Clarkston Consulting 2024 CIO Survey Summary Report

Background & Objectives

In November 2023, Clarkston Consulting commissioned Savanta (formerly Infosurv Research) to re-administer their annual CIO Market study. The overarching goal of the study was to understand the current priorities and challenges of upper or C-Suite-level professionals.

This is the third consecutive year Savanta has conducted this survey.

Survey objectives:

- 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.
- Identify any changes in responses since the last survey and determine priorities for the coming year.

Methodology

1
RESEARCH

The survey was available to be taken between December 6 and December 23, 2023.

In all, a total of 100 CIO/CTO/CISOs were recruited to take the survey by a third-party panel provider. This results in a margin of error of 9.8%.

2
SCREENING CRITERIA

Respondents were screened for several criteria before taking the survey:

- **Employment:** Works full time as a CIO or similar role in an IT department
- **Industry:** Works in the CPG, Life Sciences, or Retail industries.
- **Revenue:** Company has a 2021 revenue of at least $350M.
- **Company size:** Employs at least 1,000 people.

3
DATA

Throughout this report, references may be made to statistically significant differences. This means that observed differences between two sets of numbers have been mathematically determined to be actual differences that did not occur due to random fluctuations in the data.

Despite the use of this testing, due to small sample sizes in previous years, it is important to use caution arriving at strong conclusions in regards to the year-over-year changes.

Respondent & Organization Characteristics

Industry	2024	2023	2022
Life Sciences	36%	35%	27%
Retail	37%	25%	30%
Consumer Packaged Goods	27%	16%	33%

2021 Revenue	2024	2023	2022
$350M up to $500M	24%	20%	13%
$500M up to $1B	19%	29%	13%
$1B up to $5B	29%	25%	47%
$5B up to $20B	19%	18%	23%
$20B+	9%	7%	3%

# of Employees	2024	2023	2022
250 to 999	7%	2%	0%
1,000 to 4,999	32%	31%	47%
5,000 to 9,999	22%	35%	17%
10,000+	39%	33%	37%

Company Type	2024	2023	2022
Hybrid B2B/B2C	45%	36%	43%
B2B	26%	24%	37%
B2C	29%	40%	20%

Role in IT	2024	2023	2022
CTO	28%	45%	3%
CIO	26%	35%	73%
CISO	24%	20%	20%
VP	22%	0%	3%

# of Years in Current IT Role	2024	2023	2022
Less than 1 year	1%	0%	7%
1 to 3 years	15%	5%	33%
4 to 6 years	31%	38%	30%
7 to 10 years	29%	22%	20%
More than 10 years	24%	35%	10%

# of Employees in the IT Department	2024	2023	2022
Under 10	0%	2%	3%
10 to 25	1%	11%	10%
25 to 49	8%	11%	7%
50 to 99	23%	16%	13%
100 to 249	36%	27%	50%
250+	32%	33%	17%

Private vs. Publicly Held	2024	2023	2022
Public	57%	71%	30%
Private	43%	29%	70%

Summary of Key Findings

CURRENT STATUS/TRENDS WITHIN THE IT DEPARTMENT

- **Budget:** IT budgets are expected to increase in the coming year (57% expect an increase) or at least stay the same (27% expect). Distribution of IT budgets is fairly evenly spread across areas.
- **ERP Usage:** Companies seem to be shifting from using one ERP to multiple or hybrid systems. Currently, 18% use SAP, down substantially from 2022 when 47% used it. Oracle is used by 19%, Microsoft by 15%, and NetSuite by 12%. Usage of hybrid systems has risen from 20% last year to 35% this year. Only half of these respondents are certain they'll continue to use the current ERP in the future. Those using hybrid/multi-systems are the most likely to continue with that system going forward.
- **Current Concerns:** Concerns related to external threats have risen substantially since last year (39% vs. 22% in 2023).
- **Department Collaboration:** Improved, almost 8 in 10 find their department as collaborative to at least some extent; last year only 62% felt this way.
- **Technology Ownership:** Ownership of technology investments has shifted since last year – more organizations have established (and compliant) ownership.
- **IT Learning:** Moving more into online courses and away from conferences or consulting.
- **Focus Areas:** The top 2 areas of focus in the next 12 months are IT operations/management and security management; the latter is up from last year (61% this year vs. 42% last year).
- **Training Resources:** In 2024, training resources will be focused fairly evenly on platform-specific training, up substantially from last year (60% vs. 36% last year); programming/coding languages; methodologies; and project management. Fewer firms are training on communications or softer skills in the coming year (23% this year vs. 42% last year).

Summary of Key Findings

AI USAGE & TRENDS

- Companies still continue to invest in AI platforms or technologies more than other areas listed on the survey. 25% are putting the most investment into this area in 2024.

- AI is being used by two-thirds or more of these organizations for data analysis, automation, trend prediction, and customer experience (CX) enhancements. As usage increases, companies are ensuring the ethical use of AI via training/education, creating oversight committees and rules of use, setting up regular monitoring, and carefully vetting AI vendors.

OUTSOURCING TRENDS & KEY PARTNER CRITERIA

- Managed IT services are the most outsourced activity for IT – 72% are outsourcing this. Cloud service outsourcing has fallen since last year (65% vs. 51% currently), as have data backup/recovery (47% vs. 22% now), business application services (31% vs. 19% now) and data/voice connectivity (27% vs. 16% now). Risk assessment outsourcing is up this year, currently 13% from only 2% last year; it remains lower than 2022 levels, however.

- Expertise, trust, and resource availability are the most important criteria for an outsourced partner to have. The ability to demonstrate success (via case studies or other methods) is also important but has dropped somewhat from last year.

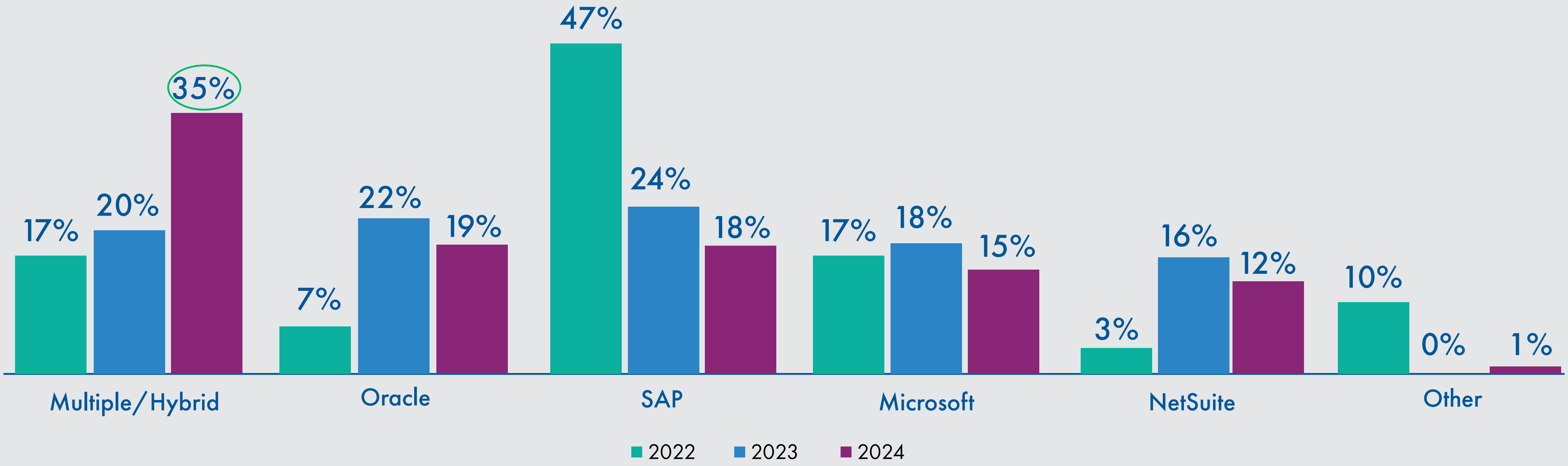
- Price, case studies/demonstrated success, and trust are most important in selecting a professional services partner for things like staffing, consulting, or training.

- The ability to demonstrate success, innovation, and value/cost of ownership is key when selecting technology solutions or vendors of such. Solution functionality is the least important (down from both previous years), likely due to the expectation that functionality is a given, rather than something that sets a vendor apart.

Detailed Results

Respondents are most likely to indicate they use multiple ERP systems or a hybrid system.

- Just over one-third of those responding utilized multiple or hybrid systems this year, up significantly from last year.
- The remaining respondents are split fairly evenly between using Oracle, SAP, and Microsoft. SAP usage has dropped the most since 2022.

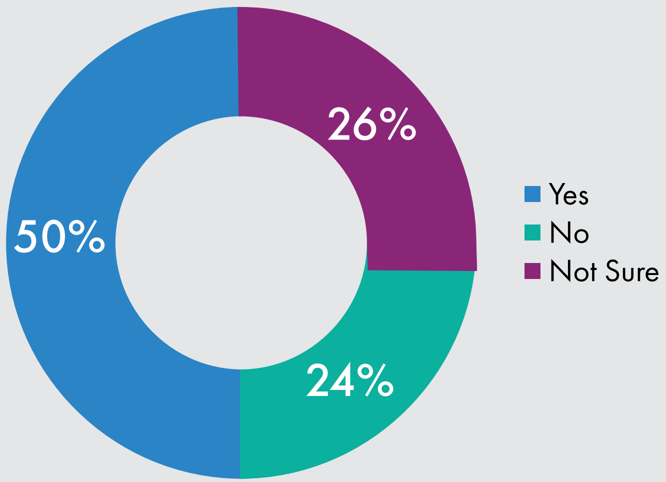


Question: *Which ERP does your business utilize?*

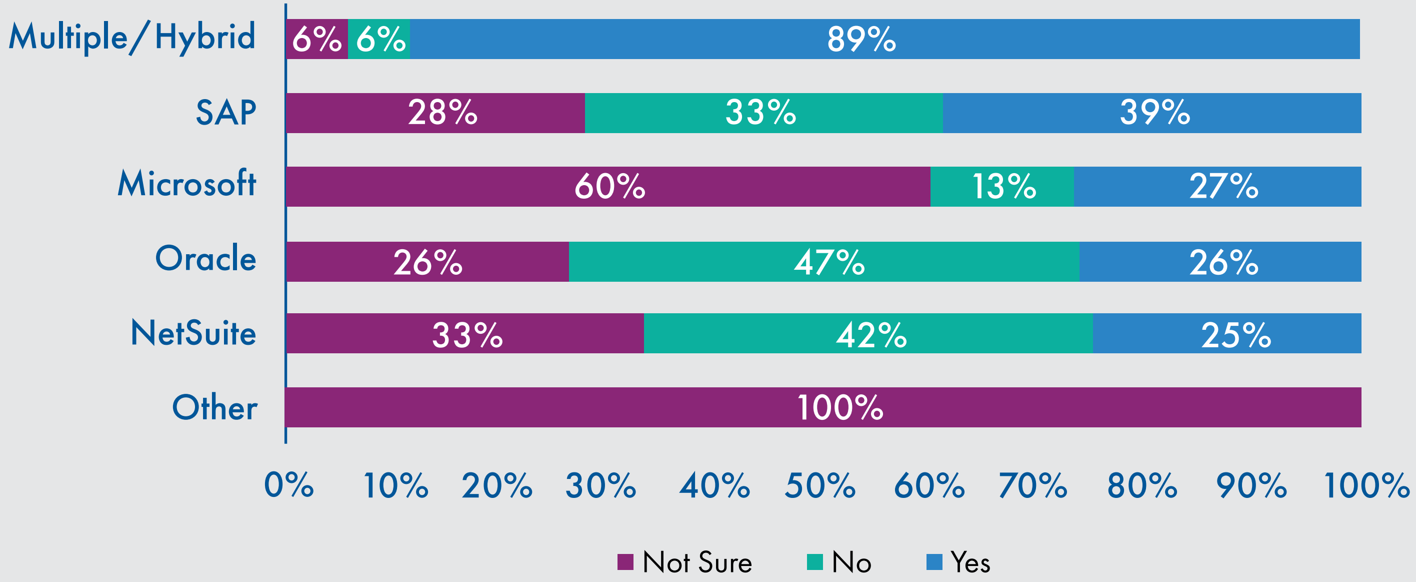
Those using hybrid or multiple ERP systems are most likely to continue using those systems.

- Half of these IT leaders say they will continue with their current ERP in the future. About one-quarter will not, and the final quarter isn't sure.
- However, these results vary based on the current system used. About 9 in 10 who use multiple/hybrid systems plan to keep their current setup; no more than 39% plan to keep using any other system.

Do you plan to continue using this ERP in the future?



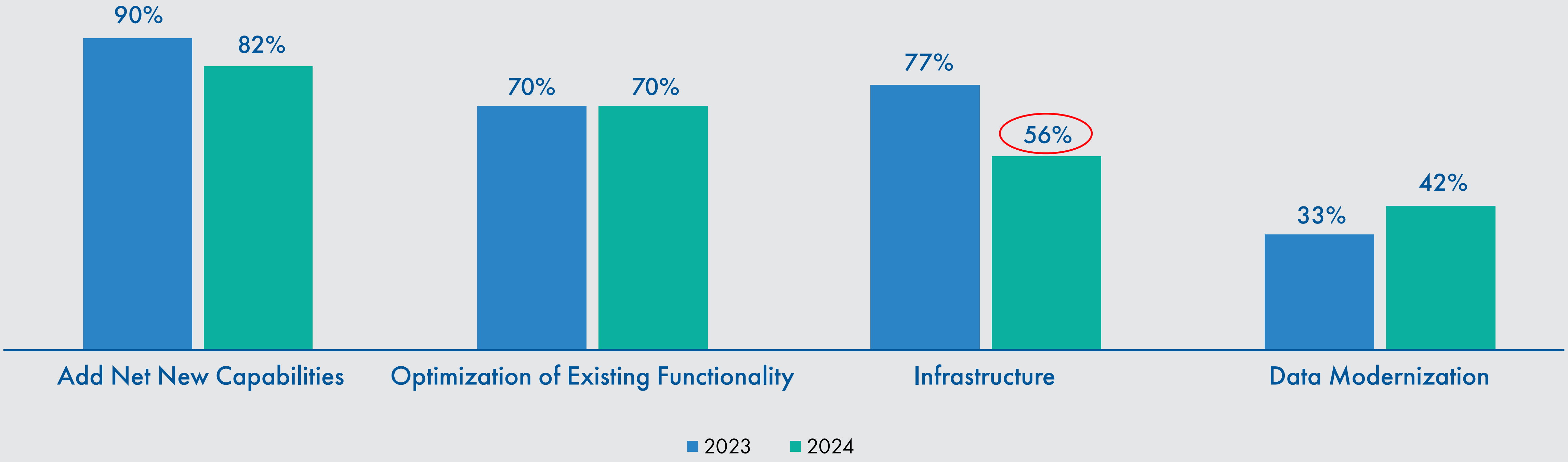
Future Usage Expectation - By Current ERP



Question: *Which ERP does your business utilize?*

The top ERP investment comes, once again, in the form of adding net new capabilities.

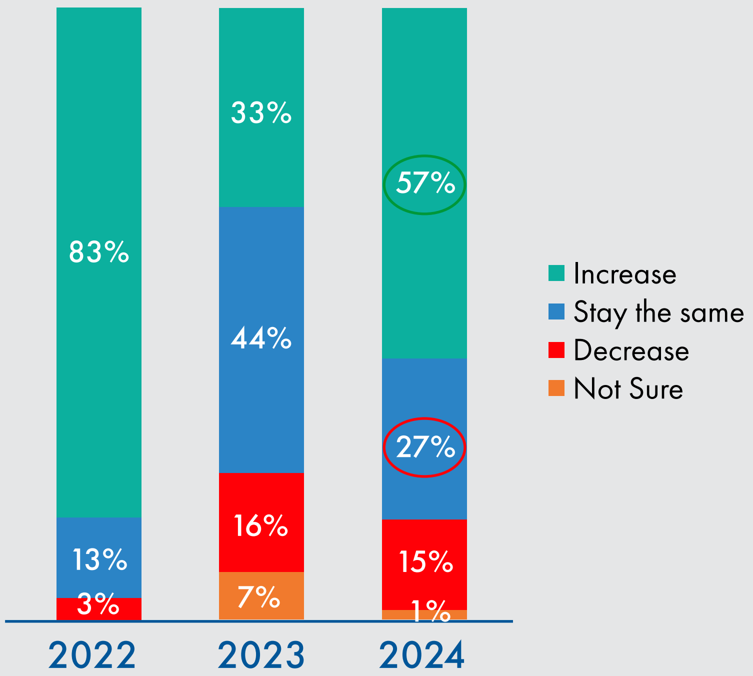
- Just over 8 in 10 respondents will be investing in new capabilities in the future while 7 in 10 will be optimizing existing functionality.
- Infrastructure investments have dropped significantly since last year.



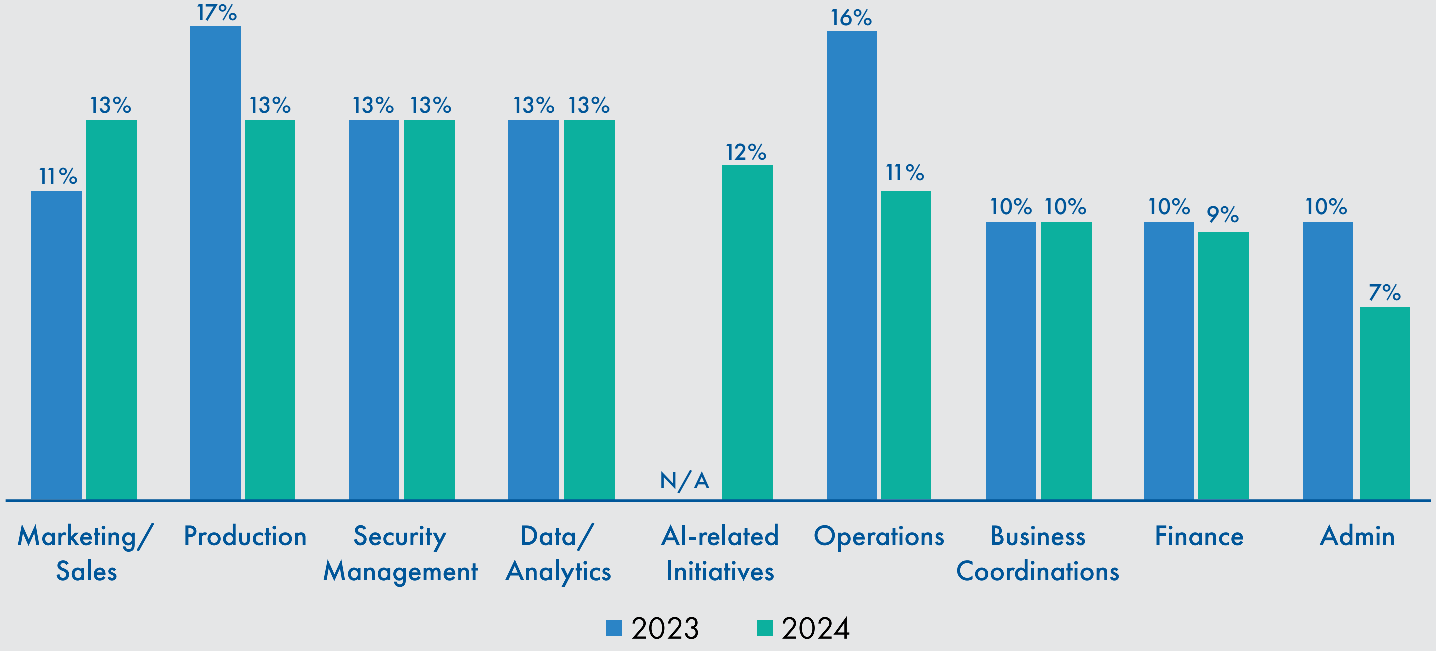
Question: *How are you investing in your ERP in the future?*

IT budgets are expected to increase in 2024.

- Slightly more than half of respondents indicate IT budgets will be going up – a significant increase from 33% last year.
- IT budget distribution is expected to be fairly evenly spread across the various functional areas listed. Due to the introduction of AI-related initiatives in this survey, year-over-year comparisons may not be meaningful. However, it appears that the AI budget is being redirected from three other areas: Production, Operations, and Admin.



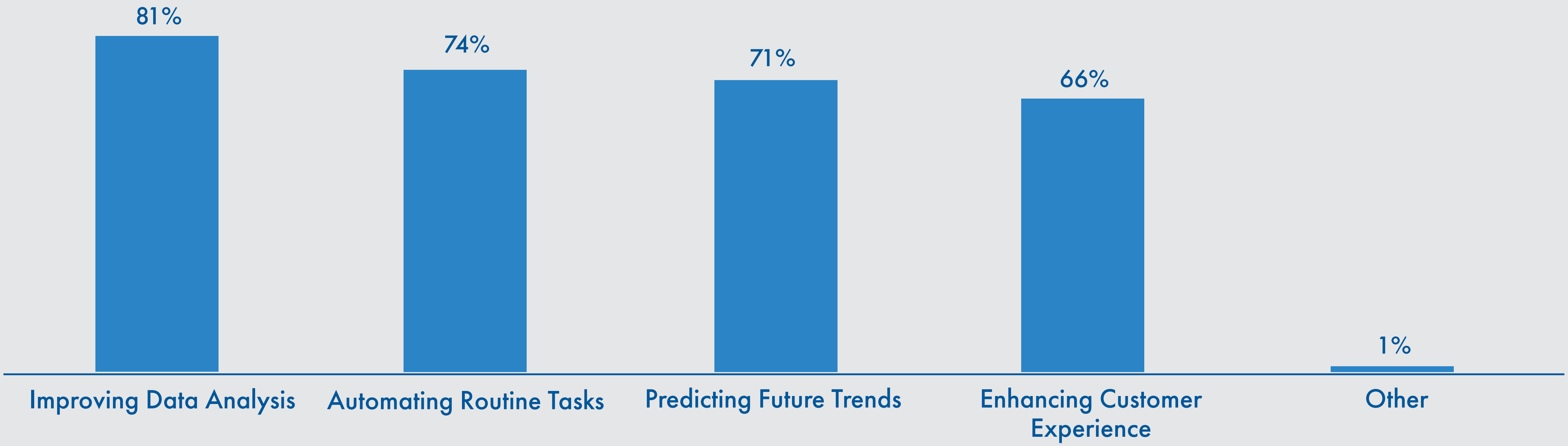
Question: *Do you expect next year's IT budget to increase, decrease, or stay the same?*



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

AI is most often used for improving data analysis.

- About 8 in 10 say their organization uses AI for this purpose.
- Between two-thirds and three-quarters of those responding also say AI is used for automating routine tasks, predicting future trends, and enhancing the customer experience.



Question: *How is your organization using AI?*

AI Opportunities

- Most of the opportunities that companies are seeing in AI fall under the same key areas noted on the previous slide:

  - **Automation** – automation of redundant, repetitive, or non-core tasks in order to free up time for more important work.
  - **Improving the customer experience** – AI is used to help elevate the customer experience through more interactive chatting tools, journey tracking, and measuring customer sentiment.
  - **Analytics, data analysis, and modeling** – including future trend prediction and demand forecasting. AI has helped companies determine optimal price points and streamline logistics.
  - **Security and fraud detection** – AI is useful in detecting patterns associated with fraudulent activities.
  - **Inventory management** – several respondents mention using AI for optimization of inventory and on-shelf product range.

Using AI, we are able to enhance our customer experience and also predict future trends more accurately.

AI will help in automating menial tasks and access to fast data processing for quick decision-making for our organization.

Effective AI-enabled tools help our businesses work more efficiently, avoid errors, and prevent duplicated efforts through efficient collaboration.

Data modeling has become stronger.

We want to use AI mainly across Manufacturing and supply chain in the areas of defect management, order and inventory management, packaging, and labeling.

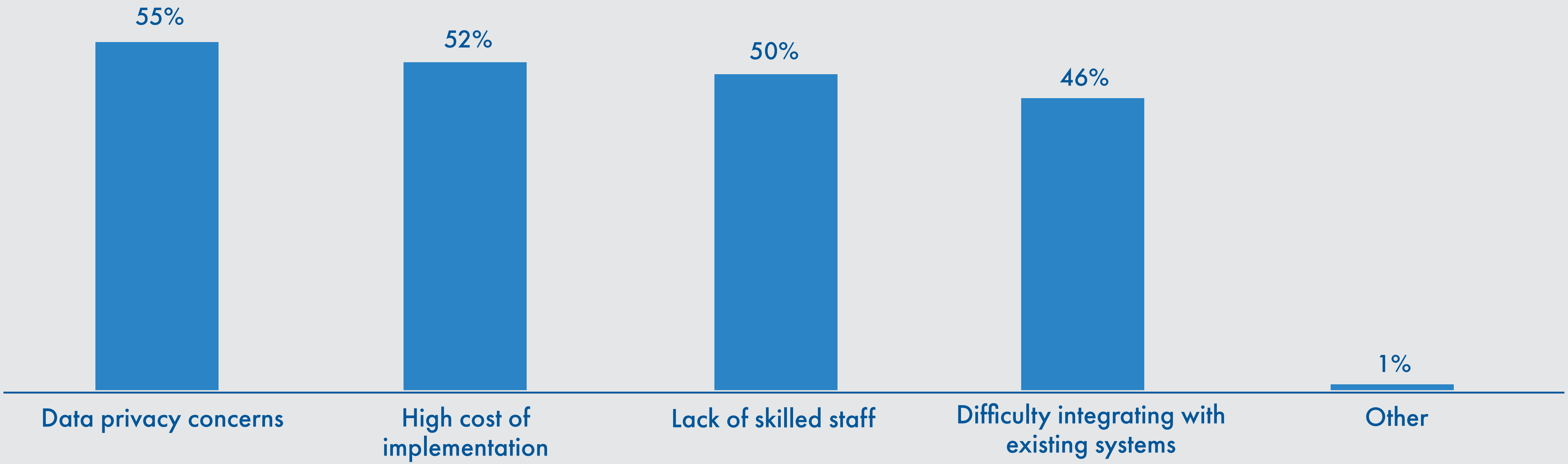
We want to use AI in the area of predictive analytics, as AI-driven analytics embedded into operational processes around customer engagement, inventory management, and capacity planning can drive significant improvements in the accuracy of predictions and more optimal use of resources, leading to lower costs and higher margin.

For us, AI has helped in patient diagnostics, reducing cost of care, and machine learning for better data-driven decisions.

Question: *What opportunities has your organization identified with the help of AI?*

All four areas listed below are common challenges associated with AI implementation.

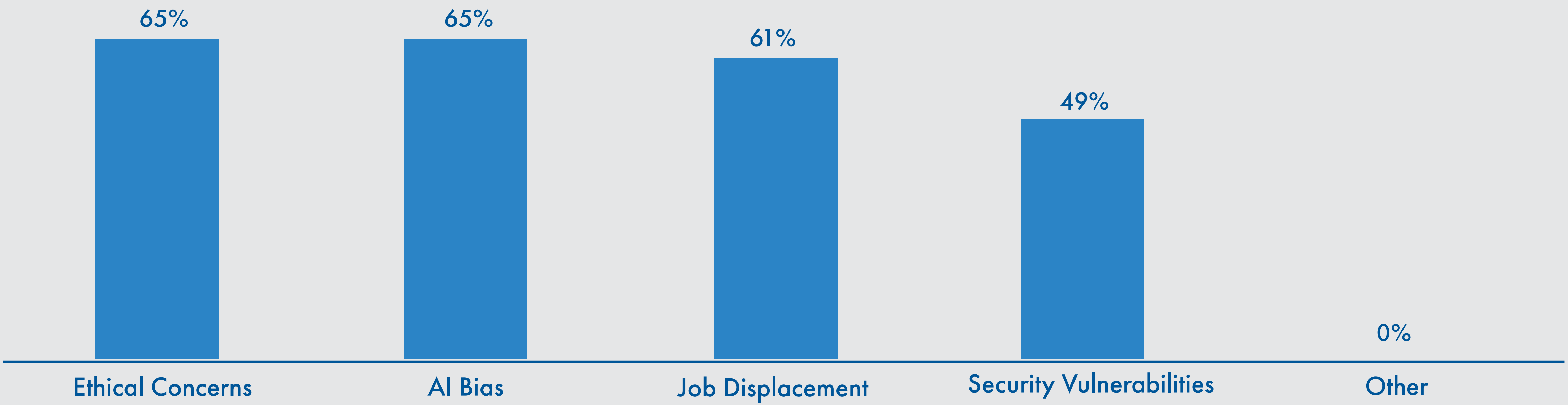
- No one challenge is really experienced more than another, although slightly more found data privacy concerns to be the biggest issue.



Question: *What challenges has your organization faced in implementing AI?*

Ethical concerns, AI bias, and job displacement are the biggest concerns for these organizations.

- Security vulnerabilities are a slightly lesser concern for these respondents, but still a worry for about half of them.



Question: *What concerns does your organization have about AI?*

Ensuring Ethical Usage of AI

When asked what they are doing to ensure the ethical use of AI, responses vary but some themes emerged:

- Many indicate they are training employees specifically in how to apply AI or providing some sort of education around the topic.
- Others are setting up boards or committees to be in charge of and monitor how it is applied/used. These groups often are tasked with creating usage guidelines for the organization.
- Monitoring/auditing or other tracking systems are also employed to assure proper use.
- Firms who use vendors indicate they look for ethical providers who are aligned with their approach to AI usage and thoroughly vet them.

Build an AI ethics committee which will regularly audit each AI system being integrated in the company.

By using an ethically sourced AI model, being transparent, keeping human workforce in the loop, encourage ethical AI trainings, etc.

By regularly monitoring our AI systems, educating employees on the ethical implications of AI, and partnering with ethical providers who share our core values.

By upskilling our workforce about AI and sensitizing them of the implications if AI is wrongly used.

Implementing ethical AI in our organization involves clear guidelines, diverse data training, regular audits, data privacy compliance, explainable AI, ethics training; etc.

Creating frameworks and protocols to manage AI-related risk as well as audit AI systems for bias and transparency is also becoming essential to meet compliance and regulatory requirements.

Various measures like hiring an AI ethics officer to build and oversee the program, establishing an internal AI ethics committee to weigh and decide hard issues.

By building and following strong codes of ethics in the company and adhering to government-led regulatory frameworks.

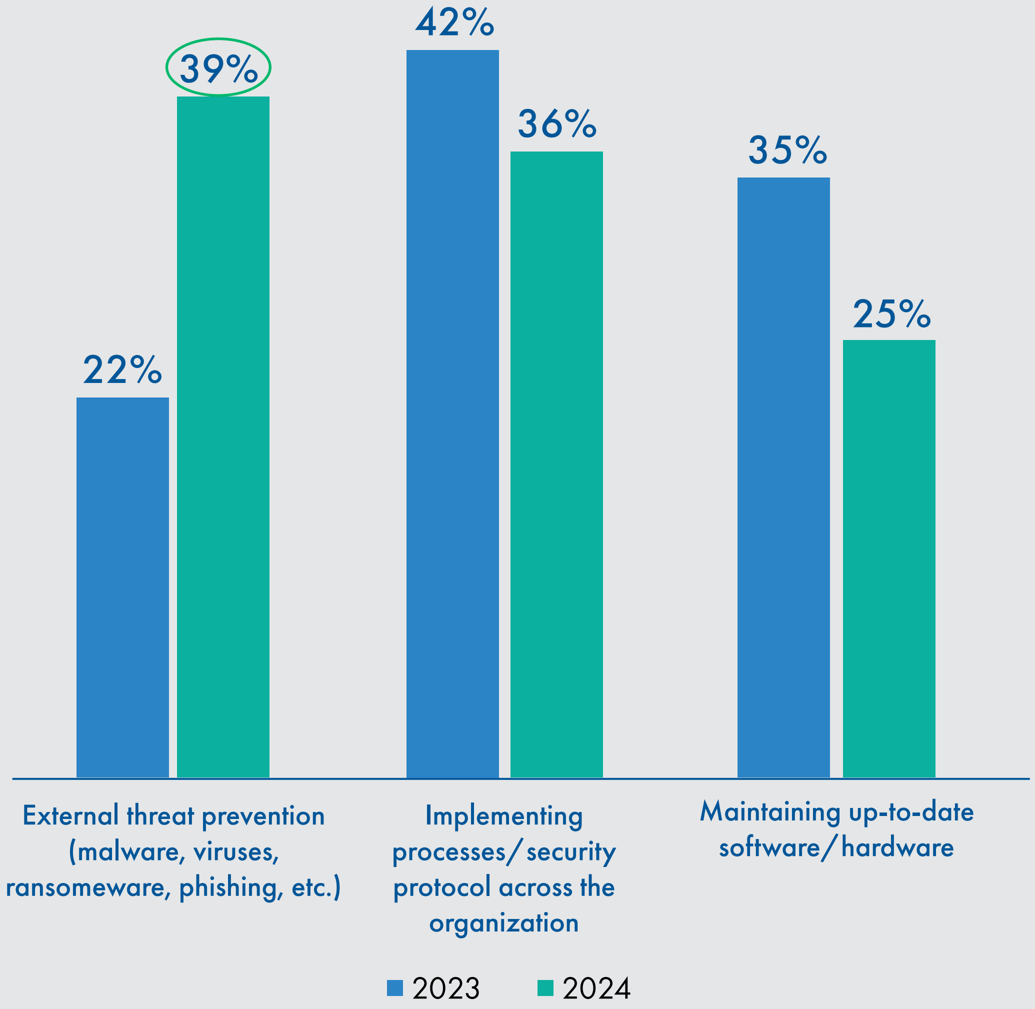
We will be appointing AI ethics officer to oversee all AI implementations.

Question: *How are you ensuring the ethical use of AI in your organization?*

Concerns over external threats have risen since 2023.

The top concern this year is external threat prevention – almost 4 in 10 consider this the top threat their business faces.

Implementing processes/security protocol across the organization is a challenge for just over one-third of those responding while maintaining up-to-date hardware and software is the top challenge for one-quarter of these IT leaders.



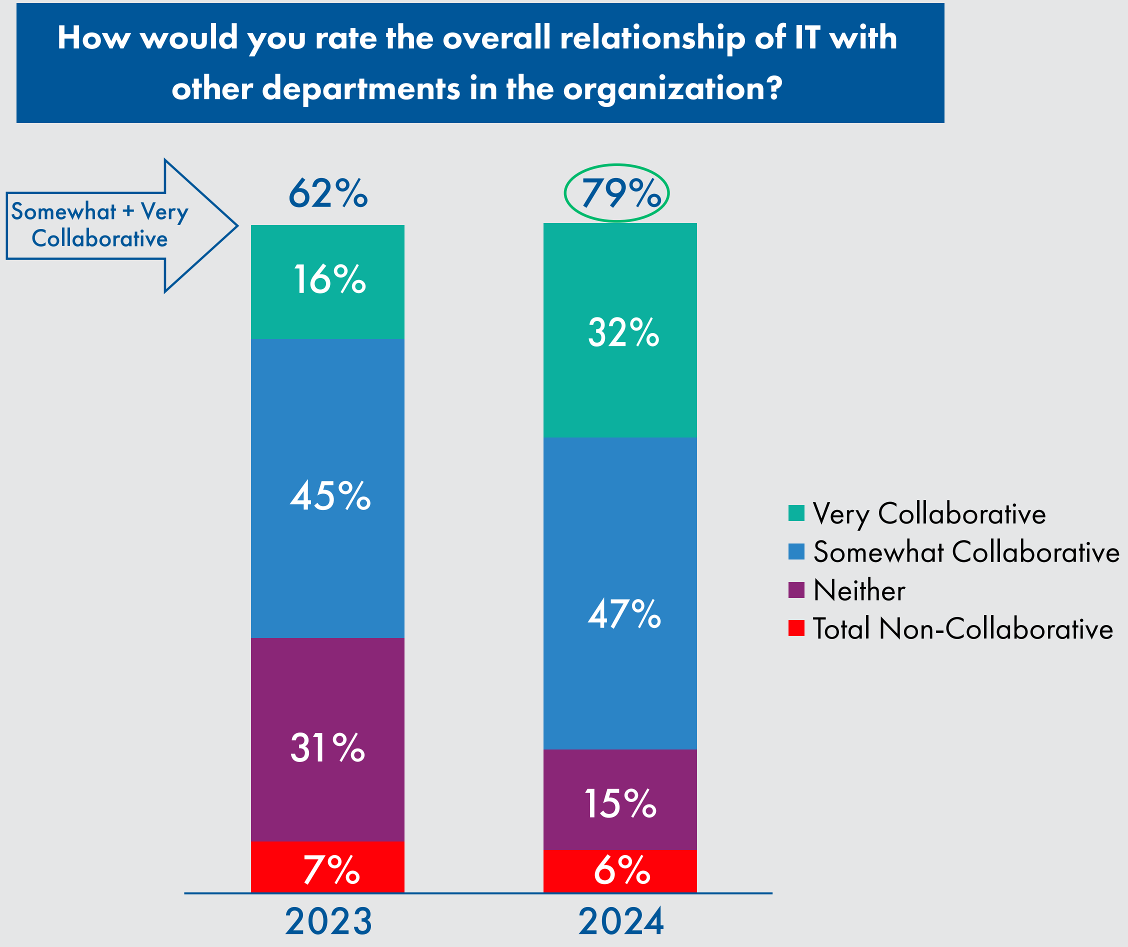
Question: *What is the most critical security challenge facing your business today?*

IT department collaboration is improving.

IT department collaboration has risen substantially from last year. Almost 8 in 10 CIOs say IT has a collaborative relationship with the other departments in the organization.

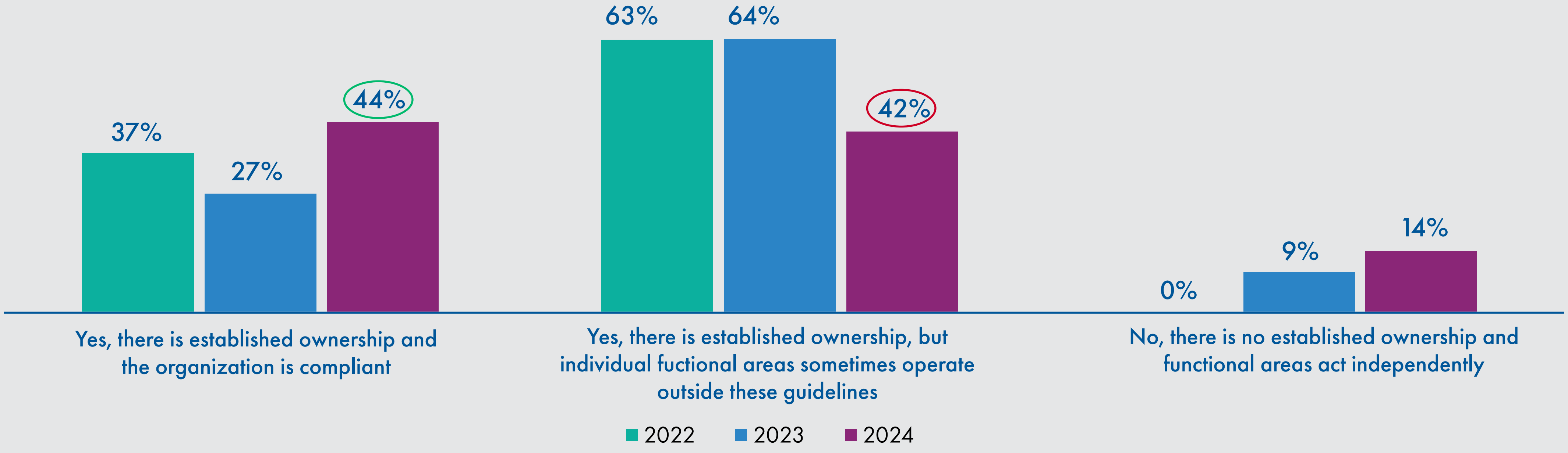
- This includes almost one-third who feel their department is “very collaborative” with others.

Only 6% say that the departments are not very collaborative with one another.



There has been a shift in ownership of technology investments since last year.

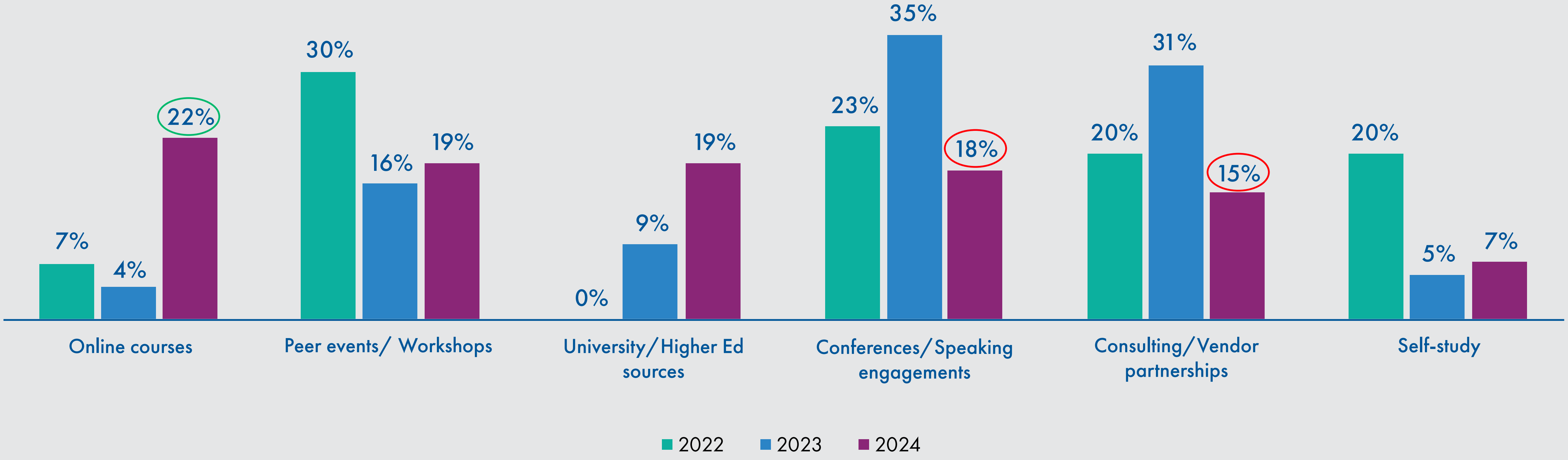
- For the first time, responses are split evenly between those who are compliant with ownership guidelines and those who operate outside guidelines. In past years, respondents were much more likely to indicate there was established ownership of investments, but they were sometimes non-compliant.
- 14% indicate that functional areas act independently.



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

Online courses have seen a definite uptick in usage, while conferences and vendor partnerships are being used less often for learning and development purposes.

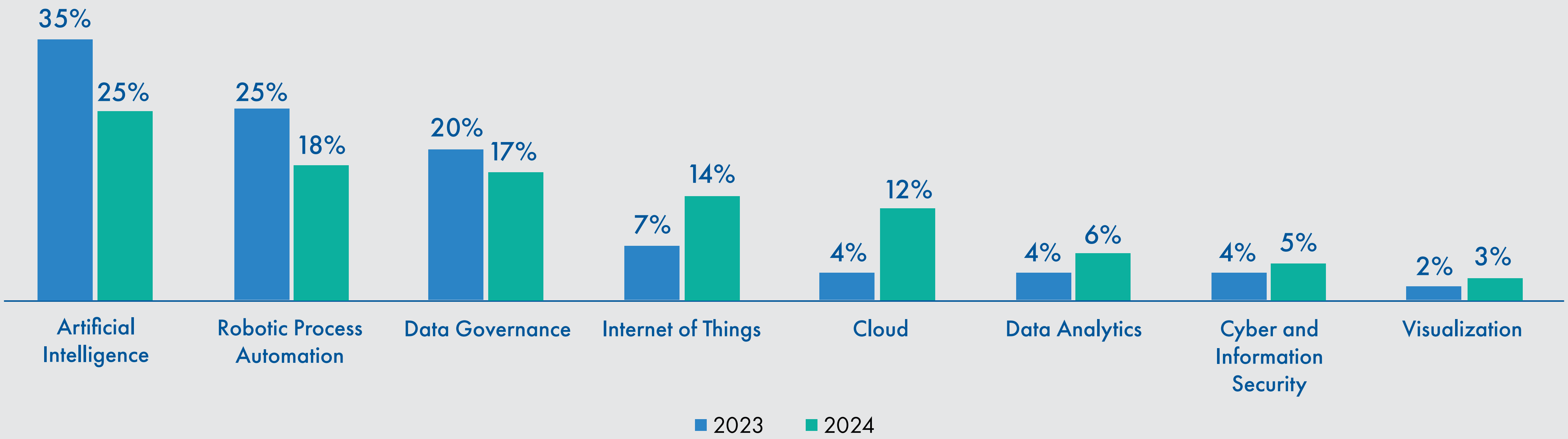
- This year, 22% of those responding get their learning online. Events/workshops and higher education sources are also used by about 2 in 10.
- Self-study is the least used method.



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

AI platforms and technology continue to see the most investment.

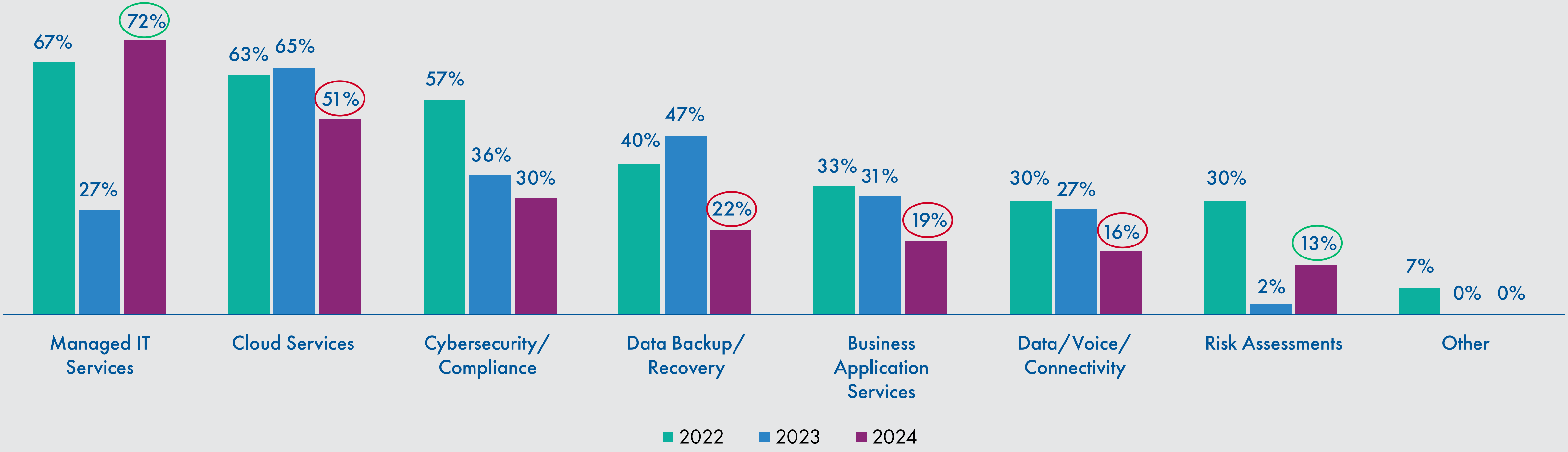
- One quarter of those responding indicate that AI platforms and technologies are their firms' biggest investment area for 2024.
- Robotic process automation and data governance are the next most often cited.



Question: *In which platforms or technologies is your organization investing most for 2024?*
Note: *Fewer options were listed for this question on the 2022 survey. Therefore, results are not comparable and are not shown.*

Managed IT services are the most outsourced activity.

- Almost three-quarters of those responding say their department outsources managed IT services – up significantly from a dip noticed last year.
- Conversely, respondents are less likely this year to outsource cloud services, data backup/recovery, business application services, and data/voice connectivity.

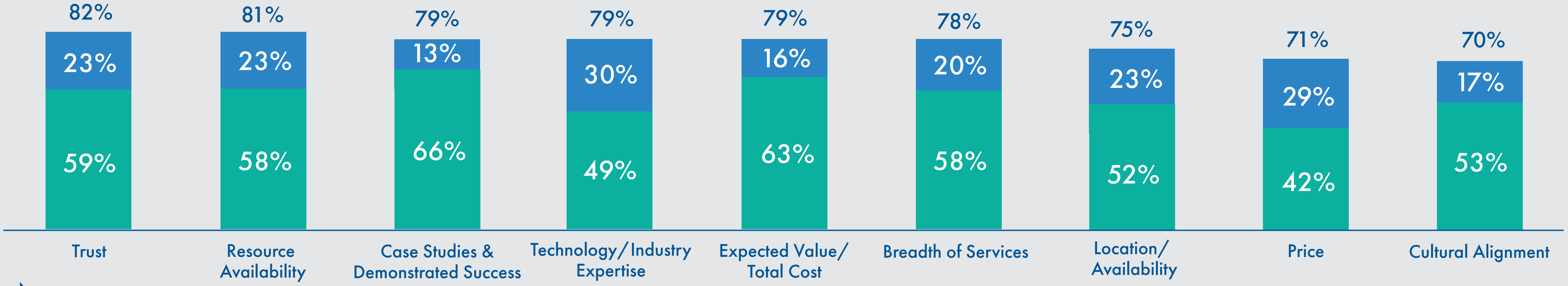


Question: *Which of the following activities does your IT department outsource, if any?*

Expertise, trust, and resource availability are the most important criteria in selecting an outsourcing or managed service partner.

- Just over 8 in 10 indicate trust and resource availability are important, but a higher percentage of respondents indicate that technology or industry expertise is extremely important to them. The same is true for price, even though it had a slightly lower top two box score.

- It should be noted that the difference between the top-rated (trust) and bottom-rated (cultural alignment) is only 12 percentage points. While more focus on the top-rated criteria may be warranted, none of these areas should be ignored or actively de-emphasized.



Mean Score	Trust	Resource Availability	Case Studies & Demonstrated Success	Technology/Industry Expertise	Expected Value/Total Cost	Breadth of Services	Location/Availability	Price	Cultural Alignment
	4.03	4.03	3.88	4.07	3.93	3.93	3.95	3.96	3.81

■ Somewhat Important ■ Extremely Important

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

Selection Criteria – Year Over Year

Year-over-year results for the various partner criteria haven't changed dramatically for most areas except for case studies – the mean score has dropped significantly since 2023.

Trust has slowly dropped as well from 2022 but is not significantly different from last year.

Location/availability has increased substantially since 2022.

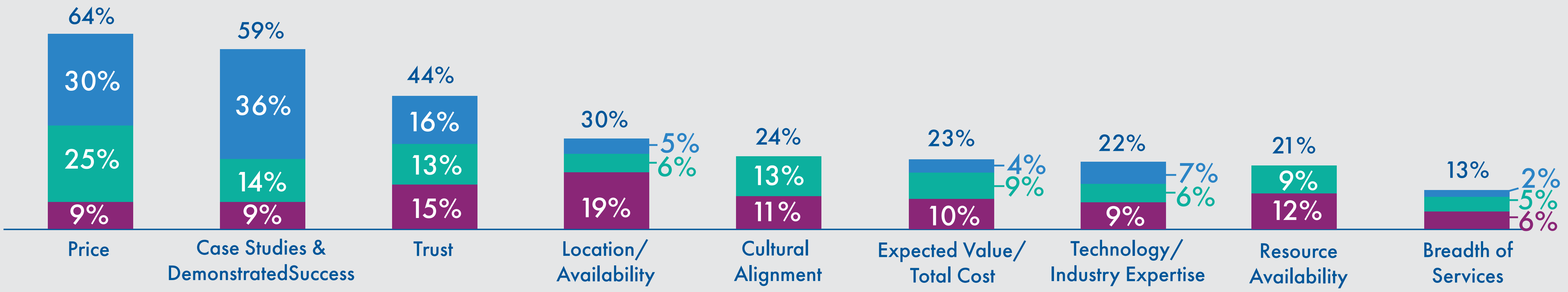
	Somewhat + Extremely Important			Mean Score		
	2022	2023	2024	2022	2023	2024
Trust	90%	78%	82%	4.37	4.15	4.03
Resource Availability	73%	73%	81%	3.97	3.84	4.03
Case Studies and Demonstrated Success	67%	85%	79%	3.73	4.11	3.88
Technology/Industry Expertise	83%	82%	79%	4.13	4.13	4.07
Expected Value/Total Cost of Ownership	83%	67%	79%	4.30	3.91	3.93
Breadth of Services	43%	69%	78%	3.23	3.87	3.93
Location/Availability	23%	65%	75%	2.93	3.76	3.95
Price	77%	76%	71%	4.03	4.00	3.96
Cultural Alignment	43%	76%	70%	3.47	3.95	3.81

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

Price and case studies are much more important when selecting a professional services partner.

- Respondents are more likely to value case studies and demonstrated experience when they're looking for a partner to help them with consulting, staffing, or training. Over one-third of them ranked this as their #1 criterion. Price is also highly important but was more often ranked #2.

- Trust and location are also important to some, while industry expertise, resource availability, and breadth of services were not high on most lists.

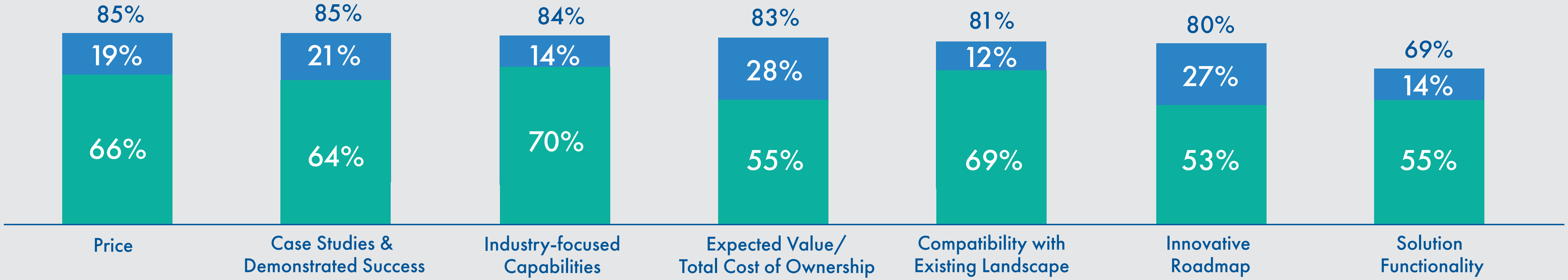


Average Rank	Price	Case Studies & DemonstratedSuccess	Trust	Location/ Availability	Cultural Alignment	Expected Value/ Total Cost	Technology/ Industry Expertise	Resource Availability	Breadth of Services
Average Rank	3.13	3.52	4.15	5.15	5.58	5.59	5.16	6.25	6.47

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

Case studies, innovation, and cost of ownership are the key criteria for a technology solution/solution vendor.

- Value/cost of ownership received the most "extremely important" ratings followed closely by innovation.
- Price and case studies were also important but more often ranked #2 on the list.
- Solution functionality was rated lowest – likely because this was more of a "table stakes" item and something they'd expect of any solution purchased or vendor used.



	Price	Case Studies & Demonstrated Success	Industry-focused Capabilities	Expected Value/ Total Cost of Ownership	Compatibility with Existing Landscape	Innovative Roadmap	Solution Functionality
Mean Score	4.03	4.06	3.95	4.07	3.90	4.06	3.78

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

Technology Solution/Vendor Selection Criteria

Very few significant shifts occurred between last year and this year in regard to selection criteria for a technology solution or vendor.

The main change was the decrease in rankings for solution functionality – again, this is likely contributed to the expectation that any solution will function as intended.

	Somewhat + Extremely Important			Mean Score		
	2022	2023	2024	2022	2023	2024
Price	73%	89%	85%	4.00	4.16	4.03
Case Studies & Demonstrated Success	53%	82%	85%	3.53	4.02	4.06
Industry-focused Capabilities	60%	82%	84%	3.83	4.05	3.95
Expected Value/Total Cost of Ownership	93%	85%	83%	4.38	4.02	4.07
Compatibility with Existing Landscape	87%	87%	81%	4.23	4.02	3.90
Innovative Roadmap	70%	87%	80%	3.73	4.07	4.06
Solution Functionality	90%	85%	69%	4.50	4.00	3.78

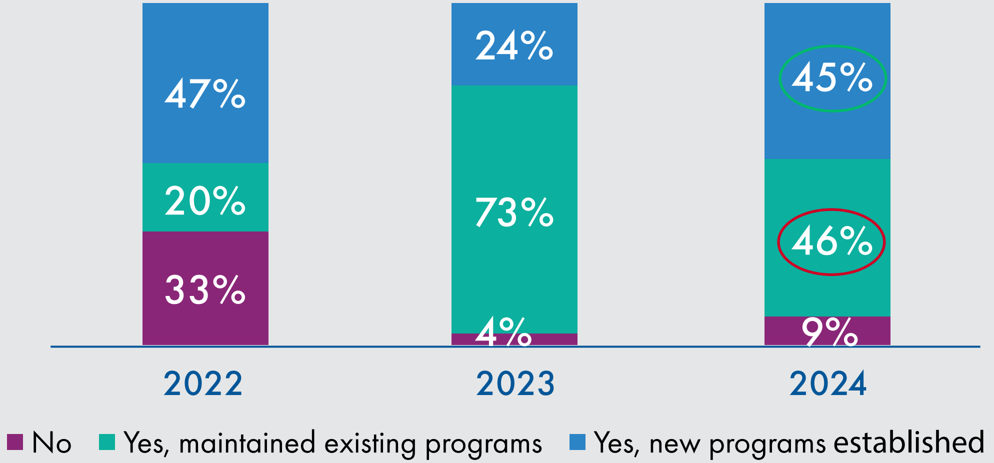
Question: *In selecting a technology solution/vendor, how important are the following criteria?*

More companies appear to be highly supportive of healthy work environments, including investing in new mental health/well-being programs for employees.

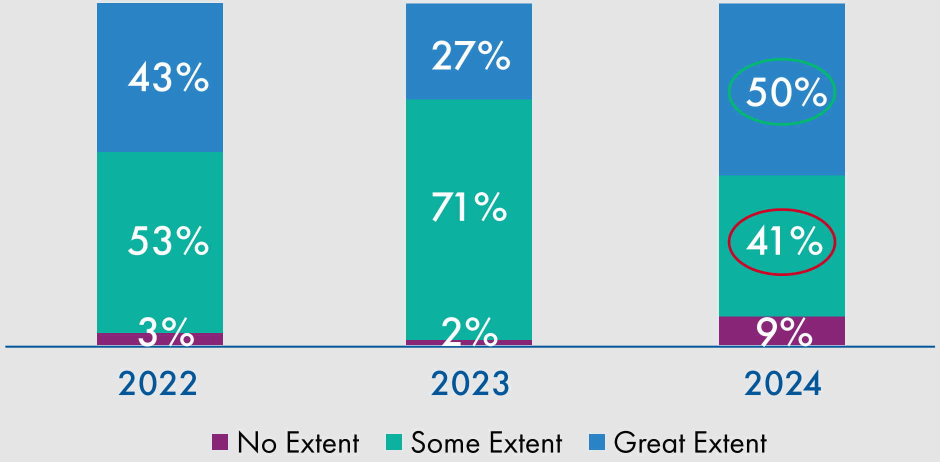
- 91% indicate that their work patterns are designed to promote a healthy work environment. This includes 50% who believe this is happening to a "great extent."

- Companies are more likely to have invested in new mental health programs than to have maintained existing programs, compared to last year. However, few indicate that there has been no investment in mental health, so it is possible that the area of mental health continues to expand or change at these companies.

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

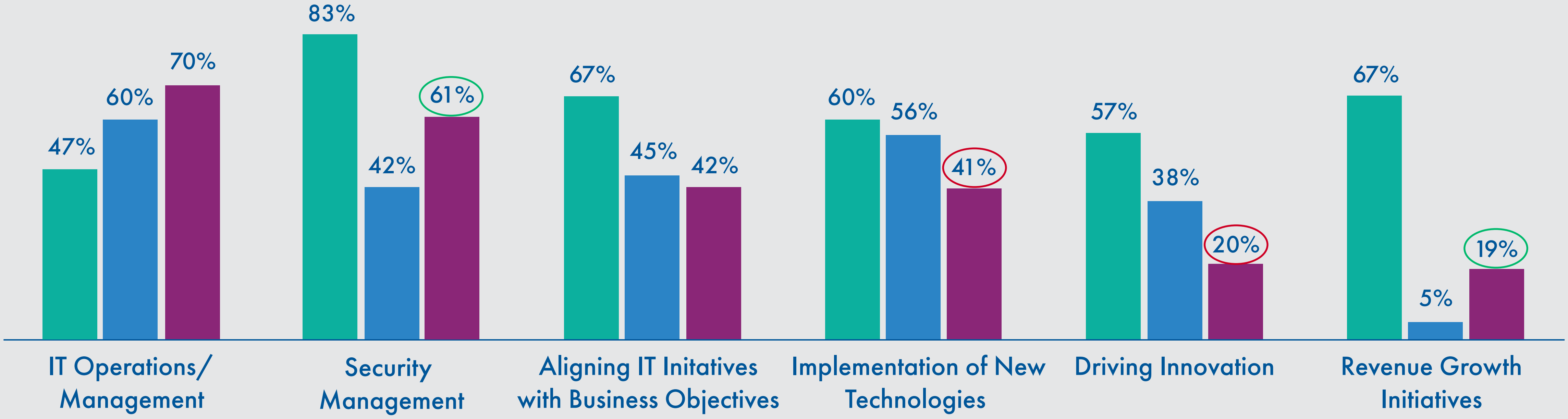


To what extent do your current ways of working promote and support a healthy work environment for your team?



Key focus areas for 2024 are IT Operations and Security Management.

- The focus on IT operations has grown steadily over the past three surveys.
- The focus on security management has increased substantially from last year, while the focus on implementing new technology and driving further innovation has declined somewhat.



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

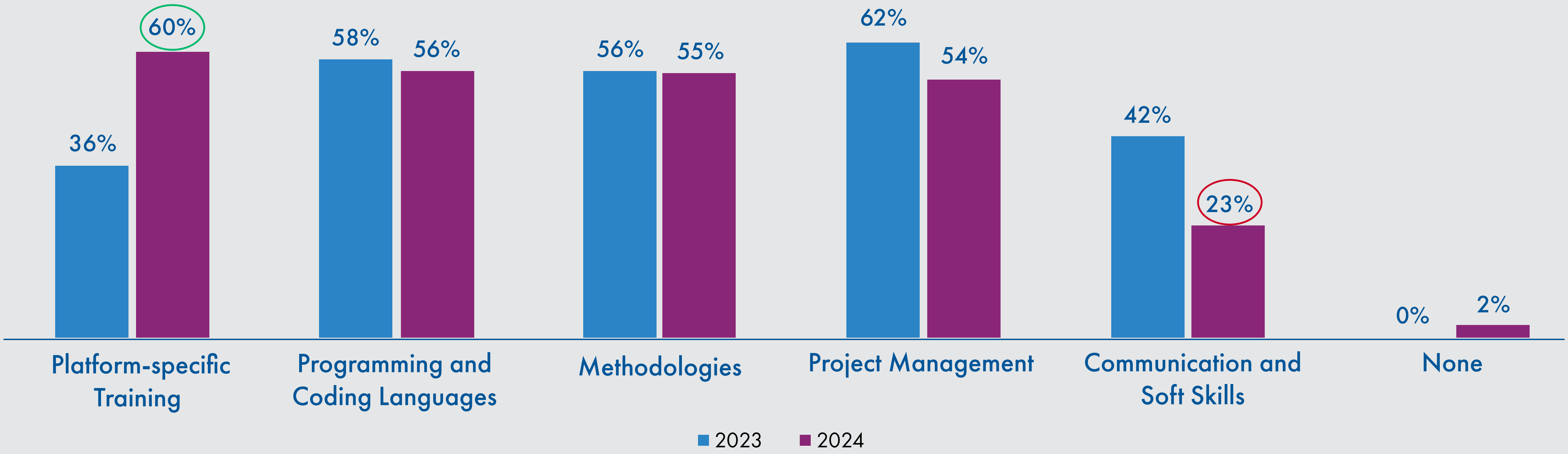
<u>Open-ended question:</u> Which enterprise technologies is your business investing in for 2024?

Generative AI or AI-related tools top the list of technologies these firms will be investing in for 2024. Internet of Things, cloud tech and solutions, machine learning, blockchain, and various types of analytics are also oft-cited tech investments for these CIOs.

Response	Percentage
AI/Generative AI or AI Tools	33%
Internet of Things (IoT)	14%
Cloud Technologies/Cloud Solutions	13%
Machine Learning	12%
Blockchain	12%
Data Analytics, Insights, Predictive Analytics, Big Data Analytics, Visualization	11%
Augmented Reality/Virtual Reality	9%
Digital Tools/Digital Health Tools/Demand Planning Software	8%
RPA	6%
Edge Computing/Quantum Computing	5%
Natural Language Processing	4%
SAP	4%
Robotics Related	3%
Miscellaneous (DevOps, 5G, Web3, Oracle, Microsoft, Cybersecurity)	18%

Platform-specific training will be receiving more resources in 2024. Communication and soft skills will not.

- Six in 10 respondents indicate that their department will allocate training resources towards platform-specific training in the coming year, up substantially from last year.
- The remaining areas below will see similar training resource allocation as in the previous year, except for communication and soft skills training, where respondents indicate less will be spent.



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

ABOUT CLARKSTON CONSULTING

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.

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