2022 IT Talent Requirements Call for Balanced Strategy

Market Pulse

Companies are facing a significant IT and technology skills shortage.
They anticipate challenges to filling talent gaps amid pressure to address security and business transformation concerns, according to CIO research.

The technology skills shortage is acute, and many organizations say the remote/hybrid work model has worsened their ability to recruit and retain IT talent amid an already competitive market, according to new research by CIO.

An overwhelming 86% of the respondents anticipate challenges in hiring individuals with expertise in on-premises technologies, such as enterprise resource planning (ERP) and customer relationship management (CRM).

However, the survey uncovered a larger issue: Most organizations are focused on acquiring emerging skills, rather than retaining their existing knowledge base. For example, respondents are more concerned about filling cybersecurity and artificial intelligence (AI)/machine learning (ML) roles than enterprise software/ERP positions.

That's a risky path: 45% of the surveyed organizations are supporting older versions of SAP, Oracle, and PeopleSoft software. The primary reason they struggle to recruit and retain legacy skillsets is that candidates want to work on more advanced technology.

"Many people have built their careers on supporting applications like ERP within their enterprises," said Brian Slepko, executive vice president, Global Service Delivery, at Rimini Street. "Among our client base, we're seeing that their

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Major research findings point to the need for a revised talent strategy

The CIO research, sponsored by Rimini Street, spanned the U.S., Europe, South America, and Asia. **It surveyed 255 respondents** in IT positions ranging from ERP managers and architects to IT managers, directors of IT, CTOs and, CIOs at organizations with annual revenues of $250 million or more.

Among the key findings:

- 86% of organizations said it is challenging to recruit and retain **IT/tech talent with deep expertise for on-premises technology** such as ERP and CRM.

- 83% said attracting and keeping **IT talent for digital transformation/tech modernization projects** are challenging.

- 37% of companies have suffered project delays or cancellations due to a lack of **available IT talent**; 36% reported **productivity issues**; and 28% said they have missed **opportunities to grow the business**.

- 42% said **talent gaps** are slowing IT modernization initiatives.

- 51% of director and above titles (i.e., those making hiring decisions) are concerned about a **potential tech shortage**.

- The top two skills organizations plan to hire for in the next 12 months: **cybersecurity** (49%) **and cloud/multicloud** (47%); 35% are focusing on **enterprise software**.

- 43% are concerned about increasing **operational efficiency**, whereas 29% are worried about addressing the **tech talent shortage**.

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workforces include older individuals who are looking to retire or move to a different market."

A looming exodus of legacy skillsets due to retirement exacerbates what has become known as the "Great Resignation." *Harvard Business Review* found that tech resignations rose 4.5% last year, higher than in any other industry. Also, *Wired* reported that 31% of IT workers actively looked for another job between July and September 2021 because of burnout from supporting systems during the pandemic, the desire for flexibility, and other perks such as higher wages.

It's also risky to prioritize emerging skills over legacy positions for companies that want to pursue IT modernization projects and adopt advanced technologies such as AI/ML, advanced analytics, and IoT. These solutions often depend on integration with existing enterprise software, including business-critical ERP systems. So, companies will need those on-premises, back-office technology skillsets.

The bottom line: Unless enterprises can strike a balance between supporting new and legacy solutions, their IT architecture won't be able to evolve fast enough to meet business demands.

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The challenges around finding and retaining talent

Organizations need well-rounded IT staffs not only to keep the lights on, but also to deliver innovation and business growth.

Although respondents are struggling to find talent across skill sets, they're facing several pain points around legacy technologies. For context, CIO found that many organizations are supporting older versions of business-critical enterprise software:
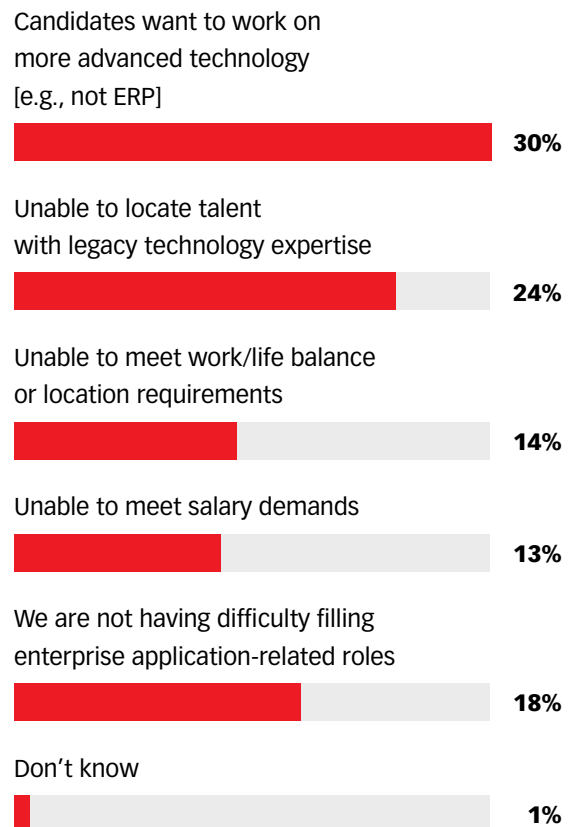
- **50% of Oracle customers are using older app versions.**

- **43% of SAP customers are using legacy versions.**

As much as 51% of internal staff are supporting these apps, including maintenance, modifications, and enhancements. The relevant software vendor (29%) and third parties (20%) handle the rest.

With that much of the IT department devoted to legacy, keeping up with any level of talent churn can be difficult. This is especially true when dealing with smaller pools of candidates due to retirements, the Great Resignation, and individuals reevaluating their career paths. For example, respondents said the primary reason for the difficulty in finding and retaining on-premises legacy talent is that individuals want to work on emerging technologies (see Figure 1).

At the same time, organizations recognize they must modernize IT. Asked which tech-related challenges they plan to address in the next 12 months, respondents cited improving cybersecurity, transforming business processes, and modernizing infrastructure and apps.

Figure 1 | **Primary reason for difficulty recruiting/retaining on-premises technology skills** [select one]

Candidates want to work on more advanced technology [e.g., not ERP]

30%

Unable to locate talent with legacy technology expertise

24%

Unable to meet work/life balance or location requirements

14%

Unable to meet salary demands

13%

We are not having difficulty filling enterprise application-related roles

18%

Don't know

1%

Note: No significant differences between U.S. and non-U.S. respondents.

Source: CIO

> **With that much of the IT department devoted to legacy,** keeping up with any level of talent churn can be difficult.

Figure 2 | **Top business challenges**
[select three]

Increasing operational efficiency/automation

43%

Keeping up with evolving
customer behaviors and preferences

38%

Aligning technology strategy with business goals

33%

Introducing new digital revenue streams

32%

Increased competitive pressure

30%

Technology talent shortage/resourcing

29%

New Standards in regulatory and compliance

25%

The need to invest proactively to fight disruption

25%

Decline in business performance

14%

Note: Non-U.S. respondents are more likely to report
aligning IT and business strategy as a top business challenge
(40% vs. 27% among U.S. respondents..

Source: CIO

It comes down to that need for balance. The results demonstrate that skills are necessary in all areas. Yet, companies are more likely to focus on hiring for cybersecurity and cloud/multicloud skills than for legacy skills in ERP, CRM, and databases.

Amid today's talent crunch, prioritizing one area over others increases the risk that IT cannot simultaneously keep daily IT operations running smoothly and innovate. As it is, CIO found that organizations are struggling to meet the needs of the business. Their top three challenges include the needs to increase operational efficiency, keep up with evolving customer behaviors, and align tech strategy with business goals (see Figure 2).

"The research backs up what we're seeing among our customers," Slepko said. "They also have to consider that training for new systems like Workday, Salesforce, or AI/ML is not easy, nor is retraining for updated versions of business-critical, back-office solutions like SAP S/4HANA. Organizations have to think about where to focus their talent resources."

Looking ahead: The need for a balanced IT talent strategy

The complexities associated with the IT talent shortage are expected to continue. CIO respondents said that, over the next 12 months, they anticipate higher costs associated with acquiring, training, and retaining employees (see Figure 3).

[Director and above titles are more likely to cite ***introducing new revenue streams*** (37% vs. 23% among others). **]**

Considering that nearly everyone is in the same tech-skills shortage situation, organizations should revisit their talent strategies to balance business and IT needs.

Asked about those strategies, companies reported mixed plans of attack. For example, 54% said they will outsource one or more specific skill sets if they are unable to hire the talent they need, focusing mainly on cybersecurity, IoT, AI/ML, and cloud/multicloud expertise. They also said they would create in-house training for skills, with DevOps a primary focus, followed by automation/business process management and administration of CRM and databases.

Respondents recognize they'll need help during the next 12 months. They plan to lean on training internal staff (62%) and vendors or service providers (59%), staff augmentation services (59%), and consulting firms (56%).

However, in something akin to "rob Peter to pay Paul," 55% plan to shift staff resources away from managing on-premises legacy technology to assist with other projects such as cloud migrations and digital transformation.
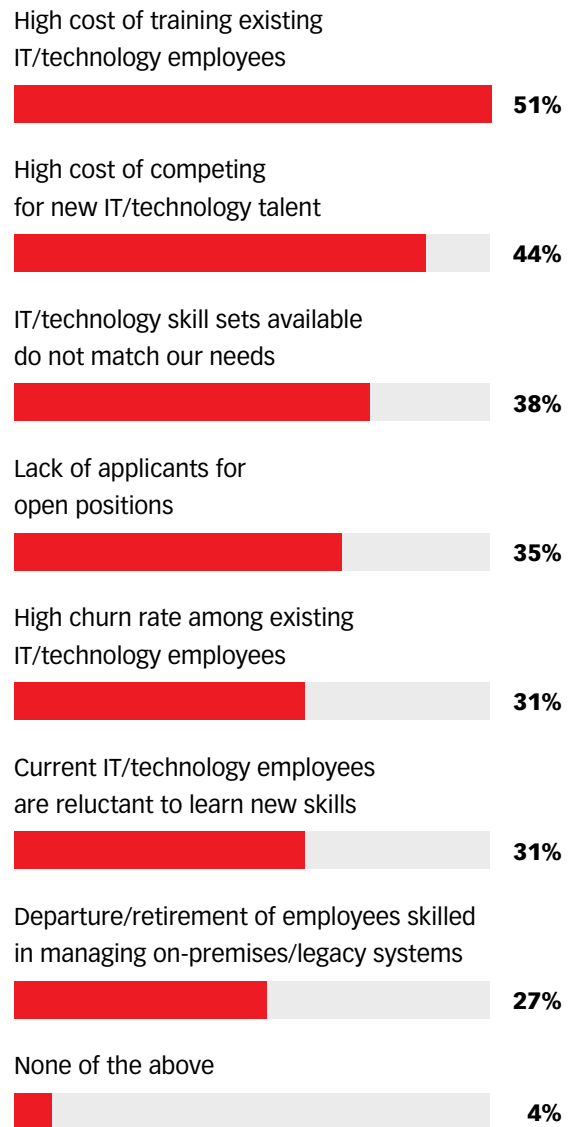
This is where the balancing act must come into play. Back-office systems and legacy applications require the same level of consideration as new technology adoption; otherwise, the IT infrastructure is incomplete and cannot keep up with business demands.

Organizations should weigh the existing talent shortage, current and ongoing needs for day-to-day IT operations, and their requirements for business innovation.

"Leaders should look ahead five or 10 years and consider what their core business will be,

then balance their IT resources between keeping their IT lights on and supporting the business's need to grow," Slepko advised.

Figure 3 | **Challenges related to IT/technology talent—next 12 months**
[select three]

High cost of training existing
IT/technology employees

51%

High cost of competing
for new IT/technology talent

44%

IT/technology skill sets available
do not match our needs

38%

Lack of applicants for
open positions

35%

High churn rate among existing
IT/technology employees

31%

Current IT/technology employees
are reluctant to learn new skills

31%

Departure/retirement of employees skilled
in managing on-premises/legacy systems

27%

None of the above

4%

Source: CIO

Balance lies in leaning on external partners to address talent gaps, and the respondents cited multiple compelling reasons to do so. The top three among these were to improve quality and performance; to deepen the ability to accommodate changing business demands; and to improve access to new/emerging/niche skills.

Next steps and considerations

Based on these findings, organizational leaders should ask themselves three questions to guide their talent strategies:

1. **How are you balancing** meeting business needs against the risks of not addressing the talent shortage?

2. **Does your organization have a strategy** that balances the need for new and old skills? What does that look like?

3. **Does your organization have the time and funds to train staff** on both emerging technologies and existing legacy apps while trying to modernize IT?

As you're thinking about these questions, run a cost-benefit analysis. Include the costs of hiring, training, and retaining staff, as well as using expert partners—whether to support daily IT operations, launch new technologies, and/or augment existing staff in both areas.

It all comes down to that balancing act, ensuring that neither legacy systems nor new technologies are ignored. For example, organizations tend to think their ERP or back-office systems are running well, so they don't have invest to support them. Yet, it's evident that companies are challenged to find and retain the right resources to support these business-critical systems.

Finally, leaning on external service providers is critical. The research found that organizations have some hesitation around security, budget, and ownership/control issues when it comes to filling skills gaps with outside experts.

Meaningful conversations with potential vendors are important to gain a detailed understanding of their capabilities and expertise in supporting various systems. Then, you must monitor the relationship to ensure you're meeting the goal of a balanced talent strategy.

At the end of the day, trust is important. Downtime is expensive, security is imperative, and non-compliance is not an option. You must know your partner has your back and will keep your systems running, no matter what. If a key IT person resigns or you have an innovation project that must be launched quickly, you must be able to call your partner and know they can help get you through. ◆

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