Clarkston Consulting CIO Survey Summary Report

Background & Objectives

In August 2022, Clarkston Consulting commissioned Infosurv Research to conduct their CIO Market Study. The overarching goal of the study was 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. This is the second consecutive year that Infosurv has conducted this survey.

The specific objectives of this study included:

- Understanding the overall relationship between the IT department and other departments at the company.
- Understanding 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.
- Identify any changes in responses since the last survey.

Methodology

- The survey was available to be taken between November 28 and December 10, 2022. In all, a total of **55** CIO/CTO/CISOs were recruited to take the survey by a third-party panel provider.

- 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, life sciences, or manufacturing 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.

- Throughout this report, references are made to statistically significantly changes since the last survey. This means that an observed difference has been mathematically determined to be an actual difference that did not occur due to random fluctuations in the data.

- Despite the use of significance testing, the margin for error remains relatively high because of the small sample size. Therefore, results should be interpreted as general directional data and should not be used to make hard conclusions.

Respondent Characteristics

Industry	2023	2022
Life Sciences	35%	27%
Retail	25%	30%
Manufacturing	24%	10%
Consumer Packaged Goods	16%	33%

2021 Revenue	2023	2022
$350M up to $500M	20%	13%
$500M up to $1B	29%	13%
$1B up to $5B	25%	47%
$5B up to $20B	18%	23%
$20B+	7%	3%

# of Employees	2023	2022
250 to 999	2%	0%
1,000 to 4,999	31%	47%
5,000 to 9,999	35%	17%
10,000+	33%	37%

Company Type	2023	2022
Hybrid B2B/B2C	36%	43%
B2B	24%	37%
B2C	40%	20%

Role in IT	2023	2022
CTO	45%	3%
CIO	35%	73%
CISO	20%	20%
VP	0%	3%

# of Years in Current IT Role	2023	2022
Less than 1 year	0%	7%
1 to 3 years	5%	33%
4 to 6 years	38%	30%
7 to 10 years	22%	20%
More than 10 years	35%	10%

# of Employees in the IT Department	2023	2022
Under 10	2%	3%
10 to 25	11%	10%
25 to 49	11%	7%
50 to 99	16%	13%
100 to 249	27%	50%
250+	33%	17%

Private vs. Publicly Held	2023	2022
Public	71%	30%
Private	29%	70%

Summary of Key Findings

CURRENT STATUS AND PERCEPTIONS OF IT DEPARTMENT

Budget: IT departments distribute the largest portions of their budget to operations (17%) and production (16%).

ERP usage: One quarter use SAP (down from 47% in 2022). Usage of Oracle (22%) and NetSuite (16%) has increased since last year.

Investments: CIOs are most likely to invest in artificial intelligence (35%), robotic process (25%), and data governance (20%) in 2023. Focus on cloud technology and data analytics has declined.

Outsourced Activities: On average, respondents outsource 2.4 IT-related activities, down from 3.3 in 2022. The most outsourced activities include cloud services (65%) and data backup/recovery (47%).

Department Health: 60% report their IT department as collaborative with other departments.

EXPECTATION, PRIORITIES, AND PLANS FOR THE COMING YEAR

Budget: One-third of CIOs expect next year's budget to increase, while about half as many expect a decrease. A plurality (44%) expect their budget to remain the same.

Priorities for attention: Priority areas for attention have changed since last year:

- CIOs are most likely to prioritize IT Operations/Management (60%), followed by implementation of new technologies.
- Priorities have significantly declined in three areas: aligning IT initiatives with business objectives, security management, and revenue growth initiatives.

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 services partners, professional services providers, or technology vendors/platforms.

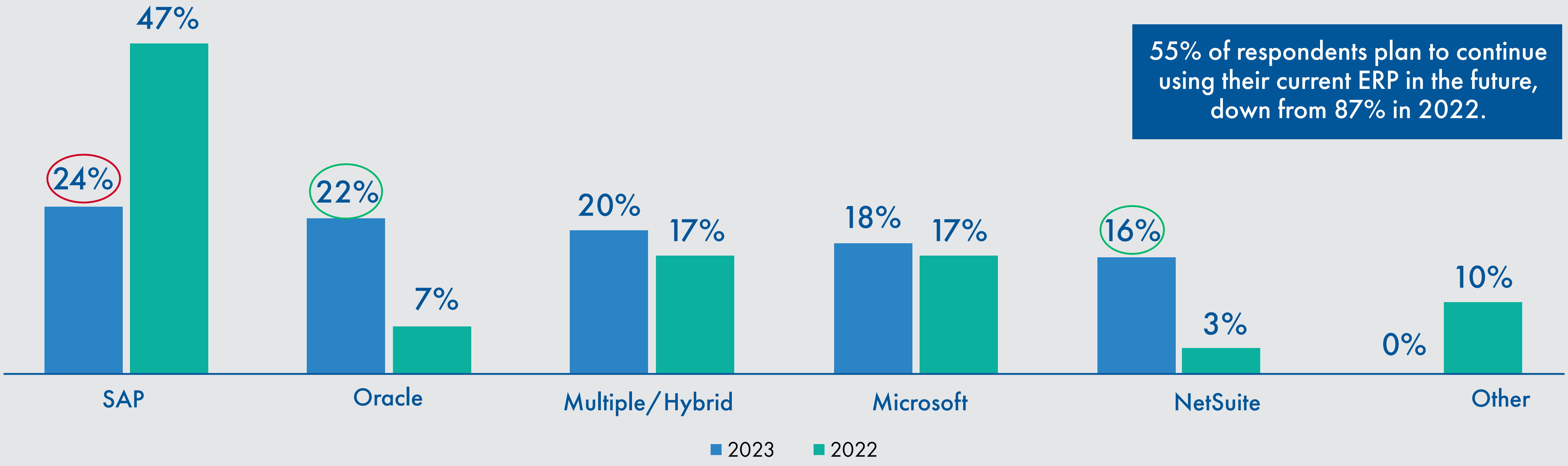
- For outsourcing/managed service partners, demonstrated success, technology/industry expertise, and trust are most important.
- For professional services partners, price, trust, and case studies/demonstrated success are most important.
- For technology vendors/platforms, there is no clear leader. Price is rated as slightly more important than other attributes, but all other attributes are rated very similarly.

Detailed Results

ERP System Used

- One-quarter of respondents use SAP, down significantly from 47% in 2022.
  - Usage of Oracle and NetSuite has increased significantly in 2023.

- Just over half of respondents plan to continue using their current ERP; almost all indicated they would continue using their current system in 2022.

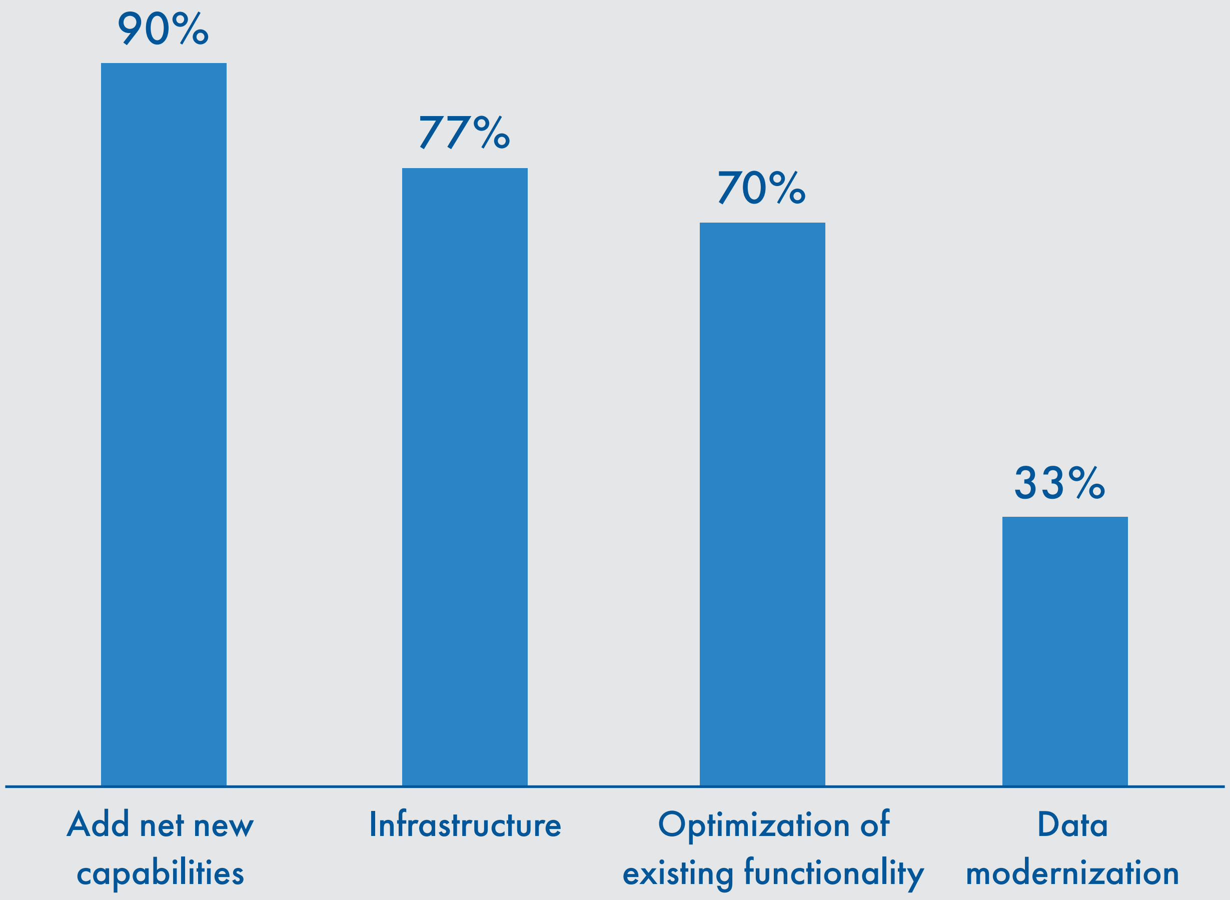


55% of respondents plan to continue using their current ERP in the future, down from 87% in 2022.

Question: *Which ERP does your business utilize?*

Future ERP Investment

- About 9 in 10 respondents report they will invest in their ERP in the future by adding net new capabilities.
- Around three-quarters of respondents also report they will invest in infrastructure and optimization of existing functionality.
- Respondents are much less likely to invest in data modernization—only one-third report they will invest in their ERP in this way.

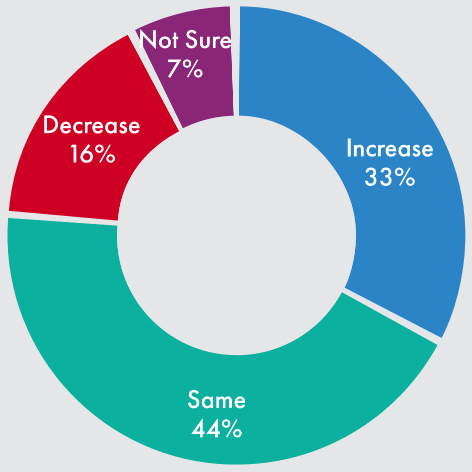


Question: *How are you investing in your ERP in the future?*

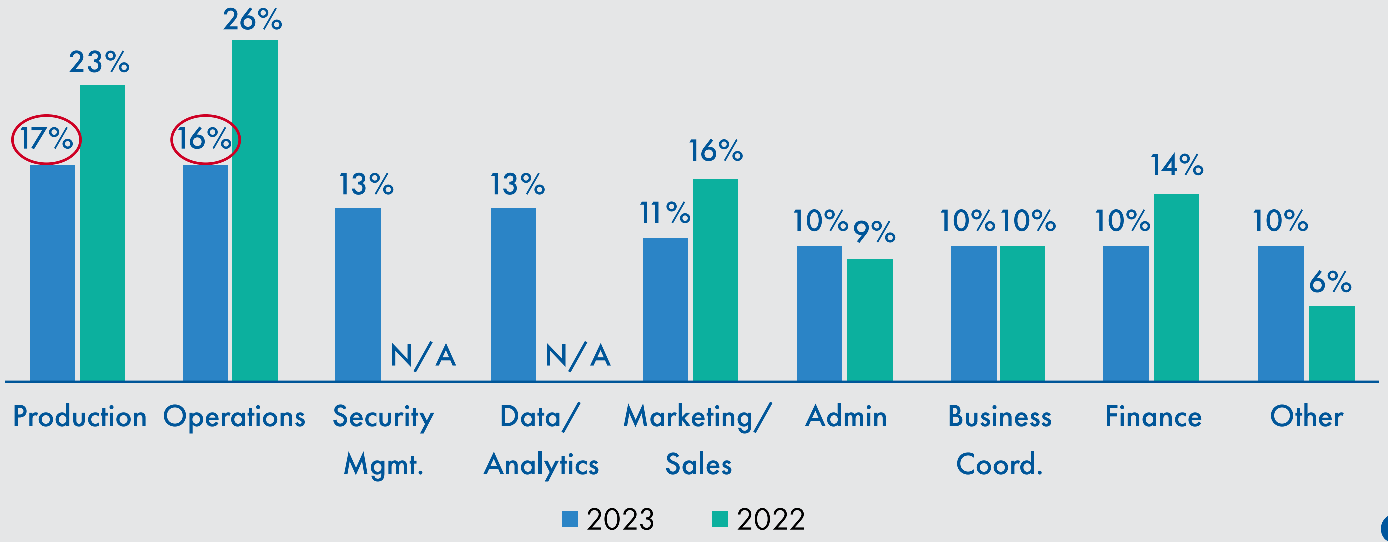
IT Budget Distribution

- One-third of respondents expect their IT budget to increase in 2023, while about half as many expect it to decrease. However, a plurality (44%) expect their budget to remain the same.
- The largest portion of the IT budget is distributed between Production and Operations. However, the percentage invested in each functional area has declined significantly since the last survey.

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

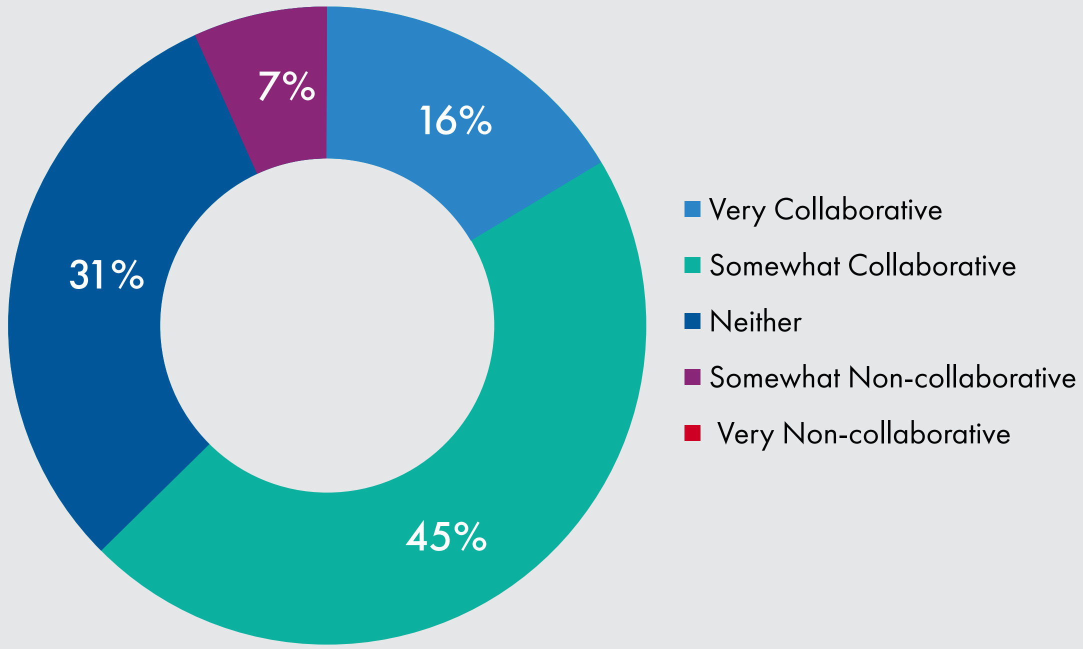


How is your IT budget distribted by functional area? (Average percentage)



IT Department Collaboration

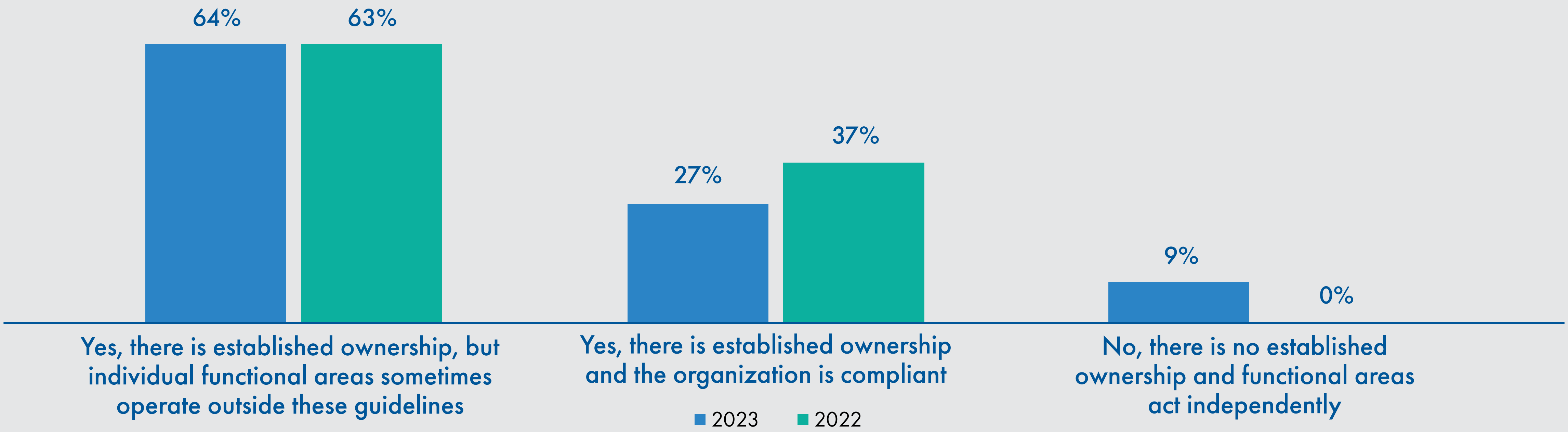
- About 6 in 10 respondents report the IT department's overall relationship with other departments is collaborative.
    - This includes about 1 in 6 respondents who report this relationship is "very collaborative."
    - Only about 7% report that IT's relationship with others is non-collaborative.
- Almost one-third of respondents indicate that their department's interactions with other departments is neither collaborative nor non-collaborative.



Question: *How would you rate the overall relationship of IT with other departments in the organization?*
Note: *In 2022, this scale ranged from "very healthy" to "very unhealthy." Since this question changed, 2022 results are not shown.*

Ownership of Technology Investments

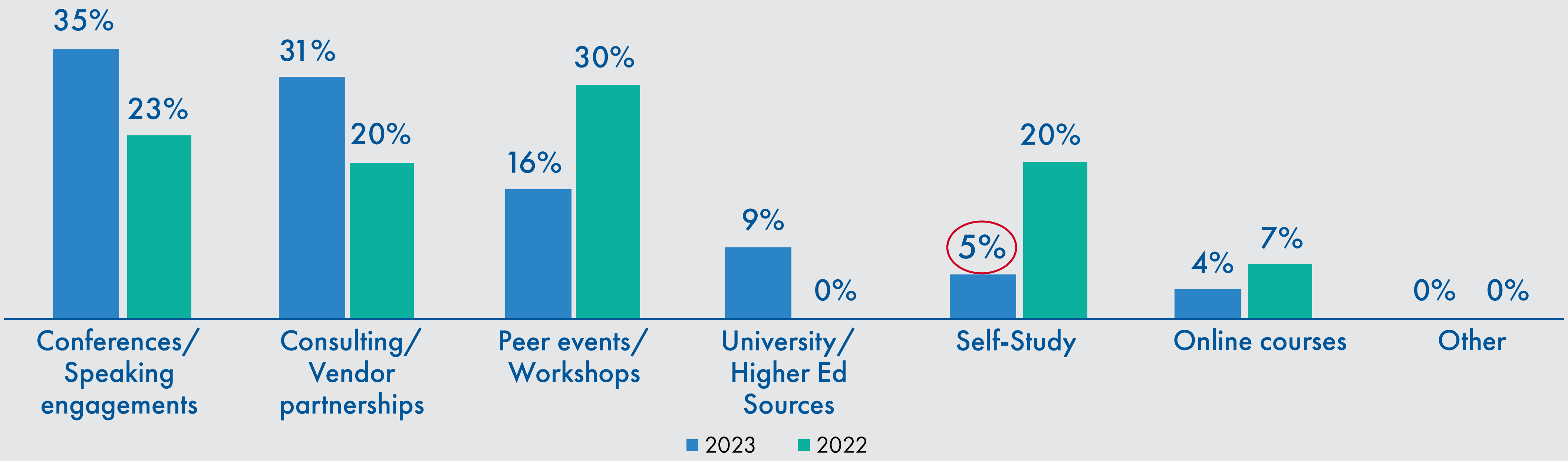
- More than 9 in 10 respondents indicate there is established ownership in the organization for technology investments.
  - About two-thirds of these respondents indicate there is established ownership, but functional areas are sometimes able to work outside of guidelines.
  - An additional one-quarter of respondents report there is established ownership and the organization is compliant. This is down slightly but not significantly since last year.



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

Primary Source of Learning

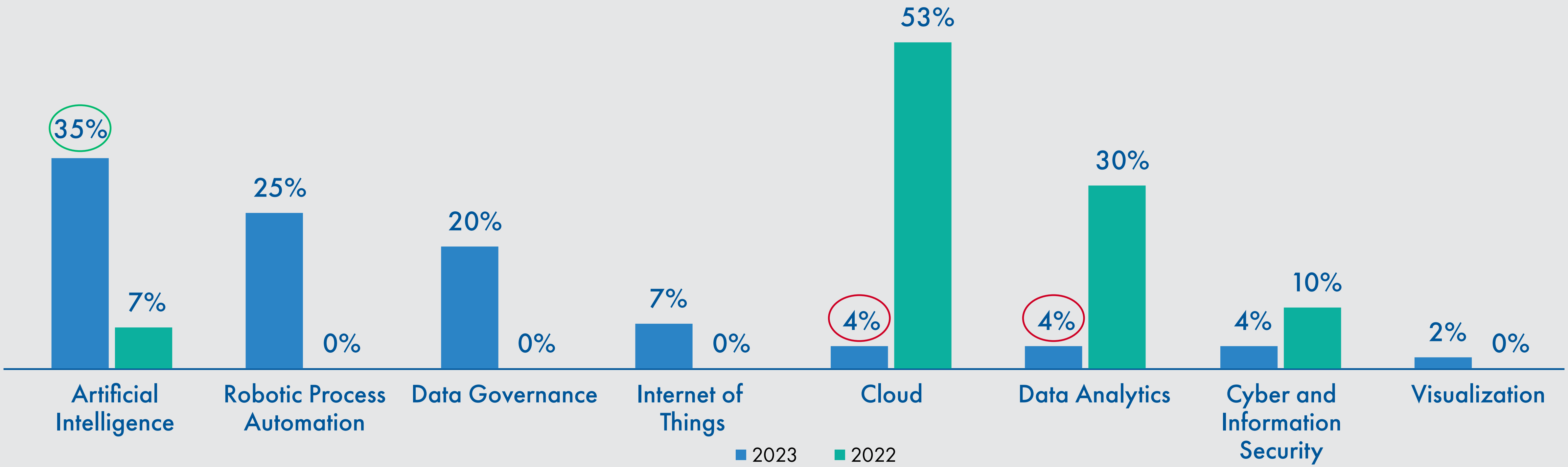
- Respondents indicate two sources are most likely to provide learning and development related to technology: conferences/speaking engagements and consulting/vendor partnerships.
  - Responses for both sources have increased slightly but not significantly in 2022.
  - Respondents are slightly less likely to learn from peer events, while they are significantly less likely to learn from self-study.



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

Platform/Technology Investments

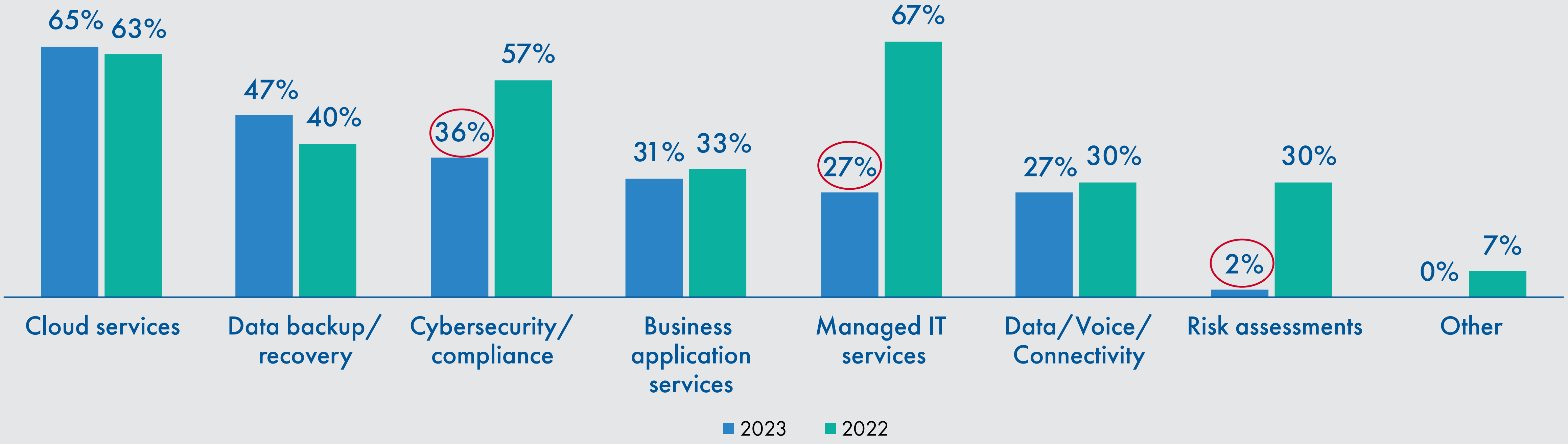
- Just over one-third of respondents are investing most in artificial intelligence in 2023.
  - Robotic Process Automation and Data Governance are also relatively common responses.
  - In contrast, only 4% are investing most in Cloud and Data Analytics. Responses for both are down significantly in 2023.



Question: *In which platforms or technologies is your organization investing most for 2023?*

Activities Outsourced

- Two-thirds of respondents are outsourcing cloud services and half are outsourcing data backup/recovery in 2023.
- Outsourcing of three activities has declined significantly in 2023: cybersecurity/compliance, managed IT services, and risk assessments.



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

Selection Criteria
(Outsourcing or Managed Service Partners)

- When selecting outsourcing partners, more than 8 in 10 rate case studies and expertise as important.
  - More than one-third rate trust as "extremely important."
  - Average responses for case studies, expertise, and trust are almost identical—these are the top factors considered for selecting these partners.
  - Location, expected value, and breadth of services are rated as less important considerations.

Mean Score	4.11	4.13	4.15	3.95	4.00	3.84	3.87	3.91	3.76

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

Selection Criteria – Year Over Year
(Outsourcing or Managed Service Partners)

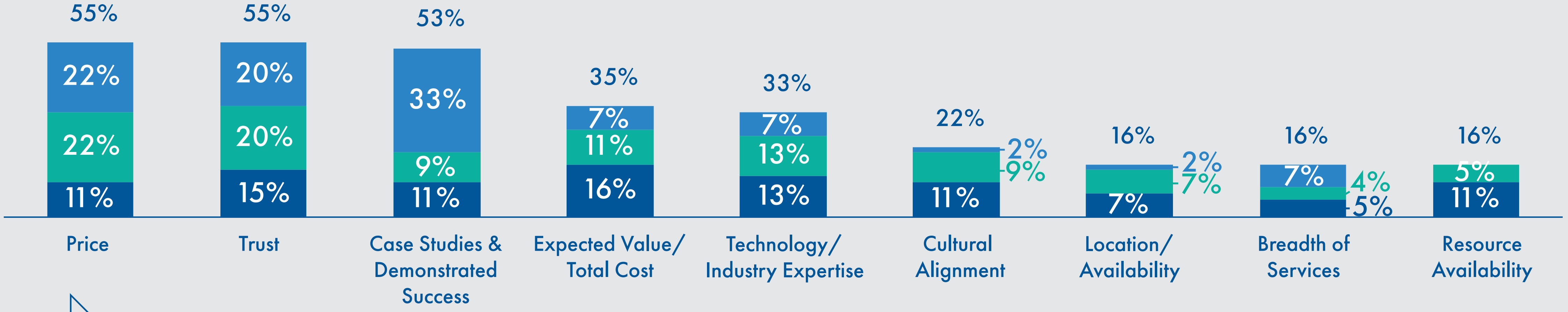
- Four criteria are ranked as significantly more important considerations in 2023 than they were in 2022:
  - Case studies and demonstrated success
  - Cultural alignment
  - Breadth of services
  - Location/availability
- In contrast, the average importance rating for expected value/cost of ownership has declined significantly in 2023.

	Somewhat + Extremely Important		Mean Score	
	2023	2022	2023	2022
Case Studies and Demonstrated Success	85%	67%	4.11	3.73
Technology/Industry Expertise	82%	83%	4.13	4.13
Trust	78%	90%	4.15	4.37
Price	76%	77%	4.00	4.03
Cultural Alignment	76%	43%	3.95	3.47
Resource Availability	73%	73%	3.84	3.97
Breadth of Services	69%	43%	3.87	3.23
Expected Value/Total Cost of Ownership	67%	83%	3.91	4.30
Location/Availability	65%	22%	3.76	2.93

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

Selection Criteria
(Professional Services Partners)

- When ranking the top criteria in considering professional service partners, three criteria are ranked highest: price, trust, and case studies/demonstrated success.
  - Price and trust are ranked among the top three criteria considered most frequently.
  - Case studies/demonstrated success are ranked as the top consideration most frequently (33%) and also have the best average importance rank (3.42).



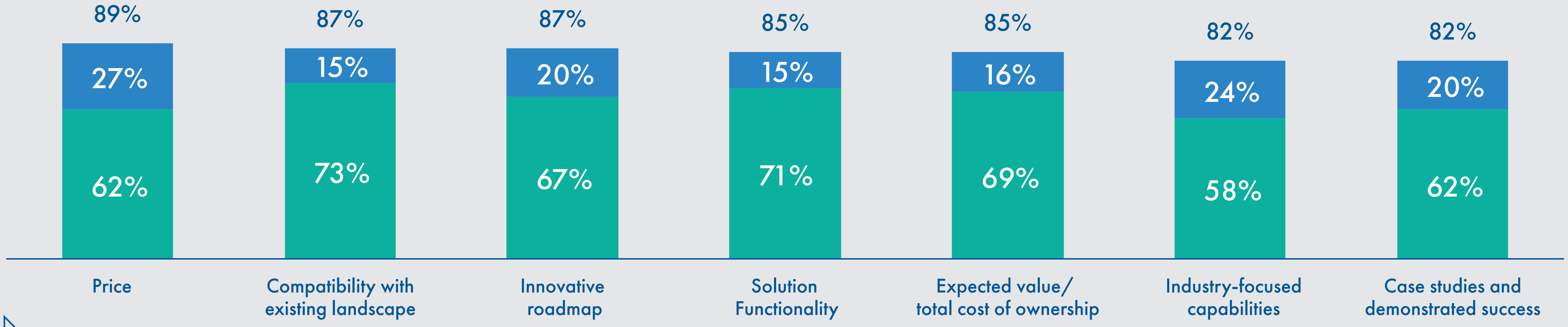
Average Rank	3.56	3.84	3.42	4.82	4.85	5.78	6.35	5.98	6.40

Ranked #1 Ranked #2 Ranked #3

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)

- Generally, all selection criteria for picking a technology vendor are similarly important.
  - Price has the highest percentage of total important responses and is also most likely to be rated as "extremely important." It also has the highest average rating.
  - All other attributes are rated as important by between 82% and 87% of respondents, while the average importance is just over 4.00 for all attributes.



	Price	Compatibility with existing landscape	Innovative roadmap	Solution Functionality	Expected value/ total cost of ownership	Industry-focused capabilities	Case studies and demonstrated success
Mean Score	4.16	4.02	4.07	4.00	4.02	4.05	4.02

■ Extremely Important ■ Somewhat Important

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

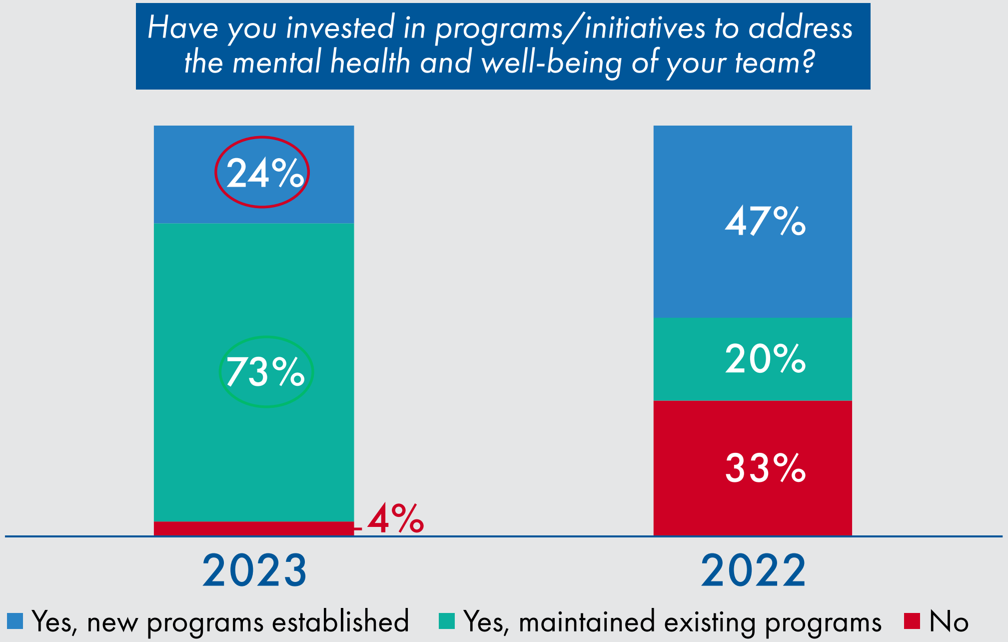
Selection Criteria – Year Over Year
(Technology Solution/Vendor)

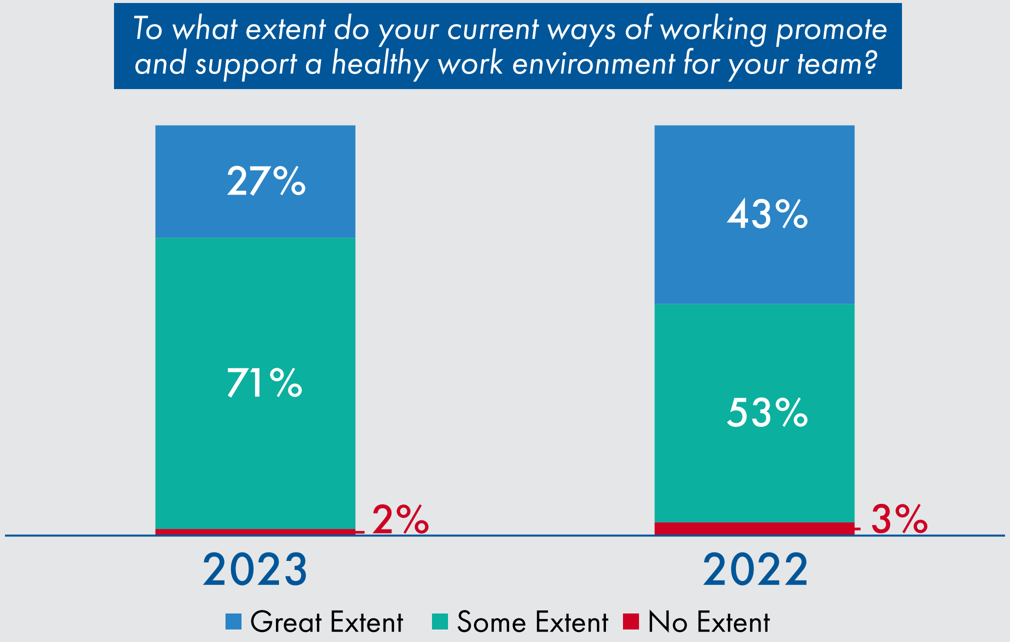
- Four selection criteria are identified as important significantly more often in 2023 than they were in 2022:
  - Price
  - Innovative roadmap
  - Industry-focused capabilities
  - Case studies and demonstrated success
- However, the average importance of solution functionality and expected value has declined in 2023.

	Somewhat + Extremely Important		Mean Score	
	2023	2022	2023	2022
Price	89%	73%	4.16	4.00
Compatibility with existing landscape	87%	87%	4.02	4.23
Innovative roadmap	87%	70%	4.07	3.73
Solution Functionality	85%	90%	4.00	4.50
Expected value/ total cost of ownership	85%	93%	4.02	4.38
Resource Availability	82%	60%	4.05	3.83
Case studies and demonstrated success	82%	53%	4.02	3.53

Healthy Working Environment

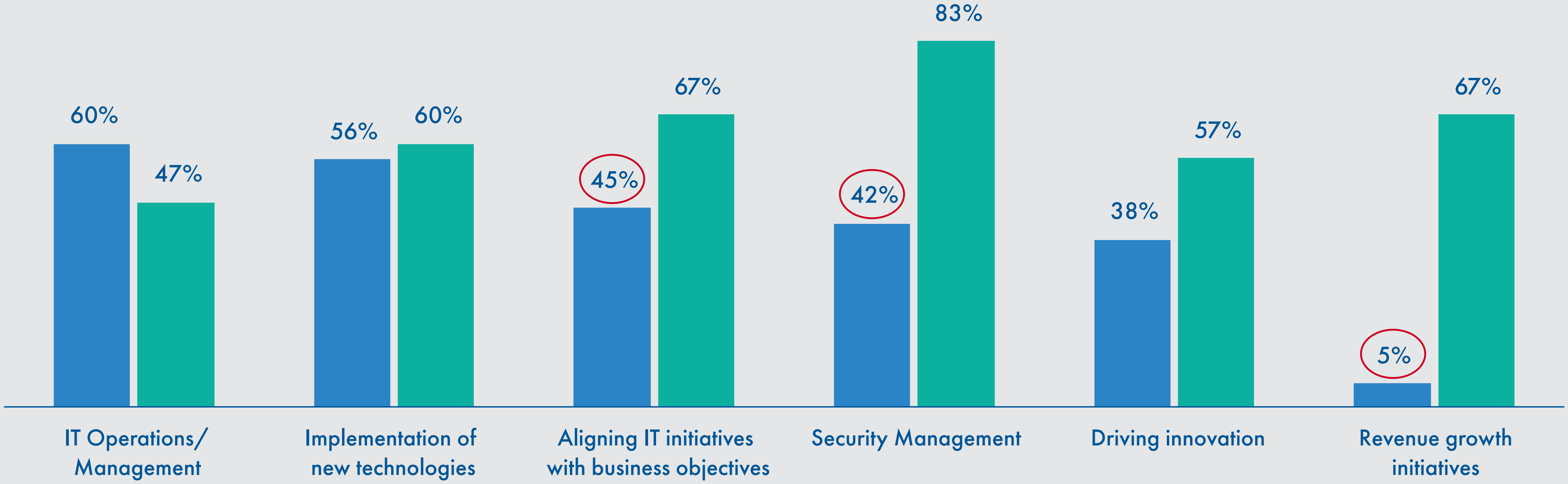
- Almost all respondents have invested in mental health and well-being programs for their teams, up from 67% in 2022.
    - However, they are significantly less likely to have established new programs (24%; down from 47%) and are significantly more likely to have maintained existing programs (73%; up from 20%).
- Virtually all respondents report they are promoting a healthy work environment to at least some extent.





Priorities in the Next Year

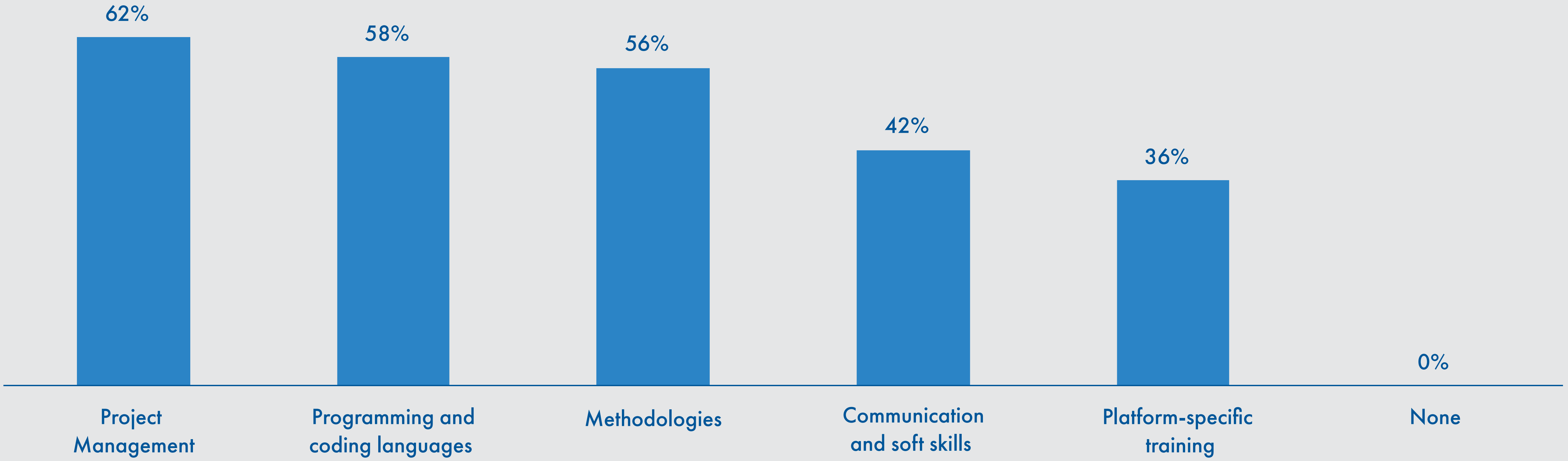
- Respondents are most likely to focus on IT Operations/Management and implementation of new technologies in the next year.
- They are less likely to prioritize three areas in 2023 than they were in 2022: aligning IT initiatives with business objectives, security management, and revenue growth initiatives.



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

Priorities in the Next Year

- Respondents are most likely to allocate training resources to project management, programming/coding, and methodologies in 2023.
- Communication/soft skills and platform-specific training are less likely to receive resources.



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

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Businesses across life sciences, consumer products, and retail industries partner with Clarkston Consulting to enhance strategic decision-making, 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,

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