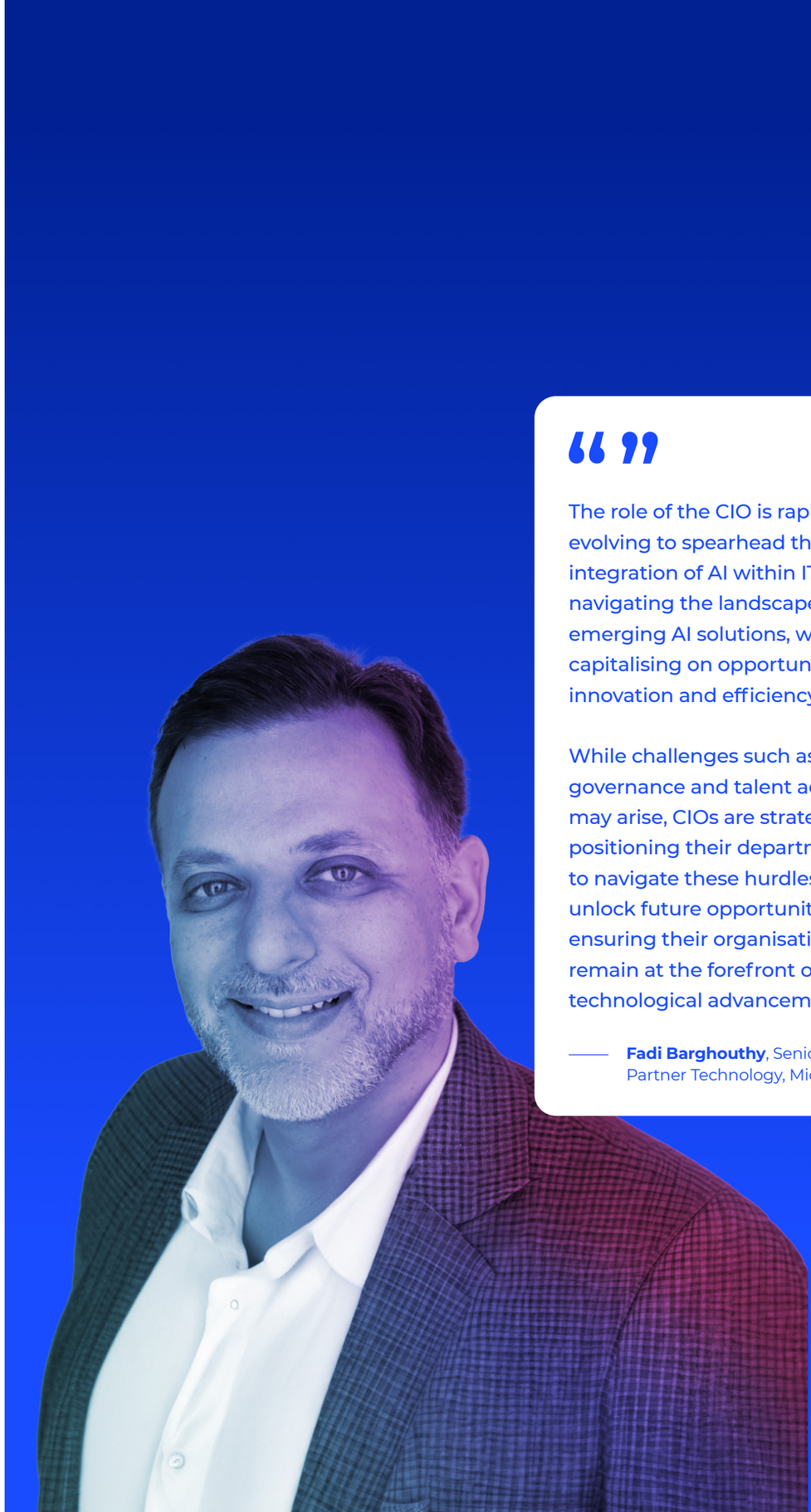
With perceived benefits including improved efficiency, better customer experiences, and higher productivity, this holistic commitment demonstrates the significance AI could have in revolutionising industries.

A quieter revolution

While AI dominates the headlines, a broader wave of innovations is quietly changing the business landscape. The standout is IoT, which almost every CIO surveyed had invested in. Its applications from enhancing asset tracking, workplace safety and remote monitoring have the potential to deliver huge business benefits in Australia.

98% of CIOs in Australia are investing in or planning to invest in Private 5G

However, 85% of respondents cited connectivity infrastructure as a key barrier still to be overcome. According to the research, the advent of Private 5G to provide faster, more dependable connectivity is a key area of focus. Strikingly, 98% of CIOs reported investing in or planning to invest in Private 5G for uses including improving customer and employee experiences, real-time inventory and asset oversight, connecting remote areas, and even enabling new monetisation models.



> The role of the CIO is rapidly evolving to spearhead the integration of AI within IT, navigating the landscape of emerging AI solutions, while capitalising on opportunities for innovation and efficiency.
>
> While challenges such as data governance and talent acquisition may arise, CIOs are strategically positioning their departments to navigate these hurdles and unlock future opportunities, ensuring their organisations remain at the forefront of technological advancement.
>
> — **Fadi Barghouthy**, Senior Director Partner Technology, Microsoft

66% of CIOs in Australia are apprehensive about the challenges of regulating AI

Healthy caution

To be truly visionary, tech leaders must also acknowledge legitimate complexities. AI is in its infancy and as with all revolutions, the scale of change is likely to create winners as well as losers.

Our research in Australia found that local CIOs aren't as concerned as their global counterparts around AI. In Australia, 60% of technology leaders expressed worries about AI threatening their core business propositions versus 64% globally, and 66% were apprehensive about the challenges of effectively regulating AI use internally versus 72% globally. With the use of public generative AI posing a privacy risk, this is a valid concern. Prudently, in response, 92% have kicked off formal AI policies, above the global average.

As the public face of tech innovations, visionary CIOs must take responsibility for educating executives and boards on the nuances of AI and advances in Industry 4.0. This includes transparently conveying implementation challenges, ethical concerns, and risks of inaction.

In addition to the inherent risks, other downsides need to be considered such as the environmental impact. According to analysis from data scientist Alex de Vries, a continuation of the current trends in demand for AI would require more electricity usage annually than some small countries.

The statistics paint a picture of cautious optimism regarding AI's unfolding potential. While the lasting impacts on businesses are unknown, it's clear that CIOs have a considerable task assessing all the critical considerations.

Generative AI's launch is not an isolated event, it's the front runner of a much larger technology revolution on the horizon. While controls remain necessary, leaders are charging ahead assertively to harness this emerging age of acceleration across AI, Private 5G, IoT, robotics and more, to transform their businesses. Where it ultimately leads is still to be seen but the statistics suggest CIOs believe the opportunities outweigh the risks. With disruption ahead, the time is now for CIOs to unleash their inner visionary. ■

Navigating the next era of security

Cyber security threats have been steadily growing over the past decade, but in recent months these threats have risen exponentially, putting businesses of all sizes at risk and escalating security issues from the basement to the boardroom. Today's CIO can't afford to be any less than hypervigilant in the face of such severe and relentless attacks.

According to our research, a staggering 91% of CIOs in Australia reported that their business experienced a cyber-attack within the past year, 8% above the global average. With the rise of more advanced hacking technologies like quantum computing and AI, attackers have more sophisticated tools at their disposal than ever before.

The most common types of attacks businesses faced were almost equally distributed among ransomware, extortion, fraud, denial of service, data exfiltration, hacktivism and digital defacement, third party compromise and cryptojacking. So, while the old mainstay of malware is still prevalent, new attack vectors like ransomware and cryptojacking also make up a significant portion of cyber incidents today.

91% of CIOs in Australia reported that their business experienced a cyber-attack within the past year

But regardless of the specific type of attack, the consequences faced by victim companies were similarly severe. Almost all those who experienced cyber-attacks dealt with issues like unscheduled downtime, reputation damage, loss of revenue, and loss of both customer and employee data. Some companies even suffered regulatory fines. Many of these consequences have long-lasting effects and are expensive to recover from.

With AI offering criminals the tools to make attacks more precise and automated and quantum computing providing the ability to break current encryption standards, it's unsurprising that 59% of CIOs in Australia reported feeling their business wasn't fully equipped to handle another major security breach.

> As CIOs continue spending more time in front of the board, they have to be armed to meet the evolving cybersecurity challenges in the era of AI. Cyber-attacks are moving laterally across the network, and their velocity and sophistication are on the rise.
>
> Attackers have become too good at emulating real user and application behaviour that we have to look more broadly across multiple domains. AI is unlocking security capabilities and augmenting teams, that until recently was not possible.
>
> Using AI analytics tools that allow us to look across multiple domains, attack patterns become very clear. CIOs must embrace this new era and rethink the way security is built and delivered in their organisation to help reduce risk and increase resiliency.
>
> — **Tom Gillis**, SVP and GM Security at Cisco

Top three threats predicted for 2024 in Australia:

1. Data Breaches (50%)
2. Phishing Attacks (43%)
3. Malware & Ransomware (42%)

These concerns are not unfounded, with several recent and infamous data breaches and cyber-attacks in Australia impacting the supply chain and millions of individuals' data being compromised. As a result, many technology leaders under pressure from their organisations purchased single point security solutions. However, now that cybersecurity has become a boardroom discussion in Australia, security solutions are now more about the culture, structures in data governance and frameworks, and less about a point solution. Opportunities exist for reputable security and technology partners to guide customers in streamlining their point solutions and help deliver value through optimisation.

As businesses digitise further, they can open themselves up to more vulnerabilities. This requires a level of hypervigilance from the CIO, being curious and ready to adapt to new types of threats as they emerge.

With economic pressures and so many competing priorities, security can feel like a heavy burden to bear for the sake of insurance. But deprioritising security at a time of intensified risk almost guarantees even costlier breaches down the line.

CIOs can use insights to determine their security posture and weigh up between costs pre- or post-incident. A key factor here is understanding if they have the skills and capacity in-house to deliver an adequate level of protection for the organisation, or if leaning on a managed service partner is the way to go, to have the confidence that their business is in safe hands while internal teams focus on delivering business value. ■

Sustainable tech leadership

With sustainability ascending strategic agendas, CIOs now face growing pressures to limit environmental impacts amid traditional demands to control costs. Navigating this contrast requires tech leaders to embrace their emerging role as champions for sustainability through decisive action.

By assertively supporting the business in balancing environmental priorities with profits, tech leaders demonstrate the belief that what is good for the planet can align with business performance. This year, that recognition has shifted into action with 94% of CIOs in Australia ramping up sustainability investments.

Perhaps the most encouraging finding is that 99% of CIOs say their function is involved in their company's overall sustainability planning and target setting in Australia, and a significant 51% say their function is integral to the process. This shows that CIOs are no longer on the sidelines of sustainability. They are at the table, driving the conversation and making decisions.

The optimism of CIOs in their capacity to drive sustainability is palpable. According to the research, 96% believe IT is core to the success of their organisation's sustainability goals and respondents are walking the talk, with 92% confirming they have clear targets to reduce carbon emissions from IT along with a roadmap to actually achieve those reductions. But despite the progress, there are still barriers standing in the way, including lack of clarity on priorities and difficulties in collecting comprehensive data.

Toby Alcock, CTO, Logicalis says, "Data is the key to both benchmarking and target setting across all sustainability initiatives including assessing the energy consumption and carbon emissions of the digital estate. Visibility of performance over time is critical to drive improvements."

With mandatory climate reporting for Australia's largest companies and financial institutions beginning 1 July 2024, collaboration within the technology industry will prove critical. No single company can tackle this alone, so it's encouraging that almost all respondents are supportive to the need for collaboration and see the value in assessing the sustainability credentials of new suppliers.

By working closely with vendors who share their environmental priorities, companies can pool resources and smarts to map out strategies to reduce emissions throughout the value chain. Recent moves around the world include a focus on sustainable procurement. These go beyond the scope of hardware vendor buy-back programs focused on data centre resources, to include a more overarching remit across entire IT infrastructure, finding new life for the technology components as they leave a business too.

With CIOs demonstrating both readiness and capability to drive sustainability results through action and collaboration, organisations that leverage IT strengths will pull ahead of the pack. ■

Mastering the balancing act

A slowing global economy continues to limit technology spending, so resources will be vital as CIOs are pulled between innovating and protecting the business.

Despite ambition among tech leaders to tackle everything, there are practical barriers, beyond budget, that could stand in the way of success: time, talent and visibility.

Our respondents report splitting their time almost equally between strategic direction and day-to-day technology management. With AI presenting such a complex challenge of opportunity and risk, it will be necessary for CIOs to be close to the detail, but with AI just one aspect of the job, additional support will be needed.

The skills gap continues to grow leaving CIOs without the specialised expertise needed for emerging technologies. With tight budgets, hiring more staff may not be feasible.

To find areas for improvement, you must know where to look and the data deluge continues to make this a challenge. Our research shows 91% of technology leaders in Australia struggle to analyse performance across their digital footprint.

This lack of visibility is not only a time drain but a barrier to finding opportunities to bring down cost, enhance service

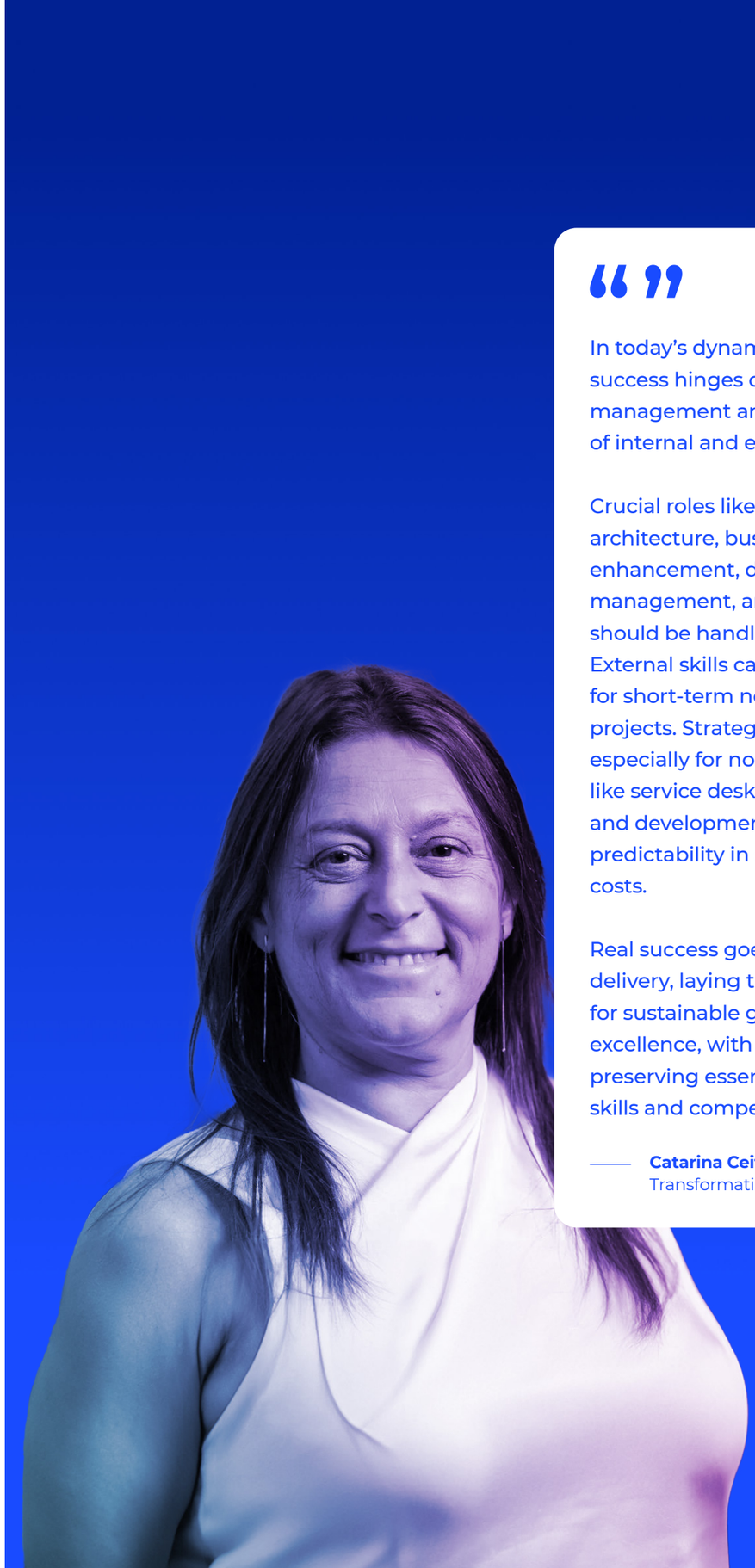
62% of CIOs in Australia said that they'd experienced or anticipated digital transformation projects being cancelled or delayed due to cost constraints

and deliver maximum value back to the business.

A key question for the adaptive CIO needs to be what skills do I build, and what do I buy?

Toby Alcock, CTO, Logicalis says: "At such a major digital juncture for businesses, now's the time for CIOs to bring in support from partners that can enhance their existing digital ecosystem and free up time by taking on complex or time-consuming projects and digital management."

Moving forward, Digital MSPs can act as the CIO's enablers of change, not just around cost optimisation. Offering visibility into infrastructure performance, filling skill gaps and managing connectivity infrastructure for innovations like IoT, this type of partnership gives CIOs the ability to scale and develop new digital business models efficiently.



"In today's dynamic IT landscape success hinges on skillful resource management and a collaboration of internal and external expertise.

Crucial roles like enterprise, architecture, business, enhancement, demand management, and cybersecurity should be handled in-house. External skills can be engaged for short-term needs and specific projects. Strategic outsourcing, especially for non-core functions like service desk operations and development, ensures predictability in outcomes and costs.

Real success goes beyond delivery, laying the foundation for sustainable growth and excellence, with a focus on preserving essential in-house skills and competencies.

— **Catarina Ceitil**, CIO, Data and Transformation at Galp

91% of technology leaders in Australia struggle to analyse performance across their digital footprint

By outsourcing the coordination of complex technology partnerships, CIOs can trust providers to get the most from their vendor relationships instead of wrestling with multiple fragmented contracts.

Likewise, with security pressures mounting, CIOs need to know they are on the front foot and sufficiently equipped to combat the latest threats.

The future demands a master of all trades, by carefully deciding where and when to partner, CIOs can secure their organisation's future footing while coping with constraints. ■

LOGICALIS
Architects of Change

We are Architects of Change. We help organisations succeed in a digital-first world.

At Logicalis, we harness our collective technology expertise to help our clients build a blueprint for success, so they can deliver sustainable outcomes that matter.

www.au.logicalis.com/cio-report