Intensifying disruption opens the door for CIOs to take a key role in safeguarding business operations

With business success being inextricably dependent on mission-critical IT suppliers, are CIOs willing and able to protect the IT supply chain – and business – from disruption?

Contents

Executive summary

The last couple of years have seen organisations confronted by a seemingly endless range of disruptions, from geo-political and social instability to cost increases, plus a shortfall in available talent and skills.

Meanwhile, in the race to digitalisation, IT is increasingly forming the backbone of large organisations, with many business-critical IT services being provided by third parties. This puts organisations' increasingly complex and geographically-dispersed IT supply chains on the frontline of protecting business operations. A failure in just one part can have catastrophic consequences for the organisation's ability to operate.

Survey Findings

1. High expectations of business disuptors

Coeus' annual **CIO & IT Leadership Survey** of 240 CIOs & senior IT leaders finds more than half of respondents reporting either a high or very high likelihood of their organisation being impacted by a range of business disruptors, and the expectation that these will have a significant impact on the IT supply chain and, consequently, business operations.

The disruptors rated as having the highest likelihood are Skills / Talent Availability (61%) followed by Geo-political & Social Instability (53%), while the disruptions most expected

to have a high / very high impact on the IT supply chain are Excessive Cost Increases (64%) followed by Skills / Talent (62%).

2. High expectations of IT supplier failure

Third party suppliers often deliver core business processes and / or the IT platforms that allow them to operate. The survey reveals that 50% think the likelihood of IT Supplier Failure is high or very high while 56% of respondents think the impact of Supplier Failure on the IT supply chain, and consequently business operations, would be high / very high.

However, when it comes to assessing the viability of mission-critical IT suppliers, only 48% are routinely assessing for End-to-end Supply Chain Integration, 49% for Contractual Liability, 53% for Financial Stability, 58% for Operational Resilience and 60% for Performance.

3. Disconnect between investment and most significant disruptors

There's also a disconnect when it comes to investment priorities. Investment areas related to Cost Increases / Skills & Talent (the areas

with highest potential impact) are the lowest investment priorities.

Critically, 'Review Of End-to-end Sourcing Strategy', which would most help with addressing both cost increases and talent shortages, comes as the lowest investment priority – with other skills / cost saving-related areas also languishing at the bottom of the list.

4. Business understanding of IT supply chain

When it comes to the business' understanding of the vulnerabilities that lie across the IT supply chain, 26% of respondents state that the delivery locations of IT services are poorly understood across the wider organisation.

The opportunity for IT leaders

It seems likely that disruptions will continue so, with IT more central than ever to business success, IT leaders should take this opportunity to step up to ensure business operations can withstand disruptions.

The fragmentation of IT supply chains is both a threat IT leaders need to address and an

opportunity they should grasp. The risk is that dark, forgotten corners of the IT supply chain leave the organisation operationally exposed.

There are, however, opportunities for those willing to take them. By taking a holistic look at the IT supply chain, IT leaders can take the initiative in mitigating against disruptions as they emerge. For example, with the current Cost challenge, they can regularly review contracts (every 1-3 years with mission-critical IT suppliers), to ensure the company is getting market-driven savings. When it comes to the Skills challenge, it's important to 'go beyond the contract', probing deeper around skills and experience with suppliers.

Crucially, continued investment in digitalisation needs to be maintained to deliver both improved resilience and cost savings.

Lastly, for those willing to seize the initiative, the door is open to move beyond their usual spheres of influence and position themselves for the 'top job'.

50%

think the likelihood of IT Supplier Failure is high or very high.

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Introduction

Ben Barry
Director
Coeus Consulting

In many ways, IT has been the victim of its own success; as technologies and applications have become more stable, people outside the IT function often take that stability for granted.

It's vital that CIOs guard against complacency within their own teams, at Board level and amongst users in general.

While IT systems have become increasingly invisible as they 'just work', they've also become more important. In almost every modern organisation an IT supply chain

failure in one area has the potential to escalate into an existential threat for the whole entity.

With the world teetering on the edge of recession, difficult choices will need to be made that trade off cost, risk, ethical and sustainability imperatives.

Phil Brown
CDIO
AMEY

IT leaders have always understood that their role is critical to protecting business operations. The insight and responsibility this requires leaves them well placed to play a broader strategic role in the future of the organisations they serve.

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Section 1: Disruptors and impacts

Cybersecurity

Cybersecurity gets a lot of prominence in the CIO Agenda - and for good reason.

However, this survey seeks to look beyond cybersecurity into some other very significant threats and ensure they get appropriate attention from CIOs & IT leaders.

For more information on Cybersecurity, please view the website of **Wavestone**, a global transformation advisory firm. Coeus were acquired by Wavestone in September 2022.

General anxiety exists across a broad range of potential IT disruptors

The general level of anxiety around supply chain disruption is palpable across all topic areas polled. The likelihood of being impacted is rated high or very high by 50% or more IT leaders across all categories.

Chief amongst the concerns is the availability of skills and attracting talent, with 61% feeling they are likely to be impacted.

> **The Digital skills gap is expected to cost businesses trillions of dollars by the end of the decade and has been a significant challenge throughout 2022.**
>
> **Fortune online**

So what lies behind this? Post-pandemic there has been an explosion in demand for IT resources as organisations realise they must invest to survive. A whole generation

of highly-customised legacy systems are becoming increasingly expensive to support while newer cloud based (often shared) services move into the mainstream.

Western service providers struggling to cope with their own legacy cost bases no longer offer reliable year on year savings; meanwhile off-shore suppliers struggle with their own staff retention and escalating salary bills.

Overlay geo-political instability and suddenly some of those arbitrage savings move out of reach.
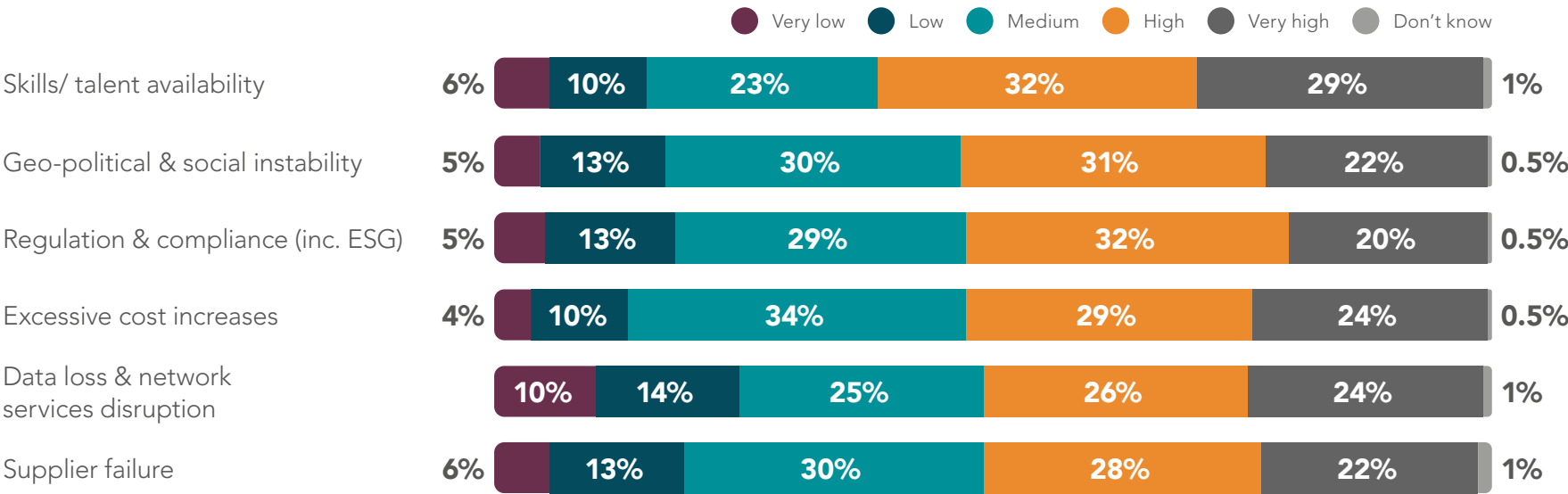
Add into the mix a potentially bleak economic outlook and you can understand why IT leaders are anxious about how they will deliver the inevitable cost down challenge while fighting to maintain a stable suite of IT services.

Fig. 1: What is the likelihood of these potential business disruptors impacting your organisation's IT supply chain within the next three years?

Legend: Very low, Low, Medium, High, Very high, Don't know

Category	Very low	Low	Medium	High	Very high	Don't know
Skills/ talent availability	6%	10%	23%	32%	29%	1%
Geo-political & social instability	5%	13%	30%	31%	22%	0.5%
Regulation & compliance (inc. ESG)	5%	13%	29%	32%	20%	0.5%
Excessive cost increases	4%	10%	34%	29%	24%	0.5%
Data loss & network services disruption	10%	14%	25%	26%	24%	1%
Supplier failure	6%	13%	30%	28%	22%	1%

Numbers have been rounded

Addressing the IT Skills Challenge

With the prevailing talent shortfall featuring as a major disruptor, our experts provide some essential steps organisations should pursue to mitigate the risks:

1. Review your Operating Model. Do you have the right mix of in-house and third-party resources to deliver your IT agenda? If there are gaps or overlaps, work out how you will address them either directly or via your IT supply chain.

2. Forget the old mantra of buying outputs from your IT partners and get a bit more probing about the skills and experience they have or are deploying on your account. Don't be afraid to demand change if you're not getting the quality as well as quantity you pay for.

3. When engaging new suppliers or awarding new workloads to existing partners, do your homework. Especially in new technology areas, make sure they have strength in depth and aren't just re-badging their bench resources to learn on the job.

4. Make sure your service metrics and penalties adequately and accurately focus on deployed resources including retention of knowledge / skills on the account, ability to meet forecast demand, churn due to quality concerns etc.

5. Give yourself choice by building flexibility into your eco-system. This is particularly valuable when considering how to leverage talent across multiple IT partners, but you need to set up your agreements to foster / require collaboration.

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Impacts

The highest area of impact unsurprisingly is Excessive Cost Increases, which was rated as high or very high by 64% of respondents

Some of this will be mirroring the ongoing talent challenges (61% high / very high).
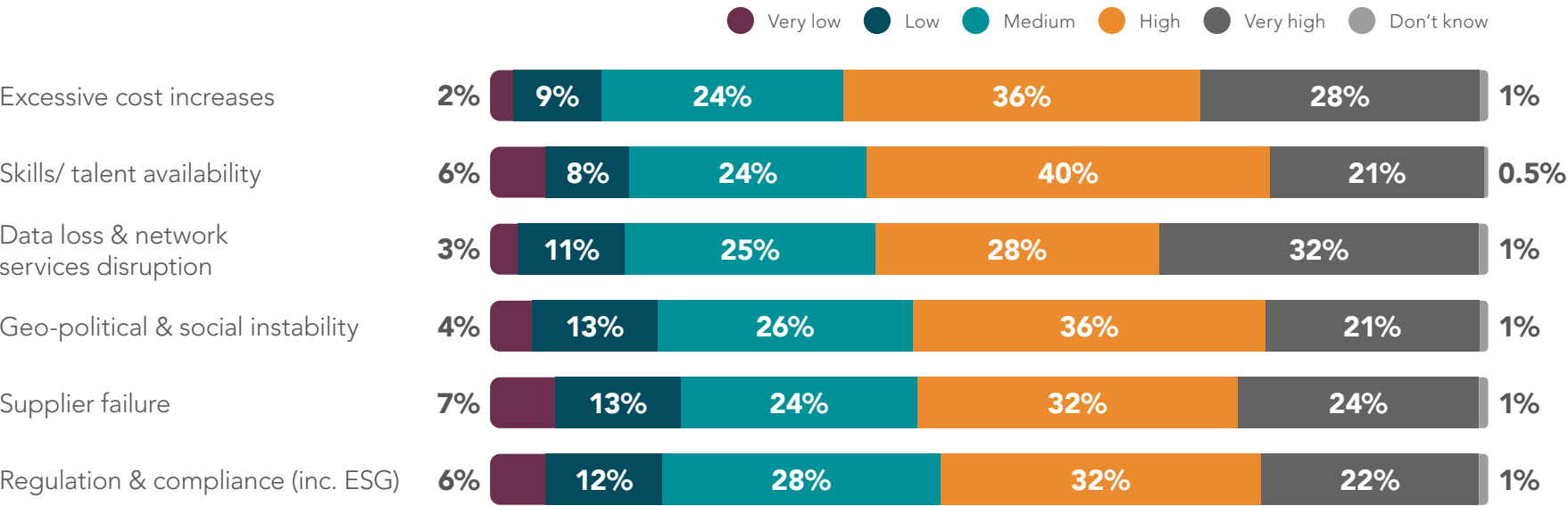
As IT supply chains have (for good reasons) become more fragmented and arms-length, the flip side, vulnerability, seems more evident. The potential impacts of geo-political and social instability (rated as high / very high by 56%) appear to be giving pause for thought about underlying service models.

Respondents are keenly aware of the impact of disruptions in the IT supply chain to their

businesses with the consequences of data loss / network failure rated high / very high by 60%.

It's been a challenging few years for the IT sector. We see that over 50% think supplier failure is highly likely and also believe the impacts would be significant. This feels like a real shift in sentiment or maybe just a wake-up call about the cumulative dependence on these service providers.

Fig. 2: What would the impact of these potential business disruptors be on your organisation's IT supply chain, and consequently, business operations if they occurred?

Legend: ● Very low ● Low ● Medium ● High ● Very high ● Don't know

	Very low	Low	Medium	High	Very high	Don't know
Excessive cost increases	2%	9%	24%	36%	28%	1%
Skills/ talent availability	6%	8%	24%	40%	21%	0.5%
Data loss & network services disruption	3%	11%	25%	28%	32%	1%
Geo-political & social instability	4%	13%	26%	36%	21%	1%
Supplier failure	7%	13%	24%	32%	24%	1%
Regulation & compliance (inc. ESG)	6%	12%	28%	32%	22%	1%

Numbers have been rounded

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Section 2: Resilience

Resilience is not where it needs to be

Service resilience is a concern amongst respondents with only 45% feeling their IT managed and business managed IT services were highly resilient. Confidence levels drop still further in relation to shadow IT or indirect IT services through BPO partners.

Today, services don't go wrong that often. If resilience has slipped out of our collective consciousness, it is likely that we are making unconscious compromises in our other goal of reducing costs.
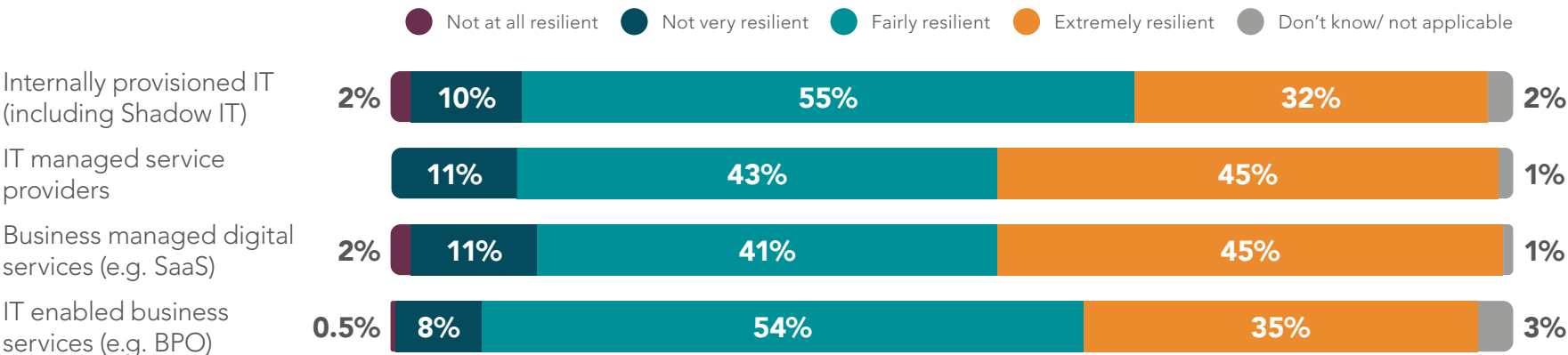
Recommendation

It's important to prioritise. Some operational systems and services will have minor bottom line impact if degraded or unavailable for days at a time. Others will have an immediate and potentially catastrophic effect.

For major systems and services, it is important to understand the inherent resilience that has been designed in or out (e.g. does your cloud set-up include remote real time replication for critical applications).

Fig. 3: Please rate the overall resilience of these IT services to potential disruptions.

Legend: ● Not at all resilient ● Not very resilient ● Fairly resilient ● Extremely resilient ● Don't know/ not applicable

Service	Not at all resilient	Not very resilient	Fairly resilient	Extremely resilient	Don't know/ not applicable
Internally provisioned IT (including Shadow IT)	2%	10%	55%	32%	2%
IT managed service providers		11%	43%	45%	1%
Business managed digital services (e.g. SaaS)	2%	11%	41%	45%	1%
IT enabled business services (e.g. BPO)	0.5%	8%	54%	35%	3%

Numbers have been rounded

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Section 3: Investment

Focused investment is still needed, but can have an ROI

More than half of the organisations surveyed said they were already investing to address the potential of impacts to the IT supply chain and the majority of the remainder plan to do so in upcoming budget cycles.

It is notable that even though Skills / Talent is the chief concern amongst potential supply chain disruptors, they did not feature in the Top 3 investment priorities. This leads us to conclude that many organisations are expecting that their IT supply chain partners to do the heavy lifting in acquiring and training the required resources, rather than building in-house teams to address the skills gap.

Whilst Cybersecurity was deliberately excluded in the survey, resilience is understandably a high priority when it comes to investments that will counter the risk of disruption. Three of the top four spend areas (cloud diversification, security capabilities and network / infrastructure resilience) signal an intent not to become complacent in the face of general service stability.

The other prime focus area is keeping IT services relevant for the business. IT leaders are recognising that the capabilities that served the business adequately in the past are not necessarily those that will be needed to thrive in the future. 50% of respondents intend to undertake an assessment of their business and IT capabilities which will, in turn, drive future change and investment in the IT supply chain.

Having noted that investment in talent acquisition did not make the Top 3, it is still significant that 47% are intending to invest in their Skills Resource Eco-system and 42% seeing Training and Development as a priority.
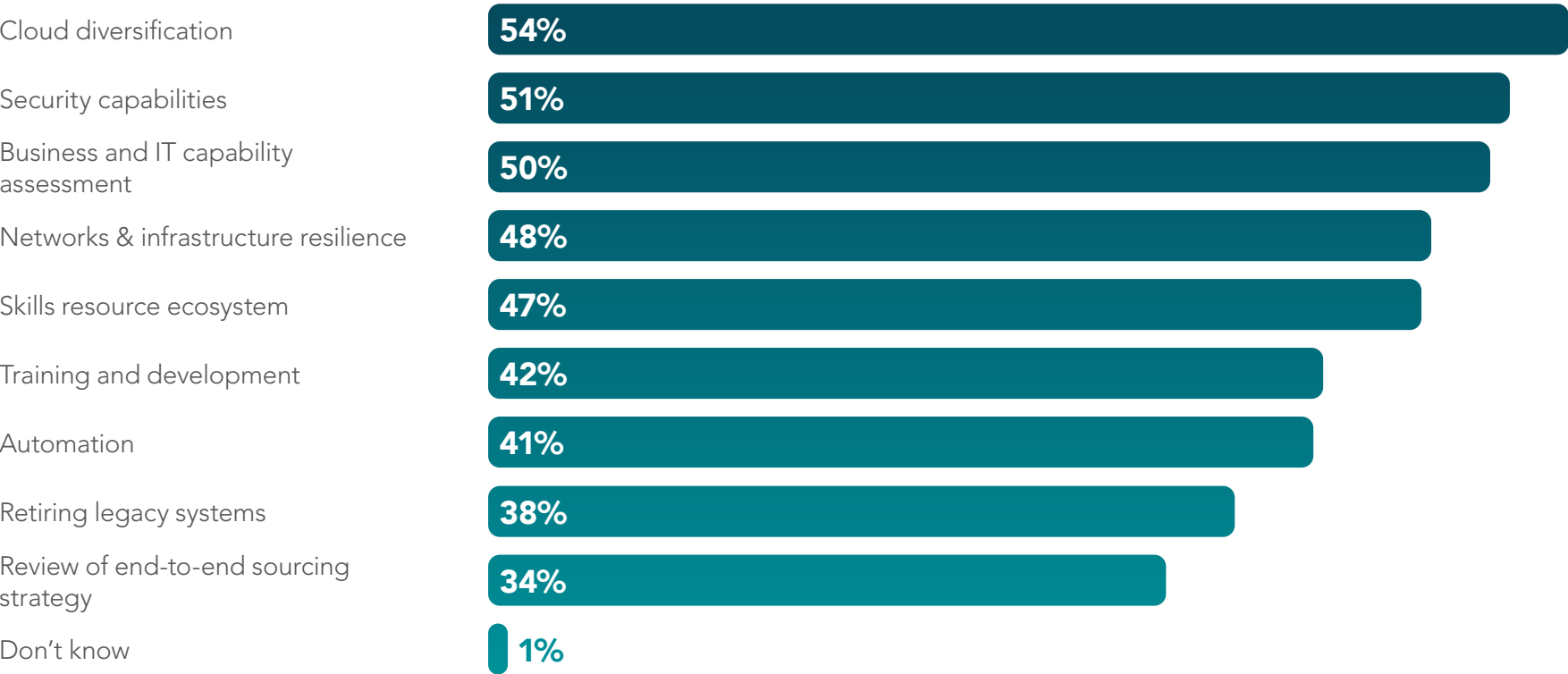
Automation to reduce dependence on people and Retiring Legacy Systems, with their inherent technology debt / knowledge dependency, feature in the plans of over a third of organisations polled.

Fig. 4: Is your organisation currently or planning to invest to mitigate the impact of disruptions to its IT supply chain?

Yes, currently investing	54%
Yes, planning to invest in next budget cycle	45%
Yes, planning to invest after the next budget cycle	9%
Not planning to invest or it has not been decided	6%
Don't know	1%

Note: Respondents asked to tick 'All that apply'

Fig. 5: What are your investment priorities in response to potential IT supply chain disruption?

Cloud diversification	54%
Security capabilities	51%
Business and IT capability assessment	50%
Networks & infrastructure resilience	48%
Skills resource ecosystem	47%
Training and development	42%
Automation	41%
Retiring legacy systems	38%
Review of end-to-end sourcing strategy	34%
Don't know	1%

Note: Respondents asked to tick 'All that apply'

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Just over a third of IT leaders intend to carry out a review of their End-to-end Sourcing Strategy, but we think this needs to be much higher. Deriving investment priorities without a clear end-to-end view of vulnerabilities can leave significant gaps. For example, making your customer website more secure is an easily defensible priority, but if the non-availability of talent to enhance user experience versus the competition is missing then the business may face an even bigger challenge.

Recommendation

Based on the findings of this survey, we believe a Sourcing Review is a very wise investment. The IT supply chain will, in most cases, have evolved incrementally over many years with accountability fragmented both within the business and beyond. To fully understand the inherent vulnerability to future disruptions, gathering this understanding and having a plan for all elements will increase resilience and very likely offer up significant cost savings.

Investment ROIs are improving and so IT leaders should do all they can to protect their budgets.

It is reassuring that most organisations are already, or soon will be, investing to tackle the risks posed by existing or potential disruptions. As the economic downturn takes hold, there will be pressure to curb discretionary spend. Here IT Leaders will need to be assertive, but at the same time box clever.

The negative opportunity cost of failing to invest against disruption is potentially catastrophic. However, there is some confluence between actions that will reduce risk and reduce costs.

A good example is networks which features mid-table in investment priorities, where it's very easy to layer on additional resilience measures to counter the very real service and security threats. However, the smarter option can be to take a fresh look at the network you need and how it is best protected. In some areas a one size fits all MPLS set-up will be guarding against a service risk that is at best moderate. In more strategic areas, deploying software defined network approaches can reduce support costs whilst zero trust networks may be the right answer to maximise security.

The same phenomenon applies to other service towers. Investing in new digital services can offer a step change in performance and resilience whilst lowering run-costs.

Whether part of IT Strategy development, or a separate investment portfolio planning exercise, it makes sense for IT Leadership to explore the business cases being delivered elsewhere. With this insight applied to the organisation's own context it will be possible to develop a clear investment strategy and a benefits flow that will keep users - and the CFO - happy.

Skills are seen as the major disruptor to the IT supply chain - but investments that could address this are not yet in the top 3 investment priorities.

Section 4: Understanding the IT supply chain

Understand the IT supply chain in order to manage risks and costs effectively

Two thirds of respondents thought their organisations understood their dependence on IT. However, a third have only a fair or limited understanding. Perhaps this reflects the times we live in where technology touches every corner of our lives.

The question for organisations is whether this awareness is reflected in a preparedness to address varied and frequent business disruptors. Whilst the business might know that it is dependent on IT, only 20% could claim a good understanding of the internal and external IT supply chain.

Around 40% of organisations have a weak understanding of where IT services are delivered from irrespective of whether these are internal, received from managed service providers or channelled indirectly through SaaS type digital services.

This lack of insight into where IT services are sourced came into sharp focus with the Ukraine conflict. As well as disruption to the burgeoning Ukrainian IT sector, organisations were caught off guard by services and resources delivered

from within Russia, which in some cases necessitated repatriation of Russian nationals to a more friendly geography.

With tensions rising in other geographies such as the Chinese posture towards Japan and Taiwan or instability on the Korean peninsula, there is the possibility that matters will escalate and the same short and medium-term challenges could easily arise.

The past couple of decades have seen enormous change in both business models and underpinning IT supply chains. Third parties are often delivering core business processes and / or the IT platforms that allow them to operate.

It's easy to become complacent about these indirect services or indeed direct services because we've had the mantra of output-based deals for so long now.

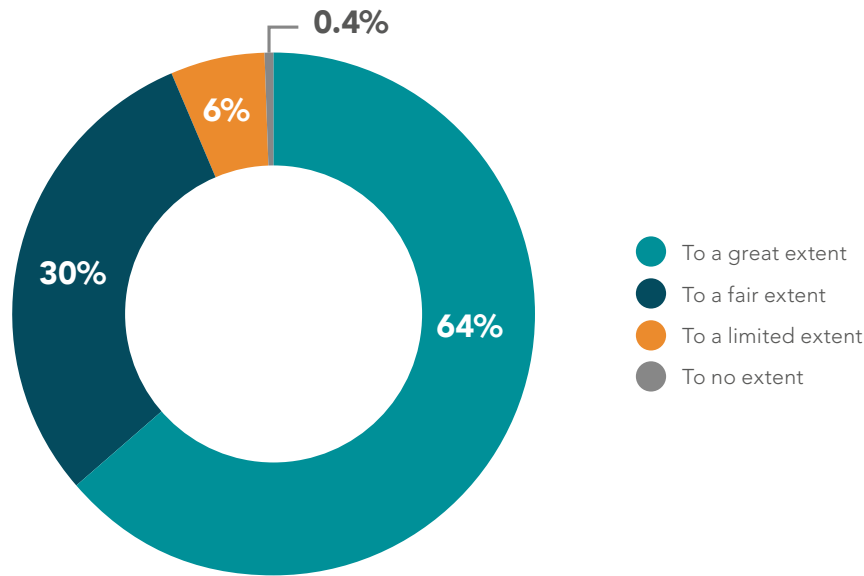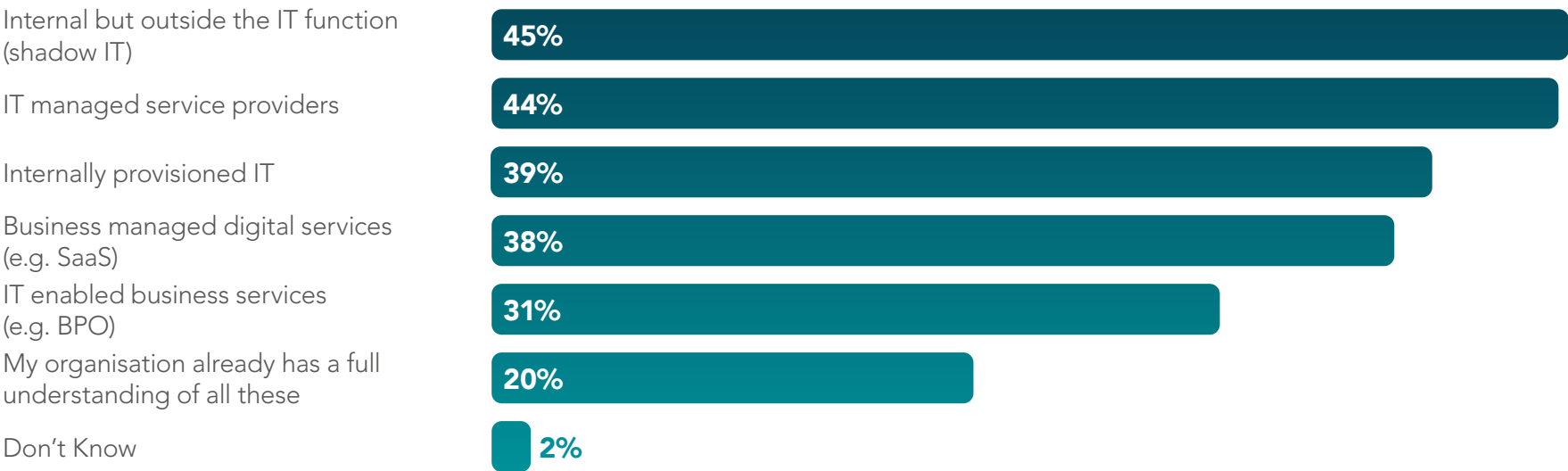**Fig. 6: To what extent does your wider organisation understand its dependence on IT?**

- 0.4%
- 6%
- 30%
- 64%

Legend:
- To a great extent
- To a fair extent
- To a limited extent
- To no extent

Fig. 7: In which area(s) is the wider organisation's understanding of IT services weak?

Area	%
Internal but outside the IT function (shadow IT)	45%
IT managed service providers	44%
Internally provisioned IT	39%
Business managed digital services (e.g. SaaS)	38%
IT enabled business services (e.g. BPO)	31%
My organisation already has a full understanding of all these	20%
Don't Know	2%

Note: Respondents asked to tick 'All that apply'

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However, when disruption does hit a vulnerable part of your extended supply chain, not anticipating the potential consequences can prove costly - especially if the impacts are widespread and you find yourself at the back of the queue with no Plan B.

When it comes to Sourcing Strategy, there's clearly a lot on the minds of IT leaders. All the areas polled are expected to have a medium to high impact on strategy. The preponderance of potential IT supply chain disruptors is causing IT leaders to take a close look at their sourcing approaches.

On the one hand, the global pandemic has demonstrated that remote working can be very effective making the leverage of more offshore service models an attractive option to offset spiralling costs.

Conversely, the war in Ukraine and instability in other low-cost geographies may be behind both near-shoring and friend shoring being widely considered.

The growth of insourcing as part of the overall mix may be a reaction to talent shortages or the pendulum swinging as organisations question whether they have gone too far in some of their sourcing arrangements.

The biggest impact area is Supply Chain Consolidation where two thirds of organisations are expecting moderate to significant change. Clearly the events of the past couple of years are driving this focus on an often-complex supply landscape that can leave organisations exposed to supply chain disruption.

Recommendation

With so many areas of the IT supply chain expected to be impacted, organisations should stand back and plan holistically.
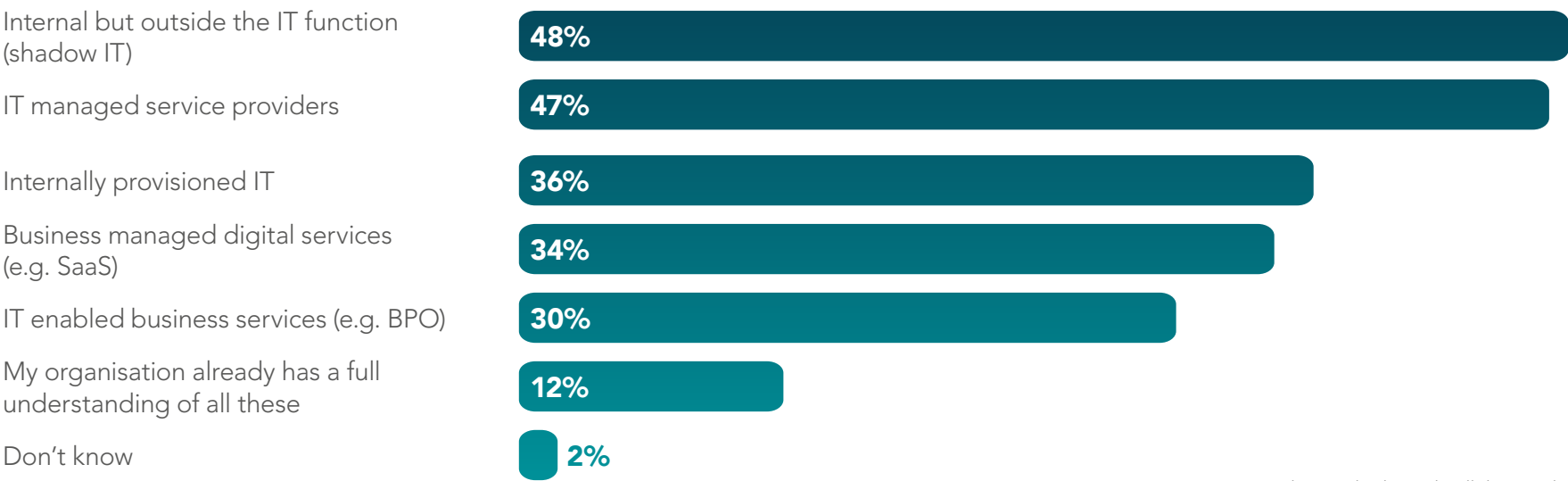
The first step is to thoroughly understand your IT supply chain. Unless you have a very simple business model with limited scale, your IT landscape is likely to be relatively complex with dark corners where your understanding of what services are, who really delivers them and why they are required will be sketchy. This applies equally to the in-house team as it does to your third-party vendors and their subcontractors.

To complete this baselining, you should also look outside the IT function. The growth of SaaS means there may well be IT services quietly scattered through the business and IT enabled BPO services are also part of the picture.

Once you have a deeper understanding of the landscape you can start to risk assess it and address it. It will take time and resources but can be accelerated with the help of specialist skills and knowledge.
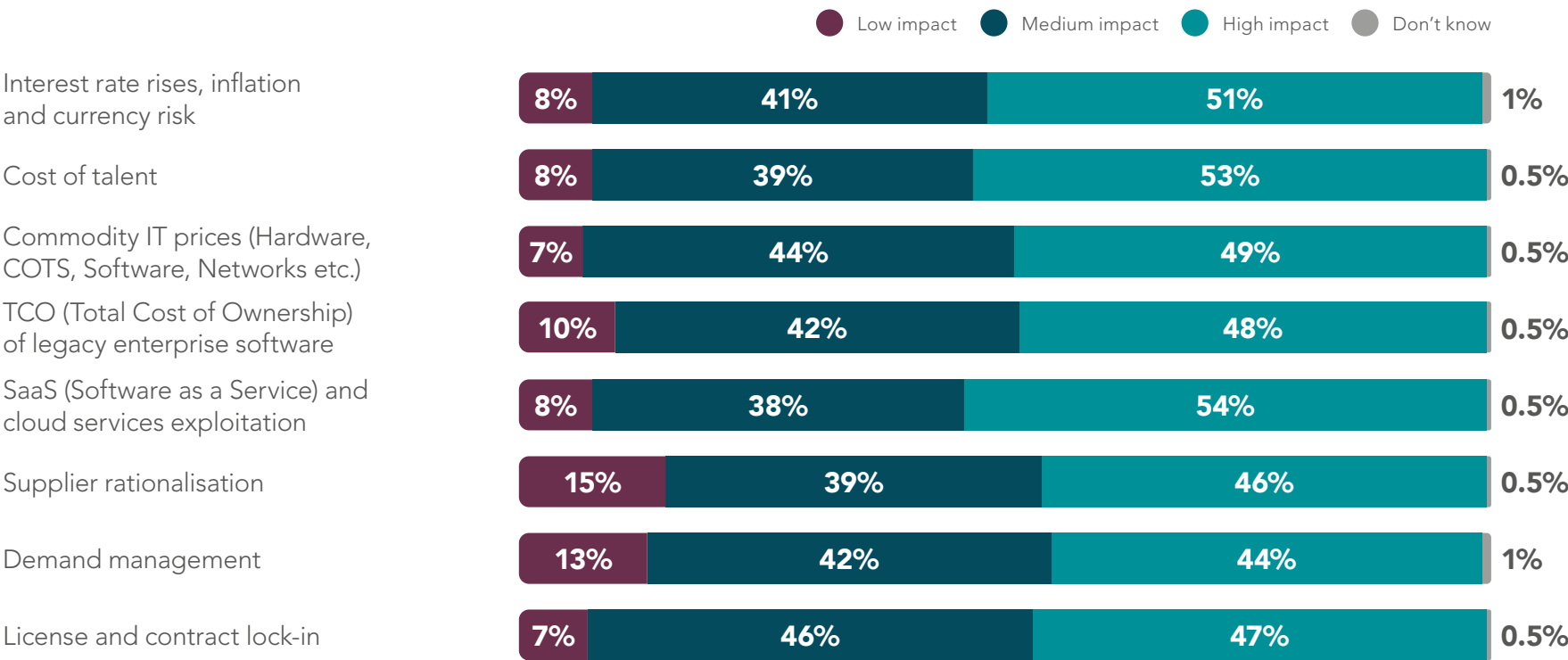
Also make sure your business knows where you are. Delivering the corporate agenda may well require investment or forgoing savings available in now redundant service models. They need to be on board and should, in any case, be made aware of dependencies that could impact business operations.

Fig. 8: In which area(s) is the delivery location of IT services poorly understood by your wider organisation?

- Internal but outside the IT function (shadow IT): 48%
- IT managed service providers: 47%
- Internally provisioned IT: 36%
- Business managed digital services (e.g. SaaS): 34%
- IT enabled business services (e.g. BPO): 30%
- My organisation already has a full understanding of all these: 12%
- Don't know: 2%

Note: Respondents asked to tick 'All that apply'

Fig. 9: What would the impact of these potential business disruptors be on your organisation's IT supply chain, and consequently, business operations if they occurred?
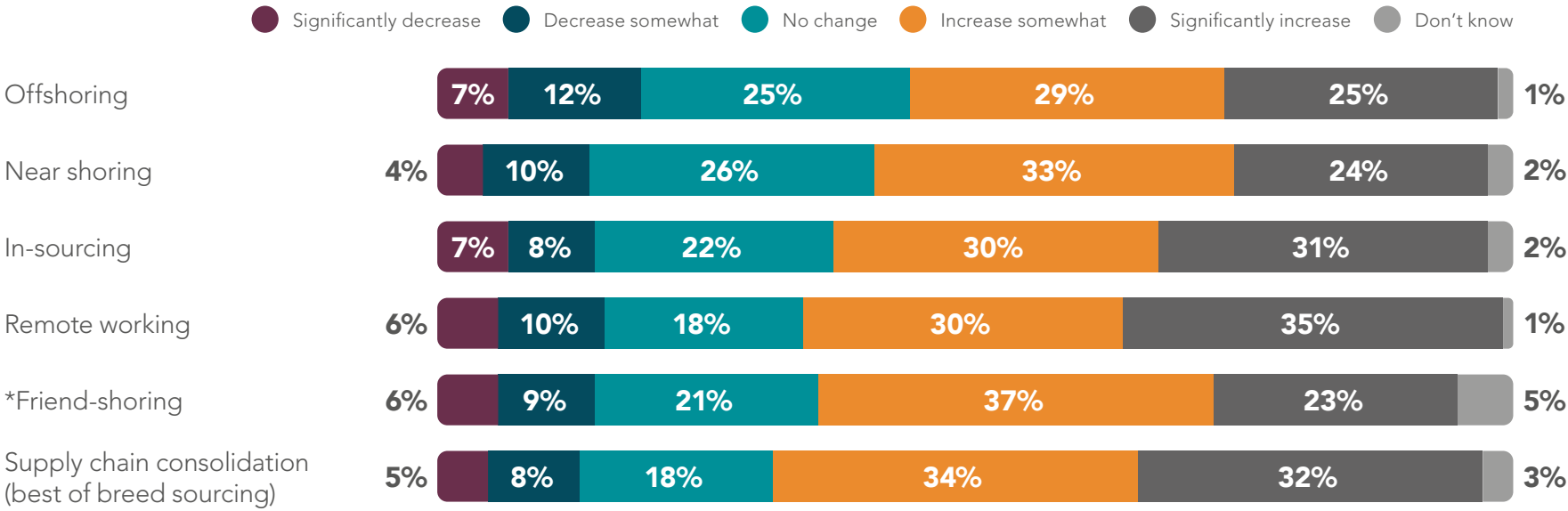
Legend: Low impact, Medium impact, High impact, Don't know

	Low	Medium	High	Don't know
Interest rate rises, inflation and currency risk	8%	41%	51%	1%
Cost of talent	8%	39%	53%	0.5%
Commodity IT prices (Hardware, COTS, Software, Networks etc.)	7%	44%	49%	0.5%
TCO (Total Cost of Ownership) of legacy enterprise software	10%	42%	48%	0.5%
SaaS (Software as a Service) and cloud services exploitation	8%	38%	54%	0.5%
Supplier rationalisation	15%	39%	46%	0.5%
Demand management	13%	42%	44%	1%
License and contract lock-in	7%	46%	47%	0.5%

Numbers have been rounded

IT supply chain cost reduction

Our top five areas to focus on when seeking out cost reductions in your IT Supply Chain are:

- Match supply to real business demand. It's surprising how much IT spend goes unchallenged and cost incurred year on year that can be simply switched off, but it's also worth going deeper to question what capabilities the business actually needs and how these might be served most cost effectively.

- Don't let contractual lock-in, reluctance to write-off legacy investments or complacency deter you from considering newer cheaper digital services. Even if there are short-term impediments, you should plan your route to a lower cost base in the future.

- Examine how you use your IT Supply Chain in project delivery, particularly in Agile projects. Consider changing the contractual set-up to drive collaboration between suppliers and maintain competitive tension.

- Expect more from your strategic partners. They should share the burden of your cost reduction targets and bring proposals for cost optimisation if they want to remain in the long term. This does, however, require you to invest in strategic supplier management.

- Make sure your sourcing strategy is current and challenges the status quo. Contracts not subjected to real competition will inevitably diverge from pricing that would be available to a new client. Test value for money and be prepared to re-tender.

Fig. 10: When considering the possible disruptions to your IT supply chain, how do you think these will impact your sourcing approach, if at all?

Legend: ● Significantly decrease ● Decrease somewhat ● No change ● Increase somewhat ● Significantly increase ● Don't know

	Significantly decrease	Decrease somewhat	No change	Increase somewhat	Significantly increase	Don't know
Offshoring	7%	12%	25%	29%	25%	1%
Near shoring	4%	10%	26%	33%	24%	2%
In-sourcing	7%	8%	22%	30%	31%	2%
Remote working	6%	10%	18%	30%	35%	1%
*Friend-shoring	6%	9%	21%	37%	23%	5%
Supply chain consolidation (best of breed sourcing)	5%	8%	18%	34%	32%	3%

Numbers have been rounded

'Friend-shoring' means moving production plants, jobs, and investments to countries with shared values that are deemed to be 'trustworthy'

Bob Barbiaux
Special Advisor, Global Digital & Business Services
Essity UK Ltd

"

When looking for the optimum location for our IoT Centre of Excellence (with help from Coeus), we mainly focused on talent availability and ease of access, as well as cost and proximity to existing corporate business locations. We believe the analysis was sound and we made a good choice, but our factors at the time did not include the unpredictable events of Covid 19 and the war in Ukraine and their impact on the global economy. Time will tell whether our timing was fortunate or not.

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Make the case for change and investment where it's needed

Fig. 11: How often does your organisation assess risk in relation to mission-critical IT suppliers?

One of the most startling results in terms of risk assessment is actually the highest.

Only 60% of respondents report that they routinely assess the performance of critical IT suppliers. Given that effective performance management metrics and targets should be a cornerstone of IT contracts, we are surmising that this gap arises due to the impact of monopolistic cloud service and platform providers that will resist contractual accountability with even their biggest clients.

However, the absence of contractual performance reporting shouldn't be an excuse not to be on top of all critical services with good capability in IT service management needing to fill any gaps.

Recommendation

Supply Chain Management is perhaps one of the less glamorous tasks for IT leadership, but if this survey demonstrates one thing, it's that your organisation's success is inextricably dependent on your mission-critical IT suppliers.
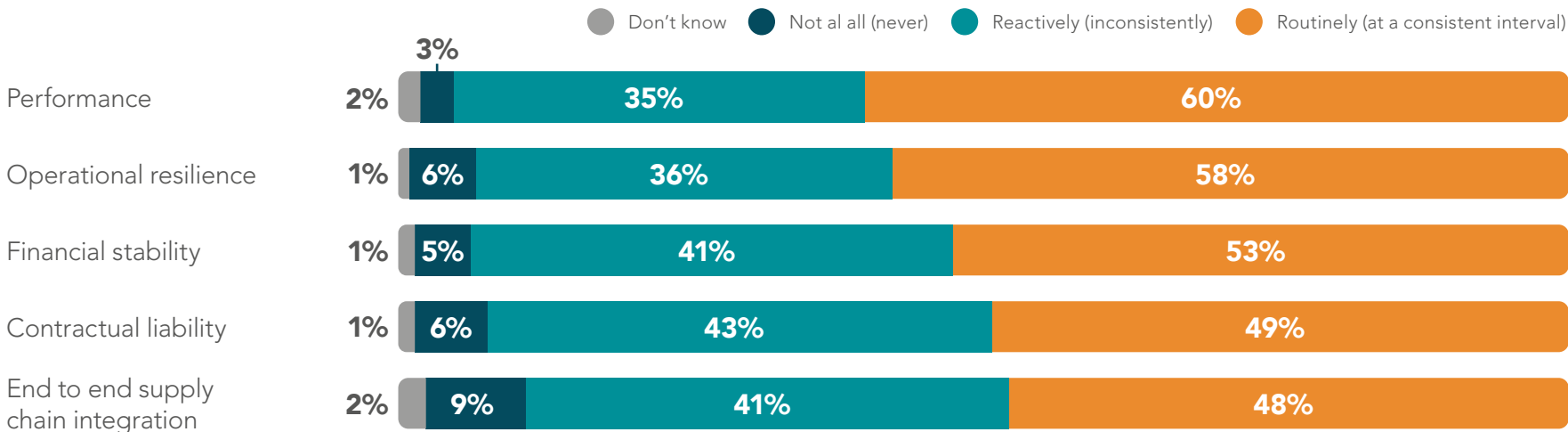
The word back from our survey is a tale of two cities. A sizable majority say they routinely assess performance, operational resilience and even financial stability. This is good, but the sizable minority who only do so reactively are effectively crossing their fingers and hoping for the best.

If, like us, you track the market performance of leading tech companies you will know there are a few stretcher cases out there. Some struggle with the albatross of legacy services and others with the challenges of successfully integrating acquisitions. Even the success stories can find themselves stretched by their own growth and are struggling to offer stability in a volatile labour market.

Active management of your mission critical suppliers is essential. Even if the probability of failure or hostile takeover is low, the risks need constant vigilance so that contractual levers can be effective, and your organisation doesn't end up at the back of the line when the next disruption hits.

Legend: Don't know | Not al all (never) | Reactively (inconsistently) | Routinely (at a consistent interval)

Category	Don't know	Not at all	Reactively	Routinely
Performance	2%	3%	35%	60%
Operational resilience	1%	6%	36%	58%
Financial stability	1%	5%	41%	53%
Contractual liability	1%	6%	43%	49%
End to end supply chain integration	2%	9%	41%	48%

Numbers have been rounded

" *We have looked carefully at many of our IT suppliers over the past year, making key changes to match our ambition and mitigate risks. This is an ongoing effort that requires regular review, especially given how dynamic and competitive IT market is. Choosing who we work with is critical to our success.*

Nirupa Wikramanayake, Group CIO, Irwin Mitchell

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Section 5:
IT leadership role

Confident IT leadership needed to weather future turbulence

55% of survey respondents felt their IT leadership was empowered to address potential business disruptions.

This survey may provide a call to arms for the remainder. When disruption happens, the business will expect IT to be ready with the necessary mitigations to keep operations running smoothly.

Gaining or taking the mandate to ensure the readiness of the IT Supply Chain is a duty that IT leaders need to accept.

It's reassuring to learn that over 90% of respondents feel at least somewhat empowered to address business disruptions. The clear message from this survey is that the range and gravity of existing or potential disruptors means that IT is in the frontline of protecting business operations. IT Leaders can and should embrace this broader responsibility.

Recommendation

In straitened times, keeping the business fully aware of the risks to which it may be exposed can require delicate diplomacy. IT executives should provide balanced authority in its guidance, recommendations, or mandates.

IT strategies and contingency planning should tackle all the known and potential risks head on. Where the costs of mitigation are prohibitive, the risks should be accepted, but managed

proactively. Where failure to act may be enticing in the short-term, but lay the foundations for a more existential threat down the road, IT must have the courage and the arguments to invest for the greater good of the business.

The survey responses on where effort needs to be focused suggest some reticence for IT executives to take the lead on disruption topics outside their immediate sphere of responsibility.

Whilst just over half think business disruption planning is a very important element of IT Strategy, this drops off when it comes to business-centric topics such as business disruption planning or IT services that are underpinning business services outside the IT budget.

The IT supply chain is so fundamental to operations that we believe IT leaders should be stepping up and embracing the challenges on behalf of the business.

In fact, the importance of IT to the health of organisations is so great that there is an argument that this should be where the business leaders of the future should be nurtured in a shift from the traditional route through Finance to CEO / COO positions.

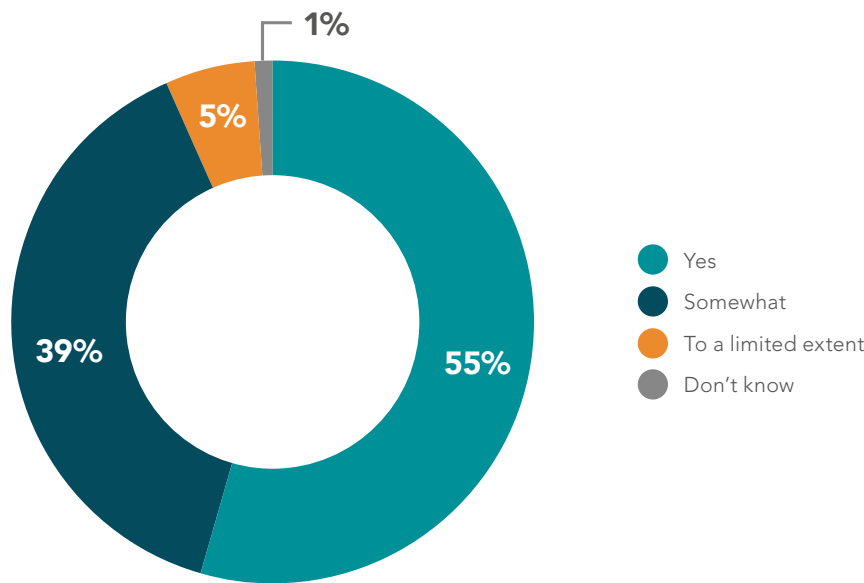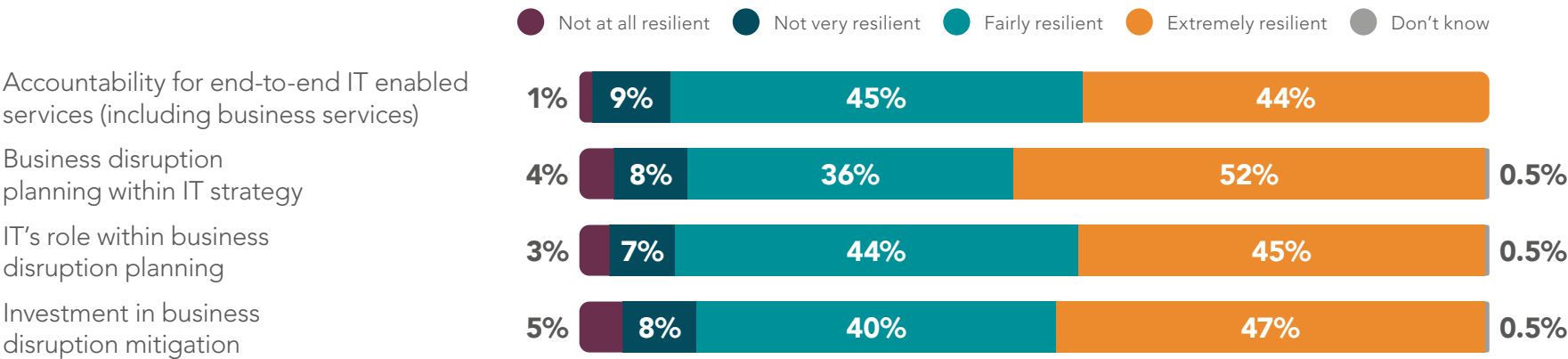**Fig. 12: Is your IT leadership empowered to proactively address potential business disruptions?**

- Yes — 55%
- Somewhat — 39%
- To a limited extent — 5%
- Don't know — 1%

Fig. 13: How important is it that IT leadership focus on the following, in order to minimise the impact of future business disruptions?

Legend: Not at all resilient | Not very resilient | Fairly resilient | Extremely resilient | Don't know

	Not at all resilient	Not very resilient	Fairly resilient	Extremely resilient	Don't know
Accountability for end-to-end IT enabled services (including business services)	1%	9%	45%	44%	
Business disruption planning within IT strategy	4%	8%	36%	52%	0.5%
IT's role within business disruption planning	3%	7%	44%	45%	0.5%
Investment in business disruption mitigation	5%	8%	40%	47%	0.5%

Numbers have been rounded

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Conclusion

This year's survey has surfaced a broad range of anxieties amongst IT leaders with respect to new and difficult-to-manage disruptions in their IT supply chains.

On the one hand, we are all grateful for the relative stability users and customers enjoy compared to the situation in past decades, but we also know that (a) complacency needs to be guarded against and (b) the consequences of failure could be catastrophic now that IT forms the backbone of almost every organisation.

Services are inherently resilient, but our preparedness for unexpected failures has slipped. This leaves IT functions vulnerable to surprises from within the supply chain and external factors such as the recent political and economic turbulence.

Our core advice in responding to these potential threats is twofold.

Firstly, keep up the good work on investing to reduce risk with particular emphasis on the journey to digitalisation. Whilst there will be pressure on budgets, in most cases the paybacks will justify taking a strong stance on protecting your improvement agendas.

Secondly, face the fact that IT supply chains are more fragmented than ever, and you probably don't have a sufficient understanding of where all the services reside, who delivers them, what vulnerabilities exist or what cost saving opportunities are being overlooked. It's time for a bit of a drains up!

A final message is about the role of IT leadership. It is increasingly clear that often

'IT is the business'. If you don't understand IT you probably don't understand the business. This means that IT leaders bear a responsibility beyond keeping services running. They are, in fact, responsible for keeping the lights on for the business and need to be the conscience of the organisation that it protects.

Grasp this enterprise-wide accountability and we should see more and more IT leaders progress to the top job. That's good both for our industry and the organisations that develop their top leaders through this route.

IT leaders should grasp the opportunity to move to the forefront of safeguarding business operations.

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IT budget changes

IT budget changes

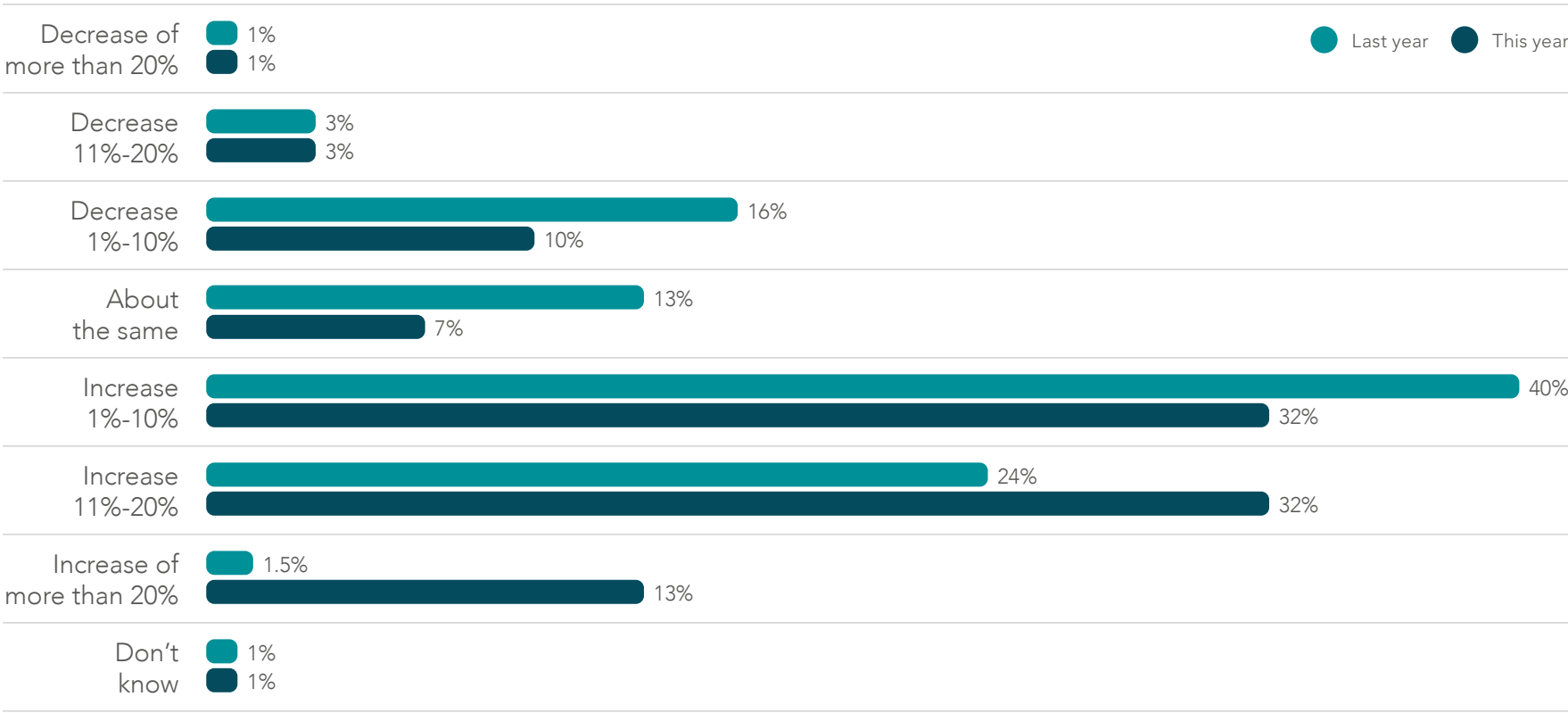# Take advantage of increased budget to ensure the business is protected

This year's budget responses clearly show that IT budgets are increasing; this is perhaps unsurprising given the forced focus on digital and technology caused by the pandemic.

In our experience, this has led to a much better understanding of how technology is able to meet the current needs of the business and is also able to react to, and provide some assurance against, unforeseen changes.

We have also seen a greater focus on IT value resulting from increased budgets. This means

that IT leaders are under more pressure to provide transparency on IT costs and to clearly demonstrate how IT / technology is adding value to business operations. The shift from cost-centre to value-adding partner is now happening and IT leaders must make sure they are able to meet new expectations.

Budget changes: How is your organisation's IT budget changing over the following timeframes?

Legend: ● Last year ● This year

	Last year	This year
Decrease of more than 20%	1%	1%
Decrease 11%-20%	3%	3%
Decrease 1%-10%	16%	10%
About the same	13%	7%
Increase 1%-10%	40%	32%
Increase 11%-20%	24%	32%
Increase of more than 20%	1.5%	13%
Don't know	1%	1%

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The authors

Ben Barry
Director
Coeus Consulting

Ben is a founder of Coeus Consulting and a business and IT transformation professional with over 20 years' experience in consulting and management roles.

Previously he was Director, CIO Advisory at KPMG and he has also held roles at Xantus Consulting and Capgemini. He has coached and led senior clients on strategy development through to transformation and benefits delivery.

John Gorrell
Associate Director
Coeus Consulting

John's innovative approach to sourcing was recognised at the Global Sourcing Awards 2019 with the 'Sourcing Works - Award for Value Creation'. He has an extensive track record gained across multiple industry sectors, with over 25 years' experience in financial management, ITO, BPO and operational effectiveness improvement, spanning both private and public sectors.

He is a chartered management accountant bringing strong commercial acumen combined with expertise in contract formulation, technology solutions, service models, business process understanding and effective governance.

Charlotte Poskitt
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Charlotte works with the leadership teams of B2B organisations, particularly in the technology space, to devise & deliver on marketing strategies to reach, engage & convert target audiences.

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Diana Murguia-Barrios
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Diana's expertise lies in strategy & business planning, process & operational improvement, and sourcing & vendor management for private and public sector clients. Her key experience has been working in the financial technology services industry.

Proficient at working in fast-paced and dynamic environments dealing with complex technical matters, Diana has excellent stakeholder engagement and communication skills with an ability to identify and address clients' business needs.

Hari Singh
Senior Consultant
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Hari has extensive experience in consulting, with a successful track record of delivering strategic and transformative changes to clients' sourcing, service management and project management environments across various industries. He recently completed a project where he served as the lead in selecting a Next Generation Network (NGN) sourcing provider for a major corporation.

He has a strong educational background, with degrees in both engineering and business administration, which brings a unique combination of technical and business skills to his work.

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About the survey

This report was informed by a survey of 240 senior IT leaders in October / November 2022, predominantly in the UK and Germany, with key roles including CTO, CIO, COO, Director or

Head of: IT; IT Transformation; IT Operations; Applications; Technology Services; Strategy; Digital; Technology Services; Infrastructure; Architecture; and other senior managers.

Roles were in organisations operating across major verticals and in organisations with more than 1,000 employees.

About Coeus

Coeus Consulting, a **Wavestone** company, is an IT Advisory that stands alongside technology, business and procurement leaders to deliver strategic change. Founded in 2013, Coeus was acquired by Wavestone in 2022.

How can Coeus help?
Coeus works with IT leadership teams across a broad variety of topics to tackle the challenges of disruption set out in this report. For example:

- Business Architecture reviews can ensure that IT services are keeping pace with rapidly evolving business capability needs.

- An examination of your operating model can address talent fit and availability both internally and across your IT partners

- Technical and programme support will help maximise ROI on targeted investments

- Sourcing support can range from full end to end IT supply chain reviews, through creation/ update of your Sourcing Strategy on to providing skills and resources to execute your sourcing and supply chain agenda

In the first instance, please get in touch with **John Gorrell**, Associate Director, Coeus Consulting.

"Coeus works with IT leadership teams across a broad variety of topics to tackle the challenges of disruption.

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