CLARKSTON CONSULTING CIO SURVEY SUMMARY REPORT

clarkston
CONSULTING

BACKGROUND AND OBJECTIVES

Clarkston Consulting conducted this CIO Market Study with the overarching goal to understand the current priorities and challenges of upper or C-Suite level IT professionals (CIO/CISO/CTO/VP) at large companies ($350M+ revenue) in the retail, CPG, manufacturing, or life science industries.

The specific objectives of this study included:

- Understand the overall relationship between the IT department and other departments at the company.
- Understand current IT budget distribution, technologies/platforms used, and sources for technology-specific learning and development.
- Identify attributes that are important in selecting outsourcing or managed services partners, a professional services provider, or a technology platform/vendor.
- Determine priorities for the coming year and understand how COVID-19 has changed priorities in recent years.

METHODOLOGY

Respondents were screened to ensure they met several criteria before they were able to take the survey:

- **Employment:** Participants were employed full-time as a CIO or similar role (VP, CTO, CISO, etc.) in an IT department.
- **Industry:** Respondents had to work in the retail, CPG, manufacturing, or life science industries.
- **Revenue:** The company's 2021 revenue must have been at least $350 million.
- **Company Size:** The company had to employ at least 1,000 employees.

This report focuses on the overall results of the survey. Results are not broken down by any respondent characteristic. Results should be viewed as general directional data, as the margin of error is relatively high.

SUMMARY OF KEY FINDINGS

Current Status and Perceptions of IT Department

Budget:	ERP Usage:	Investments:	Outsourced Activities:	Department Health:
IT departments distribute the largest portions of their budget to operations (26%) and production (23%).	About half of respondents currently use SAP with the remaining CIOs using several different platforms.	CIOs are most likely to invest in cloud technology in 2022 (53%), followed by data analytics (30%).	On average, respondents outsource 3-4 IT-related activities. The most outsourced activities include managed IT services (67%), cloud services (63%), and cybersecurity/ compliance (57%).	90% report their IT department has a good relationship with other departments, including one third who report their relationship is "very healthy."

SUMMARY OF KEY FINDINGS

Expectations, Priorities, and Plans for the Coming Year

Budget: Most CIOs (83%) expect next year's budget to increase, with almost all remaining CIOs expecting the status quo (13%).

Priorities for attention: Respondents have a wide range of areas of attention in the coming year:

83%
plan to focus on security management.

57% to 67%
plan to focus on aligning IT initiatives with business objectives, revenue growth, new technology implementation, and driving innovation.

Many changes IT departments made during the COVID-19 pandemic are expected to remain permanent. In fact, CIOs who have not seen remote working revert to pre-pandemic levels unanimously believe that this behavior will not ever change back.

SUMMARY OF KEY FINDINGS

Important Attributes in Outsourcing to a Service Provider

Respondents were asked to rate/rank the importance of several attributes they consider when choosing outsourcing or managed service partners, professional services providers, or technology vendors/platforms.

For outsourcing, managed services, and professional services providers, the top tier of important issues were the same: trust, expected value, technology/industry expertise, and price were all important.

For technology vendors/platforms, the most important issues include expected value, solution functionality, and compatibility.

Cultural alignment, breadth of services, and location/availability are generally not highly important to CIOs.

clarkston CONSULTING

DETAILED RESULTS

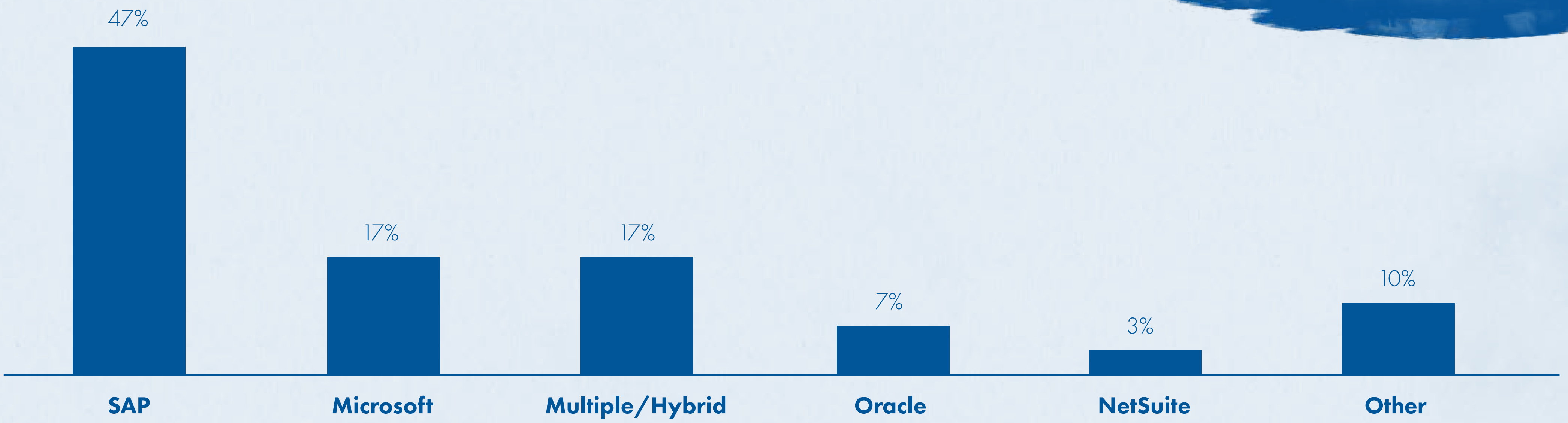
ERP SYSTEM USED

About half of respondents use SAP in their business.

- No other individual ERP is used by more than 1 in 6 respondents.

Almost 9 in 10 respondents plan to continue using their current ERP in the future.

87%
of respondents plan to continue using their current ERP in the future.



Question: *Which ERP does your business utilize?*

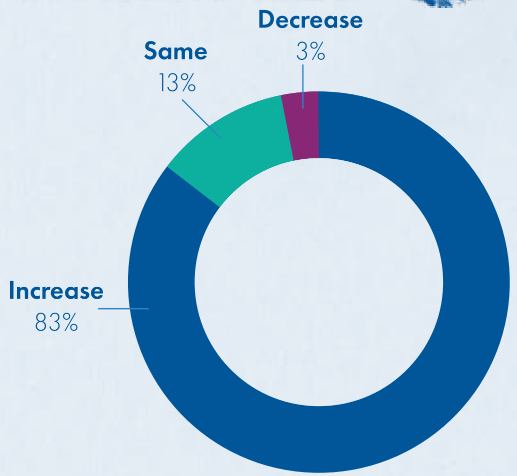
IT BUDGET DISTRIBUTION

Just over 8 in 10 respondents expect their IT budgets to increase next year, while almost all remaining respondents expect their budgets to remain the same. Only one of the 30 respondents expects a reduction.

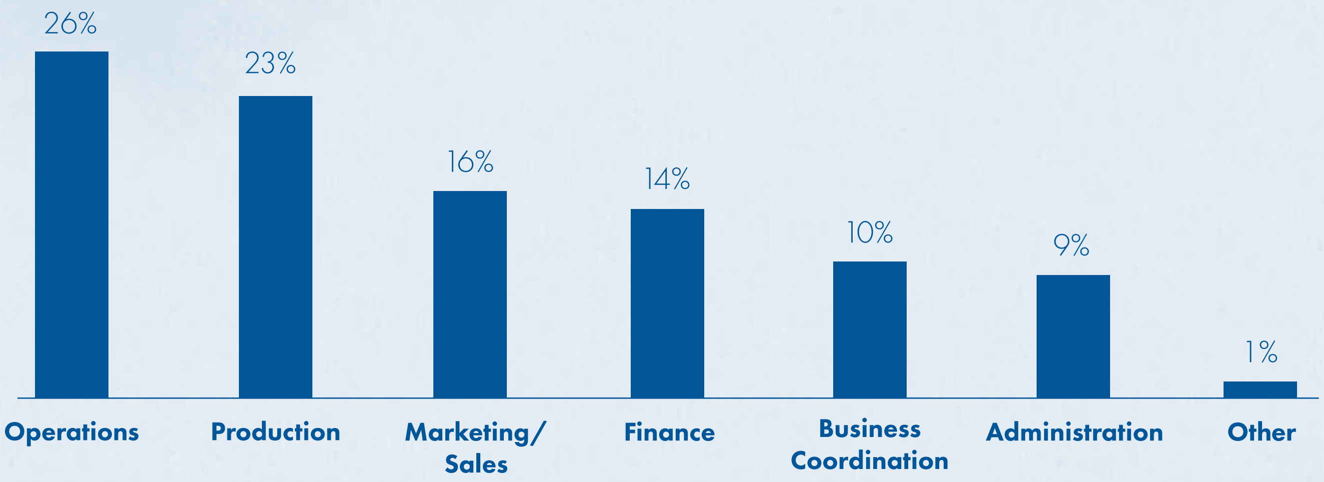
On average, respondents use about one-quarter of the budget on operations and production each.

- The smallest percentage of budget goes to business coordination and administration.

Do you expect next year's IT budget to increase, decrease, or stay the same?



How is your IT budget distributed by functional area? (Average percentage)

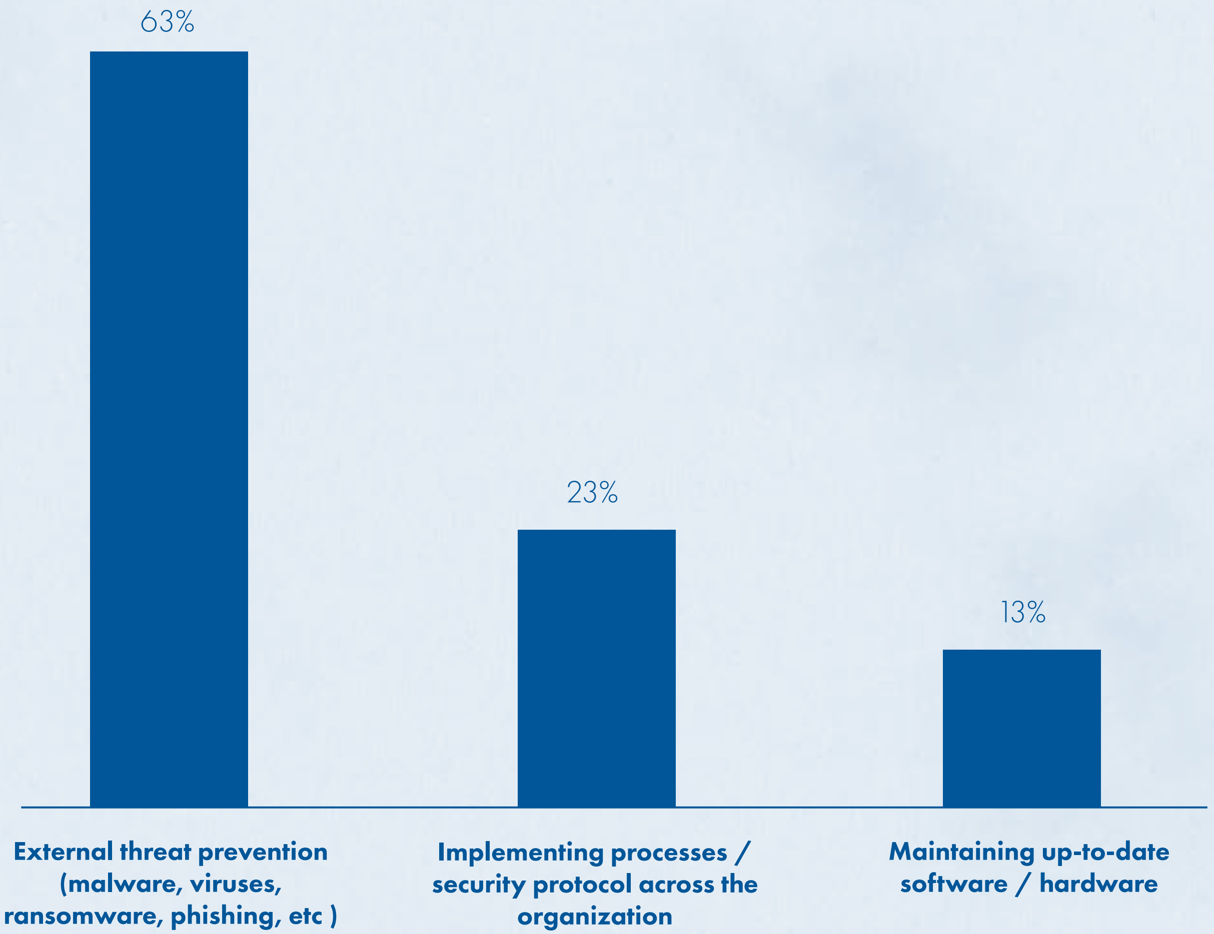


SECURITY CHALLENGES

Just under two-thirds of respondents report that their company's most critical security challenge comes from external threats such as malware, viruses, ransomware, and phishing.

About one quarter identify implementing processes and security protocols across the entire organization as their largest challenge.

Respondents rarely identify maintaining up-to-date software and hardware as most critical.



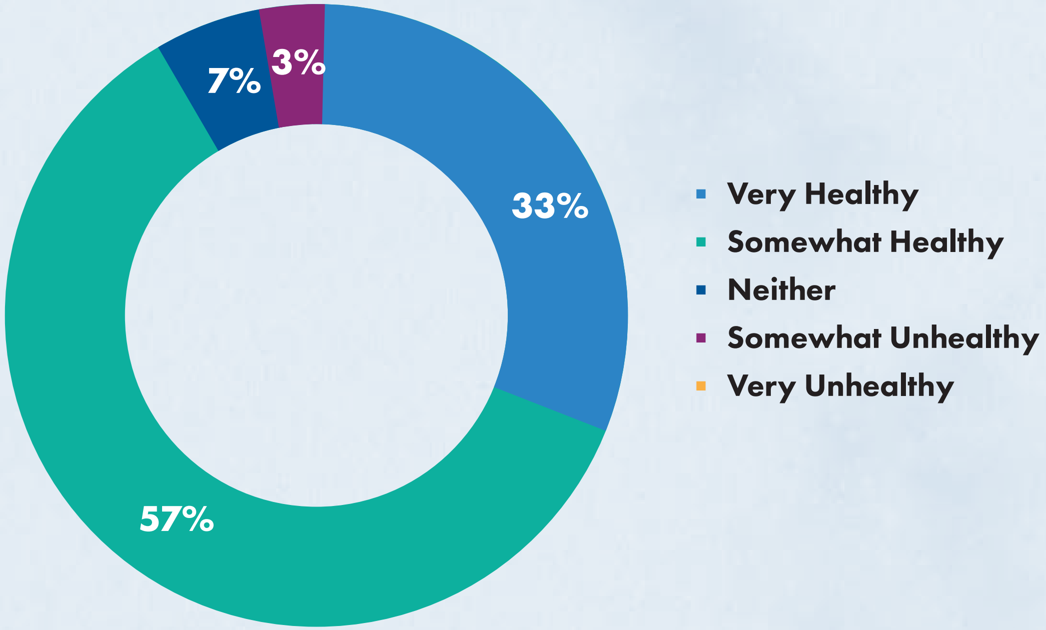
Question: *What is the most critical security challenge facing your business today?*

HEALTH OF IT DEPARTMENT RELATIONSHIPS

Overall, 9 in 10 respondents report that their IT department has a healthy relationship with other departments in the organization.

- This includes one third who report their relationship is "very healthy," while over half indicate the relationship is "somewhat healthy."

Three respondents failed to characterize their IT department's relationship as healthy. Of those, two responded neutrally—only one respondent feels their department has a negative relationship with others.

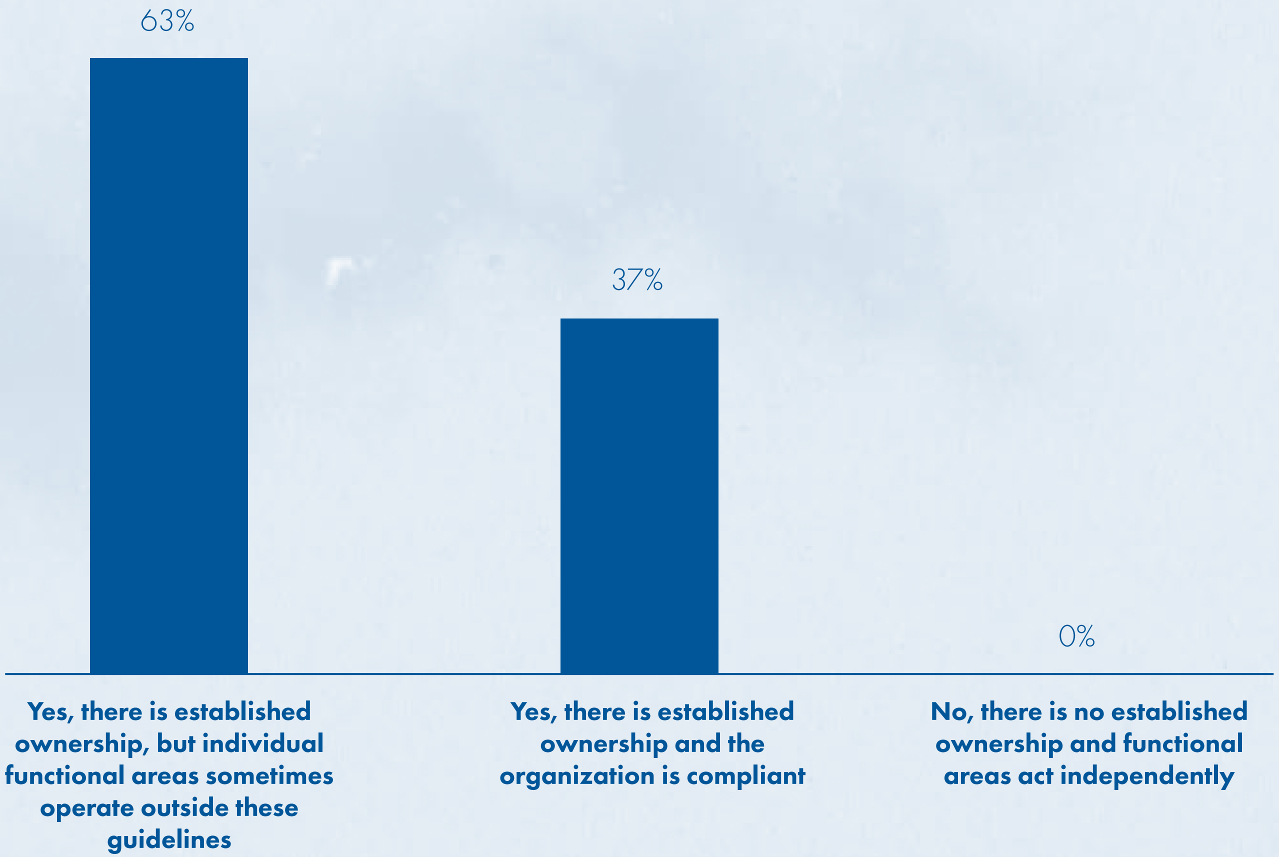


Question: *How would you rate the overall relationship of IT with other departments in the organization?*

OWNERSHIP OF TECHNOLOGY INVESTMENTS

All respondents report there is ownership in their organization for technology investments. However, only a little more than one third say that their organization is fully compliant.

In contrast, almost two-thirds of respondents indicate some functional areas work outside the company's guidelines even though there is established ownership.

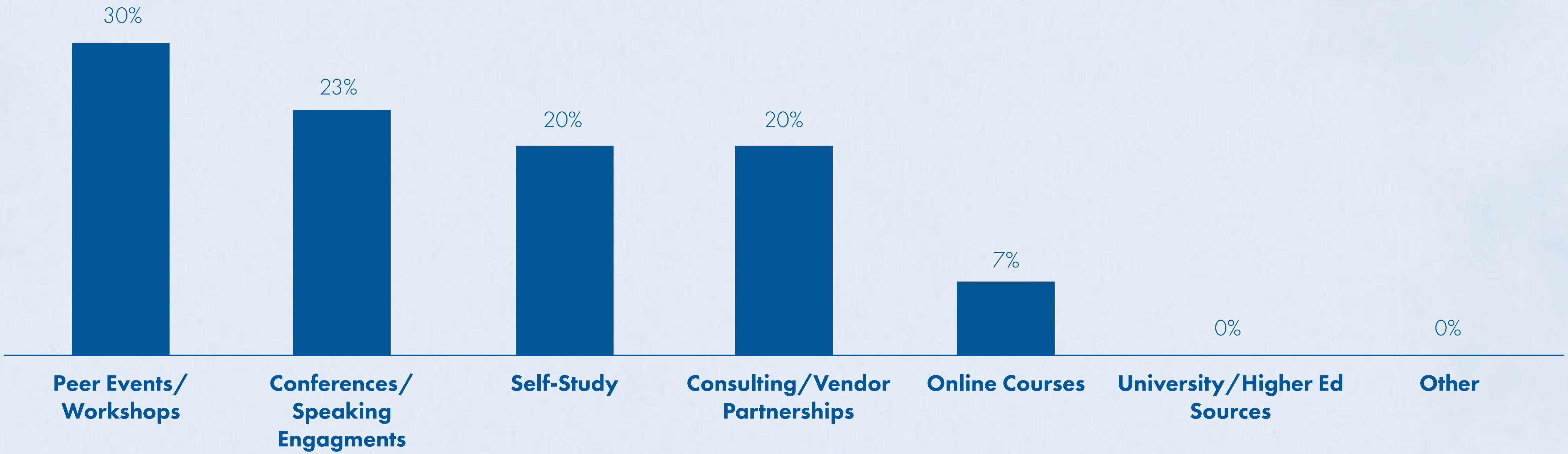


Question: *Is there established ownership in the organization for technology investments in your business?*

PRIMARY SOURCE OF LEARNING

Primary learning sources vary, with no one source standing significantly apart from the rest within the top four.

- Few respondents use online courses and none of them use higher education resources.

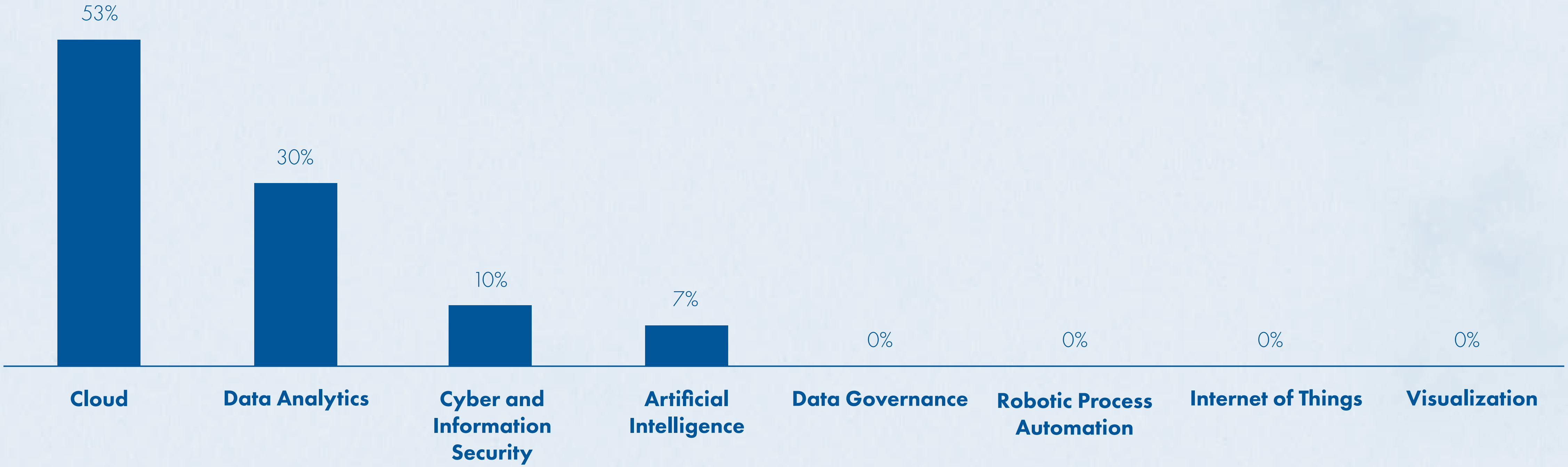


Question: *As an IT leader, what is your primary source for learning and development specific to technology?*

PLATFORM/TECHNOLOGY INVESTMENTS

Just over half of these respondents are investing in Cloud technology in 2022.

- Most of the remaining respondents identify data analytics as their primary investment while a few are focusing on information security and artificial intelligence.

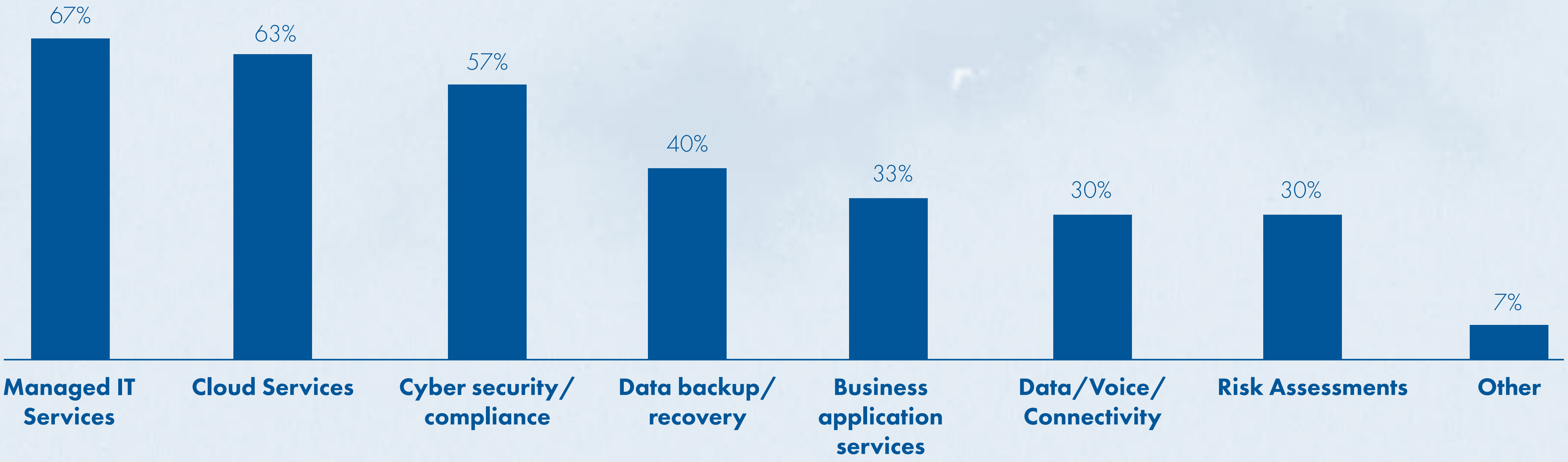


Question: *In which platforms or technologies is your organization investing most for 2022?*

ACTIVITIES OUTSOURCED

Managed IT services, cloud services, and cybersecurity/compliance are the most often outsourced.

The average respondent outsources about 3.3 of the activities shown below.



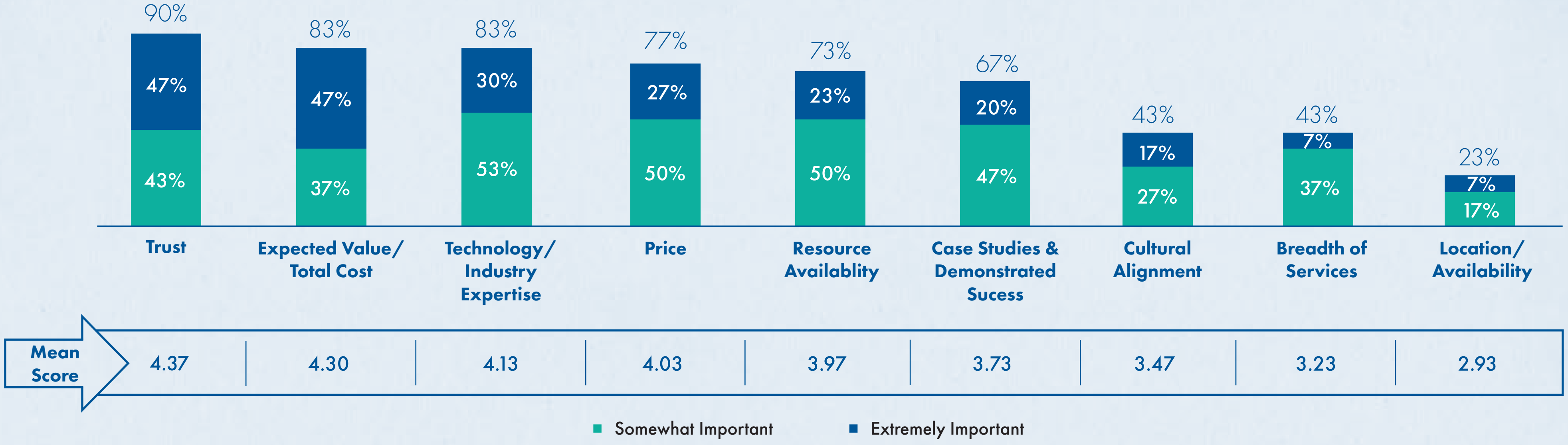
Question: *Which of the following activities does your IT department outsource, if any?*

SELECTION CRITERIA

(OUTSOURCING OR MANAGED SERVICE PARTNERS)

Respondents identify trust as the most important factor in choosing outsourcing partners, followed closely by expected value/ total cost and technology/industry expertise.

- Price, resource availability, and case studies/demonstrated success are also relatively important.
- Cultural alignment, breadth of services, and location have relatively low importance to respondents.



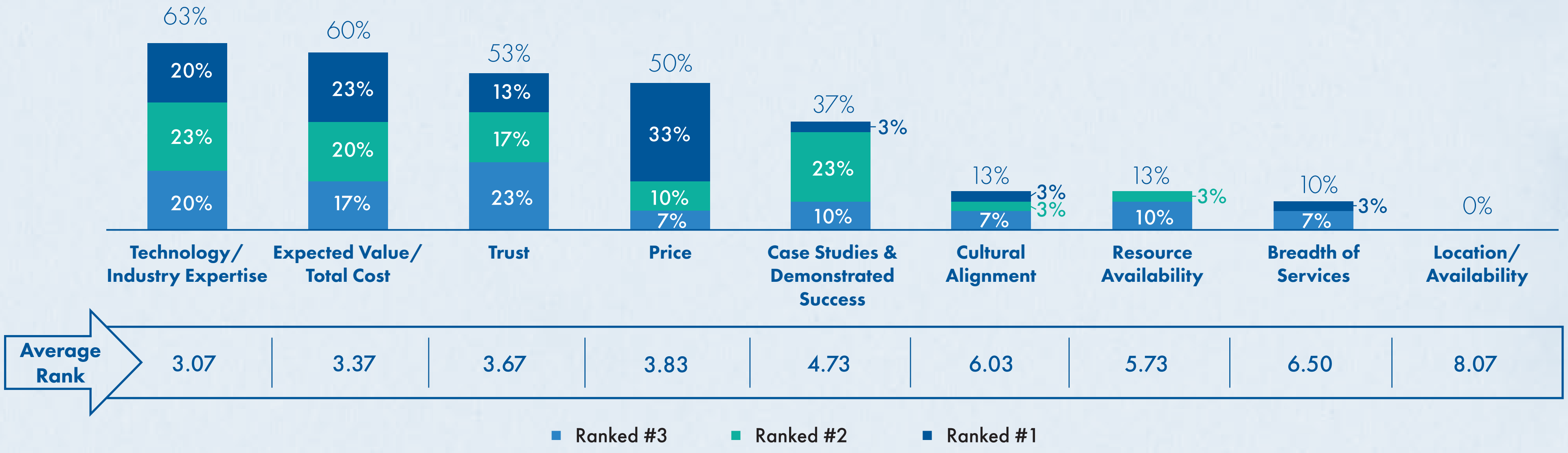
Question: *In selecting an outsourcing or managed service partner, how important are the following criteria?*

SELECTION CRITERIA

(PROFESSIONAL SERVICES PARTNERS)

When selecting professional services partners:

- Technology/industry expertise has the top average rank and is ranked among the top three factors most frequently.
- Price is identified as a top-three factor less often overall, but it is identified as most important by one-third of respondents.
- Expected value and trust are also ranked as highly important factors.



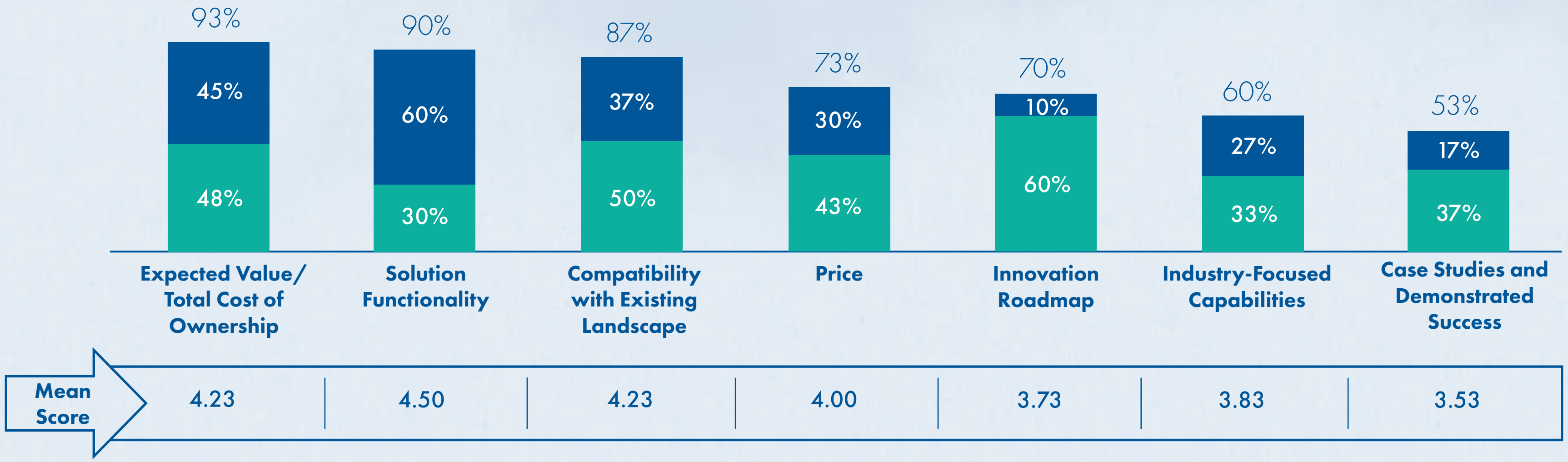
Question: *In selecting a professional services partner (e.g., consulting, staffing, training, etc.), how do you rank the importance of the following criteria?*

SELECTION CRITERIA

(TECHNOLOGY SOLUTIONS/VENDORS)

Expected value/total cost of ownership, solution functionality, and compatibility with the existing landscape are the most important criteria when choosing a technology solution or vendor.

- Of those three, however, respondents are more likely to identify solution functionality as being "extremely important" to them.
- Industry-focused capabilities and case studies are least likely to be identified as important in selecting a technology solution.



Question: *In selecting a technology solution/vendor, how important are the following criteria?*

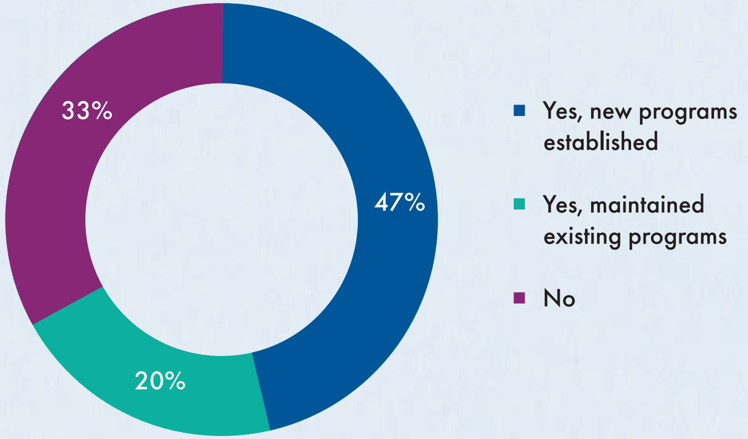
HEALTHY WORKING ENVIRONMENT

Two-thirds of respondents report they have invested in programs to address the mental and well-being needs of their team.

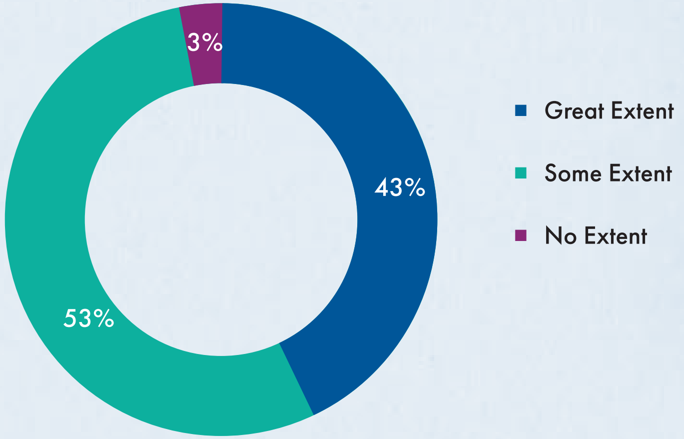
- Most of these are new programs, while 20% are existing programs.

Almost all respondents are working to promote a healthy work environment to at least some extent.

Have you invested in programs/initiatives to address the mental health and well-being of your team?



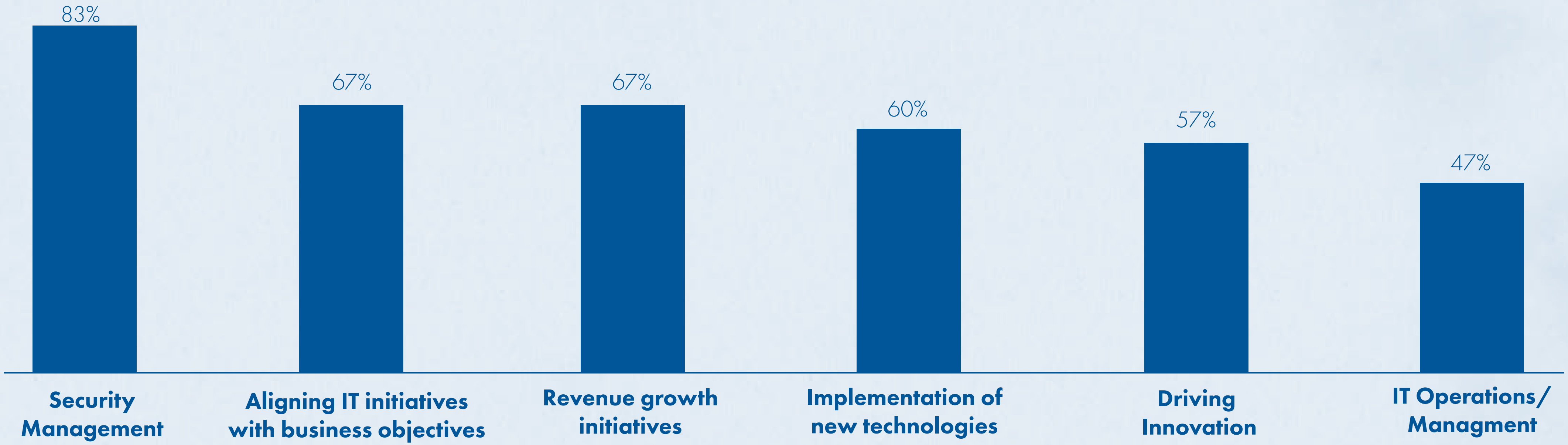
To what extent do your current ways of working promote and support a healthy work environment?



PRIORITIES IN THE NEXT YEAR

On average, respondents select about four of the areas below as areas of focus in the next 12 months.

- More than 8 in 10 identify security management as a top priority.
- Only IT operations/management is identified by fewer than half of these participants.



Question: *What area(s) will you focus upon in the next 12 months?*

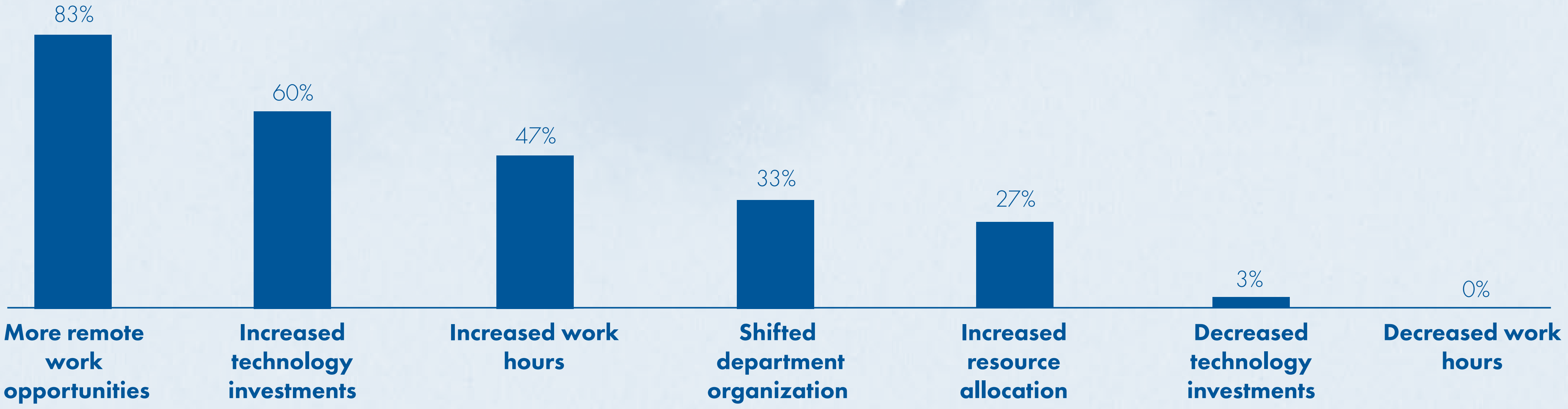
IMPACT OF COVID-19

The most significant result of the COVID-19 pandemic is that IT departments allowed more remote working opportunities.

- More than half also increased investments in technology, while just under half increased work hours.

Respondents were less likely to shift the organization of their department or increase resource allocation.

- Covid had almost no negative impact on technology investments or work hours.

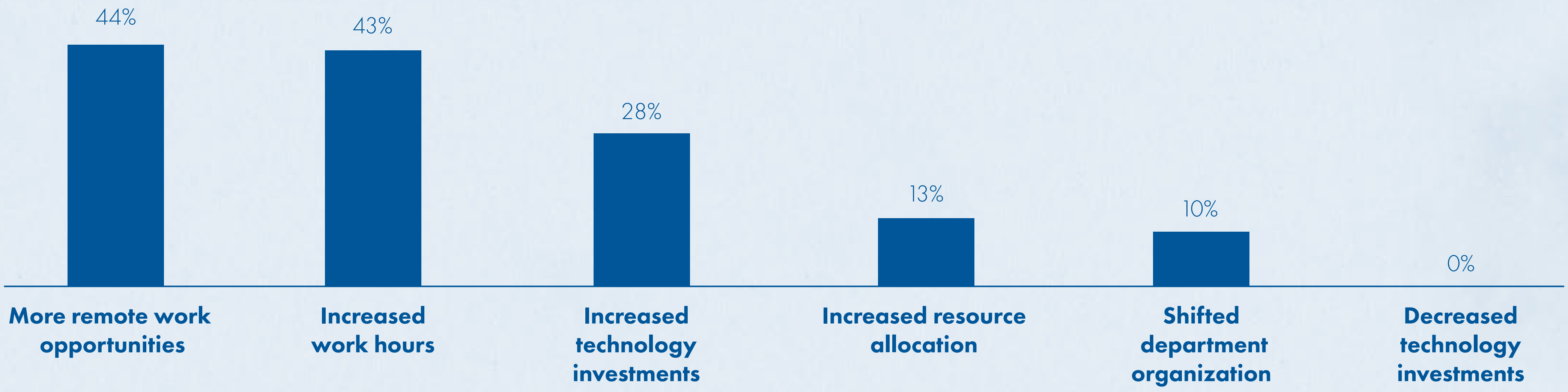


Question: *In your IT department, which of the following were affected directly or indirectly by COVID?*

RETURNING TO NORMAL AFTER COVID-19

Of those who observed changes, just under half report remote working and work hours have returned to normal.

- Just over one quarter report increased technology investments have returned to normal.
- Increased resource allocation and department organization are less likely to have returned to normal.

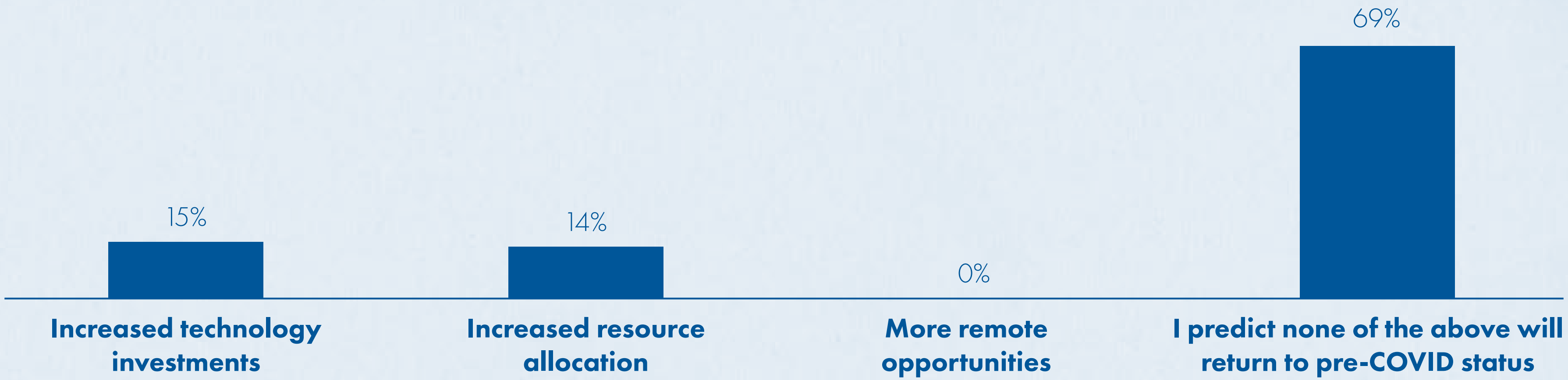


Question: *Have the changes returned to pre-COVID status?*

RETURNING TO NORMAL IN THE FUTURE

Of those who have not returned to normal yet:

- About 7 in 10 expect none of these changes will ever return to normal.
- No respondents expect remote work opportunities to return to normal, while only about 15% expect increased technology investments and resource allocation to return to normal.



Question: *Do you predict the changes will return to pre-COVID status?*

RESPONDENT CHARACTERISTICS

INDUSTRY	PERCENT
Consumer Packaged Goods	33%
Retail	30%
Life Sciences	27%
Manufacturing	10%

2021 REVENUE	PERCENT
$350M up to $500M	13%
$500M up to $1B	13%
$1B up to $5B	47%
$5B up to $20B	23%
$20B+	3%

# OF EMPLOYEES	PERCENT
1,000 to 4,999	47%
5,000 to 9,999	23%
10,000+	3%

COMPANY TYPE	PERCENT
Hybrid B2B/B2C	43%
B2B	37%
B2C	20%

ROLE IN IT	PERCENT
CIO	73%
CISO	20%
VP	3%
CTO	3%

# OF YEARS IN CURRENT IT ROLE	PERCENT
Less than 1 year	7%
1 to 3 years	33%
4 to 6 years	30%
7 to 10 years	20%
More than 10 years	10%

# OF EMPLOYEES IN THE IT DEPARTMENT	PERCENT
Under 10	3%
10 to 25	10%
25 to 49	7%
50 to 99	
100 to 249	
250+	

PRIVATELY VS. PUBLICLY HELD	PERCENT
Private	70%
Public	30%

clarkston
CONSULTING

ABOUT CLARKSTON CONSULTING

Businesses across life sciences, consumer products, and retail industries partner with Clarkston Consulting to enhance strategic decisionmaking, improve operational efficiencies, implement new technologies, and promote business growth and market diversification. Leveraging deep functional and industry expertise, our people discover, design, and deliver solutions that fit your business, your goals, and your future. At Clarkston, your purpose is our purpose.

For more information about how we can help your company,

CONTACT US