IT LEADERS: THE FUTURE OUTLOOK REPORT 2023

Censuswide Buyers
Sentiment Survey

DECEMBER 2022

Rimini Street

CENSUSWIDE
THE SURVEY CONSULTANTS

INTRODUCTION

Focus on IT Modernization

Despite the continued economic and geopolitical challenges of the last year, the survey shows that more than two-thirds of respondents see digital transformation as a priority in 2023.

What are the key challenges facing CTOs and CIOs as they prepare to deliver their IT strategies in 2023? How are they planning and preparing for key trends, such as the move to the cloud and composable enterprise resource planning (ERP)? What initiatives are being put in place to best use their existing IT budget? How are these IT leaders handling the technology skills shortage and what are their plans to attract and retain the talent they need to deliver their transformation goals?

What is clear is that 2023 will have a unique set of challenges compared to prior years, and that companies are continuing their paths towards digital transformation. There are huge skills gaps to fill, and embracing approaches such as composable ERP could add complexity, but those organisations willing to be creative in their strategies and engage with partners are finding ways to progress their strategies.

This report looks to answer all these questions, as we explore:

- Digital transformation
- The future of ERP
- IT budgets
- Vendor support
- IT challenges
- IT skills gaps
- The future of IT

In this report sponsored by Rimini Street, Censuswide reveals results from surveying 1,006 CIOs and CTOs across Europe and the Middle East from retail, manufacturing, construction, banking, travel and hospitality, telecommunications, and utilities industries.

Censuswide abides by and employs members of the Market Research Society, which is based on the ESOMAR principles, and who are members of The British Polling Council.

Censuswide Surveyed:

503 CIOs and 503 CTOs (1,006 total), aged 18+ in:

UK and Ireland	502
Gulf Cooperation Council (GCC)	201
Nordics	303

Rimini Street

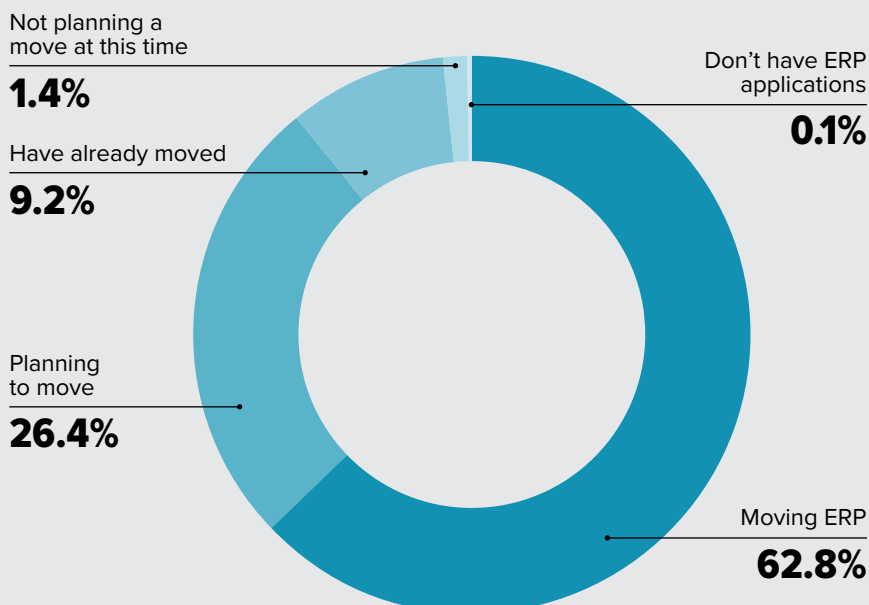# COMMITMENT TO DIGITAL TRANSFORMATION REMAINS

Historically, in similarly uncertain economic and geopolitical situations, organisations have been quick to retrench their investment plans and focus on cost savings to weather the financial challenges of recession. The somewhat clichéd phrase "Do more with less" becomes the mantra for CIOs, and innovation gets side-lined.

That is not the case in this study, as the commitment to digital transformation remains strong across the regions. On average, 62% of respondents[1] say it is a high priority, which increases to 66% of respondents[1] in the GCC. Perhaps understandably, Europeans are more cautious than their Gulf State counterparts, as the cost-of-living crisis and inflation are directly impacting budget availability. Only 59% of UK respondents[1] and 47% of Danish respondents[1] agree that digital transformation is a high priority. There is also a split between CIOs (54%)[1] and CTOs (69%),[1] and industries with manufacturing (81%)[1] and retail (76%)[1] are leading in digital transformation efforts compared to utilities (41%).[1]

While a small percentage of organisations have already moved their ERP to the cloud (9%), the majority are either in the planning stages (26%)[2] or somewhere along the journey (63%).[3] The Gulf States (72%)[3] are ahead of the UK (62%)[3] and the Nordics (59%).[3] Travel and hospitality (72%)[3] and manufacturing (69%)[3] are the leading industries with utilities (53%)[3] slower to make the move.
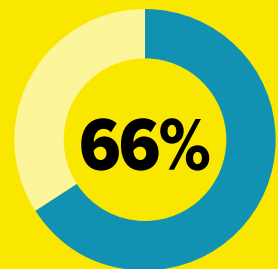
The ERP cloud journey can be long, especially for large, complex deployments. Organisations must manage a hybrid IT model (non-cloud plus cloud) and should consider introducing some type of unified software support and services in order to manage the expanded technology portfolio.

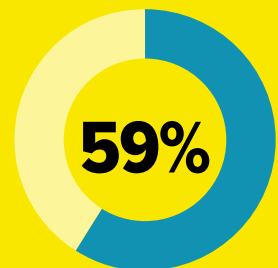## Where, if anywhere, are you on the journey to move your ERP to the cloud?

Not planning a move at this time
1.4%

Have already moved
9.2%

Planning to move
26.4%

Don't have ERP applications
0.1%

Moving ERP
62.8%

62%
of respondents[1] agree that digital transformation is a high priority for 2023

66%

In the GCC, 66% of IT leaders[1] see digital transformation as a high priority...

59%

...in contrast to 59%[1] in the UK, where the cost of living and inflation have higher impact.

The Future of ERP is Composable

This willingness to move to the cloud, despite the economic backdrop, suggests that organisations across the regions understand that having the flexibility and scalability that cloud infrastructure offers, is key to implementing digital transformation. Therefore, it is no surprise that respondents are familiar with **composable ERP**, an approach to enterprise applications that offers companies far greater agility in how they deploy and manage technology. If the overall aim of digital transformation is to enable interaction with customers, partners, and stakeholders in a more dynamic fashion, then composable ERP offers the agility they need.
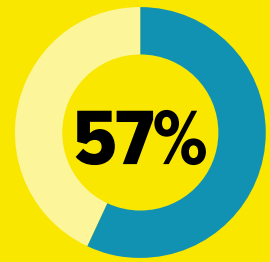
76%

of respondents across the region have heard of composable ERP

84%
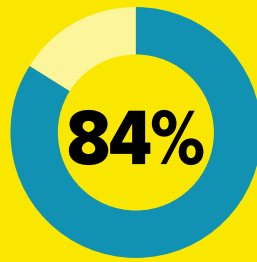
in the Gulf States 84% have heard of composable ERP

57%

In Sweden, **only 57%** have heard of composable ERP

Among those who have heard of this approach, there is a high-level of commitment to investing in it, which underlines the overall sentiment that despite the economic situation, respondents are looking at how they can innovate and modernize their enterprise IT environments. **Across the regions, 84% are going to make investments in composable ERP in 2023,** with that figure increasing to 90% in Finland. Both CIOs (83%) and CTOs (85%) are enthusiastic about investing. Manufacturing (93%) shows the largest commitment and utilities (77%) the smallest.

There are lessons to be learned from the exploration of composable ERP. The responses show that adopting such an approach is much more than simply transforming your technology stack. It requires a change management program that brings employees with you, ensures a proactive approach to security, and brings in new skills to deliver composable strategies.

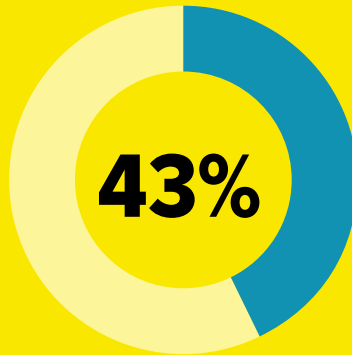## Across the region, the top three lessons learned about composable ERP are:

Composable ERP approaches **require employee buy-in**

47%
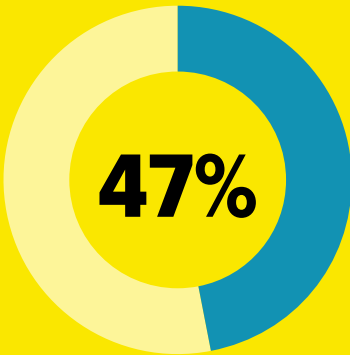
Composable ERP creates an **entirely new set of security concerns**

45%
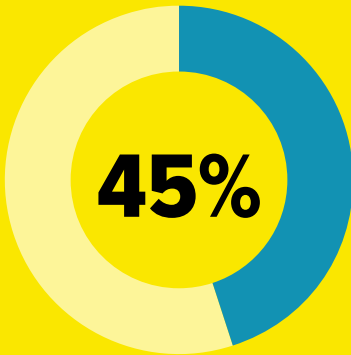
Composable ERP **requires different IT skillsets** for existing ERP systems

43%

Both the Gulf States (48%) and the Nordics (51%) have concerns about security related to composable ERP, which is also the top worry for manufacturing (53%), retail (49%), and construction (44%). The top consideration for the UK (51%) is ensuring employee buy-in, while utilities (51%) are most occupied by the realisation that composable ERP will require an entirely different IT skillset.

DIGITAL TRANSFORMATION FACES CHALLENGES

Technology Spend

Although digital transformation is a significant priority, it is not without its challenges. The reality is that although IT budgets appear to be increasing more than decreasing, the degree that they are increasing is not significant given the inflationary pressures that exist.
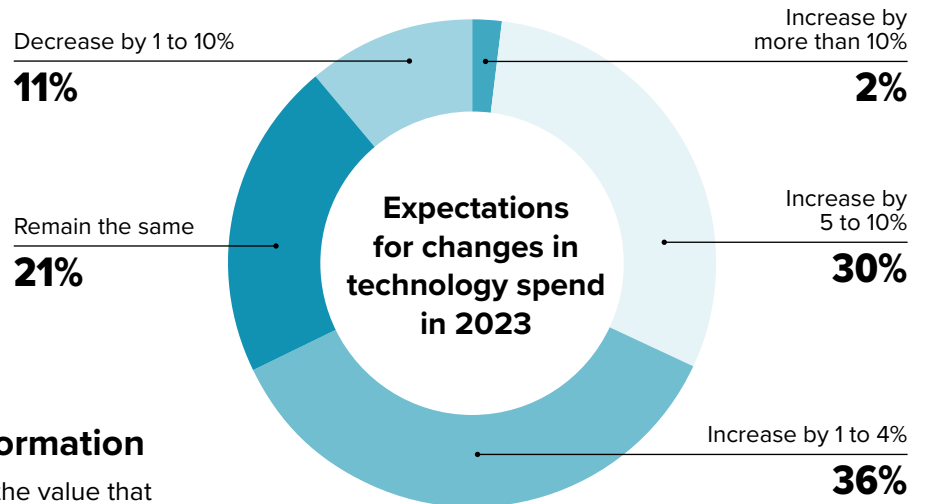
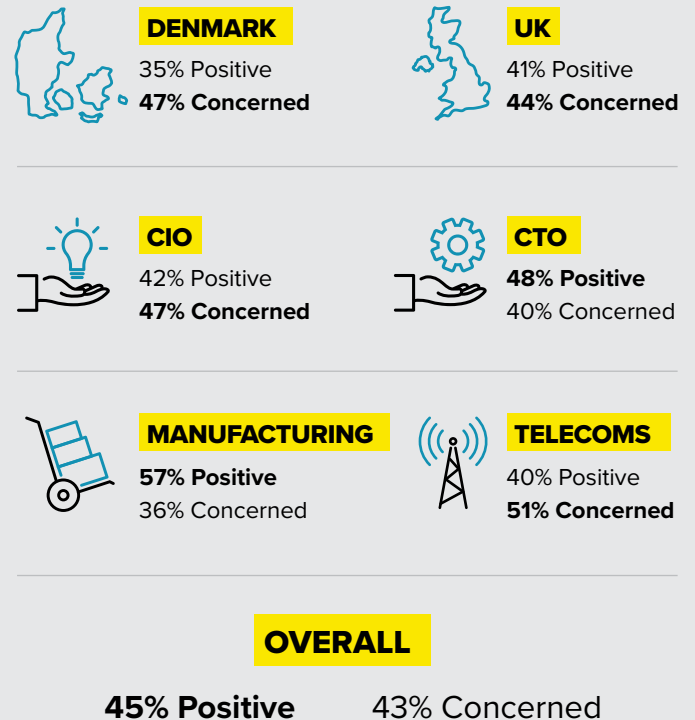## The Value of Digital Transformation

There are mixed responses regarding the value that digital transformation is delivering for organisations. This indicates that CIOs and CTOs must plan their approaches to change carefully and show how they are demonstrating value to their colleagues.

Even among those who say digital transformation is a high priority, 77% are still in the planning stage of their digital transformation projects. Perhaps the most staggering insight is that there is still a significant proportion of respondents yet to be convinced of the benefits of digital transformation. While 45% are positive about digital transformation investments being positive to their success, 43% see digital transformation projects as risky.

Expectations for changes in technology spend in 2023

Decrease by 1 to 10%
11%

Increase by more than 10%
2%

Remain the same
21%

Increase by 5 to 10%
30%

Increase by 1 to 4%
36%

77%
of respondents are still in the planning stage of their digital transformation projects

Attitudes towards digital transformation given your IT challenges and achievements this year:

DENMARK
35% Positive
47% Concerned

UK
41% Positive
44% Concerned

CIO
42% Positive
47% Concerned

CTO
48% Positive
40% Concerned

MANUFACTURING
57% Positive
36% Concerned

TELECOMS
40% Positive
51% Concerned

OVERALL
45% Positive   43% Concerned

Challenges for IT Leaders

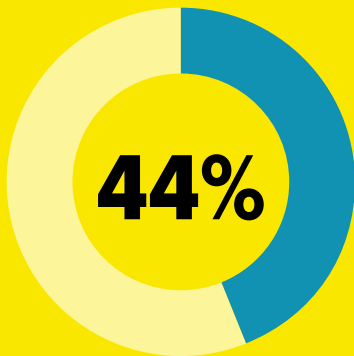IT leaders face major digital transformation challenges.
The top three are:

- Resources being allocated elsewhere: 21%
- Being locked in by my vendor to an existing enterprise software contract: 20%
- Weighing up security and risk involved: 17%

The challenges vary by region and industry, with the top obstacle in the Gulf States (21%) being resources allocated elsewhere, which is also the biggest concern in the banking sector (27%). Both the UK (21%) and Nordics (19%) are most concerned about being locked into an existing contract by their vendor — something that is echoed among manufacturing respondents (31%). These perspectives should act as a guide for organisations as they plan out their IT strategies moving forward.
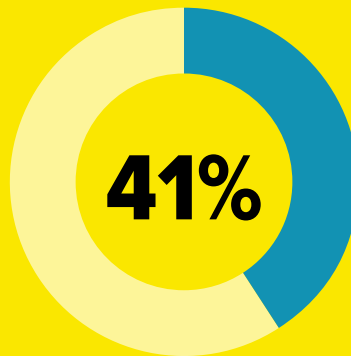
Regarding the main challenges to IT strategies in 2023, the top three issues reflect the current economic conditions, as understandably boards are going to scrutinize the value of IT investments more closely and want guarantees that any IT initiatives will be successfully implemented, while at the same time ensuring that "doing more with less" does not mean that staff are overloaded and in danger of burning out.

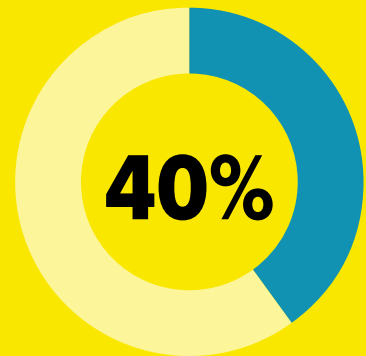### The top three challenges for IT in 2023:

| Justifying to the board that IT expenditure is delivering value to the business	Ensuring the successful implementation of the organisation's IT initiatives	Preventing staff burnout and keeping up morale
44%	41%	40%

The UK (50%) is more concerned about justifying IT spend to the board, which is a similar priority for the construction industry (45%). The Gulf States (46%) focus on successful implementations, which is the top concern for manufacturing (53%) and utilities (46%), while the Nordics (44%) worry about managing employee expectations, which is similar to retail (52%), where preventing burnout and keeping up morale are key.
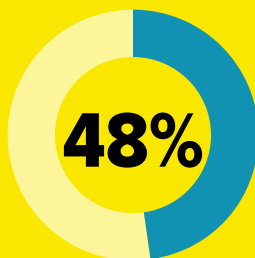
Rimini Street

THE WAY FORWARD

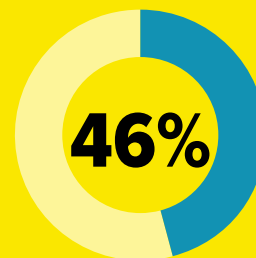## Ways to help IT do more without increasing budgets:

Reduce legacy system support costs by switching to third-party support

67%
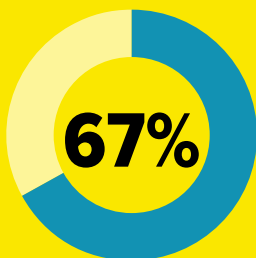
Outsource support and maintenance services to free up staff to work on innovation

48%

Cross-train experts to fill IT project roles

46%

To counter challenges and keep digital transformation goals alive, respondents are helping IT do more without increasing budgets. **The top response is reducing legacy system support costs by switching to third-party support.**

The vast majority of respondents (80%) have a good understanding of the unified software support and services approach as an alternative to ERP and database vendor services. The awareness is even higher in the Gulf States (90%) and the Nordics (84%), while lower in the UK (72%). Similarly, manufacturing (92%) has a very high recognition of unified support alongside construction and retail (both 88%) in contrast to utilities (69%).

The growing interest in cloud-based applications and the desire to move to composable ERP introduce more complex multi-application environments and multi-vendor relationship management. Unified software support and services are an attractive alternative to managing these complexities more efficiently and utilizing IT support more strategically.

Frustrations with Vendor Relationships

Further evidence to support the desire for unified support services is reflected in the frustrations with existing vendor relationships. Aside from worries about being locked into existing contracts with vendors, there are also concerns about the quality of vendor support.

The need to upgrade to resolve issues is cited as the biggest frustration in the UK (57%) and the Gulf States (50%), as well as for retail (63%) and manufacturing (58%). This issue is a particularly pertinent issue for many Oracle and SAP customers who are facing deadlines for the end of full support for existing applications.

The challenge with vendor full support deadlines is that they force decisions about ERP upgrades, which can be costly, disruptive, and risky. Third-party support, conversely, enables organisations to maintain, optimise, evolve, and transform their existing applications without the need to upgrade. Third-party support also helps reduce support costs dramatically and free up resources for innovation.

The top three issues raised with vendor support are:

Need to upgrade to resolve issues — **51%**

Escalating to an experienced engineer — **45%**

Having to reproduce the issue to prove the root cause — **40%**

Rimini Street

People

There is also a significant emphasis on talent when it comes to addressing the challenges that could affect implementation of IT roadmaps in 2023.

**Empowering employees to learn new skills and support their colleagues are among the top responses:**

Encouraging staff to learn new skills on the job by providing access to virtual training courses

52%[4]
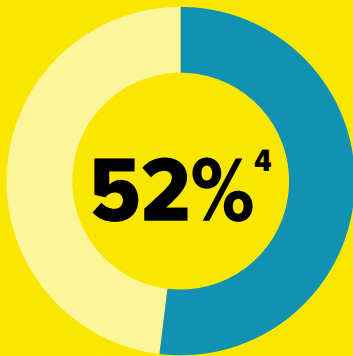
Creating a team of advocates respected by the organisation who champion the benefits of the new technology

48%[4]
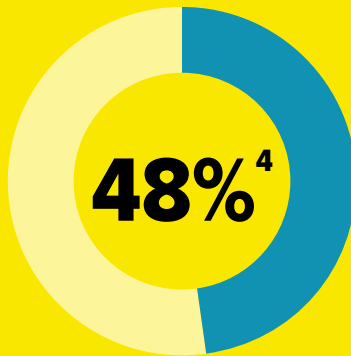
Ensuring line managers are properly trained on the new technology and briefed to help employees adopt

46%[4]
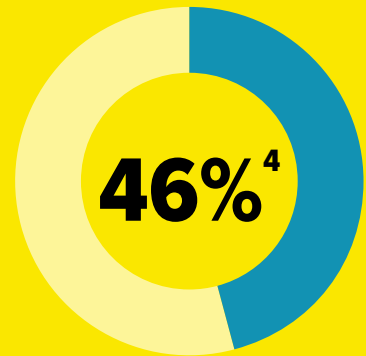
Responses vary by region with the Gulf States (50%) prioritising the need for advocates, while both the UK (53%) and the Nordics (51%) want to encourage staff to learn new skills, something that CIOs (54%) and CTOs (50%) also agree on. From an industry perspective, retail (57%)[4] and construction (55%)[4] are more focused on helping staff learn new skills, while manufacturing (67%)[4] places greater emphasis on training line managers on new technology.

THE IT SKILLS GAP

The survey highlights that tech talent shortages should also be a top priority for every organisation. By keeping current employees engaged and enjoying the experience of working for the organisation, it will help to minimize the impact of the skills gap. There are stark warnings in the research findings, with respondents saying they have already been affected by tech talent shortages this year:

- Cost of living means salary expectations cannot be met for new and existing staff: 47%
- We are seeing more recruits demand a 4-day week working policy, which we are not set up to provide: 40%
- Our senior executive team is demanding a return to the office which is putting off recruits: 38%

There are some differences in the primary impact of the shortages across the region. The Gulf States (46%) see more staff asking about the 4-day week model, while the UK (54%) and the Nordics (43%) cite struggles to meet salary expectations. This is also the biggest issue for CIOs (49%) and CTOs (46%), as well as the retail (64%) and construction (52%) industries. In contrast, manufacturing is seeing growing demand for 4-day week policies (50%).

Looking at this just from the industries perspective, you can already see scope for conflict between employers and employees, as both the retail and construction industries are affected by supply chain and inflationary pressures which means they have little room to offer big salary increases. In manufacturing, flexible working is harder to implement simply because more employees need to be physically present at locations to oversee production. It underlines that the concept of flexible working, which most organisations support, requires different approaches in different industries.

The harsh reality, though, is that the inability to attract and retain talent to address the skills gap leads to additional pressure on existing staff, which in turn may have a significant impact on organisational productivity and the ability to keep employees.

Regionally, the top impact varies with both the Gulf States (51%)[5] and the Nordics (45%)[5] admitting teams are becoming less productive, while the UK (45%)[5] is having to turn to more external partners. Both CIOs (45%)[5] and CTOs (47%)[5] complain of being less productive, but CIOs (45%) also say they are relying more on external partners while CTOs (47%) worry about losing key staff to burnout. Industries also have different concerns, with manufacturing (61%)[5] worried about being less productive, construction (54%)[5] losing key staff due to burnout, and retail (52%)[5] having to rely on external partners.

This talent shortage is also creating a pinch to find senior IT managers. Across the regions this is a concern for 59% of respondents[6] and is an even higher concern in the UK (61%), among CTOs (61%), and in manufacturing (78%) and retail (66%).

47%

of CIOs and CTOs surveyed agree that the cost of living has been the biggest tech talent challenge in 2022, meaning salary expectations cannot be met for new and existing staff

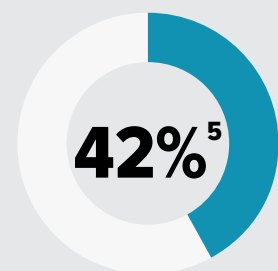**The top three challenges from the IT talent shortage:**

The workload means we are becoming less productive as we're constantly fighting fires

46%[5]
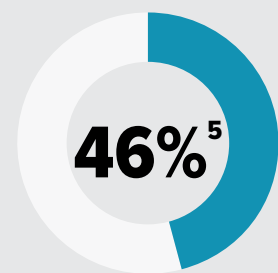
We are having to rely more and more on external partners to deliver IT initiatives

46%[5]
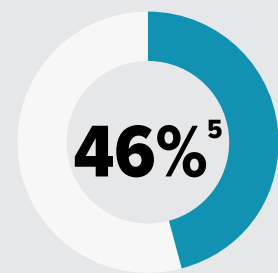
We are worried we are going to lose key staff due to burnout

**42%**[5]

Getting Creative with the Skills Gap

While all respondents are taking action to fill the tech talent gaps, some are exploring creative options to attract and retain talent to distinguish themselves from competing employers, as budget constraints preclude the ability to simply outbid them.

Given the current market conditions, all regions surveyed are looking to hire talent with less experience: UK (63%),[5] Gulf States (59%),[5] and Nordic (56%).[5] Manufacturing (69%)[5] and construction (62%)[5] are the leading industries pursuing this strategy, which does have risks and is a departure from previous HR policies seeking new hires with 80% to 90% of the requisite skills. Retail (63%)[5] and utilities (53%)[5] want to explore hiring more remote workers.

Additionally, respondents are expanding their access to skilled IT resources by engaging with third-party service providers (a top three response), allowing the in-house IT team to focus on strategic and higher-impact projects.

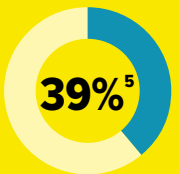### The top strategies to support and grow teams include:

Hire talent that has less experience and fewer skills, but are willing to learn
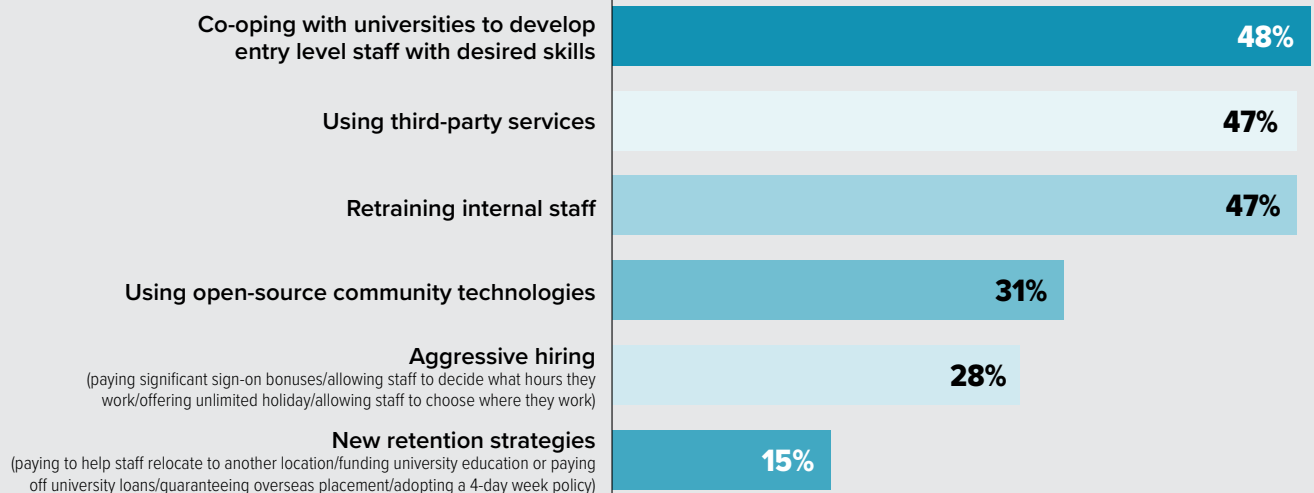**60%**[5]
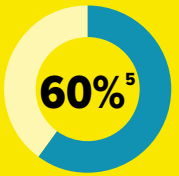
Hire talent who will work remotely from another location and be part of a virtual team
50%[5]

Cross-skill
39%[5]

What actions are you taking to fill the tech talent gap?

Action	%
Co-oping with universities to develop entry level staff with desired skills	**48%**
Using third-party services	**47%**
Retraining internal staff	**47%**
Using open-source community technologies	**31%**
Aggressive hiring (paying significant sign-on bonuses/allowing staff to decide what hours they work/offering unlimited holiday/allowing staff to choose where they work)	**28%**
New retention strategies (paying to help staff relocate to another location/funding university education or paying off university loans/guaranteeing overseas placement/adopting a 4-day week policy)	**15%**

There is some variation across the region with the Gulf States (55%) prioritizing working with universities, while the Nordics (51%) and UK (46%) are more focused on using third-party services. CTOs also agree that working with universities is the priority (50%), but in contrast CIOs (49%) think the emphasis should be on retraining internal staff. Nearly all the industries agree that working with universities is the best route: manufacturing (60%), retail (60%), construction (55%), and utilities (47%).

Actions to fill the tech talent gap:

Co-oping with universities to develop entry level staff with desired skills
48%

Using third-party services
47%

Retraining internal staff
47%

About Censuswide

Censuswide is an international market research consultancy headquartered in Clerkenwell, London. Our dedicated and passionate teams are expert across various areas, including healthcare, corporate, international and consumer research. Over the years we have partnered with insights, communication and marketing teams in the world's most respected companies. At the heart of our business is our clients and we pride ourselves on our care. Our dedicated account managers provide expert consultancy through a project's various stages and we work closely with clients to understand their challenges.

About Rimini Street, Inc.

Rimini Street, Inc. (Nasdaq: RMNI), a Russell 2000® Company, is a global provider of enterprise software products and services, the leading third-party support provider for Oracle and SAP software products and a Salesforce partner. The Company offers premium, ultra-responsive and integrated application management and support services that enable enterprise software licensees to save significant costs, free up resources for innovation and achieve better business outcomes. To date, more than 4,900 Fortune 500, Fortune Global 100, midmarket, public sector and other organisations from a broad range of industries have relied on Rimini Street as their trusted application enterprise software products and services provider. To learn more, please visit http://www.riministreet.com, and connect with Rimini Street on Twitter, Facebook, and LinkedIn. (IR-RMNI).

Learn more about Rimini Street Unified Software Support and Services

---

1. Very high priority and high priority responses combined

2. Planning to move some of ERP functionality to the cloud and Planning to move all of ERP functionality to the cloud responses combined

3. In process of moving some ERP functionality to the cloud and In process of moving all ERP functionality to the cloud responses combined

4. Respondents whose organisation has been impacted by the perceived tech talent challenges of today and expect challenges in 2023 regarding IT

5. Respondents whose organisation has been impacted by the perceived tech talent challenges of today

6. Respondents whose IT shop is being impacted by a shortage of IT talent