

The state of the IT market

A Modis International Survey



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Introduction by Jim Albert

It's been a long 18 months; not only in the recruitment industry but across industry generally. And although there is still talk of double-dip recession and job cuts, on the whole there is renewed confidence in the air. Indeed the companies we have been speaking to, not only over recent weeks but during our roundtable events and one-to-one meetings, are looking at this year as one of rejuvenation and opportunity. This report examines how the perceptions of companies and in particular

IT Directors and Heads of IT have changed over recent months and their expectations of the future.

We ask how they expect the economy to change and what affect this will have on their ability to do business. We also question the role of IT as it stands and their aspirations as to how it will change as we move out of recession.

Of course these are still challenging times

and there is still some nervousness, but the results of this report show there is a definite sea change happening which will enable the IT industry to evolve and be a significant force for change, rather than a facilitator of technology.

It's an exciting time to be part of this industry and if these results are anything to go by then the next 12 months is likely to be a period many of us will remember for some time.

Key findings

- 66%** of companies expect an upturn in their business
- 37%** expect the drive to increase cost effectiveness as a key challenge
- 53%** expect to have issues around the recruitment and retention of talent
- 46%** expect IT to help them save costs
- 28%** feel the IT function needs to improve its communications skills
- 27%** expect better integration between IV and the rest of the business
- 22%** demand better commercial understanding from their IT division
- 41%** expect to employ online social networks to help recruit talent

About the survey

This survey is based on conversations with IT Directors and Heads of IT departments from 170 companies across the UK over the period of one month.

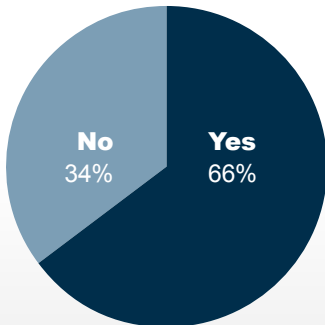
It highlights the expectations of these companies as we move into the next economic phase and what impact these changes may have on their ability to do business. This includes the role of

IT in the year ahead, how recruitment is likely to be affected and whether this means a new approach to recruiting and retaining top talent.

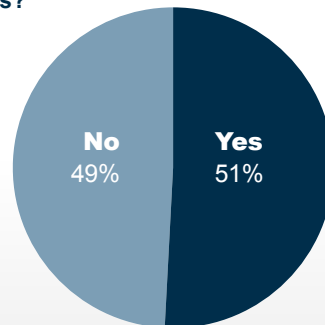
Outline results

The results below provide an outline of the key issues likely to affect IT departments in the next 12 months.

Do you anticipate an upturn in your business in the year ahead?



Have you examined your recruitment processes in the last 12 months?



What challenges do you anticipate facing within your business in the coming months?

- 1 Drive to increase cost effectiveness**
- 2 Attracting new business**
- 3 Recruiting new team members**

What is likely to drive changes in the role of IT within your company in the coming months?

- 1 Focus on cost savings**
- 2 Find new IT solutions to meet new customer demands**
- 3 Focus on time savings**

What additional skills do you need from your IT department to be able to deliver on your organisational objectives?

- 1 Better communication skills**
- 2 A more integrated approach with the rest of the business**
- 3 Greater technical skills concerning new systems**

What techniques are you considering using to attract key talent?

- 1 Social networking**
- 2 Job board and print advertising**
- 3 Face-to-face networking**

Anticipations for 2010

Although 2009 was a tough year for many companies we have seen a much more upbeat mood over recent months, with over 66% of people surveyed saying they anticipated an upturn in their business in the coming year as a result of significant improvements in their trading conditions and across the economy generally (75%).

Although ¾ of companies surveyed by the British Chambers of Commerce agreed a double-dip recession is likely, there is still a strong belief that the emergence of new business pipelines and the re-emergence of pipelines that had previously been put on hold will mean that over the next 12 months the economic outlook will be much rosier than in recent years.

Roy Dungworth, Director of Modis International across South of England says “We are seeing a significant shift from the protectionism that defined 2009 to a more dynamic and forward thinking approach.

“We are no longer having conversations about headcount, bottom line and project control, but about new projects, new hires and business development.”

Within IT in the private sector particularly, we are seeing a significant shift in approach and although there is talk of outsourcing and redundancies within the public sector, within the private sector there is significant pressure on IT

departments to become forces for change and drivers of company strategy.

In fact in the last 12 months the IT industry has seen record demand for permanent staff, with demand rising from 32.2% in January 2009 to 67.7% in January 2010. The temporary and contract market has also seen a resurgence, increasing from 31.5% to 58.7% over the same period.

Andy Tyers, Director of Modis International in the North of England and Scotland agrees, “We are definitely seeing a new surge in confidence across the industry, which has had a positive impact across many organisations. As a result recruitment budgets and hiring freezes are being lifted and we are seeing much more activity, in particular across the banking industry where demand is rising and the profile of IT is growing significantly.”

It seems that many companies are still reeling from the effects of the previous few years though. The downturn came as a surprise to many companies and left them ill-prepared for what lay ahead. As a result, one in five IT Directors (20%) considers the ability to forecast changes in the economy, their industry and more specifically within their own company as a key challenge for them within the next 12 months. Business Intelligence is therefore likely to play a major part in the activity of many IT departments.

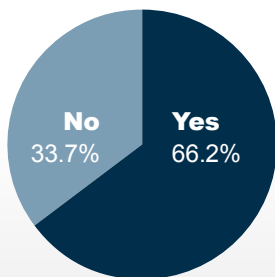
“We are seeing a significant shift from the protectionism that defined 2009.”

Roy says, “BI is likely to become a key driver for companies in the future. Many had their fingers burnt in 2008 and will look to technology and processes to help them anticipate how the market is likely to change and as a result be able to reduce their exposure to risk.”

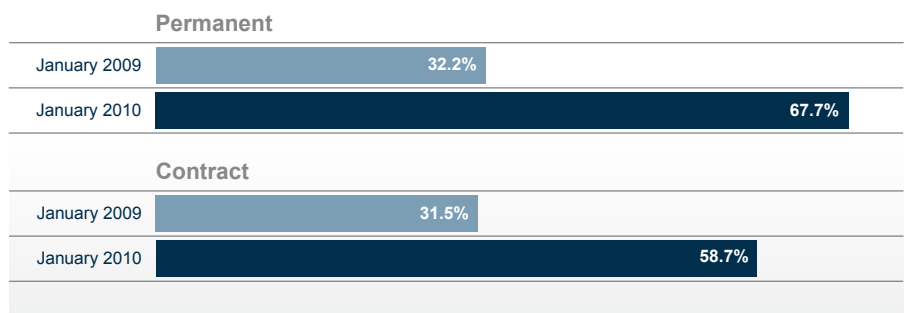
“It will also introduce significant cost benefits and improve productivity across whole organisations, making companies not only more pro-active and agile but also much more customer-centric and cost-effective.”

The ability to understand and deliver more customer-centric approaches looks likely to be key challenge over the coming months, and although there is significant confidence emerging around existing business activity, over 13% of those surveyed also admitted that protecting their existing contracts would remain an issue in the months ahead. In addition, almost a third (32%) agreed that the ability to attract new business would remain an issue and that the ability to collate information, understand its implications and deliver better results would enable them to be more strategic and effective.

Do you anticipate an upturn in business in 2010?



Demand for IT staff year on year



Anticipations for 2010 continued...

The challenges ahead

Although there are signs of confidence across the UK, it seems many companies are still erring on the side of caution and see stability as key to the coming year. So much so that many companies are still anticipating IT will be employed to cut costs rather than to help drive their business forward and deliver significant competitive advantage. 37% of those surveyed agreed that the drive to improve cost-effectiveness will be the key driver for their IT function over the next 12 months.

“It’s surprising that cost effectiveness is still a key factor for many companies, although this number has shifted downward over the last 12 months. Some companies are still looking to IT to cut costs, instead of recognising the transformational value it can bring to their business; although over time this is bound to change”, says Andy Tyers.

“Overall 2009 was the year of ROI and cost-effectiveness. Many companies focused purely on achieving this goal, meaning they were left behind due to the lack of investment in new products and services. As a result their ability to future proof themselves for the upturn was pushed to the back of their minds”, says Roy.

In fact, according to the results of our

survey, 1 in 10 (10.17%) IT Directors recognised that during the previous 18 months their focus was on streamlining and cost-cutting as opposed to developing processes and procedures to put them ahead of the curve, and agreed that product and service shortfall was something they needed to address in the immediate and long term.

The survey shows that the ability to drive change is not just about technology and knowledge management, but also about talent and deliverability. As the economy recovers and IT leads the way in that recovery, a quarter of IT Directors anticipate their ability to manage change will be a key concern in the coming year and almost a third (30%) believed recruiting new people to help them facilitate this change, while servicing existing projects and managing new business, would increase the pressure on their teams.

As the IT recruitment market becomes increasingly buoyant it seems companies are also concerned about the level of talent and the size of the IT teams available to them. What’s more there is increasing concern around the increased likelihood of employees leaving for pastures new once the market picks up. More than one in five (21%) of those

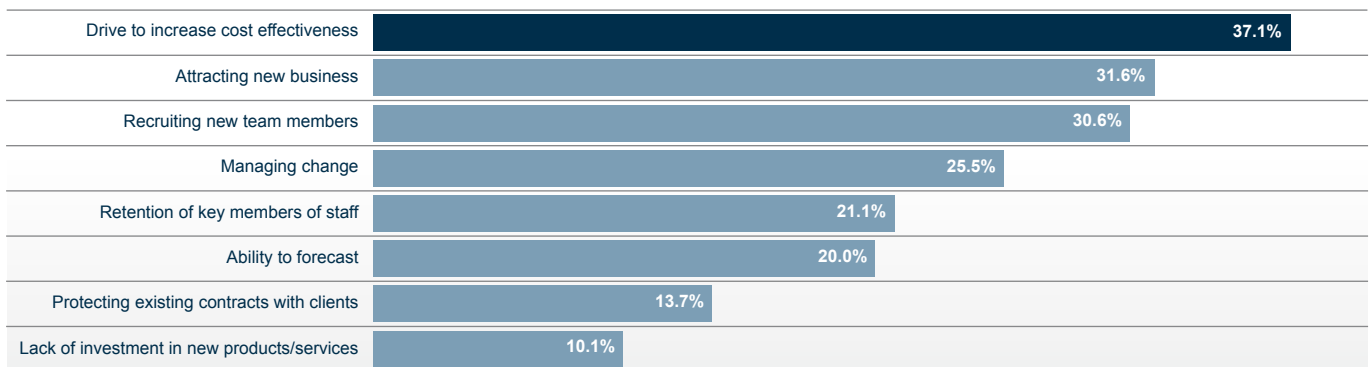
“Companies are still looking to IT to cut costs, instead of employing IT for the transformational value it can bring.”

surveyed anticipated that retaining key members of staff would be a challenge.

“Our roundtable event held in Sheffield first highlighted how retention will play a major part in a company’s plans in 2010. Many accepted that the pay freezes and benefit cuts they were forced to implement could mean that once the market looks up then they could be at risk of their best people leaving”, says Andy.

As well as retaining staff, almost a third of companies surveyed (30.6%) accepted that recruiting new talent was something they needed to take seriously and that the notion of employer brand was becoming increasingly important to their recruitment process. This figure is again backed by the conversations Modis International has been having with clients and resulted in our producing the Modis International ‘Guide to employer branding’ in November.

Challenges facing companies in 2010



The future role of IT

Demand for change

Over the last two years there has been a significant change regarding how the role of IT is positioned within many organisations. Many companies are now looking to IT to help drive their strategic direction rather being merely a transactional function employed to deliver pre-determined objectives.

This shift in approach has created a dual requirement across IT. Although many companies are looking for strategic direction, they are also demanding that technology and processes be employed to cut costs (46%), improve efficiency (20%), and continue to deliver new solutions to meet new customer demands (31.8%).

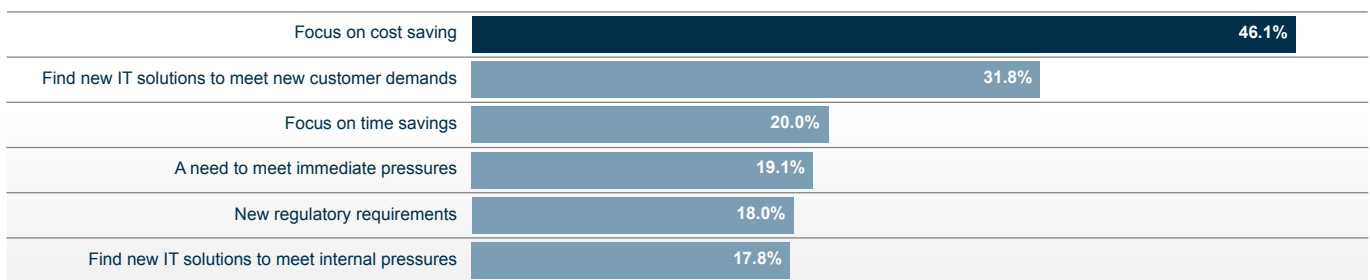
Indeed one in five (19.1%) of those surveyed pointed out that the need to balance strategic imperatives with the need to meet the immediate pressures

facing their business was a challenge they anticipated facing in the next 12 months. In addition to reducing cost and time inefficiencies, these immediate pressures also included the need to implement new regulatory requirements (20%) and the need to help them meet the internal pressures facing their organisation (19%).

According to Roy, “The major challenge for the IT industry in 2010 is to become intrinsically linked across organisations. Many of our clients now see IT as being core to the way their businesses operate; they want IT to be embedded across sales, reporting, business intelligence etc; they want it to be part of their strategy rather than a tool to help them deliver their strategy; they want IT to be a force to help them stay competitive, which in turn means that the role of IT within companies needs to be significantly elevated and made more strategic.”

“The role of IT within companies needs to be significantly elevated and made more strategic.”

The future role of IT



The future role of IT continued...

Additional requirements

When asked what additional skills companies expect from their IT departments two key issues reinforced the need for IT to become a strategic part of the business rather than a facilitator.

Over a quarter of those surveyed (28%) agreed their IT departments needed to communicate better across the company if it was to become an integral force for change, while over a quarter (27%) admitted the lack of integration between IT and the rest of the company needed addressing if the function is to become more strategic.

As part of the drive to make IT departments more strategic, our survey showed that companies expect their IT departments to have greater commercial focus (22%) and be more proactive when it comes to suggesting new solutions (22%).

“With these new imperatives, there is a need broaden the skills required at the management and leadership level. As IT moves away from pure delivery to the development of strategy so must the people that deliver those initiatives”, says Andy.

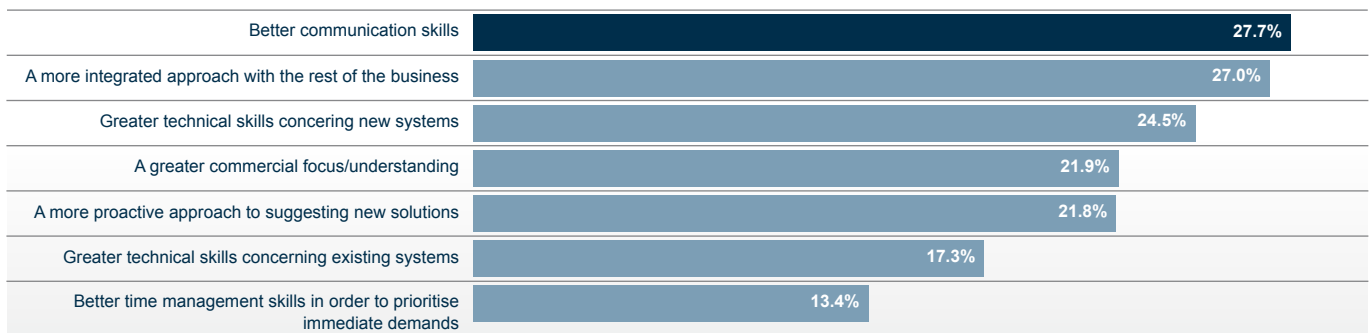
From an operational perspective it’s worthwhile noting that of those surveyed 17% agreed that their IT departments needed to have greater technical ability regarding their existing systems, while a significant number agreed their departments need to be more prepared for future technologies, with almost a quarter (25%) agreeing their team needed greater technical ability around new systems.

A telling statistic was the 13% that admitted their IT departments needed to improve their time management skills to enable them to deliver on the immediate priorities outlined above. It’s safe to say that as the role of IT changes, then companies are expecting the function to adapt significantly to meet this change. By spending less time on the tactical implementation of projects they are able to dedicate more time to elevating their role to the strategic level.

Andy says: “For some organisations, Heads of IT and IT Directors have focused on delivery and the mechanisms for delivery. This has meant that the skills required to do the job are very different to what is required now. The role of IT will become increasingly business-facing which in turn will demand a different calibre of person.”

“The role of IT will become increasingly business-facing which will demand a different type of person.”

Additional requirements of IT departments



The challenge of recruiting

With many companies expecting talent to be a key issue in the coming year it seems 2010 will be the year for recruitment and retention.

According to the results of our survey, gone are the days of merely posting an advert on a job board and screening CVs. The future looks to be more driven by a concerted effort to attract active and passive candidates via multiple channels.

Although job boards will continue to play a part in attraction activity, with 30% of those surveyed agreeing they would continue to use them, this number is significantly lower than in previous years.

Online Social Networking looks likely to be the real winner in 2010, with over 40% of people surveyed agreeing to using sites such as LinkedIn and Xing as part of their attraction activity. Rather than being used merely to develop their own corporate profiles, Social Networks will become integral to how companies develop their employer brand and used as part of a concerted effort to build and leverage relationships with their target audiences.

Print advertising looks likely to have resurgence in 2010 according to our survey, with over 30% of companies

considering this method. For the first time in a number of years print has just overtaken job board advertising in the minds of employers but only by the slightest margin. This could reflect the importance of employer brand and the need to focus not just on those active in the market but also those currently in employment.

Roy sees a big change in how recruitment will change in the months ahead: "Moving up the candidate value chain means moving away from an attraction model based on CV search and job board advertising. It means exploiting relationships to target active and passive hires; it means working with a supplier to develop strong employer brands as the market becomes increasingly competitive; it means tapping into networks that have been developed through years of experience."

In fact almost a quarter of companies (24%) surveyed agreed that brand building would be a key part of their attraction activity in the future, thereby reaffirming the importance of profile and brand when recruiting and retaining top talent.

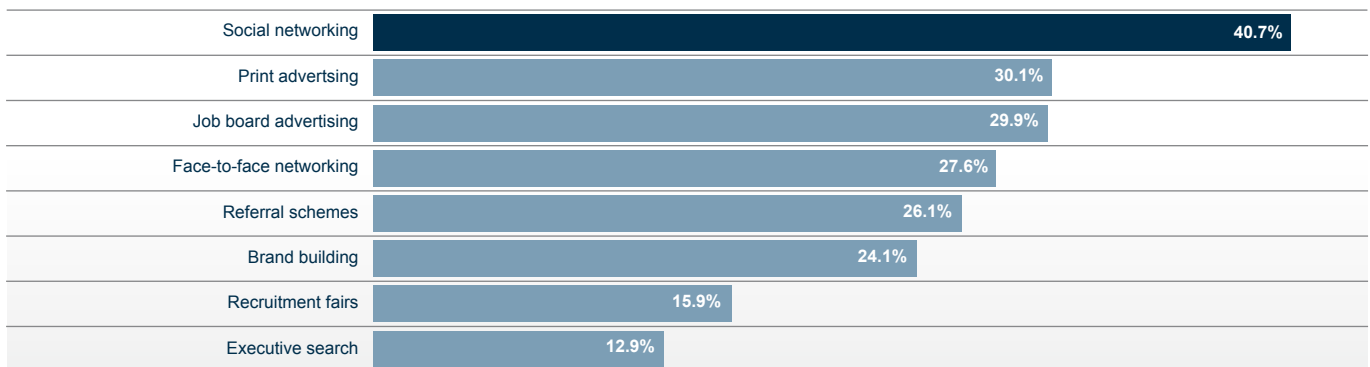
Employer brand would also be a key supporter of the 26% of companies

“40% of companies see online social networks as key to attraction.”

looking to employ referral schemes in their recruitment activity. The Modis International 'Guide to Employer Branding', highlighted how 70% of companies expect employees to recommend their organisation as a good place to work and so for the 1 in 4 looking to referrals as way to attract talent, brand is crucial not only externally but also internally if they are to maximise the impact of employee engagement.

It seems that networking is expected to be a true differentiator in the months ahead, in addition to the 40% relying on social networking to attract new hires, almost 28% of companies regarded face-to-face networking as a key part of attraction, although only 13% felt inclined to use the services of Executive Search firms to manage this activity.

Techniques to attract talent



A new approach to recruitment

If the year ahead is going to be the year for renewal and change across IT, then the recruitment process is also likely to face significant changes according to our survey.

Over half of the companies surveyed (51%) admitted to examining their recruitment processes in the last 12 months.

This examination included streamlining internal processes, using technology to improve the interaction between their business and recruitment (29%), and reorganising their internal teams to improve efficiency.

The recruitment agency relationship is also likely to undergo significant changes in 2010 with one in three companies (31%) looking to focus their relationships and work with more specialised consultancies rather than generalists.

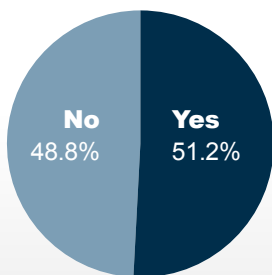
“The recession was a hard time for many recruitment consultancies as their clients looked to develop a partnership model based purely on cost, rather than cost effectiveness,” says Alf Davis, Director of Modis International Projects.

“2009 was a year defined by reverse auctions and cheap is best, and for many companies that was how they survived. The months ahead though will again show that quality wins through and expertise in the recruitment market is what will enable companies to find the best and brightest, particularly when strategic targeting and active and passive recruitment becomes increasingly important.”

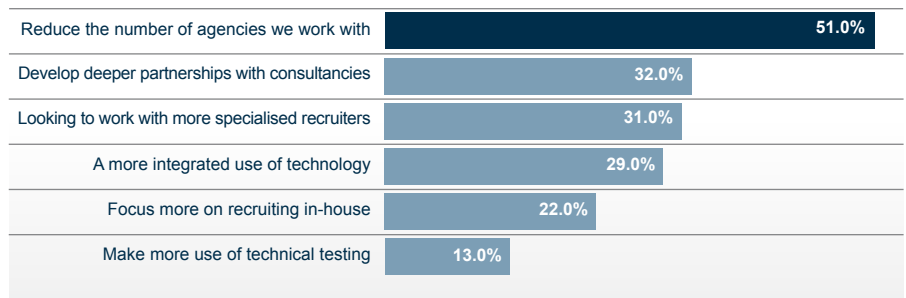
Indeed a third (32%) of respondents are looking to develop deeper partnerships with their recruitment consultancies and employ these relationships to help them manage change, meet their challenges head on and develop a strong and impactful recruitment proposition.

“1 in 2 companies used the recession to examine their recruitment processes.”

Have you examined your recruitment processes in the last 12 months?



What changes are you likely to make regarding your recruitment process?



Conclusion

Our survey and associated research show that the next few months will bring a shift towards an investment in IT for strategic reasons, as compared to simply a source of cost efficiencies, and that the market will shift towards tighter professional talent as candidates become more scarce due to new hiring and greater skillsets.

For those companies with a broad IT function, there are likely to be greater demands on their more senior personnel as their input into the strategic elements of the business demand greater strategic thinking and broader management experience. For those companies that have focused on developing functional IT businesses, there could be an emerging

skills gap that may need to be plugged if they are to deliver on their efficiency drives as well as their ability to anticipate and meet the needs of their customers. In short, retention of existing talent and attraction of new talent will be much higher priorities than in the past 18 months.

With these demands comes a number of new challenges and it seems that companies are no longer able to rely on the standard job board activity to recruit talent. Employers should expect a deeper analysis than a simple CV scan from a job board, and recruitment firms must focus on providing two or three well qualified candidates, rather than a raft of CVs that border upon spam.

In summary, three key shifts to expect and plan for:

1. Corporations will begin to make strategic investments in IT solutions that provide top line value, rather than cost driven efficiency only.
2. A developing shortage of talent means that the top candidates, and the recruitment firms with top candidates, will be able to command higher salaries.
3. For recruitment consultancies that built their business model on commoditised margins, 2010 is also likely to be a challenging year. With companies demanding stronger, more value-driven relationships, and increased specialisation from their recruiters, the true value of consultancy is likely to become increasingly important.

Contact us:

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