



CUTTING THROUGH THE NOISE

ACORA CIO REPORT 2023

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A large, light gray, diamond-shaped graphic element is positioned on the left side of a black background. The diamond is oriented with its vertices at the top, bottom, left, and right. It has a subtle gradient, being slightly darker at the corners and lighter in the center. The text 'acora.com' is located in the bottom-left corner of the diamond.

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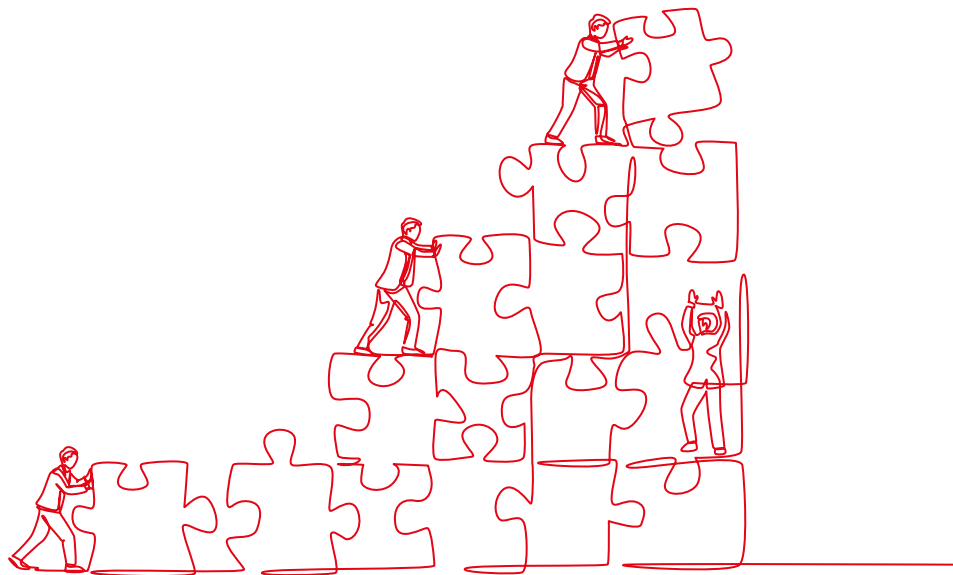
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A WARM WELCOME FROM ACORA



“For every business, detailed market data is crucial to inform both current service provision and future growth strategy. For us, that meant developing a clear, accurate picture of the front-of-mind issues and challenges for C-level IT leaders in the industries, sectors and business types we focus on.

It quickly became obvious to us the specific, niche intelligence we needed simply didn't exist in one place. More significantly for our purposes, what data did exist was often skewed by the needs and priorities of large enterprise, which isn't where our real expertise lies.

The only solution was to reach out to the market and find the relevant data ourselves. The result is the Acora CIO Report, which is entirely focussed on and gathered from the upper midmarket companies we specialise in serving; and that you, our readers, are working in yourselves.

I'm immensely pleased that the Report, now in its fourth year, is proving so valuable to our customers and prospects. We're genuinely humbled and delighted by the large, and growing number of responses we receive each year. It also provides the direct, first-hand knowledge and insight we need to keep developing our IT and cyber security services, and ensure they continue to deliver incredible results and value for our midmarket customers.”



David Rabson
Chief Executive Officer, Acora



“I’ve been particularly struck by the changes my counterparts are seeing in the CIO role. Our survey shows that having been so instrumental in establishing hybrid working, many CIOs now have a much higher profile in their organisation. This in turn is taking them into new areas of influence and responsibility. For example, CIOs’ intimate knowledge of working practices and usage patterns is giving them an important voice in how legacy office spaces are reimagined as cloud-based, collaborative working destinations where people bring their own laptops.

We’re also seeing what are ostensibly chief data officer duties being subsumed into the CIO role. Data, BI and analytics have traditionally been ‘hobbyist’ areas concentrated in particular functions, particularly sales. To be effective, data needs to become industrialised, a corporate function in itself, and that takes it into IT’s orbit. This shift towards operational excellence – good data and analytics right across the business – is being driven by macroeconomic factors. Organisations are looking for digital solutions not only to boost revenue but also to reduce costs through increased efficiency.

That, of course, requires resources, and our survey suggests many CIOs will face the age-old problem of doing more with less again this year. Talent shortages, particularly in cyber security, BI and analytics, are endemic in our industry. Hence our findings also show more companies turning to third-party providers, who are investing in building that talent pool, to bridge the gap.

Lee Ganly
Chief Information Officer, Acora



“From this year’s Report, it’s clear to see a number of reoccurring themes shed light on the continuous challenges we see within different focus groups and within our customer base.

Now more than ever, CIOs need to do more with less whilst continuing to evolve and progress their business agenda forward. There is a need and new norm to providing flexible IT services where hybrid working and accessibility to information is more important than in previous times. When adopted correctly, it can help capture and retain existing talent and influences the overall culture, motivation, and success of the workforce. And with all that change comes cyber risk and technical debt.

We are seeing CIOs managing more expectations of cyber boardroom agenda. This is especially difficult in the mid-market, where roles are often mixed, and the IT and Security Teams are often separated. A more complex challenge is then created where the security teams are culturally often seen as spending more time policing IT rather than fixing and making a difference.

Acora has been promoting a united IT and Security Operations message for some time. By uniting the two, you can optimise your IT, speed up cyber remediation requirements, reduce the cost and time of separate teams and overcome talent shortages. All while making it easier for the CIO to successfully cut through the noise of the cyber challenge.

Cyber is an IT challenge. And there is no need to treat it separately. Having the correct operating model helps improve the overall culture and allows the business to be more flexible and agile to meet clear business objectives.

Darren Humphries
Chief Information Security Officer, Acora

OUR RESEARCH METHOD

For this year's CIO Report, we've examined five key areas:

- 1 HYBRID WORKING AND THE USER EXPERIENCE**
Where our respondents' users are working post-pandemic, and what's changed since our 2022 survey
- 2 THE CHANGING ROLE OF THE CIO**
How hybrid working has affected the CIO remit, and where IT leaders are spending their time
- 3 AMPING UP CYBER SECURITY**
What IT leaders are doing to address their number one concern, and how cyber threats are shaping priorities and plans for uniting IT and security operations
- 4 THE POWER OF DATA VISIBILITY AND REPORTING**
How are our respondents acquiring and using data, what tools are they using, where they are on their adoption journey and what challenges do they face?
- 5 IT BUDGETS: FOLLOW THE MONEY**
Our annual review of resourcing, investment, budgets and companies' alignment for managed services provision

As in previous years, our overall objective was to understand the priorities and challenges of CIOs in mid-market organisations based in the UK. In some areas, we specifically sought comparisons with our 2022 results – on budgets, hybrid working and measuring the user experience. We also investigated some new topics, notably around cyber security, to reflect on conversations we've had and observations we've made over the past 12 months.

SURVEY METHODOLOGY

We conducted the survey using an online questionnaire, comprising 15 questions, in April 2023 with our partners at Foundry, an IDG, Inc. company, the world's leader in data for technology. We received responses from 126 UK-based decision-makers in executive or senior IT leadership roles. Similarly to previous surveys, all were at or above IT director level, with two-thirds in C-suite positions including CEOs (14% of the total sample) and, of course, CIOs themselves (27%).

SECTORS AND SCALE

Our respondents were drawn from a wide range of sectors, centred on financial services (banking, accounting, tax etc), legal and real estate services, insurance, plus a small number involved in venture capital, private equity, and mergers and acquisitions. Around a third were at the 'mid-sized' end of the market, with 500-4,999 users: the largest group (25%) were in the 5,000-9,999 users bracket, with 9% having 20,000 users or more. The average number of users across the sample was 6,630.

126

TOTAL RESPONDENTS

6,630

AVERAGE COMPANY SIZE

18.04.23

28.04.23

FIELD DATES

15

NUMBER OF QUESTIONS

COLLECTION METHOD

Online Questionnaire

GEOGRAPHY

United Kingdom

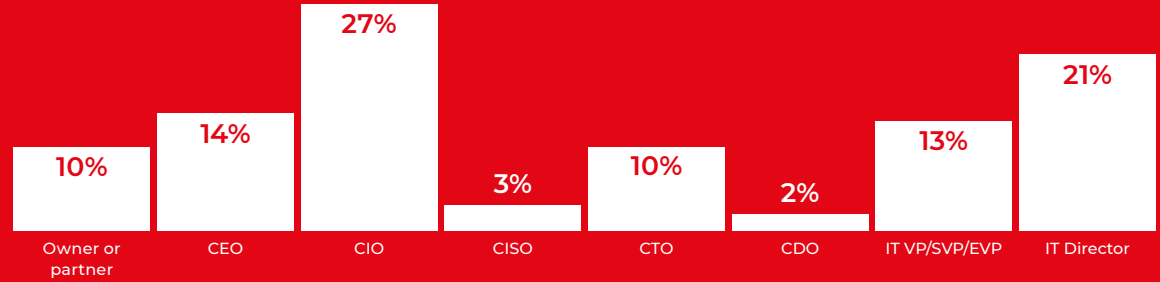
SENIOR DECISION-MAKERS

Respondents are employed in executive or senior IT leadership roles at FSI, legal, manufacturing, non-tech retail/wholesale or VC/Private Equity/M&A organisations.

RESPONDENT PROFILE

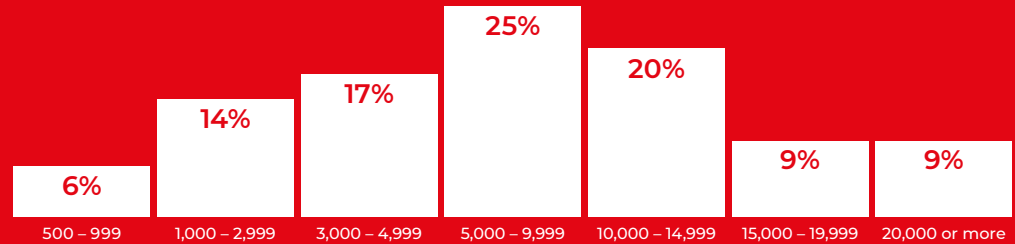
JOB TITLE

66% employed in C-level roles



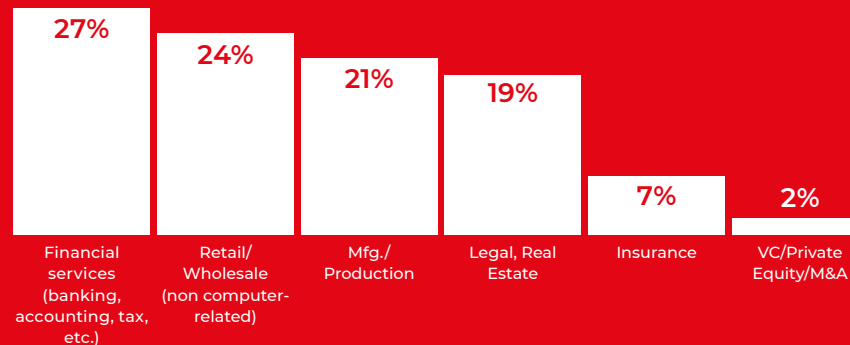
COMPANY SIZE

63% with 5,000 or more employees



RESPONSES WERE LIMITED TO FSI, RETAIL/WHOLESALE, MANUFACTURING, LEGAL, REAL ESTATE, INSURANCE AND VC/PRIVATE EQUITY/M&A ORGANISATIONS

Industry



▣▣ Focus now is on refining and improving systems for remote working, rather than building them. ▣▣

HYBRID WORKING AND THE USER EXPERIENCE



1

HYBRID WORKING AND THE USER EXPERIENCE

INCREASE OVER THE PAST 12 MONTHS



OUR KEY FINDINGS

- The average proportion of staff working primarily on-site has increased from 38% to 45% over the past 12 months
- An average of 45% are working on-site only, 37% are on a hybrid model and 18% are working fully remotely
- 93% of organisations measure their users' experience, using a mix of data from IT services/help desk interactions (76%) digital experience metrics (66%) and CSAT or NPS surveys (56%)
- 43% claim to be capturing user sentiment data
- Top benefits cited are greater productivity (72%), increased revenue (69%) and improved staff retention (60%)

In 2022, we were still talking about hybrid working as a discrete business and IT task: it was something we were getting comfortable with and embedding successfully, but still an evolving model with challenges for IT leaders and users alike.

A year on and any remaining novelty has all-but disappeared. Hybrid working really is the new normal for many companies, and in our experience, the emphasis is now on refining and improving systems for remote working, rather than building them.

At the same time, the mainstream media seems to suggest there's been both a 'great return to the office' over the past 12 months, and also a marked and growing reluctance within the UK working population to go anywhere near it.

So for our 2023 survey, we wanted to get some hard data around UK companies' distributed workforces, how many people are working fully on-site and remotely, and how this compares to a year ago.

WHERE ARE THEY NOW?

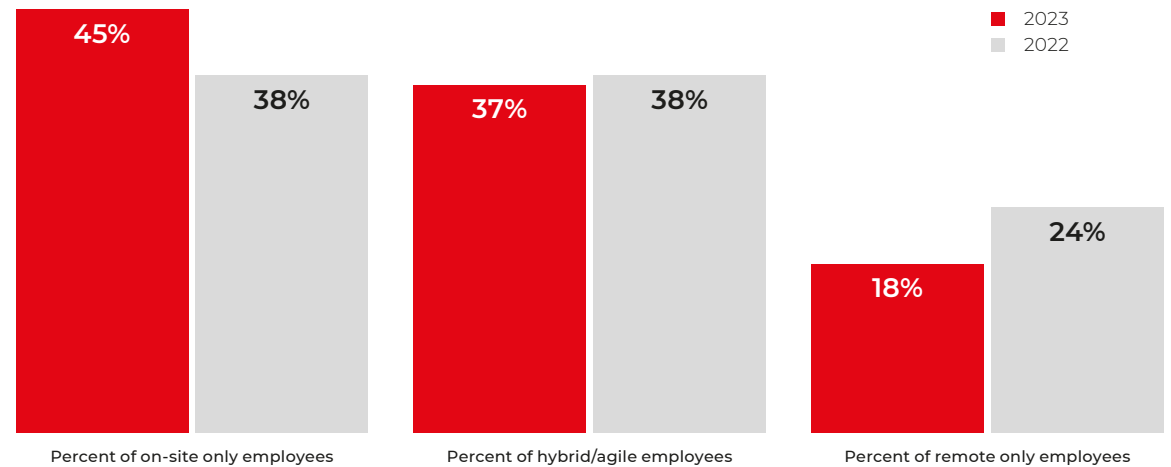
Among our respondents, the proportion of employees on a hybrid working model has stayed roughly the same at 37% (it was 38% in 2022). This probably reflects, at least in part, the composition of our sample, which is concentrated in sectors well-suited and now fully accustomed to hybrid working, including financial services, legal and professional services.

There's been a small uptick in the number of people working on-site only, rising to 45% from 38% in 2022, with a corresponding fall in staff working remote-only to 18%, compared to 24% last year. On this basis, the 'great return' doesn't seem to have come about, particularly in those sectors and professions where hybrid working is most technically and practically feasible. For many IT leaders, then, this looks like being a permanent feature of the IT landscape, with implications for long-term investment, technical and user experience strategies.

▄▄ The 'great return' hasn't really materialised in sectors where hybrid working is most feasible. For many businesses and CIOs, it looks like being a permanent feature of the IT landscape, with implications for investment, technical and user experience strategies. ▄▄

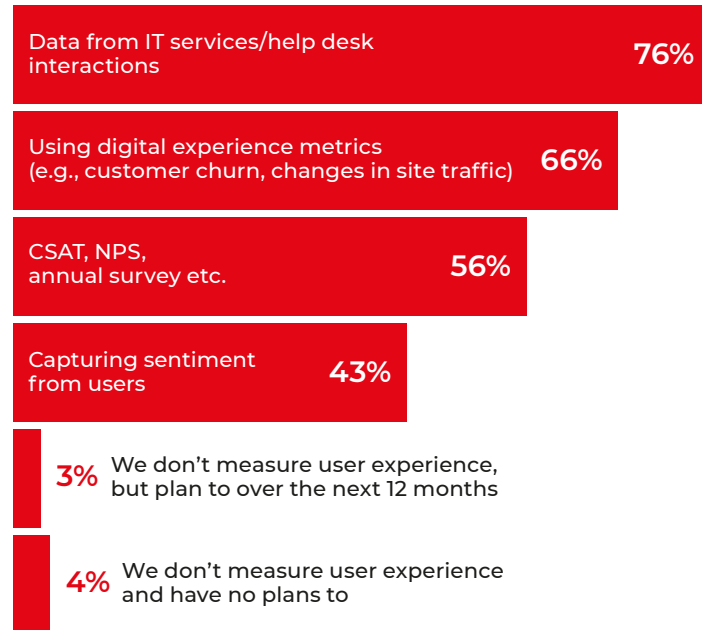
THE AVERAGE PERCENT OF STAFF WORKING PRIMARILY ON-SITE HAS INCREASED OVER THE PAST 12 MONTHS

Average % of employees with each work situation



NEARLY ALL ORGANISATIONS (93%) MEASURE USER EXPERIENCE, LEVERAGING A MIX OF QUANTITATIVE AND QUALITATIVE METHODS

Methods to measure user experience



UX ON THE UP

At Acora, we've long championed user experience as the most important measure of IT success over and above conventional SLA metrics, through our experience-led agreement (XLA) model. How (or if) companies are measuring user experience has been a regular feature of our survey, and we returned to this central theme in 2023 to see what progress has been made.

In 2022, 79% of organisations told us they measure user experience, by evaluating IT help desk interactions, surveying end users and/or collecting ad hoc feedback. A year later, that figure has risen to 93%, with respondents once again employing a mix of quantitative and qualitative methods.

This is a very high proportion, and obviously heartening for us given our own interest in user experience data. We should perhaps treat it with a little caution, though: the survey data doesn't tell us if companies truly know or understand what they're measuring, whether they're doing it correctly and how effectively they're using the insights they obtain. These are important nuances we may well choose to investigate in our 2024 survey.

Of the remaining 7%, almost half (3%) plan to start measuring it in the next 12 months – we'll ask them again in 2024 to see if they do! Curiously, there's still a small but seemingly determined minority (4%) who don't measure UX and have no plans to. We'd be interested to know what their reasoning is, given the many potential benefits.

As in previous years, respondents are gathering data using a variety of methods. Over three-quarters (76%) use data from IT services and help desk interactions, with two-thirds (66%) reporting the use of digital experience metrics. More than half (56%) use conventional survey-type measurements such as CSAT or NPS, which is probably explained by the still-widespread adoption of standard SLAs.

FEELING THEIR WAY

One striking statistic to emerge this year was the 43% of respondents who told us they're capturing sentiment from users. We should caveat this by saying it's not clear from the data whether they're aggregating (or simply confusing) feedback from their own internal users with customer or final end-user satisfaction ratings. However, that so many respondents mention it at all suggests that engaging with users directly and proactively, and asking them how they feel while their issue is being dealt with, is gaining traction as an important metric for IT leaders.

Clearly, technology that allows us to measure user sentiment in real time – and, crucially, in non-intrusive ways – has advanced significantly even in the last 12 months. We know this because we deploy it as part of our XLA. But we also know, for the same reason, that this isn't off-the-shelf stuff: it requires investment and expertise to develop it, then make it available to clients as part of a top-tier managed services offering.

Whatever the reason, this increased focus on user experience and sentiment is a welcome development. We've always highlighted the enormous benefits to productivity, staff retention, customer satisfaction and service availability, among other things, which accrue from sentiment capture. The message is, perhaps, finally starting to get through more widely, and indicating a clear direction of travel for companies seeking to realise these benefits for themselves.

43
CAPTURING SENTIMENT FROM USERS
%



PROFITING FROM EXPERIENCE

Given that over nine out of 10 respondents report they're collecting user experience data, we obviously also wanted to know what they're using it for. Repeating a question from last year's survey, we asked companies to list the three most important potential benefits they see in providing a consistently positive experience for all their users.

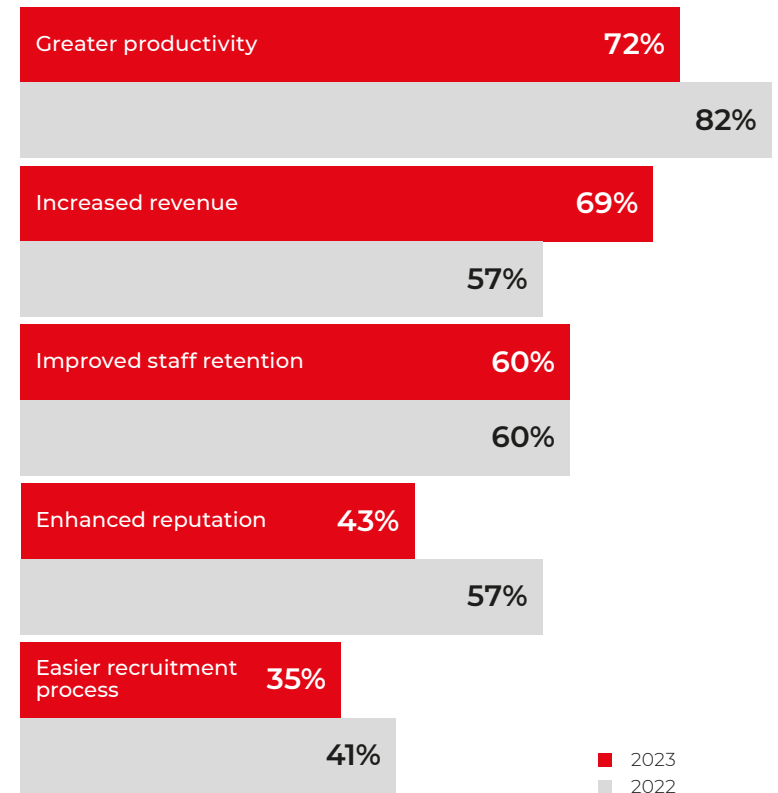
In 2022, greater productivity came out on top for 82% of our sample. It's still number one a year later, but now for only 72% of respondents. And in a clear sign of the changing times, IT leaders are now more likely to cite increased revenue as an important potential benefit of providing a consistently positive user experience. In fact, 69% put increased revenue as their number-two priority, up from fourth and 57% in 2022 and succeeding improved staff retention.

This suggests that companies' long-term aspirations may be shifting in response to macroeconomic factors. With the UK economy essentially flat, in the face of numerous and strengthening headwinds, it seems organisations are focusing on cutting costs and protecting the bottom line.

However, it's worth noting that staff retention remains in the top three, cited by almost two-thirds of respondents (60%) which is unchanged from last year. If our own customers are anything to go by, many CIOs have staff retention and growth among their targets. The survey shows they're making the link between providing an enhanced user experience, greater user satisfaction and consequent improved retention.

IN THE 2023 SURVEY, ITDMS ARE MORE LIKELY TO CITE INCREASED REVENUE AS AN IMPORTANT POTENTIAL BENEFIT OF PROVIDING A CONSISTENTLY POSITIVE USER EXPERIENCE

Most important potential benefits of providing a consistently positive experience



FF This year, more CIOs are citing increased revenue as an important potential benefit of a positive user experience. **JJ**



THE ROLE OF THE CIO

2

THE ROLE OF THE CIO

OUR KEY FINDINGS

- 65% strongly agree hybrid working has elevated the role of IT leadership at their organisation
- 61% strongly agree their role is expanding to include additional responsibilities
- Cyber security remains the top concern for IT leaders, with 67% saying it's occupied most of their time in recent months
- Other main focus issues include data analysis (49%), risk management (48%), and cloud migration/cloud management (47%)

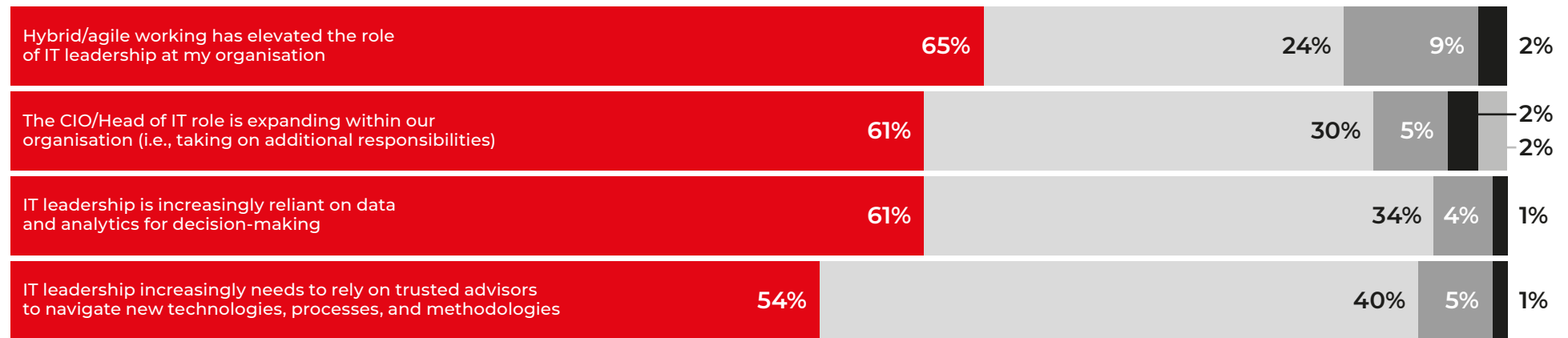
The clue's in the title: this is the Acora CIO Report, so every year we ask CIOs and other IT leaders to tell us more about what they've actually been doing over the past 12 months. For this year's Report, we particularly wanted to find out the extent to which they've seen their roles evolve, what they now spend most of their time on and, specifically, if hybrid working has been a factor in any changes they've experienced.

65%

STRONGLY AGREE HYBRID WORKING HAS ELEVATED THE ROLE OF IT LEADERSHIP AT THEIR ORGANISATION

IT LEADERS STRONGLY AGREE THAT HYBRID/AGILE WORKING HAS ELEVATED AND EXPANDED THEIR ROLE

Agreement Statements: IT Leadership



- Strongly agree
- Somewhat agree
- Neutral
- Somewhat disagree
- Strongly disagree

FF CIOs’ growing reach and remit is making them operational change agents in their own right. JJ

TAKING A LEAD

CIOs and other IT leaders were thrust into the front line during the pandemic, as the main drivers and architects of establishing first remote, then hybrid working practices. In many cases, this brought them into contact with new and wider areas of their business than previously. And with their newly enhanced profiles, and the greater salience of IT more generally, many CIOs have seen their reach and remit grow, too, becoming operational change agents in their own right.

That’s borne out in the survey data, with 65% strongly agreeing that hybrid working has elevated the role of IT leadership at their organisation. Almost as many (61%) told us their role is expanding to include additional responsibilities; for example, 21% are now directly involved in due diligence activities (although we can’t help wondering why the other 79% aren’t).

65%

DEPENDENT ON DATA

To no one's great surprise, the vast majority of respondents (95%) told us that as IT leaders, they're increasingly reliant on data and analytics for decision-making. That dependency has implications for the quality and governance of data, reporting and visibility, and the analytical tools companies deploy, all of which we explore further in Section 4.

This is a highly complex area, which may also help explain why over 90% of respondents increasingly feel they need trusted advisors to help them navigate new technologies, processes and methodologies. Who they're choosing to trust, and the kinds of support they're seeking, are themes we examine in Section 5.

A LOT ON OUR PLATES

The CIO role is now broader and more multi-faceted than ever, encompassing a wide range of disciplines and responsibilities, as the table shows.

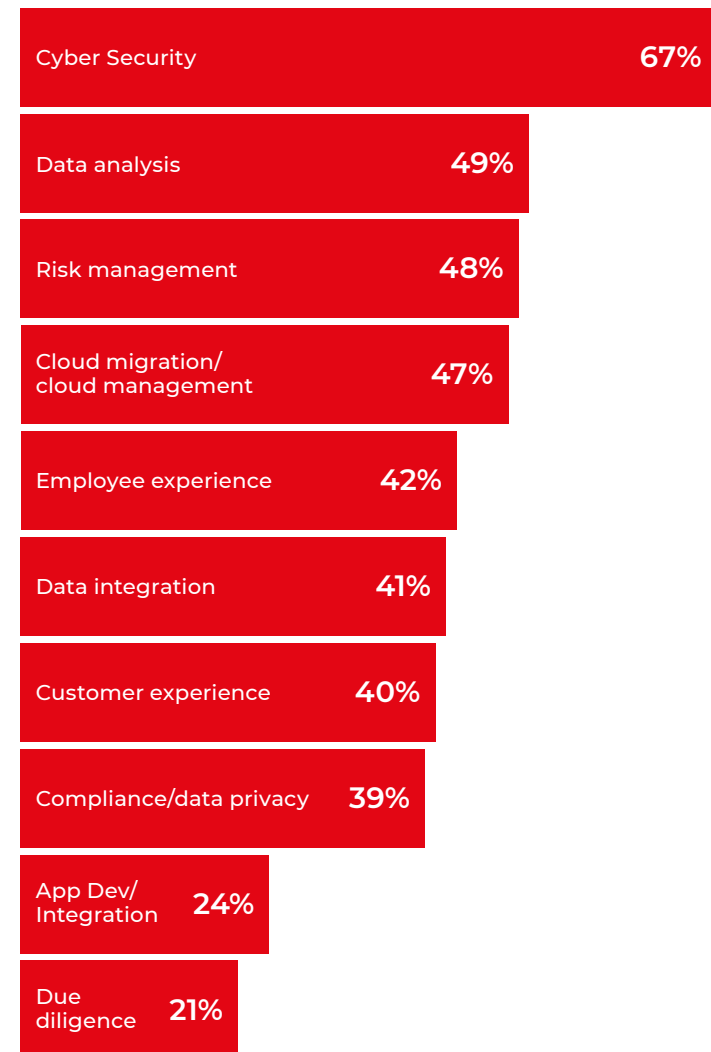
Over the past 12 months, our respondents have focused particularly on issues around data analysis (49%), risk management (48%) and cloud migration and management (47%).

But over the past year, cyber security has once again been the number one issue for IT leadership, with over two-thirds (67%) of respondents telling us it's occupied most of their time in recent months.

This continues a trend we've discussed in previous CIO Reports. Last year, we concluded that 'the big, scary cyber security monster is getting bigger and scarier', and our 2023 responses show that, if anything, that process isn't slowing, but accelerating. Those findings, together with wider market intel, plus feedback and expressed needs from our own customers, was a key driver in our decision to acquire significant cyber security capabilities ourselves last year. It's also why we devoted an entire section of our survey to this topic, as we discuss in the next section.

CYBER SECURITY HAS BEEN THE TOP FOCUS AREA FOR IT LEADERSHIP OVER THE PAST 12 MONTHS

Areas of focus for IT leadership – Past 12 months



The image features a close-up of a laptop keyboard and the lower portion of the screen, all overlaid with a vibrant red gradient. White, angular geometric shapes, resembling stylized letters or abstract forms, are layered over the red background and the laptop image. The text 'CYBER SECURITY STRATEGY & OPERATIONS' is prominently displayed in white on the left side.

CYBER SECURITY STRATEGY & OPERATIONS

3

CYBER SECURITY STRATEGY & OPERATIONS

OUR KEY FINDINGS

- 50% of organisations manage cyber security together with IT operations as one in-house function; in 32%, cyber security is a standalone department
- 18% completely outsource cyber security functions, either together with IT (10%) or to a standalone third party (8%)
- 72% have short-term plans to integrate their standalone cyber security functions with IT either fully (41%) or partially (31%)
- Threat response/remediation (46%) and detection of emerging threats such as ransomware (45%) are top cyber security focus areas
- 39% of respondents are dedicating cyber security resources to improving customer experiences and/or updating controls to support hybrid/agile working (37%)

50%

OF ORGANISATIONS MANAGE CYBER SECURITY TOGETHER WITH IT OPERATIONS AS ONE IN-HOUSE FUNCTION

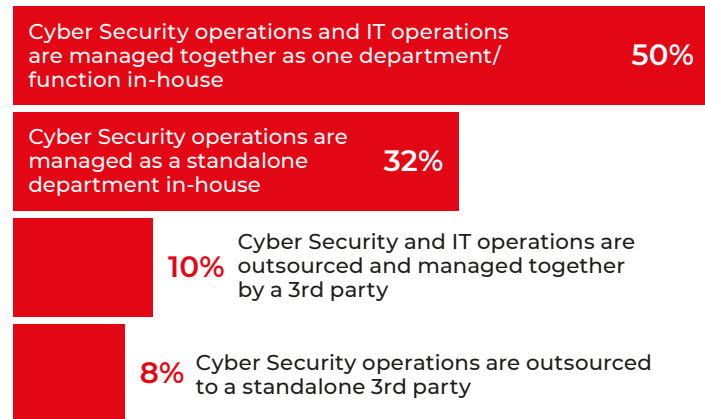
In last year's Report, we asked companies about their planned investments in cyber security measures. Over three-quarters (77%) told us they intended to spend the same or more on cyber security tools or services as they had in 2021, with 65% citing it as their top priority. This came as no great surprise given the prevailing cyber landscape.

This time round, we focused on how respondents are currently managing their security and IT operations, and their plans for the year ahead. And in a heightened and fast-evolving threat landscape, we also wanted to find out what businesses see as their main focus areas for cyber security strategy.

18%

COMPLETELY OUTSOURCE CYBER SECURITY FUNCTIONS

HOW ARE CYBER SECURITY OPERATIONS MANAGED AT YOUR ORGANISATION TODAY?



ON THE HOME FRONT

Having significantly increased our own cyber security capabilities in 2022 through acquisition, we were interested to learn how companies ensure they have appropriate resources and provision.

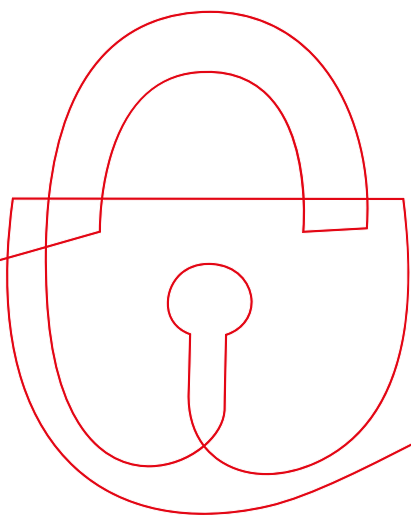
Exactly half our respondents (50%) told us they manage cyber security and IT operations in-house as one unified department. Just under a third (32%) have a standalone cyber security department alongside their IT function, again managed and staffed entirely in-house. This suggests most organisations are prepared to invest in people, technology and other resources in order to have full control over this business-critical function.

UNITED WE STAND

Our survey results also show companies increasingly recognise the technical and operational advantages of uniting IT and Security operations, rather than treating them separately. Of those currently managing (or outsourcing) cyber security as a standalone function, almost three-quarters (72%) plan to integrate it with IT either fully (41%) or partially (31%) in the next 12 months. Another one in five (20%) told us it's not an immediate priority, but something they'll be looking at in future.

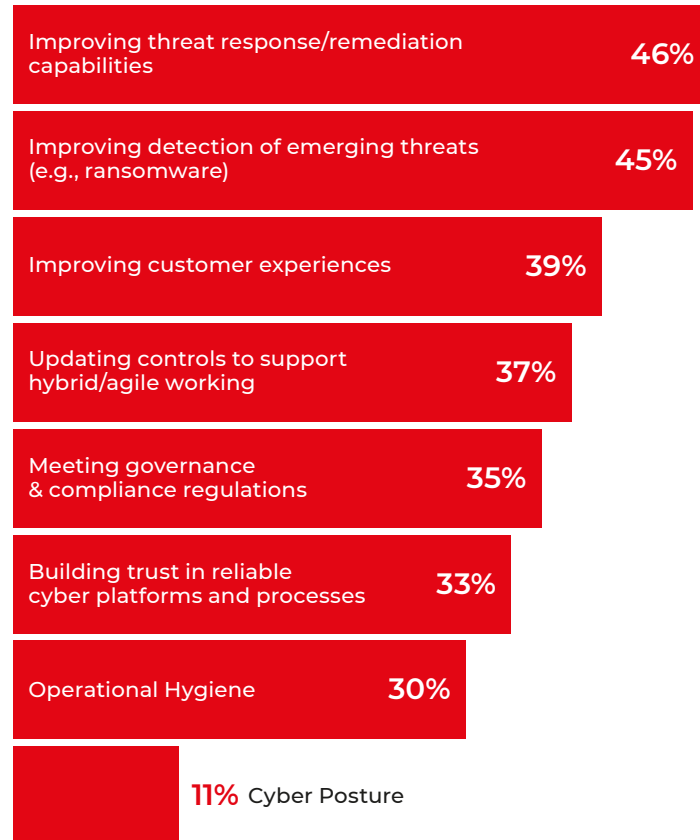
OUT IN THE COLD?

That leaves 18% of our sample currently completely outsourcing their cyber security functions, either together with IT functions (10%) or with a standalone third party (8%)? For them, the challenge is twofold. Firstly, there's the issue of finding a partner they can trust, with the right capabilities and reputation and correctly aligned with their current business needs and future growth plans (something we look at in Section 5). Secondly, there's the complication of managing multiple third parties. Having that one partner who can manage both IT and cyber security operations allows companies that outsources these functions to achieve the same benefits as those managing them as one team in-house.



THREAT RESPONSE/REMEDiation AND DETECTION OF EMERGING THREATS SUCH AS RANSOMWARE ARE TOP CYBER SECURITY FOCUS AREAS

Cyber security areas of increased focus – Next 12 months



ALWAYS ON GUARD

The sources and nature of cyber security threats are constantly evolving. They can come from ‘hobbyists’ who learn techniques on the dark web and launch attacks simply because they can, or the ‘industrialised’ and state-level actors who operate on a huge scale. Either way, they’re entirely ruthless, indiscriminate and can be enormously damaging, even terminal, for organisations of all kinds.

IT leaders are naturally only too aware of this, as our survey results show. Over the next 12 months, our respondents’ top cyber security priorities are threat response and remediation (46%) and detection of emerging threats such as ransomware (45%).

As last year’s survey highlighted, and this year’s further confirms, one of the biggest challenges for CIOs is balancing security and control with access, user experience and productivity. Hence more than a third of our sample (39%) are increasing their cyber security focus on improving customer experiences, with almost as many (37%) updating controls specifically to support hybrid working (37%).

GETTING TOUGHER

From CIOs, there’s also a growing need to ensure the organisation’s cyber security posture is aligned with defined governance standards. The benchmark is the NCSC’s Cyber Essentials (and its audited version Cyber Essentials Plus). Both are growing more and sharper teeth every year, to the extent that achieving certification is now on a similar scale to the venerable ISO27001 standard.

Cyber Essentials or similar accreditation is becoming vital for several key reasons. On a practical level, it provides third-party validation that the organisation’s cyber security systems and controls are actually working and doing what they’re supposed to do. Commercially, customers are increasingly looking at governance as part of their due diligence process when assessing prospective suppliers and partners. But perhaps most critically, insurers’ requirements are becoming more sophisticated and demanding every year. Until recently, having Cyber Essentials was largely a tick-box exercise. Now, we’re seeing more insurers specifying compliant software and tech controls, and even insisting on conducting their own testing of the organisation’s systems, before they’ll underwrite a cyber security policy. This is a trend we’ll be watching closely over the coming months.

THE POWER OF DATA VISIBILITY & REPORTING



4

THE POWER OF DATA VISIBILITY & REPORTING

IT LEADERS INCREASINGLY RELIANT ON DATA FOR DECISION-MAKING

95%

OUR KEY FINDINGS

- **95% of IT leaders say they're increasingly reliant on data for decision-making**
- **Organisations rely on multiple tools to optimize decision-making, including Microsoft Azure App Services (82%), Dynamics 365 (57%), and Power Platform (37%)**
- **76% are using data to improve customer experience: other top use cases are improving/automating processes (70%), adopting an AI strategy (63%) and monitoring system health and performance (62%)**
- **Quality (59%) remains the biggest inhibitor to using data internally, followed by governance (48%) and aggregation (47%)**

We saw in Section 2 that businesses rely heavily on data for decision-making – and it's a key job of IT leaders to provide it. The good news is that the quantity, variety and granularity of data available continues to grow exponentially as new sources and channels are added to the mix. The bad news, as no one will need reminding, is that it can quickly become unmanageable, making it harder to identify, then extract useful, actionable information – a central finding of last year's survey.

To unlock the immense power and near-limitless outputs of data, companies need ways to prioritise and control it. This can be difficult both for large companies, in which data quantities can be literally overwhelming, and for smaller organisations, who have less data to deal with but may lack the necessary in-house skills and resources.

Working with a specialist partner like Acora is obviously one solution. But we wanted to find out what tools companies are currently using themselves to manage and present data, what they're using it for, and the challenges they're encountering.

TOOLS OF THE TRADE

Almost all our sample organisations are using data analytics tools to support and optimise their decision-making. Most rely on more than one. The clear leader is Microsoft Azure App Services (82%), with companies also using Dynamics 365 (57%) and Power Platforms (37%). Only 1% of respondents told us they don't use any reporting tools at all.

While adoption of these tools now appears near universal, it's unclear how mature this part of the market is. As we'll see, companies are very good at gathering data, but still have problems sifting, aggregating and interpreting it, despite having these tools available.

DATA-DRIVEN DECISIONS

More than three-quarters (76%) of our sample are using data to improve customer experience. Other top use cases are improving and automating processes (70%), adoption of an AI strategy (63%) and monitoring system health and performance (62%). This very much reflects the priorities we're seeing among our own clients, who are particularly interested in (and concerned about) AI, its current and future role in their business, the opportunities and challenges it presents for them and their users, and so on.

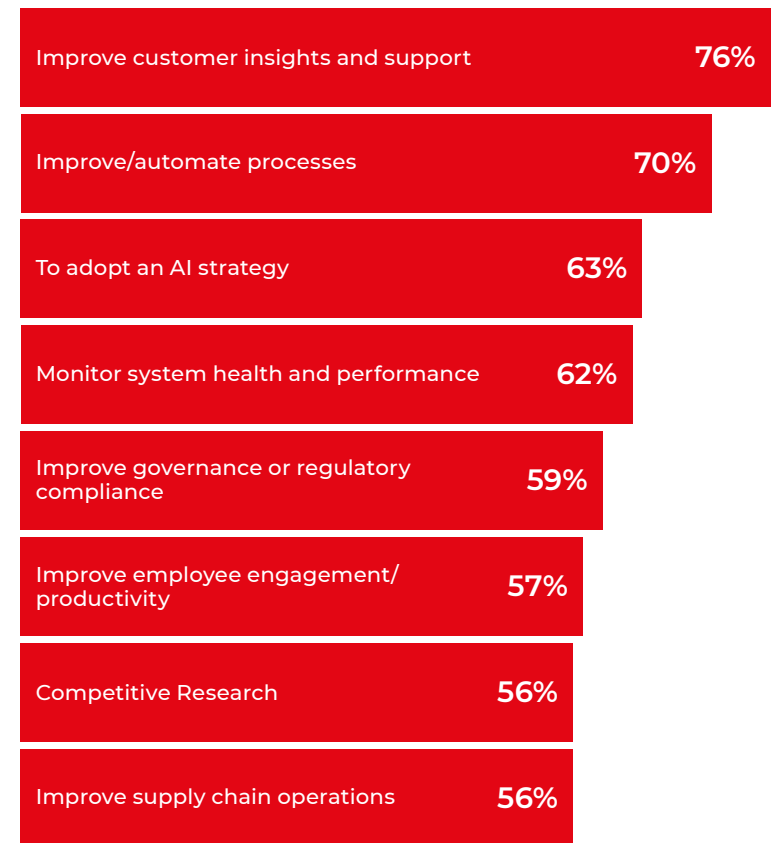
AI is a huge field, but from a technical perspective, it isn't that hard to get into; and even apparently sophisticated applications may in fact be relatively simple to create and implement. The conversations we're having with mid-market organisations are therefore more around alignment and maturity, particularly in relation to their competitors, and the importance of data than technology *per se*.

Over half (59%) also cited improving governance and regulatory compliance as a major data use case. As before, this probably reflects the fact that many of our sample organisations are in regulated sectors like financial and legal services and insurance. For these companies in particular, it's vital to know where new data is coming from, who's accessing it, how they're using it, and that it complies with legislation. As the number of data sources and channels multiply, so do these governance and quality challenges, as well as adding to the cyber security burden.

Again, governance is a subject we're discussing more and more frequently with our own customers, too. It's one of those issues that's been creeping up on us all for a while, but is suddenly coming to the fore. It's definitely one to watch, and we'll be doing so carefully between now and our next survey, when we'll almost certainly look at it in more detail.

CUSTOMER EXPERIENCE IMPROVEMENT IS THE TOP DATA/ANALYTICS USE CASE

Ways in which organisations are leveraging data today



GARBAGE IN, GARBAGE OUT

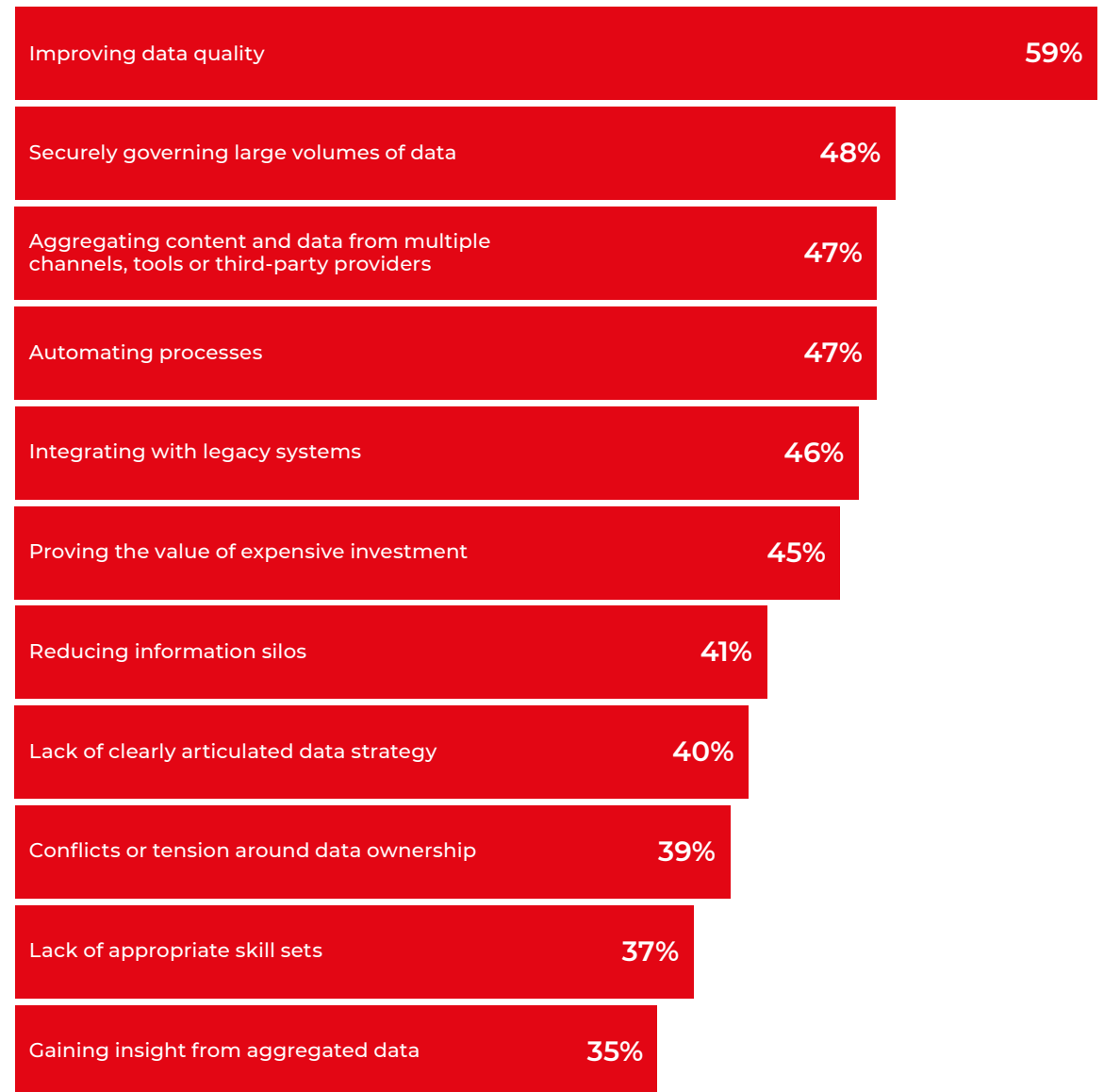
As in previous years, our respondents told us data quality is the biggest inhibitor to leveraging data internally. Cited by 59% in our survey, this is a persistent issue that comes up constantly in our conversations with clients. Companies also struggle with data governance (48%) and data aggregation (47%).

In many cases, it can be a result of having the wrong data analytics tools – or more likely in our experience, using the right ones in the wrong way. As we’re increasingly discussing with our own clients, using them effectively lies in mapping the results against business objectives. It means addressing some basic issues: what are you trying to measure? How are you actually using this data? Are your data analytics telling you what you want and need to know? And how can you demonstrate to the business that this data has actually delivered value? Though superficially simple, these are actually very complex questions to answer. But they’re all part of elevating IT’s status so it becomes a profit centre, rather than a cost, where the business sees real value in investment.

But as the table shows, data quality is just the top item on a long and stubborn list of challenges.

DATA QUALITY IS THE BIGGEST INHIBITOR TO LEVERAGING DATA INTERNALLY

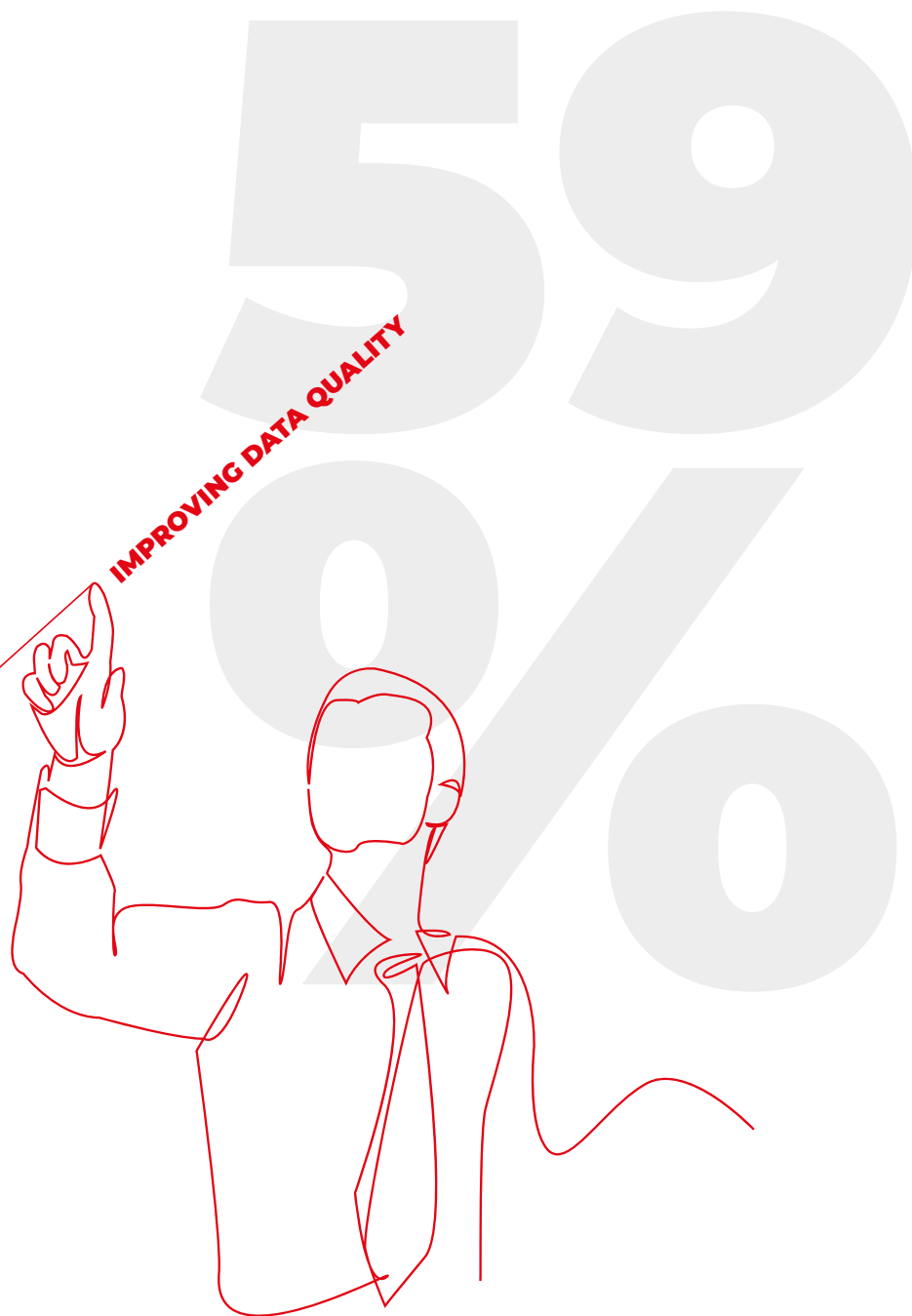
Biggest challenges with leveraging data internally



Our respondents' concerns are unsurprising and very much in line with our own observations. IT leaders have access to proven delivery capabilities and methodologies for refining and improving technical requirements: the big challenges now are focused on data, especially in the context of AI. We're living in the intelligence era: the long-heralded Fourth Industrial Revolution is happening right now, and data will only become more important in the years ahead. But as an industry, our understanding of and capabilities with data are still, comparatively speaking, in their infancy. So as well presenting many challenges, these are incredibly exciting times, with huge potential and opportunities for IT leaders and functions.

ELIMINATING ISLANDS

Our sample this year included a small number of organisations in the venture capital, private equity and mergers and acquisitions sector. As we know having made eight acquisitions in the last six years ourselves, there are particular challenges associated with consolidating data sets from other organisations. Shadow systems, different governance and security standards and other technical anomalies can all create 'islands' of data that are complex and time-consuming to identify and integrate.



▣▣ Companies are looking carefully at how IT investment aligns with broader commercial objectives. ▣▣

IT BUDGETS: FOLLOW THE MONEY



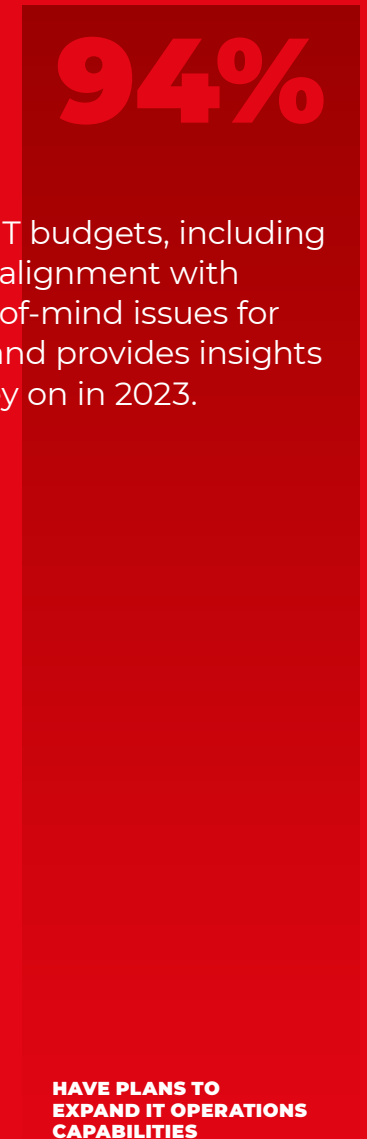
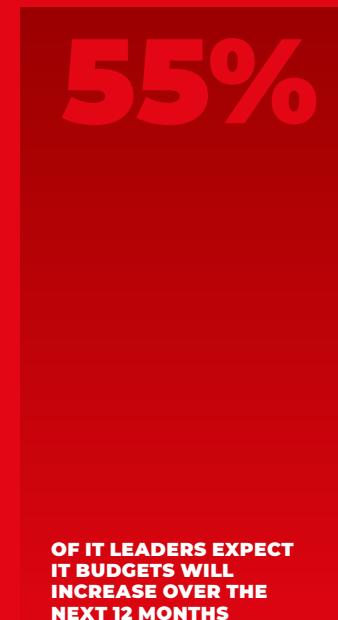
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IT BUDGETS: FOLLOW THE MONEY

OUR KEY FINDINGS

- 55% of IT leaders expect IT budgets will increase over the next 12 months
- 40% of budgets likely to remain flat, compared to 21% in 2022
- 94% have plans to expand IT operations capabilities via new hires (62%), independent contractors (49%), re-organisation (46%) and/or increasing use of third-party providers (38%)
- 94% increasingly rely on trusted advisors to navigate new technologies, processes, and methodologies
- 92% plan to work with Managed Service Providers this year, with 26% outsourcing fully, and 35% using a provider for over 50% of IT operations workloads
- 40% are concerned their current provider will not be able to support their growth strategy, with 8% certain they will need to look elsewhere

Every year, our Report includes questions around IT budgets, including companies' resourcing and investment plans and alignment with managed services provision, since these are front-of-mind issues for every IT leader. This year's survey is no exception, and provides insights into what our respondents will be spending money on in 2023.



LESS TO PLAY WITH

This section of our survey produced some of the bigger changes we saw compared with the 2022 results. Overall, more IT leaders expect their budgets to remain flat this year, with 41% anticipating no increase compared to 21% in 2022. Happily, only 5% think their budgets will shrink, although this is up slightly on the 2% we saw last year.

That means just over half (55%) expect IT budgets to increase over the next 12 months, representing a significant drop from last year's 77%. This lends weight to the assumption that macroeconomic factors are focusing minds on controlling costs. It also suggests IT leaders and companies are looking more carefully at what they're spending and where, and especially how well this investment aligns with their broader commercial objectives.

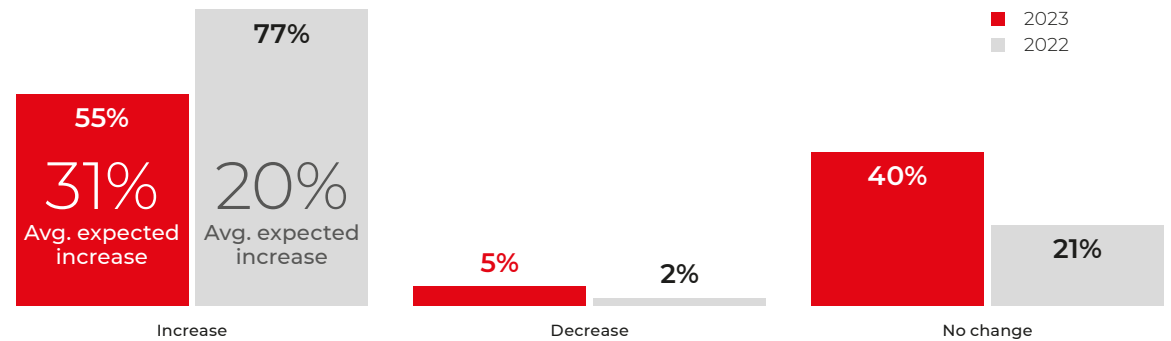
It's worth noting, though, that those willing to spend money are looking to spend more than before. Where budgets are increasing, they're going up by an average of 31%, against a typical 20% rise last year. After a couple of years of frantic investment in new tech and capabilities, we may be seeing a period of consolidation, and a greater caution entering the market.

THINKING BIGGER

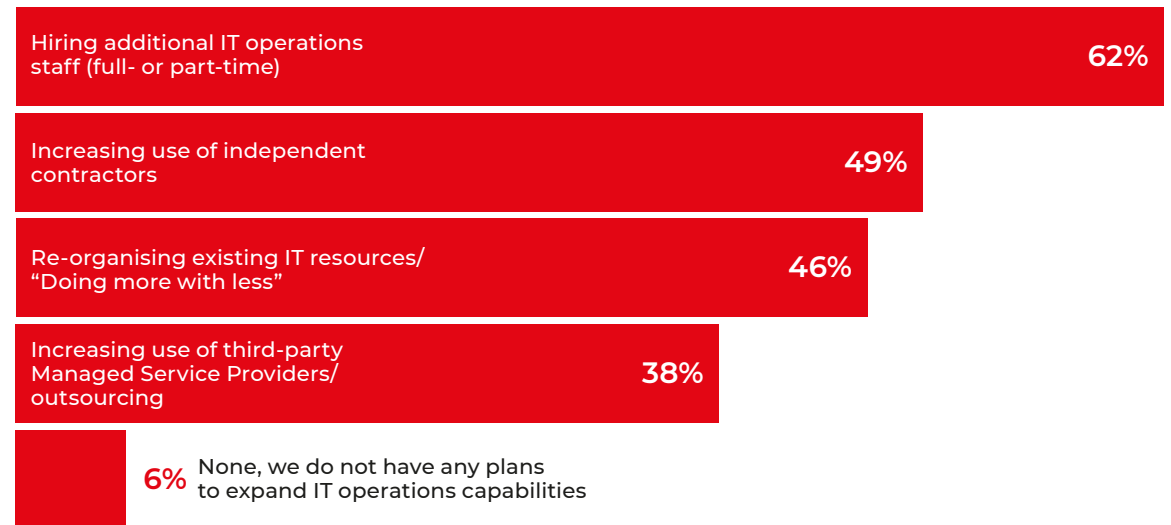
Perhaps surprisingly, however, this tightening of the purse-strings in some quarters comes as a large majority of respondents (94%) say they have plans to expand their IT operations and capabilities. This is mainly through new hires (62%), but also by taking on independent contractors (49%) and/or increasing use of third-party providers (38%). Note, though, that almost half (46%) plan to achieve their expansion through re-organising existing IT resources – or as we call it, 'doing more with less'.

WHILE MORE THAN HALF (55%) OF IT DMS EXPECT IT BUDGETS WILL INCREASE OVER THE NEXT 12 MONTHS, THIS PERCENTAGE HAS DROPPED VERSUS THE 2022 SURVEY

Change/Expected change in organisation's IT budget – Next 12 months



PLANS TO EXPAND IT OPERATIONS CAPABILITIES NEXT 12 MONTHS



CONFIDENCE THAT THIRD-PARTY SERVICE PROVIDERS ARE ALIGNED TO OPERATIONAL STRATEGY AND BUSINESS GROWTH



ARE CONCERNED THAT THEIR CURRENT OUTSOURCED/THIRD-PARTY SERVICE PROVIDERS WILL NOT BE ABLE TO SUPPORT THEIR GROWTH STRATEGY.

THIRD-PARTY PROVISION

This year, we wanted to find out how well organisations feel their third-party service providers are aligned with their operational strategy and business growth plans. As we saw in Section 2, IT leaders overwhelmingly agree they increasingly rely on trusted advisors to navigate new technologies, processes, and methodologies.

This translates into 92% planning to use Managed Service Providers (MSPs) to support IT operations over the next 12 months. More than a quarter (26%) will rely on a third party to manage all their IT operations; 35% will outsource more than half their IT ops workload.

TROUBLE AHEAD?

One of this year's most significant findings is that 40% of respondents believe their current outsourced/third-party service provider won't be able to support their growth strategy. They're split between 32% who are concerned, and 8% who are certain, they'll need to look elsewhere this year for a technical partner who can meet their needs.

This chimes with wider industry research by our colleagues at Foundry, which suggests 44% of companies purchase from a new vendor because their current product or service no longer meets their business need.

In some cases, this will be because the company has simply outgrown its incumbent provider; this is particularly likely where growth has been by acquisition. If it's too small, or lacks certain capabilities and governance standards, the MSP may become a constraint on the company's ability to satisfy its own and its customers' due diligence requirements. In others, it will be because the company is looking for a single partner that can handle both their IT operations and cyber security, rather than managing multiple suppliers, as we discussed in Section 3.

FF The challenge for midmarket companies is finding an MSP with the right skills, experience and cultural alignment. **JJ**

GROWING PAINS

The challenge for a mid-market company when selecting an MSP is to ensure they have the necessary skills, experience and cultural alignment. A Small Medium Enterprise (SME) MSP will maintain strong personal relationships with their customers, often built up over many years. However, they may struggle to provide appropriate governance and compliance, especially as a customer's business grows. Adding new sites, delivering new applications, launching new products and moving into new territories all require levels of IT management and strategic planning that may be beyond the SME MSP's skills, capabilities and experience.

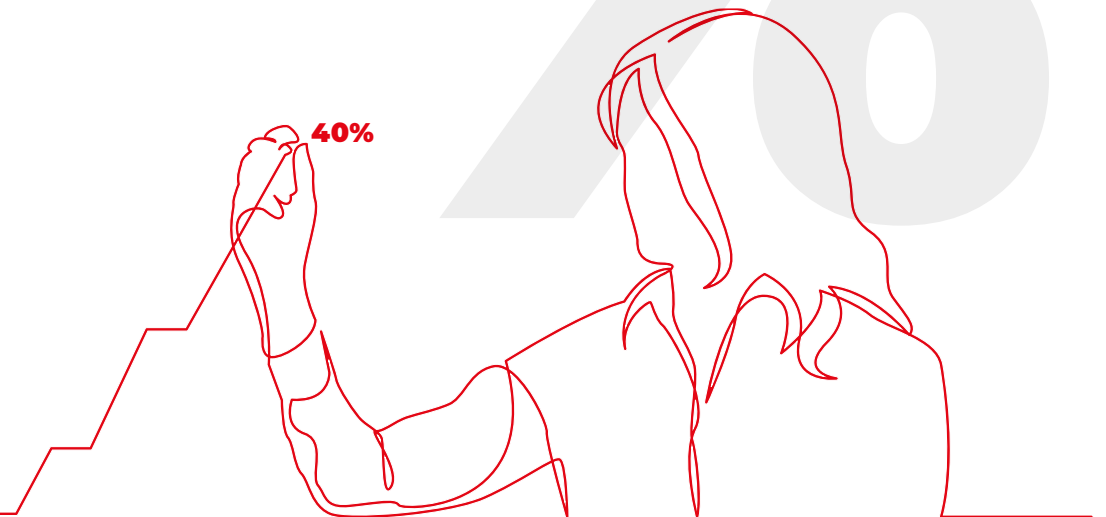
IS BIGGER BETTER?

Many mid-market companies in this position will up sticks and move to a Tier 1 MSP. However, while a Tier 1 MSP will certainly tick the compliance and governance boxes, they're less good at building the close, individual relationships that are so critical when customers are expanding, because all too often, revenue comes first. Unless the customer has many thousands of users, or very deep pockets, the personalised service evaporates, and they become just another number. The customer is left disillusioned, underwhelmed and, most importantly, not getting the support and service they really need. For growing mid-market companies, staying with a smaller incumbent or risking the move to a big player is a real, business-critical dilemma.

☐☐ Sticking with a smaller incumbent or risking a move to a bigger player is a real, business-critical dilemma. ☐☐

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**BELIEVE THEIR CURRENT OUTSOURCED/
THIRD-PARTY SERVICE PROVIDER WON'T BE ABLE
TO SUPPORT THEIR GROWTH STRATEGY**



LET'S SUMMARISE

SO, WHAT HAVE WE LEARNED – AND WHAT HAPPENS NOW?

We knew from our own conversations that cyber security is the top priority for CIOs; hence we looked at it specifically in this year's survey. The findings confirmed just how big an issue this really is for IT leaders. And it's not going away: it's getting bigger – and that means it's going to keep absorbing more and more of our time, energy and budgets.

Among the many challenges is the fundamental one of distinguishing between passive events and genuine threats. Cutting through the noise and working out what we can safely ignore and what demands immediate action is complex and requires real skill.

Plus, the people behind cyber attacks are becoming ever more sophisticated, using different methods to target the 'crown jewels' of specific organisations and sectors. They know, for example, that going after a law firm's practice management and billings systems is a sure way to inflict real reputational damage. Likewise, if a financial services company's data is compromised, or it can't comply with statutory or fiduciary standards, it risks being shut down by regulators.

Clever tools can help, but we can't (and shouldn't) rely on them alone: we also need clever people. But having the full range of specialist skills in-house to meet these different threats – some of which may happen only once in an entire career – is rarely affordable or practical. Hence organisations are choosing to spread and fractionalise them, by working with experts like ours. It's an incredibly fast-moving, highly unpredictable topic, but one we'll obviously be watching very closely.

But while cyber security throws up clear and present dangers for IT leaders, none of us really knows how AI is going to play out. It's becoming more mainstream, and people are starting to ask how they can use it; but there's still a great deal of uncertainty about where this road might take us.

As with hybrid working, this is an area where IT leaders are going to find themselves thrust into the spotlight. Non-technical people within the business will want to know what AI is, what they can do with AI, how much time and money it could save them, what are the pros and cons – and IT will need to have answers.

As we noted earlier, AI is not 'difficult' from a technical perspective. The implantation challenges are likely to be around intellectual property, security, sharing and other policy issues, all of which will need careful management and informed leadership. It's very hard to predict where AI will sit in the wider IT landscape even this time next year. All we can say for certain is, it's going to be a fascinating journey.

Lee Ganly

Chief Information Officer, Acora



CUTTING THROUGH THE NOISE

We look forward to supporting our customers, and the wider IT community, in finding practical solutions to these fundamental but fascinating challenges.


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If you would like to talk to us about any of our services, you can contact us via phone, email or through our website. Our team will be happy to help.



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