



THE TECHNOLOGY FUNCTION AGENDA

Complimentary research

January 2022

2022

KEY ISSUES

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Top 10 technology objectives shaping digital transformation in 2022

How to plan and prioritize your IT initiatives to accelerate digital transformation

2022 will be a year of experimentation and tech adoption for IT leaders and their technology organizations, driven by the pandemic-induced “work from anywhere” models and high penetration of cloud-based applications. To gain visibility into the growing shift in the tech landscape, IT leaders need foresight into which technologies will pay off and which will disband in 2022.

Freshworks is pleased to offer you this insightful market research from The Hackett Group. The study reveals technology’s top 10 priority objectives to help businesses plan their goals and tech investments to accelerate digital transformation in 2022.

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Enterprises are facing a year of lingering pandemic-related disruption in the form of inflation, supply chain delays, COVID-19 surges around the world, unprecedented employee resignations and pivotal decisions around returning – or not – to the office. Most chief information officers (CIOs) and chief digital officers (CDOs) are also anticipating and executing plans for a disruptive operational transition to “everything as service” and a workforce model where virtual working is the norm. Meanwhile, the push to digitize general and administrative (G&A) operations continues unabated in 2022, building on the milestone achievement of the majority of core application suites now deployed in the cloud. To meet the dual challenges of disruption and digital transformation, technology leaders have three essential focal points in 2022:

1. Industrialize data and analytics capability.
2. Accelerate and streamline the operating model.
3. Realize the distributed enterprise hallmark of “engage from anywhere.”

Continued uncertainty, new risks and digital disruption shape the 2022 technology function agenda

The crisis of 2020-21 has cast a long shadow over business conditions and continues to cloud the 2022 planning cycle. According to The Hackett Group's 2022 Key Issues Study, business executives expect more fallout. While cyber/information security remains the highest business risk by a wide margin, concerns increased dramatically around the risk posed by supply chain disruption, commodity price shock, and structural shortages of labor capacity and skills. Furthermore, the phenomenon that began in 2021 – now generally referred to as the Great Resignation¹ – will continue to compound these structural talent challenges in 2022. This perfect storm of supply-side factors, pent-up demand and massive injections of cash into the economy has triggered an inflationary wage/price spiral, causing technology functions further headaches.

Yet, at the time of the study – during the fourth quarter of 2021 but before news of the COVID-19 Omicron variant – about one-third of companies reported stabilized business conditions. Over one-half expected stabilization in 2022, and only 11% expect instability to continue into 2023 or beyond. Study respondents from across G&A functions – technology, finance, human resources (HR), procurement and global business services (GBS) – project average revenue growth of 9% in 2022 and staffing increases of 4%, implying a need to improve productivity by 5%. They also expect an 8% increase in capital investment and technology cost, signaling a reliance on digital transformation to transition to less labor-intensive growth models. It is not surprising then that digital transformation is the No. 1 enterprise initiative for the second consecutive year. In the study, 61% of companies expect accelerated technology innovation to be an enduring characteristic of the post-pandemic business environment, and 58% anticipate a permanent shift to digital channels. As to the workforce of the future, G&A leaders expect that 82% of their staff will be remote or working a hybrid schedule by the end of 2022.

¹ The abrupt, very significant increase in voluntarily employee turnover experienced since early 2021 – generally considered to be a response to the COVID-19 pandemic.

These business and environmental risks and trends are directly shaping 2022 technology function priorities in fundamental ways. Of all the initiatives queued up for the coming year, technology organization leaders rate five as their most critical to achieve (Fig. 1).

FIG. 1 Technology function 2022 initiatives rated most critical



The 10 priorities on the following page reflect the top 2022 objectives of technology function executives, as expressed in the most recent Key Issues Study.

2022 technology function priorities

1

SECURED DATA AND SYSTEMS

The risk to data and system availability remains high as most workers continue to be remote. The work-from-home environment must be protected and employees educated on risky behaviors.

2

EFFECTIVE STRATEGIC PARTNERING

Optimizing processes and skills to enable effective stakeholder partnering is necessary to succeed in technology transformation under the added pressure of inflation and supply disruption.

3

MAXIMIZED VALUE FROM DATA

No corporate asset is more potentially valuable and also less optimized than data. Most companies realize this, and it is incumbent on the technology function to manage data for maximum utility.

4

TECHNOLOGY SKILLS AND TALENT ALIGNED TO BUSINESS NEED

The talent profile is rapidly shifting to brokered infrastructure management, iterative development, relationship-based partnering and digital strategy. Skills and roles must be refreshed accordingly. Technology organizations must meet this challenge during a period of accelerated voluntary staff turnover (also known as the Great Resignation).

5

ENTERPRISE TRANSFORMATION TO DIGITAL OPERATING MODEL

The enterprise still needs to accelerate its digital transformation, particularly in the back-office G&A functions. The technology organization is the best-equipped accelerant to apply to the task.

6

MATURED, INDUSTRIALIZED ENTERPRISE ANALYTICS CAPABILITY

Along with effective data management, a mature analytics capability across the enterprise will unlock insights and improve the speed and accuracy of decisions.

7

ENTERPRISE COST-EFFICIENCY IMPROVEMENT

While enterprises are not panicking, supply chain disruption and shortages, staff turnover and wage pressure, and a lingering pandemic are creating an inflationary environment, making cost management more challenging. Any cost takeout will be welcomed.

8

FASTER TIME-TO-VALUE FOR TECHNOLOGY-ENABLED INITIATIVES

Digital operating models depend on speed. Companies are operationalizing development processes and continuous development practices to shorten time-to-value.

9

ENGAGE-FROM-ANYWHERE CUSTOMER EXPERIENCE MODEL

Customers are not going back to traditional commerce models. Technology must enable an engagement model that delivers seamless, customizable experiences across every platform.

10

WORK-FROM-ANYWHERE WORKFORCE MODEL

The digital workforce of the future arrived prematurely in 2020, and now its enabling tools, services and processes must be industrialized to become the new workforce operating model.

Source: 2022 Key Issues Study, The Hackett Group

Critical areas for development

The analysis looked at these from the perspective of both relative importance and executives' confidence in the ability to meet business needs. Most of the objectives are not new, with the exception of the pandemic-accelerated digital workforce enablement and the engage-from-anywhere operating model. Data value and analytics capability also rose up in the ranking.

For each objective, technology leaders expressed a level of confidence in their team's ability to meet expectations in 2022. Confidence was highest for the work-from-anywhere/engage-from-anywhere objectives. Indeed, nearly all respondents said they were well on their way in executing an enablement plan for these new paradigms. Confidence was also high for the security objective.

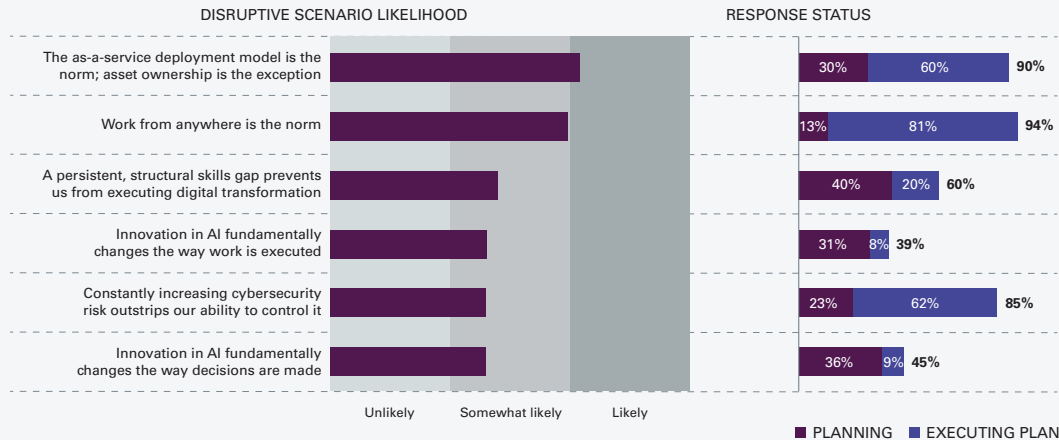
Confidence levels are lowest around closing skill gaps and updating talent, a perennial Sisyphean challenge made all the more so by The Great Resignation that began in late summer of 2021. Executives also lack confidence in their ability to meet business goals for maximizing value from data and facilitating a mature enterprise analytics capability – bad news for decision-makers impatient for faster data access and sharper insights.

The Hackett Group® has synthesized these findings into three key themes discussed beginning on page 8.

Potential disruptors to technology function operations

In the Key Issues Study, technology executives cited the transition to virtual working, the as-a-service deployment model, and persistent skill shortages as the mostly likely disruptors to their operations (Fig. 2). Most are actively executing on plans to deal with the first two, which are manifestations of the so-called distributed enterprise. These disruptors did not catch many technology executives off guard. Updating technology's talent profile and closing the skill gaps are another story. Only 20% are acting now to resolve this long-festering problem. Disruption from artificial intelligence (AI) is not deemed particularly likely by technology leaders who are used to seeing slow penetration of AI into the workstream. But that is changing fast as AI features are increasingly bundled into core applications or available as add-on point solutions. CIOs risk being caught flat-footed if they don't recognize the transformational opportunity that AI poses for how decisions are made and how work is executed.

FIG. 2 Likelihood of technology function disruptive scenarios materializing in three to five years of time



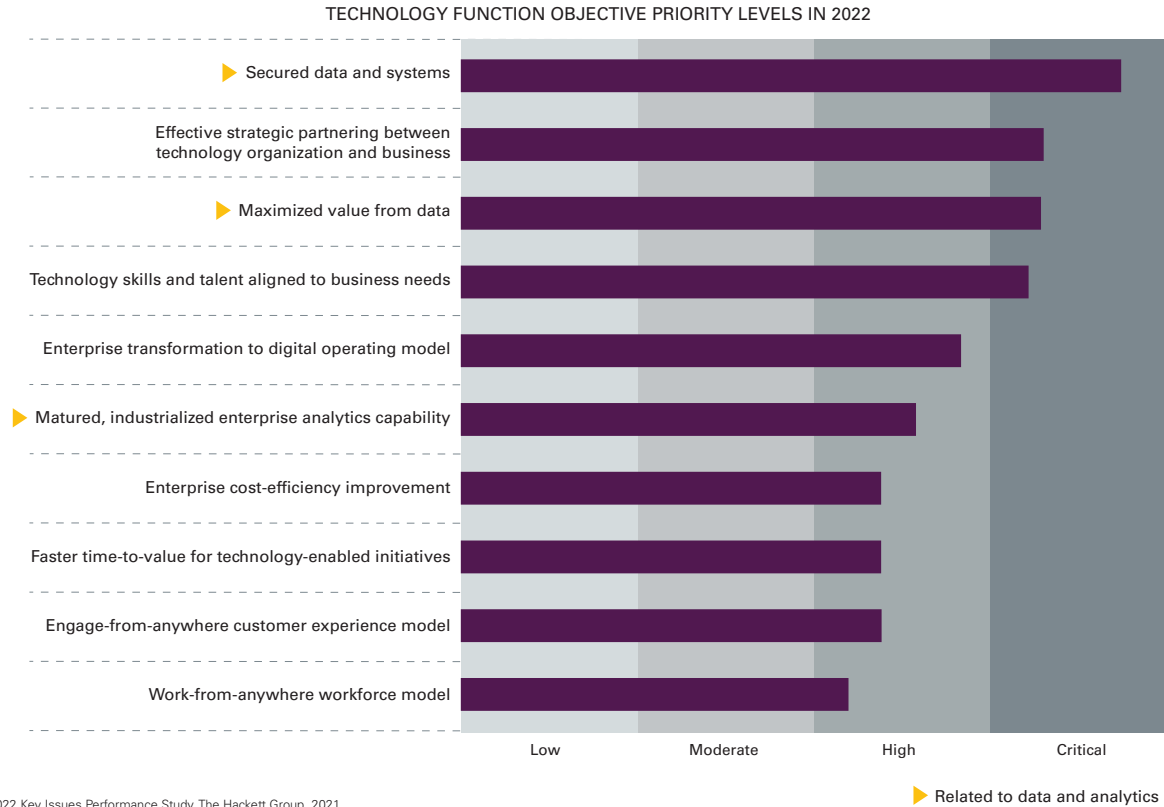
Source: 2022 Key Issues Performance Study, The Hackett Group, 2021

1

Industrialize data and analytics capability

As advanced analytics technologies mature and AI tools become embedded in an increasing number of core application suites, progressive companies are rebooting their data and analytics efforts as an industrialized data and analytics capability that is end to end, repeatable, scalable and integral to core business operations. Related initiatives make up one-third of the technology organization's highest priorities for 2022 (Fig. 3 on page 9). Typically, their first step is consolidating pockets of expertise into a center of excellence (COE). Some have even spun off data and analytics as a business services function headed by a CDO. These new leaders – who are also data experts – are liberating information from corporate fiefdoms, addressing governance challenges, and blending disparate sets of data enriched with external data into a virtual horizontal layer accessible by the whole enterprise. And they are making major investments in developing and hiring staff with data science and analytics skills to extract the potential value.

FIG. 3 Data and analytics objectives make up nearly one-third of the top 10 priorities for 2022

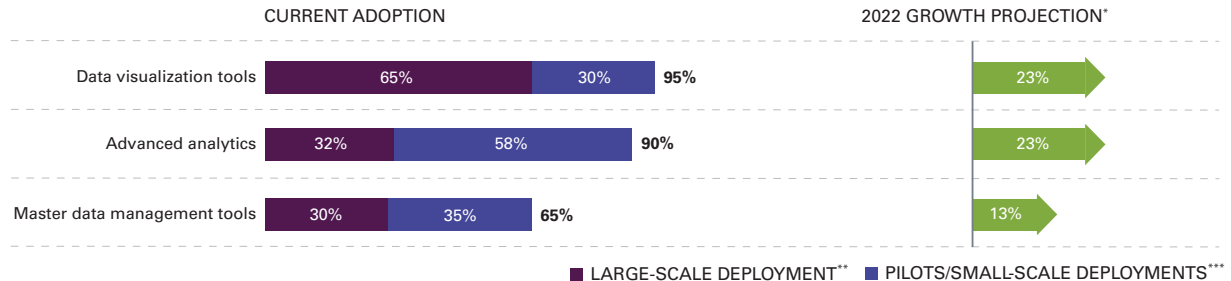


Source: 2022 Key Issues Performance Study, The Hackett Group, 2021

Companies have been investing in advanced analytics tools at a decent pace, which has picked up for 2022 (Fig. 4). But technology needs to be used effectively to move the needle. Data and analytics must be viewed first as an enterprise capability that changes the entire business, transforming core business processes through improved accuracy, efficiency, speed, elimination of manual work and better-informed decision-making. The negative consequences for businesses that fail to fully develop the capability include:

- Missed business opportunities because of a lack of analytics to rapidly test and assess market reaction to new products and services.
- Delayed reaction to changes in consumer or customer expectations that could have been revealed early by market data analysis.
- Increasingly frequent and debilitating security breaches from an inability to analyze data patterns and markers that indicate imminent attacks.

FIG. 4 Growth in data and analytics deployment are among the highest projected for 2022



*Year-over-year percentage change in applicable adoption metric for each technology.

**The technology is used at scale in applicable use cases.

***The technology is used on a limited scale in isolated use cases.

Source: 2022 Key Issues Performance Study, The Hackett Group, 2021

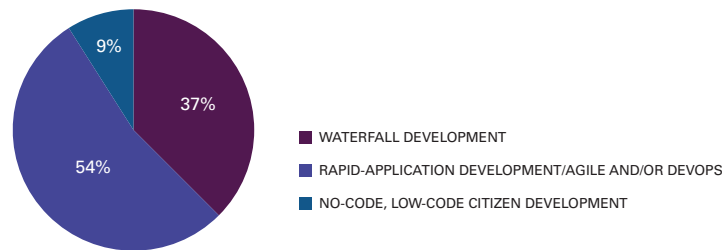
2

Accelerate and streamline the operating model

More and more companies understand and embrace the notion that their future competitiveness depends on time-to-value for new products and services. The technology function has a prime influence on the speedometer, which is why CIOs worked hard for the past decade to streamline project governance and introduce rapid development. Our study shows that for the first time, rapid development and DevOps are the primary approaches for the majority of new development (Fig. 5).

FIG. 5 Primary development techniques in use for 2022

Percentage of 2022 projects using primary development techniques

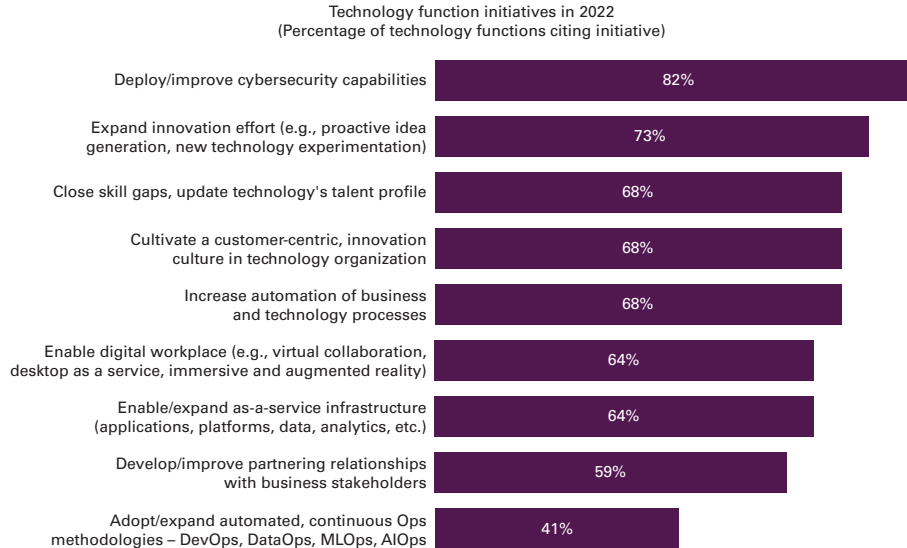


Source: 2022 Key Issues Performance Study, The Hackett Group, 2021

Another milestone confirmed by the study is the preeminence of cloud hosting and SaaS as the dominant infrastructure model for core applications. For the second year in a row, the large-scale adoption level of core application suites in the cloud exceeded that of on-premises legacy systems (85% deployment vs. 32%, respectively). The era of in-house ownership of computing assets is over, and the maintenance and security burdens that come with it.

The new paradigm is “everything as a service.” Sixty-two percent of technology functions have as-a-service initiatives planned or continuing into 2022 (**Fig. 6** on page 13). For many, this shift is playing out by replacing the “plan-build-run-manage” operating model with the “broker-orchestrate-integrate” model. Of the 88% of respondents planning an operating model change in 2022, the largest number (50%) says they will shift to brokering and orchestrating solutions from third-party providers and partners. The full impact this will have on time-to-value can be inferred from the improvements in agility seen after migrating applications to the cloud. Forthcoming cloud performance research from The Hackett Group® shows acceleration of time-to-market for new application features in excess of 50% and average timing for production releases spend up by more than one-third.

FIG. 6 Most common technology function initiatives for 2022



Source: 2022 Key Issues Performance Study, The Hackett Group, 2021

Even as these milestones are reached, the most progressive companies are pushing to apply continuous operational automation of every major process – the so-called XOps approach. This includes DataOps to automate all stages of the data life cycle and AIOps for the continuous application of advanced analytics, machine learning, and other AI to automate the identification and resolution of common technology function issues. These continuous operations strategies may bring the same speed-to-benefit results that development achieved from DevOps.

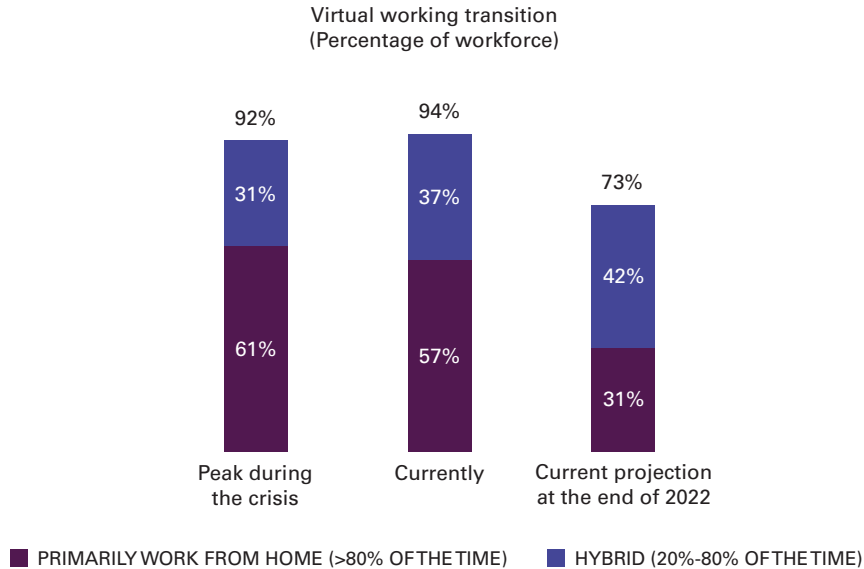
3

Realize the distributed enterprise hallmark of engage from anywhere

The third critical theme for 2022 is enablement of a work-from-anywhere and engagement-from-anywhere model for employees and customers, respectively. The pandemic force-marched laggards and accelerated progressive companies to these goals. In 2022, companies will normalize and begin optimizing these models. Both are judged to be the most likely disruptive scenarios to play out in the next several years, and they are also the scenarios for which the technology organization is most prepared (Fig. 2 on page 7).

Again, a cloud-based infrastructure is a chief enabler of these strategies and one of the reasons we see a 30% growth in deployment to the cloud predicted for 2022 – 5% higher than the growth predicted last year. But it will take more than technology platforms to optimize these models. It will require a change in how people lead their teams, how they instill and maintain culture, and how they incent and reward collaboration and innovation. Since the technology organization has, in many companies, been the most historically liberal with a work-from-home arrangement and will continue to promote its own heavily hybrid model, CIOs have an opportunity to demonstrate best practices for connecting and leading teams in this normalized model (Fig. 7 on page 15).

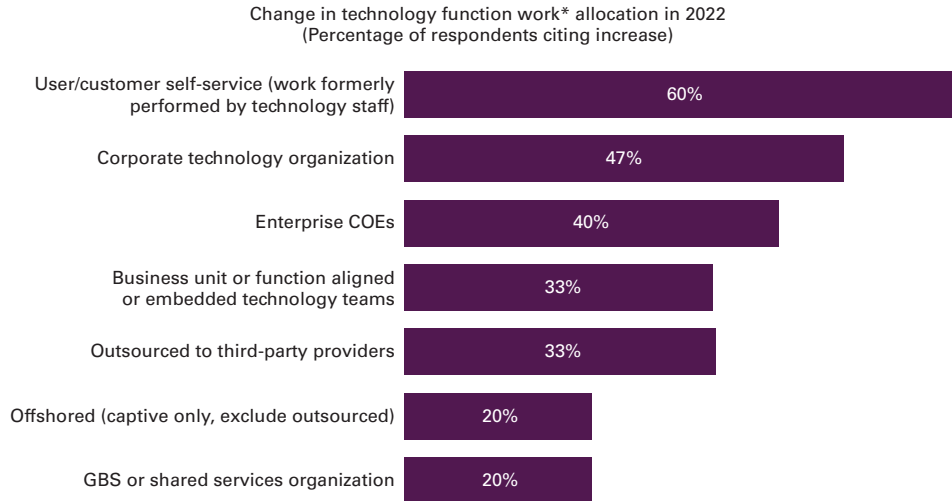
FIG. 7 Technology embraces a hybrid workforce model



Source: 2022 Key Issues Performance Study, The Hackett Group, 2021

Self-service automation is the theme that is common to both the hybrid workforce and the engage-from-anywhere customer model. By minimizing the need for manual intervention by technology function or customer service staff, constituents will have a self-directed and self-paced engagement experience. For the third year in a row, self-service automation is the most common shift in technology function workload in the coming year (Fig. 8 on page 16).

FIG. 8 Expected 2022 changes in technology workload allocation



*All transactional, knowledge-based and managerial processes traditionally in scope of the technology organization.
Source: 2022 Key Issues Performance Study, The Hackett Group, 2021

The trick is to ensure that self-service is designed and automated to be as user-efficient and friendly as possible. Companies need to cultivate design thinking and other customer-centric skills among in-house developers and seek them in third-party providers. A common thread among The Hackett Group’s recent digital transformation award winners has been the deployment of extremely effective digital assistants and chatbots to interact with employees and external customers. The Key Issues Study reflects a growing effectiveness as well – 67% of virtual assistant and chatbots deployments have met expectations in the past year, which is a major improvement over 48% in 2020.

Technology function alignment with enterprise priorities

A shift in enterprise priorities that began in 2021 will continue into 2022. Enterprise digital transformation retains the No. 1 spot, with 61% of companies – up from 53% – having a major initiative on the 2022 agenda (Fig. 9 on page 18). In the face of talent challenges, companies have also stepped up their focus on diversity and inclusion initiatives – 58% now have such initiatives, compared to just 35% two years ago. On the other hand, sales, general and administrative (SG&A) cost optimization dropped further down the ranking – from third place in 2021 to fifth place for 2022. This is consistent with an observed shift in focus from margin preservation to growth.

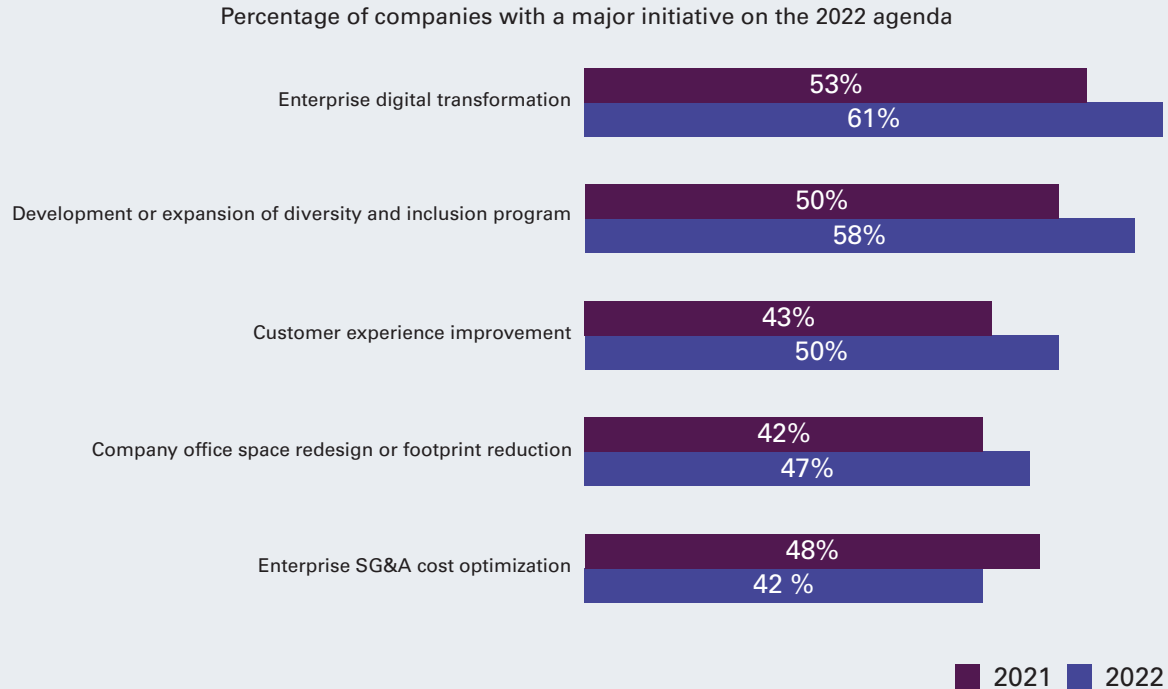
In alignment with the enterprise digital focus, digital transformation remains a high-ranked objective for technology leaders in 2022, supported by a 7.5% increase in technology spend and unusually high (in excess of 6%) increases in technology full-time equivalents and operating budgets. Leaders expect technology deployment growth rates to average 15.4% for 2022, compared with 14% the previous year.

Improving the customer experience is a front-and-center focus for CIOs and CDOs who are facilitating more virtual engagement and omnichannel self-service experiences. The function has also raised the priority of instilling a customer-centric innovation culture, which requires new ways of connecting with stakeholders and more virtual whiteboarding brainstorming.

Technology will continue to optimize SG&A costs through intelligent automation of end-to-end business processes, removing the manual handoffs and routine decision-making that still slows and perpetuates non-value-adding costs in many enterprises. Processes particularly vulnerable to inflation and supply chain disruption will likely be the priority focal points for the first half of 2022. CIOs will participate, if not take a lead role, in diversity efforts and reimagining office space. The workplace of the future – both on campus and at home – will be more a set of technology platforms than a collection of workstations and conference rooms. The futurist visions of workspace designers will have to be made practical by the infrastructure standards and tools that technology teams will provide and update.

Technology function alignment with enterprise priorities

FIG. 9 Top five major initiatives on the enterprise calendar



Source: 2022 Key Issues Performance Study, The Hackett Group, 2021

Where to focus in 2022

Looking beyond the unprecedented instability of 2020 and 2021, technology organizations will need a transformation agenda for 2022 that reflects the lessons learned and strategic reorientation following the crisis, as well as emerging new disruptors and opportunities. Through all the turmoil, technology leaders must remain laser-focused on delivering real performance improvements and adding value to the enterprise. Based on the latest research, these are the must-do's in 2022:

Spend strategically. The business expects accelerated technology innovation and greater investment levels. Technology organizations must allocate increased resources strategically and manage demand and capacity prudently. Despite an increase in investment, the short-term threats of inflation, cost fluctuation, and supply chain disruption will require technology leaders to be prepared for cost pressures and act strategically with budgets.

Anticipate and mitigate the impact of structural talent shortages. For years, technology organizations have needed to upgrade their talent – and specifically develop digital skills. In 2022, the unprecedented increase in voluntary turnover that is occurring in response to the COVID-19 pandemic (the Great Resignation), upward pressure on wages, and an intensifying war for talent will only exacerbate current talent constraints. It is impossible to know how persistent these trends will be and how profoundly they will impact business. But in 2022, there is no escaping them, and technology organizations must develop both offensive (acquisition) and defensive (talent retention) strategies to mitigate the impact.

Where to focus in 2022 (continued)

Industrialize data and analytics capabilities. At the end of 2022, business leaders should look back and agree that data and analytics were their most important differentiators for the year. It is up to the technology function to position data and refine the enterprise insight cycle to fulfill that vision. Data management is the foundation: Data availability architectures, stakeholder accountability for quality, governance and performance metrics must all be leveled up.

Put the customer at the center of service design. Digital transformation and virtualization of operations will both require extensive service delivery redesign. This presents a great opportunity to improve customer experience – but only if embraced as an intentional core design principle. The organization must continue to modernize business infrastructure, automating processes end to end, enabling user self-service, and introducing AI-based autonomous robotics and intelligent assistants.

Virtualize technology function operations. The shift to hybrid work practices has repercussions beyond enabling remote working. It offers the opportunity to redesign work and completely decouple execution from a physical location. Accomplishing this involves digitization of processes and assets, cloud migration, seamless remote provisioning of systems and data access, and digital collaboration. There are also significant people aspects of these transitions, which are often the least well understood – and managed. Technology organizations must remain abreast of effective emerging talent management practices in the new world of virtual working and strengthen their partnership with HR.

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- Demand management, governance and portfolio management
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- Transformation management office, change management and communications programs
- Digital transformation strategy, tool selection and support
- Smart automation opportunity identification and implementation

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