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MIS100 2009: Leading change in a fragile economy

By Divina Paredes | Thursday, July 16 2009

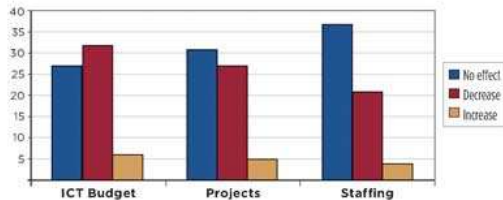
How do CIOs maintain or even expand ICT business initiatives amidst flat or declining budgets and rising user expectations? In this year's MIS100, we track how CIOs are coping with this redoubtable challenge and the impact of the economic downturn on ICT departments.

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Few organisations can remain unscathed in this difficult economy. Thus, we wanted to find out how the economic slowdown is impacting the organisations in this year's *MIS100*.

We asked the CIOs of the country's top ICT using operations how the economic slowdown has affected three areas — their ICT budgets, projects and staffing levels (see graph A below).

A. Impact of the economic downturn



Interestingly, 6 percent of organisations say their budget increased this year, with one respondent saying the rise was more than 10 percent. Thirty two percent said their budgets were slashed, while just under a third (27 percent) said their budgets remain the same.

But amidst the static and reduced budgets, more than a third of the CIOs said their number of projects remain the same, with 5 percent reporting they are working on more projects. Less than a third said they have fewer projects this year.

With regards to staff, 37 percent said the numbers remain the same, with just 4 percent saying they have more staff this year. But about a fifth said their staff numbers were down, compared to last year.

ANZ National Bank CIO Peter Lawrence aptly sums up the key pressure for CIOs against this backdrop. "The challenge for CIOs this year will be balancing IT investment portfolios to get the right mix of short and long-term projects," says Lawrence.

"Short-term projects may improve functionality and efficiency in a turbulent economy, but long-term projects are essential to maintain infrastructure."

CIOs were forthright on how they are managing the challenge of static or declining budgets, while maintaining their project and staff levels or even taking on additional projects.

Chris Barendregt, CIO of Fonterra, which ranks number two in this year's MIS100, says although some projects have been deferred because of tightening budgets, they will not be cancelled

Balancing a project management portfolio is a key concern for CIOs in various sectors across the country. As Simon Casey, Barfoot & Thompson CIO says, "Having a dynamic approach to projects to ensure we achieve the right balance of planning and executing ensures success with time, cost and quality objectives. We deliberately keep recurring IT costs low to ensure profitability during economic troughs such as this one, and maintain a continued focus on IT suppliers to ensure value is obtained."

The upside of the downturn

Some CIOs, on the other hand, looked at the upside of the economic downturn. "The financial climate is creating behavioural changes within the IT industry," notes Warren Williams, CIO of educational institute Te Wananga o Aotearoa.

"Vendors and suppliers are becoming more aware of how important existing and potential clients are, and have become more proactive in building and maintaining these relationships. Clients are in turn becoming more cautious regarding expenditure and procurement practices are changing to reflect this behaviour."

For NZ Police ICT manager Murray Mitchell, the economic situation, "is a timely reminder to ensure that ICT is working smarter and efficient to maximise both business as usual and business outcome investments".

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The skills shortage that had figured prominently as a key management concern for those listed in MIS100 from 2006 to 2008, was less of a worry this year.

As one CIO puts it, recruitment and retention of skilled and experienced staff has become a "more manageable issue," due largely to the economic downturn.

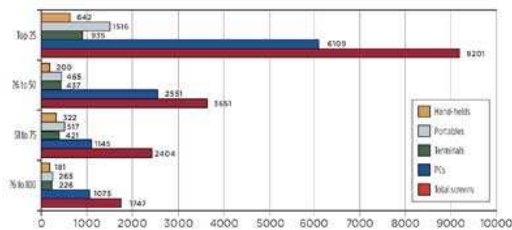
Industry snapshots

So what is the working environment for CIOs in this year's MIS100?

This year, the total number of screens for all MIS100 companies is 425,097 compared to 403,959 in 2008. The University of Auckland, the biggest ICT user in MIS100 for six years in a row, reported the highest number of screens at 17,722. In 2008, this position was held by the New Zealand Defence Force, which this year reported a reduced screen number of 13,530.

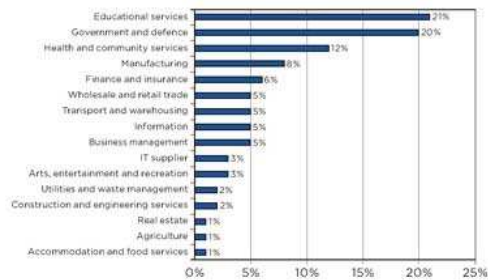
The average number of screens continues to grow annually (see graph B below). This year, the average number of screens for those in the top 25 was 9201, a jump from 9104 the previous year. This upward trend is exhibited all the way through organisations in the next three quartiles.

B. Average screens (by positions in MIS100)



As has been the trend in previous years, more than half of the biggest IT users are from the public sector (see graph C below). Notably, education has been dominating the list for the past 12 years, with 21 educational-related organisations in the list for the past two years. Three universities — Auckland, Otago and Massey are in the top 10.

C. By Industry

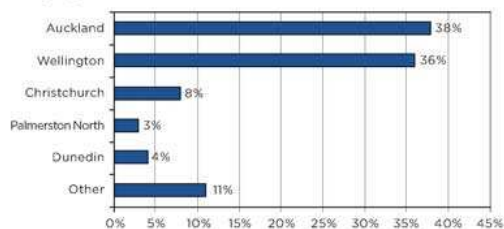


There are 20 organisations from the government and defence, up by one from the previous year. Health and community services, the third largest sector, comprised 12 percent of the total.

Manufacturing remained steady at 8 percent, while finance slipped to 5 percent. A new industry appears in this year's list, real estate, when previously unlisted Barfoot & Thompson secured the number 86 rank.

Per region, Auckland (with 38 organisations) leads the list, as it did in 2008 (see graph D below).

D. By region



This is followed by Wellington with 36 organisations. Christchurch and Palmerston North have been steady for the past two years with eight and three organisations respectively. For those operating outside these main cities, there were two more organisations listed this year compared to 2008.

Reporting lines

MIS100 tracks the reporting lines of the CIOs — and the past three years' surveys have confirmed a rise in the number of those reporting to the head of the organisation.

This year, 38 CIOs say they report to the chief executive or managing director, a move up from 34 in 2008. Meanwhile, 16 heads of ICT report to the chief financial officer or the chief finance executive in

the organisation, down from 18 the previous year, and 25 the year before that.

All the other CIOs report to a range of titles including chief transformation officer, commercial director, head of corporate services and executive director.

As in past years, *MIS100* tracks the changes in ICT leadership. This year, there are new faces in some high profile ICT leadership roles. There are two new CIOs in the top 10, David Habershon of the Ministry of Social Development and Bradley de Souza of Telecom New Zealand.

Former Ministry of Social Development CIO Tim Occleshaw has moved to Inland Revenue Department as deputy commissioner business development and systems.

The other new CIOs in the *MIS100* include Jonathan Iles of Carter Holt Harvey, Mike Clarke of SkyCity, Jon Cumming of the Department of Corrections, Russell Jones at the ASB, Gerard Aberdeen at the Ministry of Justice, Leanne Gibson of the Ministry of Education, Jonathan Hooper at Fulton Hogan, Trudy Rankin at the Department of Conservation, Nigel Prince at Ministry of Agriculture and Forestry, Richard Tims at NZ Lotteries, Simon Casey at Barfoot & Thompson and Brian Rumbelow at the Wellington Institute of Technology.

Notable shifts in terms of ranking in the *MIS100* include those of IBM, which rose to number 66 from the 2008 ranking of 97, and Christchurch City Council from 73 to 65 this year. The NZ Lotteries Commission shot up from 83 in 2008 to 70 this year. Carter Holt Harvey dropped from the top 10 list this year, and Air New Zealand, number 13 in the 2008 list, moved to number 10.

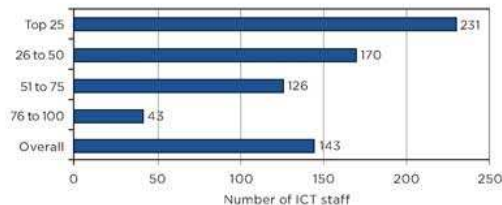
Downer EDI Works, which was in 'Bubbling under' or organisations just under the 100 last year, made it to this year's list at number 74. Other newcomers to the list include KiwiRail, the Northland District Health Board, Eastern Institute of Technology, PricewaterhouseCoopers and the NZ Transport Agency. The NZTA is the entity formed from the merger of Land Transport New Zealand (number 20 in 2008) and Transit New Zealand.

IT staff and end users

From 2006 to 2008, the *MIS100* has reported the continuous growth of the number of ICT staff. This year, it is quite a different story. There is a total of 14,248 IT staff in the *MIS100* organisations this year, down from 17,315 in 2008.

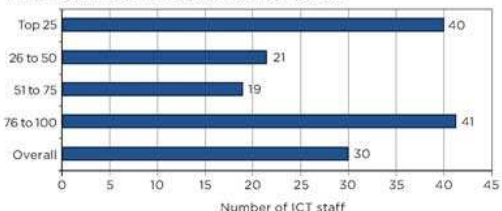
The overall average number of IT staff for 2009 is 143, compared to 173 in 2008 (see graph E below). The average total of ICT staff in the top 25 organisations is 231, compared to 338 the previous year. The trend continues for those in the next quartile, with 170 being the average number of staff compared to 193 in 2008. The organisations in the 51 to 75 group, however, had more average staff this year, at 126 compared with 118 last year. The number for the fourth quartile has been steady at 43 for the past two years.

E. Average total ICT staff



ICT staff also support more screens. This year, each IT staff support an average of 30 people, though the figures are noticeably much higher for those in the top 25 and the 76 to 100 ranks (see Graph F below). Compare this with the 2008 figures, where the average number of screens supported by each IT person was 23.

F. Number of screens supported per ICT person

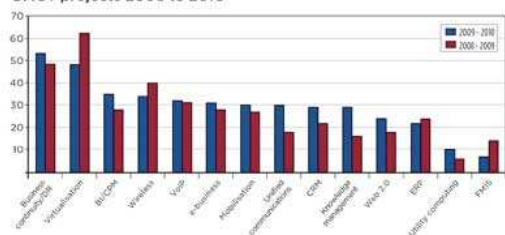


The project portfolio

In the next 12 months, the top four projects CIOs and their teams will work on are in business continuity/disaster recovery (53 percent); virtualisation (48 percent); business intelligence (35 percent) and wireless (34 percent).

In the past 12 months, virtualisation occupied the top spot at 62 percent, followed by business continuity/DR, wireless and voice over IP (see graph G below).

G. ICT projects 2008 to 2010



Other areas CIOs are keeping a watching brief on are utility computing and management of applications in the cloud. CIOs are also reporting projects in Web 2.0 technologies. Those who report activities in this space point out this is in response to the need for better communications with customers and among their staff.

Customer focus is a key concern for CIOs across sectors, from manufacturing and retail to education and government. The focus on meeting the needs of both the organisations' clientele, as well as the internal customers, has become more imperative than ever in a challenging economy.

Regardless of how the economy pans out in the next 12 months, now is the time, more than ever, for CIOs to utilise their arsenal of skills for change management, while also taking advantage of the fact that among the C-suite executives, they can claim overall visibility of systems and processes across the organisation.

Sidebar: Calculating the top 100

The MIS100 is a study of NZs biggest ICT using organisations based on screen count, turnover and staff numbers.

Do you use as much technology as ANZ National Bank? Do you have as big a turnover as Fonterra? Do you have as many employees/users as the University of Auckland?

If you do, or perhaps more likely, are in the same neighbourhood, then you will be in this year's MIS100, New Zealand's 100 biggest users of IT.

Where your organisation's ranking is in the 100 will be based entirely on your proximity to the above figures from the University of Auckland and Fonterra.

Through our extensive research, we find out the turnover, number of employees and number of screens of each organisation, and then compare them against the largest in each category.

We give the screen number 50 percent of the final weighting, and turnover and employees 25 percent each (see box below). The screen numbers include PCs, servers, laptops and hand-held devices like Blackberrys and other web-enabled PDAs. Please note, for universities and other educational institutions, the number of equivalent full-time students are added to the equation. This way, we are putting ICT in the context of the organisation and the number of people reliant on it internally.

How we do the maths

$$\begin{array}{r}
 \text{Number of screens} \times 0.5 \\
 \hline
 \text{Highest number of screens: 17,722} \\
 \text{(University of Auckland)} \\
 \hline
 + \\
 \text{Number of employees} \times 0.25 \\
 \hline
 \text{Most users (staff and students): 37,100} \\
 \text{(University of Auckland)} \\
 \hline
 + \\
 \text{Annual turnover} \times 0.25 \\
 \hline
 \text{Highest annual turnover: \$16.72 billion (Fonterra)} \\
 \hline
 \text{TOTAL}
 \end{array}$$

So that is it. Screens, turnover and number of employees. It could not be (much) simpler. So if you have done the calculation for your organisation and have a number (it should be between 0 and 1) and if it is higher than 0.06321 (the lowest that made the cut this year), then drop us a line — you might well stand a chance of having your organisation included in the next MIS100.

This overview was prepared with additional reporting from Vikki Bland. Sheila O'Brien, manager of Fairfax Business Research in New Zealand, provided the analysis of the MIS100 data and graphs.

The organisations in MIS100 2009 :

- 1 University of Auckland
- 2 Fonterra Co-operative Group
- 3 ANZ National Bank
- 4 University of Otago
- 5 New Zealand Defence Force
- 6 Fletcher Building
- 7 Ministry of Social Development

8 Telecom New Zealand
9 Massey University
10 Air New Zealand
11 AUT University
12 New Zealand Police
13 HealthAlliance
14 Inland Revenue Department
15 Victoria University of Wellington
16 Carter Holt Harvey
17 Westpac Bank
18 Manukau Institute of Technology
19 Department of Corrections
20 ASB Group
21 Bank of New Zealand
22 Progressive Enterprises
23 NZ Transport Agency
24 Warehouse Group
25 Auckland District Health Board
26 University of Canterbury
27 Te Wananga o Aotearoa
28 University of Waikato
29 Accident Compensation Corporation
30 Ministry of Justice
31 Canterbury District Health Board
32 New Zealand Customs Service
33 Ministry of Education
34 Unitec
35 Lion Nathan
36 Waikato District Health
37 New Zealand Racing Board
38 New Zealand Post
39 Southern Alliance Information Group
40 New Zealand Fire Service
41 IAG New Zealand
42 Auckland City Council
43 Datacom
44 Christchurch Polytechnic Institute of Technology
45 Fisher & Paykel Appliances
46 SkyCity Entertainment Group
47 Waikato Institute of Technology
48 Department of Internal Affairs
49 APN Holdings NZ
50 Opus International Consultants
51 Department of Labour
52 Goodman Fielder New Zealand
53 Eastern Institute of Technology
54 Vodafone NZ
55 TelstraClear
56 Silver Fern Farms
57 HealthIntelligence
58 Northland District Health Board
59 PGG Wrightson
60 EDS New Zealand
61 Fairfax New Zealand
62 Foodstuffs South Island
63 The Farmers Trading
64 Freightways
65 Christchurch City Council
66 IBM New Zealand
67 Fulton Hogan
68 Otago Polytechnic
69 Mainfreight
70 New Zealand Lotteries Commission
71 Foodstuffs Co-operative Society
72 Vector
73 Department of Conservation
74 Downer Edi Works
75 Saint Kentigern Trust Board
76 Ministry of Health
77 Universal College of Learning
78 Ministry of Agriculture and Forestry
79 Transfield
80 House of Travel
81 Ministry of Foreign Affairs and Trade
82 Lincoln University
83 KiwiRail
84 Whitireia Community Polytechnic
85 Bay of Plenty District Health Board
86 Barfoot & Thompson
87 Wellington Institute of Technology
88 MidCentral District Health Board
89 Alliance Group Manufacturing
90 Southern Cross Healthcare
91 North Shore City Council
92 Wellington City Council
93 TPF Restaurants
94 AgResearch
95 Beca Group

96 NorthTec
97 Southern Institute of Technology
98 Waitakere City Council
99 PricewaterhouseCoopers
100 Hutt Valley District Health Board

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