IDC

2023 Insight Intelligent Technology Report: Are We Entering a New Era of Innovation?

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Insight

Executive Summary

Business leaders across industries are evolving their technology strategies with the goal of turning their organizations into digital businesses. These leaders are telling us that innovation is essential to becoming a digital business, and 75% say their business functions are highly dependent on innovation.

However, a variety of pressures mean that the day-to-day reality is often very different, with internal and external challenges to these innovation aspirations. These leaders have weathered years of high volatility and no doubt 2023 has more surprises in store.

The goal of this publication is to offer insight into the technology priorities of business leaders and to highlight areas where there is both room for improvement and reason for optimism. It is based on a sizable survey conducted in early 2023, at a moment when the global economic outlook was highly uncertain.

Despite this challenging forecast, a significant majority of respondents agreed that "companies must invest in digital transformation or be left behind." The desire to invest remains strong, bolstered by a realization that the accelerated technology changes needed during the pandemic are continuing to show a return on investment.

It's clear that most business leaders are risk-aware as opposed to risk-averse. They are looking for investments that can underpin their long-term digital business strategies, reveal areas where they can optimize to innovate, and ultimately create market opportunity. This research sheds light on a fundamental and rapidly changing area of business — one that is increasingly central to our daily lives.

Becoming a Digital Business is Non-Negotiable

Digital at scale is the ambition, but the reality doesn't always match this

Digital Business Reality

82%

of organizations agree that
"companies must invest in digital transformation or be left behind"

Businesses have been dealing with consistent change that is now becoming a near constant state of disruption. In responding to the COVID-19 pandemic, organizations relied on digital technology to adapt to new ways of working, operations, and commerce.

The result: more digitalized organizations outperformed their less digitalized peers and were best able to respond to disruption. In 2023, disruption comes in the form of inflation, supply chain constraints, and a growing skills gap. The imperative to be agile and improve and scale digital is without doubt even more important.

Digital maturity has accelerated across the globe, but innovation is being redefined as business leaders and investors expect viable growth built on what IDC terms a digital-first strategy. What our data suggests is that becoming a digital business is non-negotiable for survival, and that innovation is both an opportunity and a challenge being prioritized at the highest levels of organizations in lockstep with evolving business strategy.

61% of business executives say they have a long-term digital transformation strategy tied to organization-wide business goals. Yet in today's uncertain economic climate, innovation investments are more heavily scrutinized than ever before, and immediate ROI is at the forefront of every decision. The era of experimentation and addressing problems in silos has been replaced by the transformation imperative to "optimize to innovate," making the business more efficient and secure as the foundation to drive revenue growth.
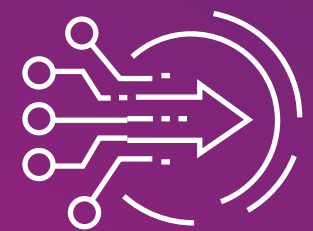
23%
DIGITAL AT SCALE
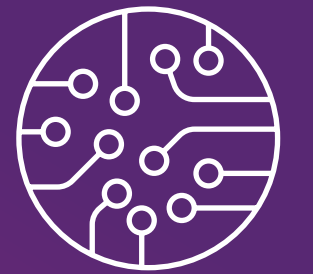
Few expect to achieve the ambition of being a digital business that is disruptive in the use of new technologies and business models. **Only 23% expect to realize digital at scale by 2024.**

61%
IMPACTFUL DIGITAL ROI

By 2024, delivering **impactful ROI** through **digital transformation** is the business expectation for 61% of organizations.

"Optimize to Innovate and Drive Revenue Growth" is the Name of the Game

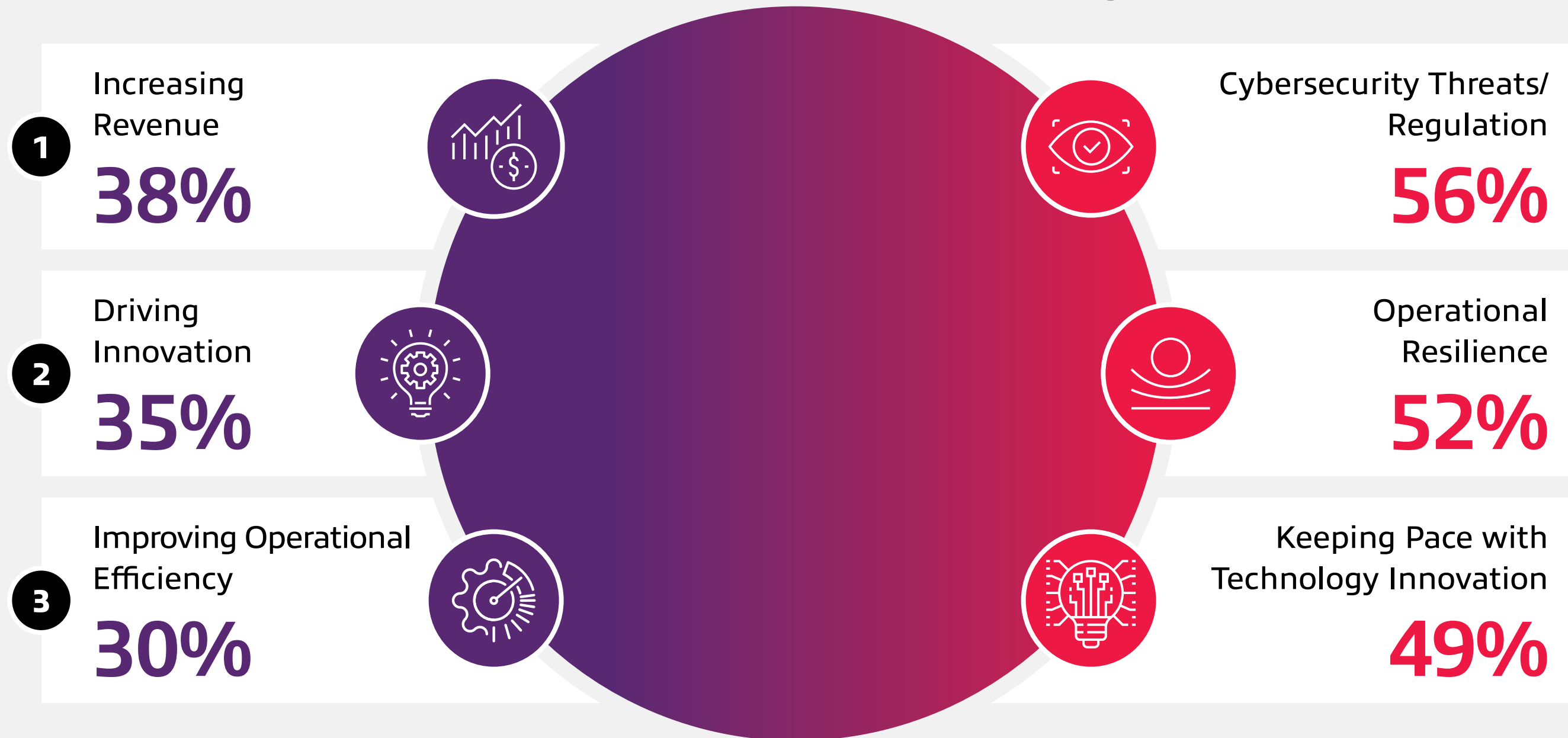## Organizational priorities and threats are challenging digital business acceleration

Top 3

PRIORITIES

What are your organization's top priorities in the next 12 months?

1 Increasing Revenue
38%

2 Driving Innovation
35%

3 Improving Operational Efficiency
30%

THREATS

What risks pose the greatest challenge to your organization in the next 12 months?

Cybersecurity Threats/ Regulation
56%

Operational Resilience
52%

Keeping Pace with Technology Innovation
49%

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3 in 4

organizations indicate their business functions are very dependent on innovation

Becoming a digital business is hard! It requires a unique digital transformation road map aligning organizational priorities to IT capabilities and technological innovation to deliver resilience and outsmart the competition.

In the context of an uncertain macro-environment and constant disruption, organizations are adopting a new mindset to survive: "optimize to innovate." Business uncertainty creates internal tensions, making business leaders more risk averse to new investments. This translates into a more structured and intentional digital business strategy.

This dual mindset focuses on creating the foundation for improved business agility. As a result, focus shifts to investments that reduce vulnerabilities caused by outdated infrastructure, increase resilience, and maximize the use of IT resources. While these investments come with an upfront expense, they reduce operational costs and prepare the organization for future innovation.

Leaders Rely on Digital Investments to Deal with Market Uncertainty
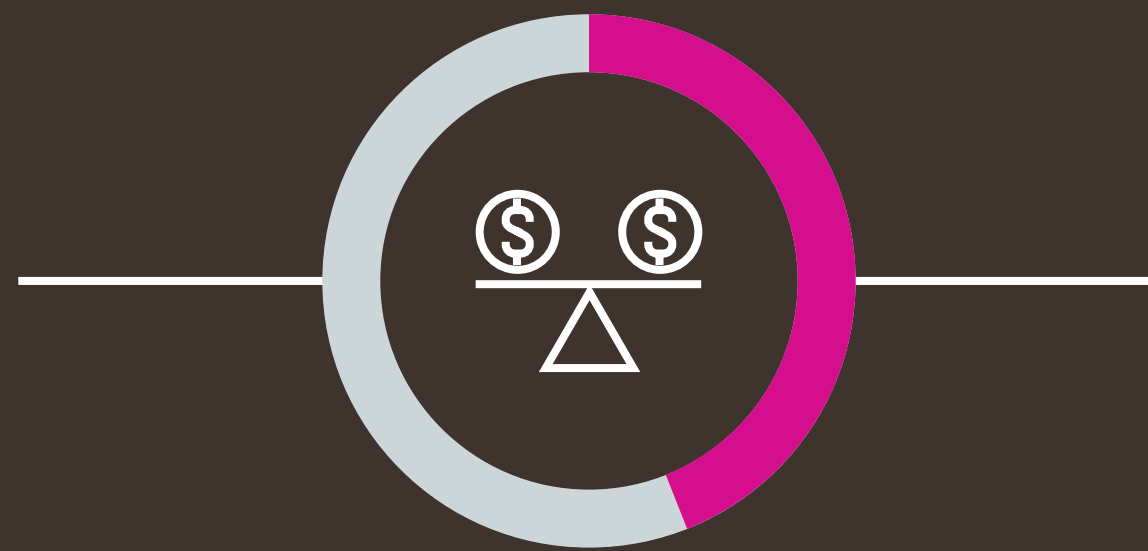
44%
DIGITAL INVESTMENT STABILITY

Despite economic and external risk factors, digital investments remain broadly unchanged for 44% of global organizations

33%
DIGITAL INVESTMENT GROWTH

For 1 in 3 organizations, digital investments will grow to mitigate and manage these risks

48%
DIGITAL INVESTMENT SCRUTINY

48% of business executives report more scrutiny of digital initiatives by the C-suite

While organizations aren't slowing down on innovation, the focus on how they do so has shifted. Innovation today means optimizing business processes to maintain productivity levels, while delivering purposeful business value to protect market position.

In 2023, digital capabilities are no longer a differentiator but a necessity to stay competitive, with disruption amplifying the digital need. The top drivers of digital business initiatives focus on protecting and defending against risks, building digitally strong hybrid working models, and supporting ESG targets.

Organizations need to be mindful that innovation investments carry more weight than ever. As a result, C-suite scrutiny only continues to increase due to current market conditions and tighter investment plans.

Business Threat Landscape by Region

Q. What risks pose the greatest challenge to your organization in the next 12 months?

● Global ● North America ● Europe
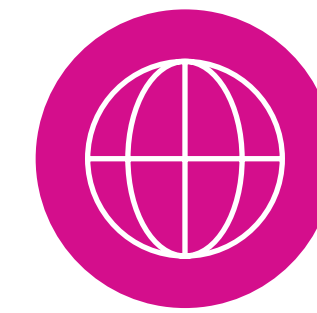
Global
75%

North America
71%

Europe
78%

Extent to which the business function is very dependent on innovation

Cybersecurity threats	Operational resilience	Keeping pace with technology innovation	Digital transformation execution gaps	Changing ESG targets/ regulations	Talent and skills gaps	Economic pressures
56% 54% 59%	52% 53% 50%	49% 49% 49%	28% 32% 23%	24% 21% 29%	19% 18% 20%	20% 17% 23%
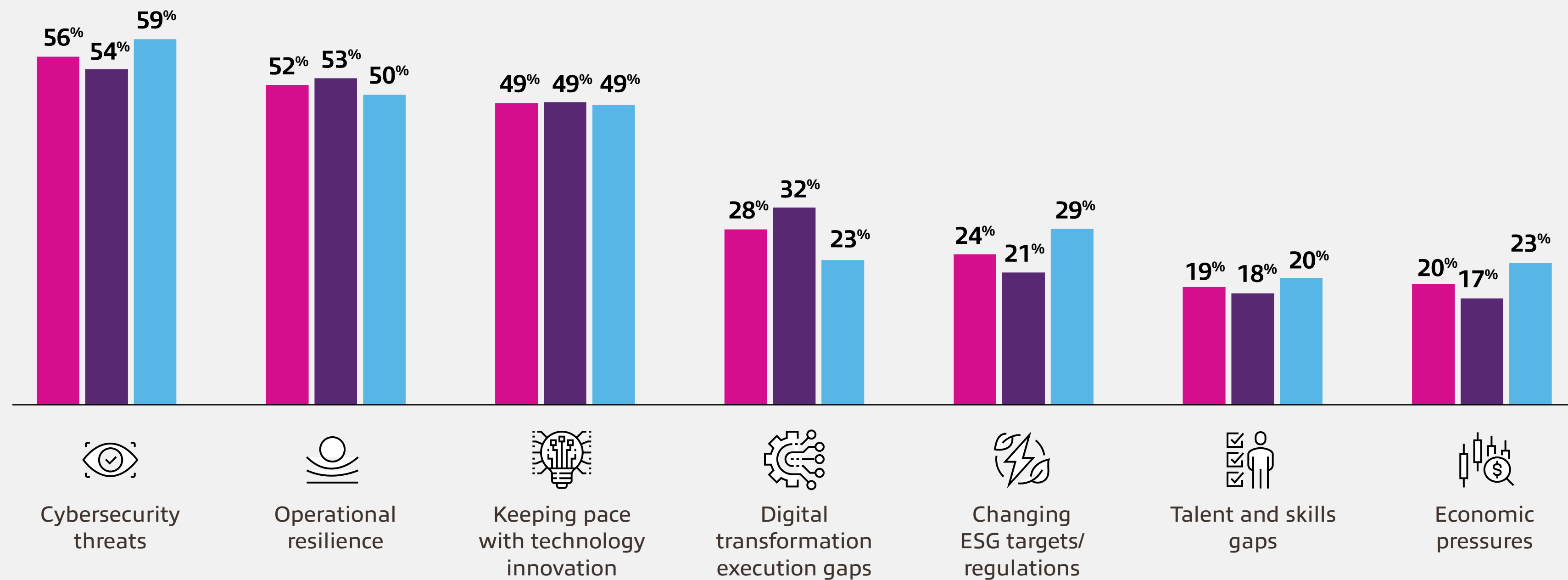
The perceived short-term threat of economic pressures pales in comparison with the challenge of keeping pace with competitors on innovation. Almost half of business executives in North America and Europe stated that the ability to keep up with technological innovation compared to their competitors is one of the greatest threats to their organizations. As the data shows, business executives across the globe underline that innovation underpins how they function and the value that is delivered.

External Pressures Influence how Organizations Prioritize Digital Business Initiatives and Focus their Innovation Efforts

Q. Which drivers will influence your organization's digital business initiatives the most in the next 12 months?

Top three drivers of digital business initiatives in the next 12 months

46% Cybersecurity and risk

42% Work mode upheaval/Hybrid working

38% Sustainability/ Mainstream ESG

Digital Business Drivers

- ● Global
- ● North America
- ● Europe

	Cybersecurity and risk	Hybrid working models	Sustainability/ ESG	Democratization of technology	Meaningful intelligence/ data-centric business	Ecosystem-based innovation	Global supply chain disruption	Skills shortage
Global	46%	42%	38%	27%	25%	24%	20%	12%
North America	46%	44%	38%	27%	22%	22%	19%	10%
Europe	46%	39%	38%	27%	30%	26%	22%	16%
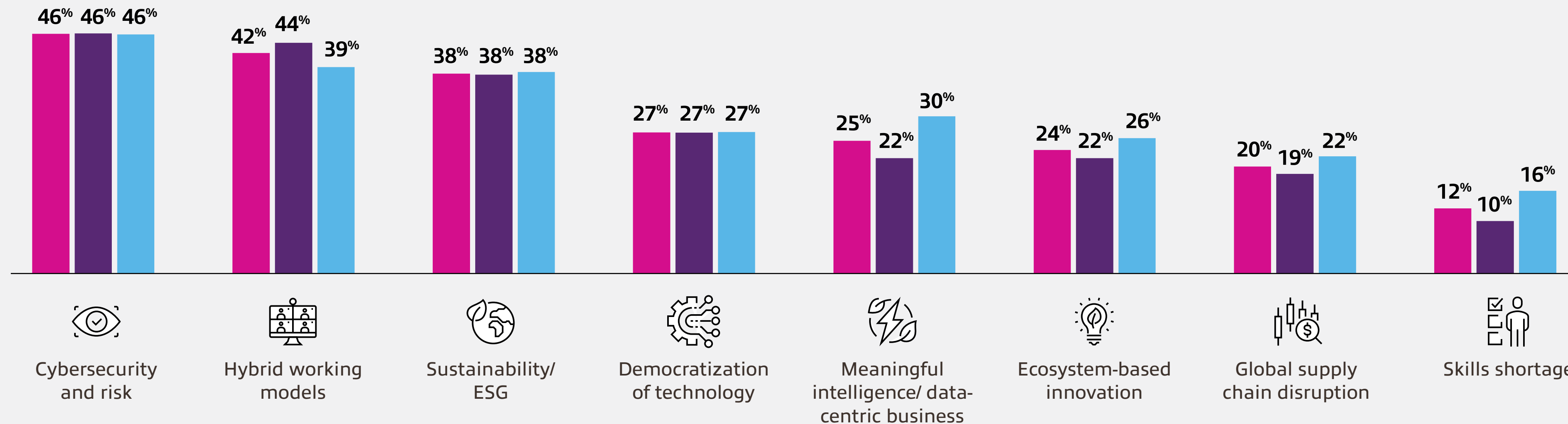
Investments supporting digital business initiatives across the globe remain resilient to external disruption. This resilience is a result of organizations prioritizing risk reduction and defensive business strategies, with short-term digital investments focusing on improving business outcomes.

Digital Business Maturity: The Road to Impactful ROI

Reinventing business models requires the alignment of technologies and digital processes to the long-term business strategy

Q. At which stage do you expect your organization's digital business strategy to be in the next 12 months?

Digital Business Strategy

ROI

Short sighted

Long term

Limited ROI
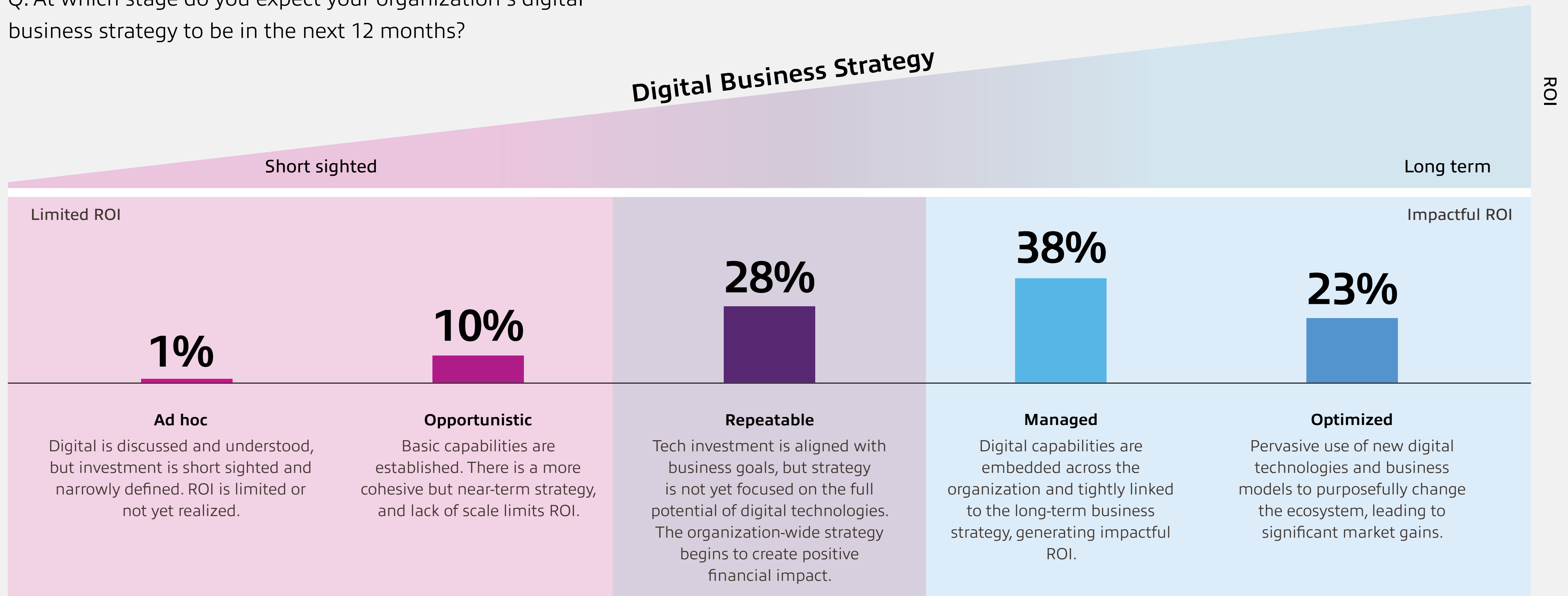
Impactful ROI

1%

10%

28%

38%

23%

Ad hoc
Digital is discussed and understood, but investment is short sighted and narrowly defined. ROI is limited or not yet realized.

Opportunistic
Basic capabilities are established. There is a more cohesive but near-term strategy, and lack of scale limits ROI.

Repeatable
Tech investment is aligned with business goals, but strategy is not yet focused on the full potential of digital technologies. The organization-wide strategy begins to create positive financial impact.

Managed
Digital capabilities are embedded across the organization and tightly linked to the long-term business strategy, generating impactful ROI.

Optimized
Pervasive use of new digital technologies and business models to purposefully change the ecosystem, leading to significant market gains.
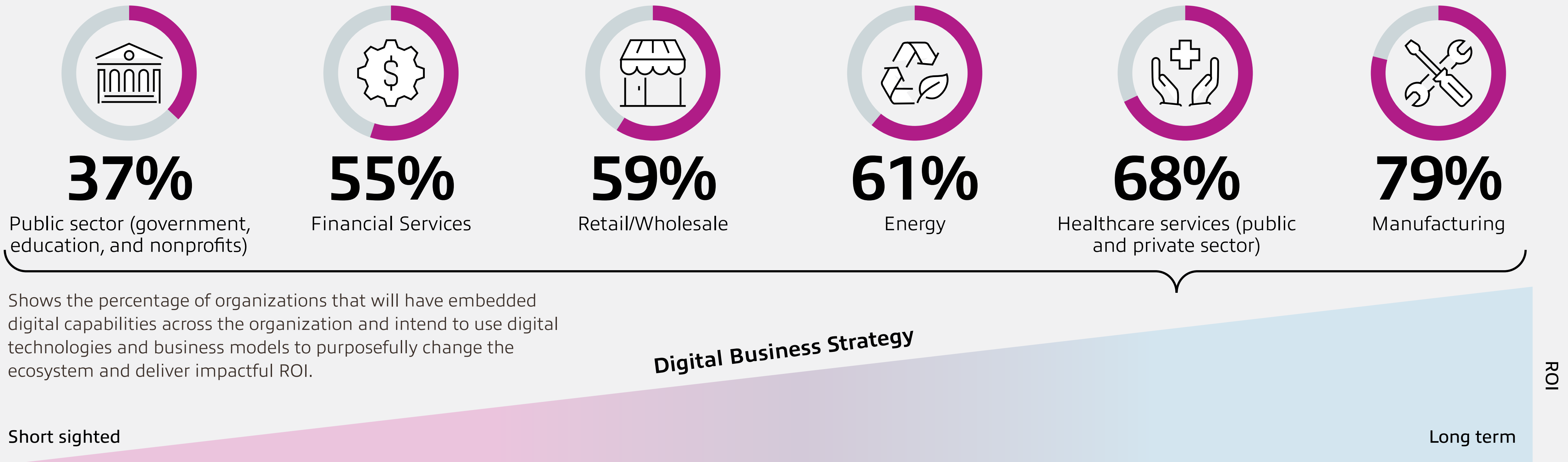
At What Rate are Industry Sectors Transitioning to Deliver Impactful ROI?

Manufacturing organizations are set to win the race to deliver impactful ROI

Q. At which stage do you expect your organization's digital business strategy to be in the next 12 months?

Pace of change — How strong is the digital business ambition?

IMPACTFUL ROI

37%
Public sector (government, education, and nonprofits)

55%
Financial Services

59%
Retail/Wholesale

61%
Energy

68%
Healthcare services (public and private sector)

79%
Manufacturing

Shows the percentage of organizations that will have embedded digital capabilities across the organization and intend to use digital technologies and business models to purposefully change the ecosystem and deliver impactful ROI.

Digital Business Strategy

Short sighted

Long term

ROI

Digital Business Strategies Must Support How an Organization Creates and Delivers Value
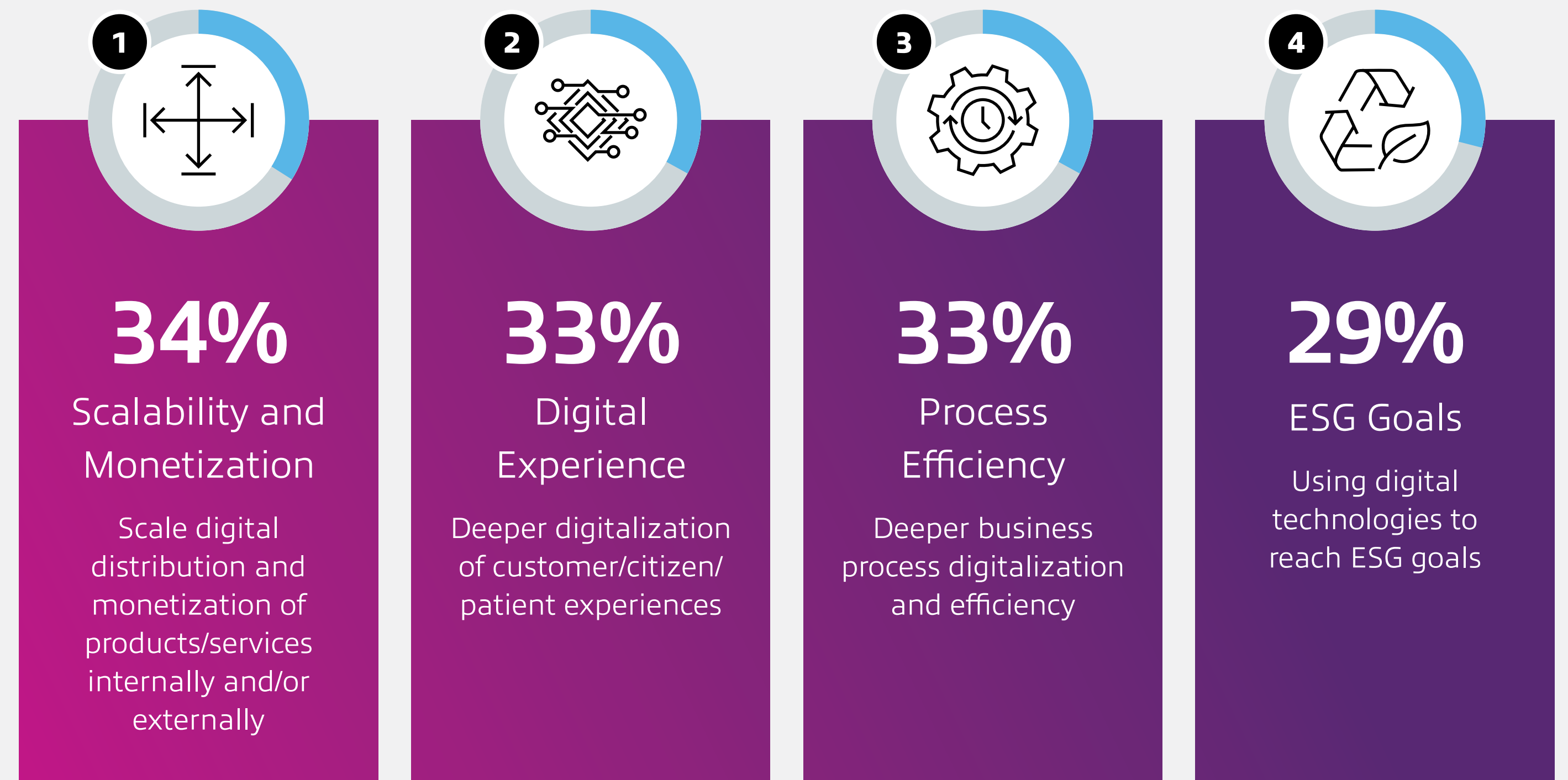
The digital transformation endgame moves beyond product and service redesign

Every organization looks to enhance its processes, products, services, experiences, and revenue growth with new digital capabilities. However, business value created directly from or enabled by digital goes beyond product or service creation to enable digital at scale.

The value proposition of digital is now firmly tied to creating the foundation for business agility, with business value tied to four core outcomes:
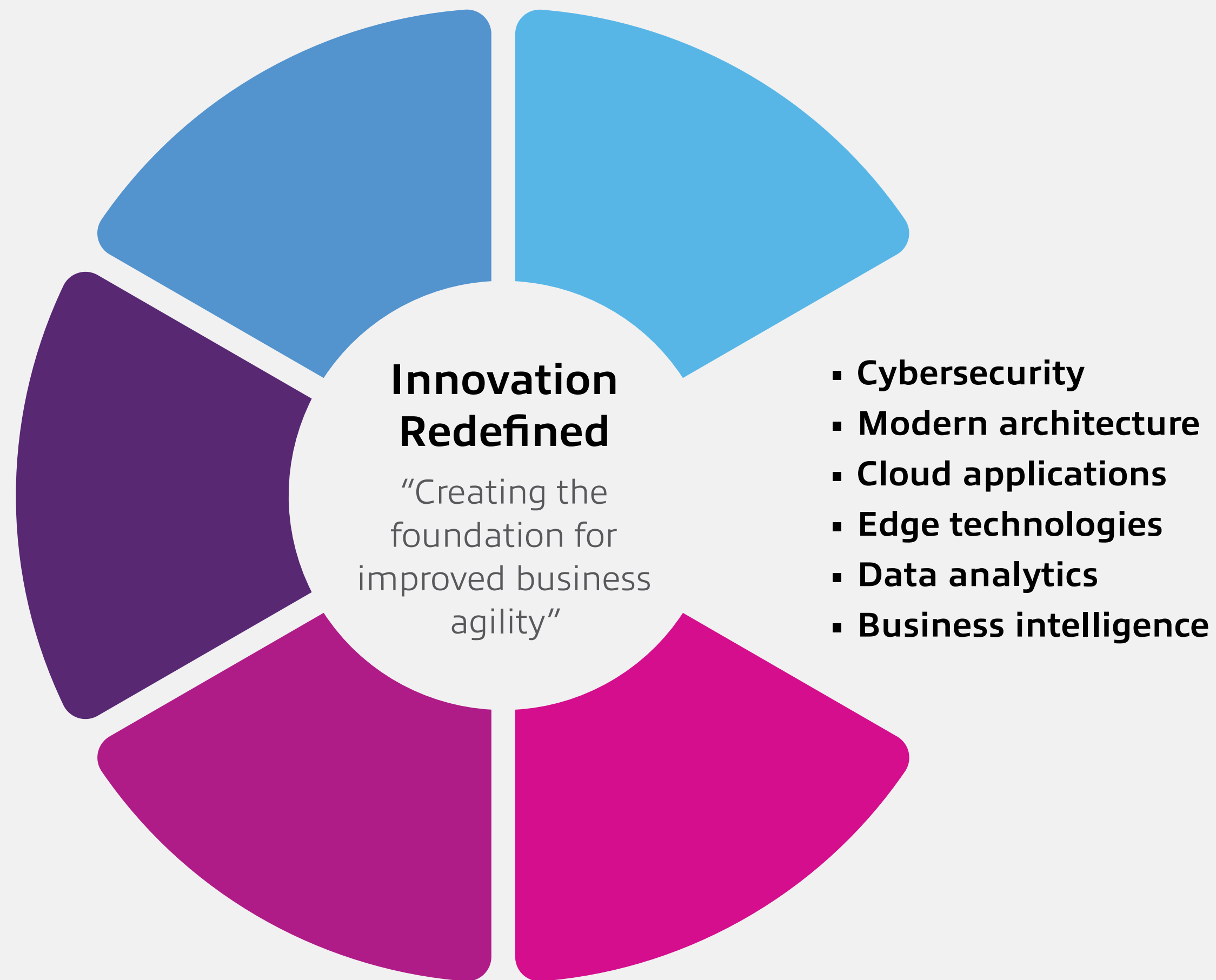
1. Scalability and Monetization

2. Digital Experience

3. Process Efficiency

4. ESG Goals

Digital transformation is prioritized to support:

1

34%
Scalability and Monetization

Scale digital distribution and monetization of products/services internally and/or externally

2

33%
Digital Experience

Deeper digitalization of customer/citizen/ patient experiences

3

33%
Process Efficiency

Deeper business process digitalization and efficiency

4

29%
ESG Goals

Using digital technologies to reach ESG goals

Q. What are the main reasons for your organization to invest in digital transformation in the next 12 months?

Redefine Innovation to Create Opportunities to Optimize

Innovation Redefined

"Creating the foundation for improved business agility"

- Cybersecurity
- Modern architecture
- Cloud applications
- Edge technologies
- Data analytics
- Business intelligence

The next phase of digital business growth demands that organizations innovate (deliver purposeful business value through digital technologies) while in parallel tackling cybersecurity, legacy architectures, technical debt, more intentional use of data, and, increasingly, the sustainability of both the digital technologies in use and the digital products and services provisioned.

Innovation without solving or tackling these issues will not work or be impactful.

How Organizations Can Innovate Successfully

The Organizational Approach

LONG TERM

61% of organizations have a long-term digital transformation strategy tied to organization-wide business goals.
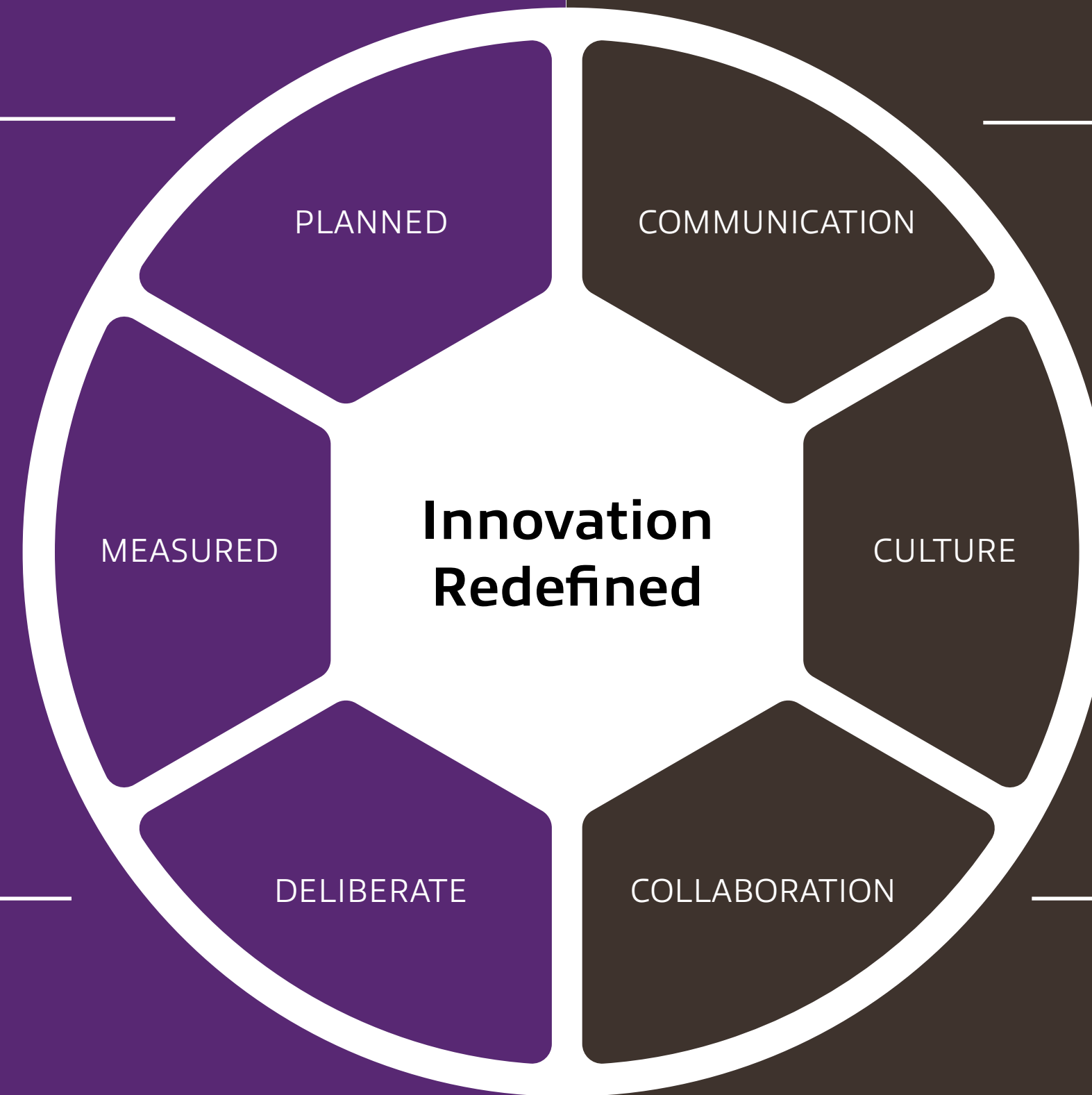
TARGETED METRICS

1 in 2 organizations require metrics to be more specific and granular, with a stronger rationale for inclusion.

CEO INVOLVEMENT

For **66%** of organizations, the CEO is actively involved in defining the digital strategy.

The Cultural Shift

IT/LOB ALIGNMENT

In **83%** of organizations, IT is aligned with what the business needs to grow and succeed..

CHANGE MANAGEMENT

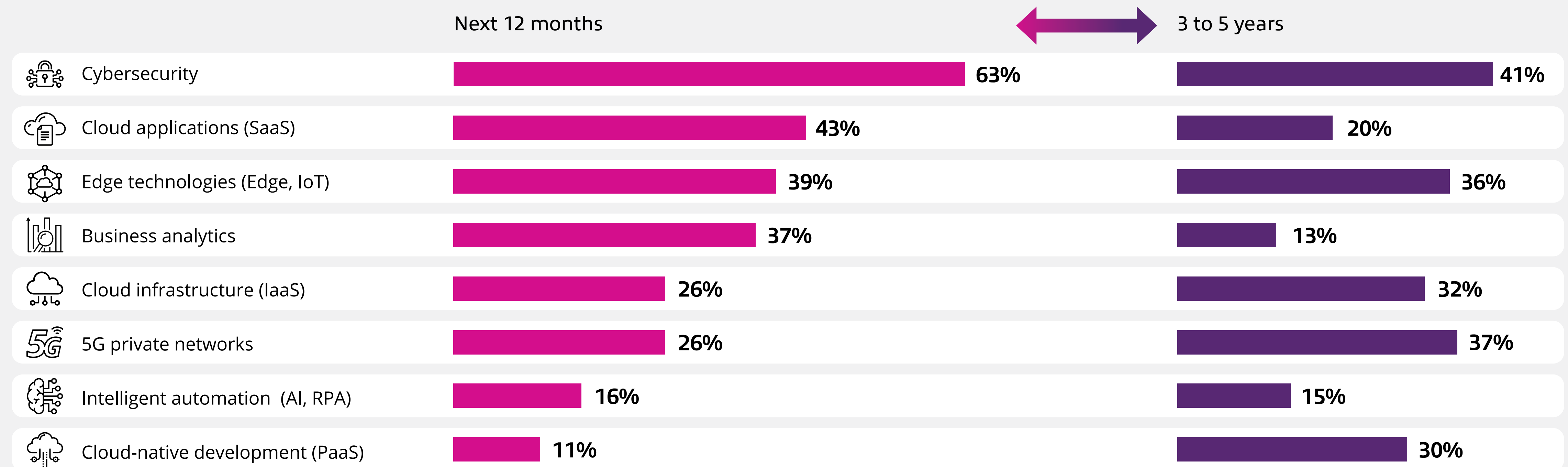**61%** devote significant resources to change management.

PURPOSE

For **80%** of organizations, IT collaborates closely with the business to deliver operational innovation.

Innovation Redefined

- PLANNED
- COMMUNICATION
- CULTURE
- COLLABORATION
- DELIBERATE
- MEASURED
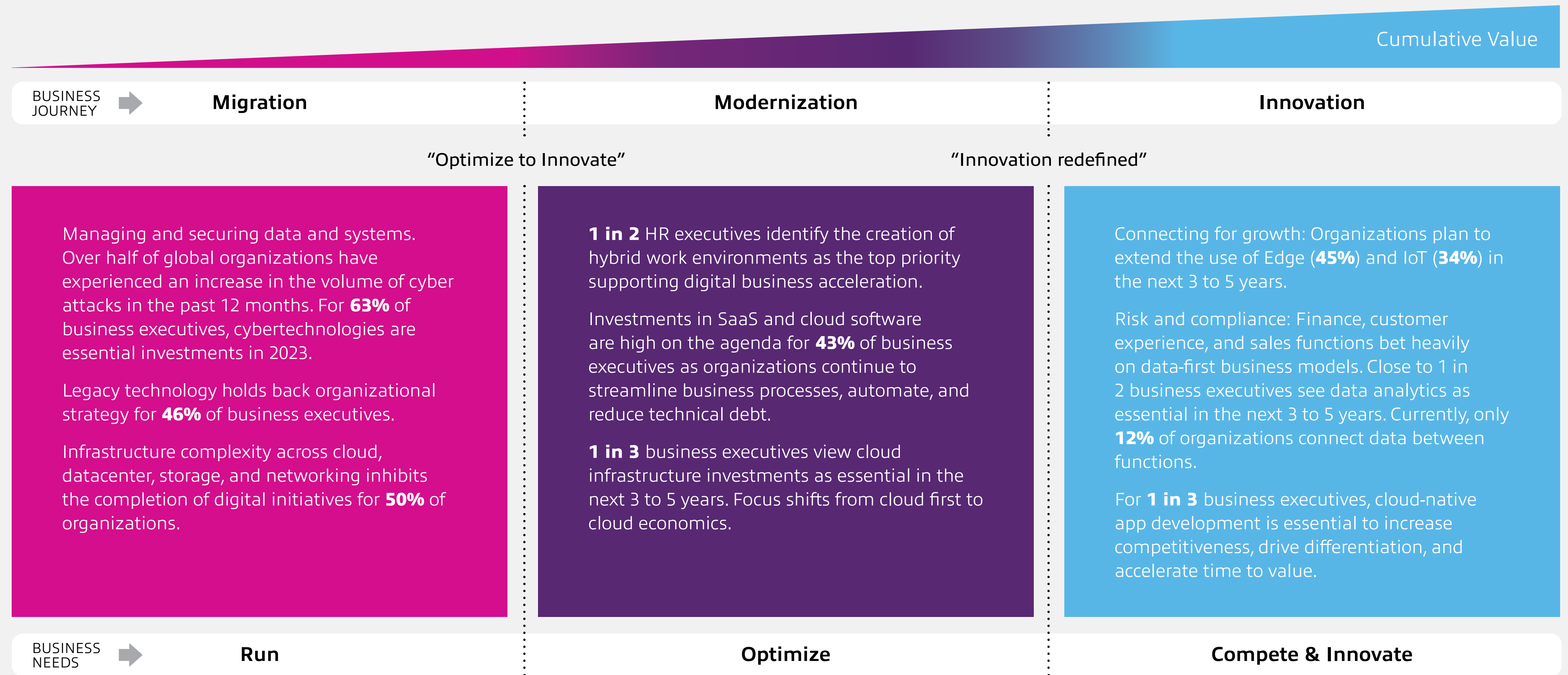
Essential Tech Ingredients Supporting Digital Business Strategies

Creating the foundation for **Digital at Scale**

Essential Technology Supporting Digital Transformation Efforts

	Next 12 months	3 to 5 years
Cybersecurity	63%	41%
Cloud applications (SaaS)	43%	20%
Edge technologies (Edge, IoT)	39%	36%
Business analytics	37%	13%
Cloud infrastructure (IaaS)	26%	32%
5G private networks	26%	37%
Intelligent automation (AI, RPA)	16%	15%
Cloud-native development (PaaS)	11%	30%

Which of the following technologies are essential to your organization's digital transformation efforts in the next 12 months/3 to 5 years?

# The Tech-to-Scale Continuum: "Designing" for Digital Business at Scale

Cumulative Value

BUSINESS JOURNEY →

Migration	Modernization	Innovation

"Optimize to Innovate"   "Innovation redefined"

Migration

Managing and securing data and systems. Over half of global organizations have experienced an increase in the volume of cyber attacks in the past 12 months. For **63%** of business executives, cybertechnologies are essential investments in 2023.

Legacy technology holds back organizational strategy for **46%** of business executives.

Infrastructure complexity across cloud, datacenter, storage, and networking inhibits the completion of digital initiatives for **50%** of organizations.

Modernization

1 in 2 HR executives identify the creation of hybrid work environments as the top priority supporting digital business acceleration.

Investments in SaaS and cloud software are high on the agenda for **43%** of business executives as organizations continue to streamline business processes, automate, and reduce technical debt.

1 in 3 business executives view cloud infrastructure investments as essential in the next 3 to 5 years. Focus shifts from cloud first to cloud economics.

Innovation

Connecting for growth: Organizations plan to extend the use of Edge (**45%**) and IoT (**34%**) in the next 3 to 5 years.

Risk and compliance: Finance, customer experience, and sales functions bet heavily on data-first business models. Close to 1 in 2 business executives see data analytics as essential in the next 3 to 5 years. Currently, only **12%** of organizations connect data between functions.

For **1 in 3** business executives, cloud-native app development is essential to increase competitiveness, drive differentiation, and accelerate time to value.

BUSINESS NEEDS →

Run	Optimize	Compete & Innovate

Innovation Requires Unlocking the Power of your Data

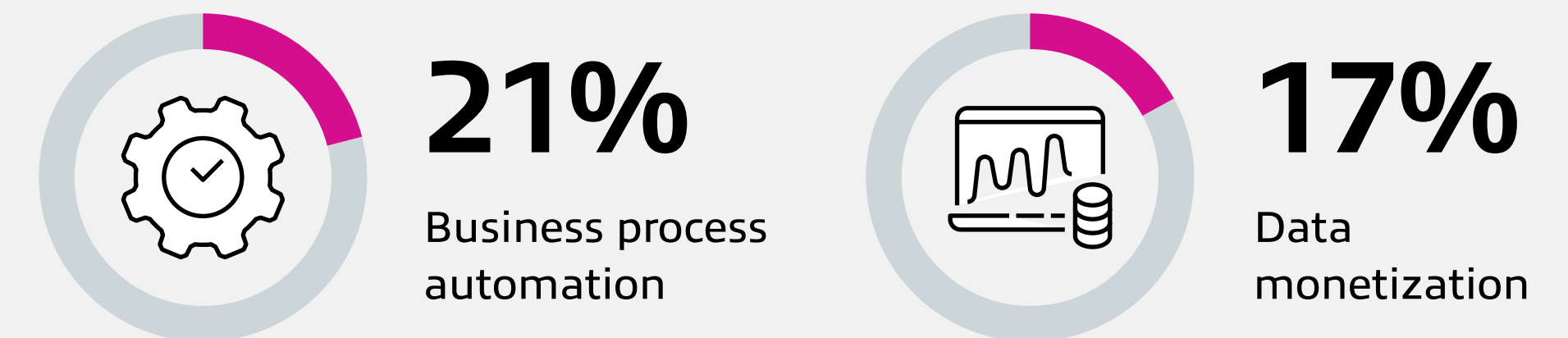The right data is needed for innovation to be meaningful and create lasting value

Are business leaders getting maximum value from their organization's data?

Some leaders plan to use their data for…

40% Worker productivity

32% Customer/citizen engagement
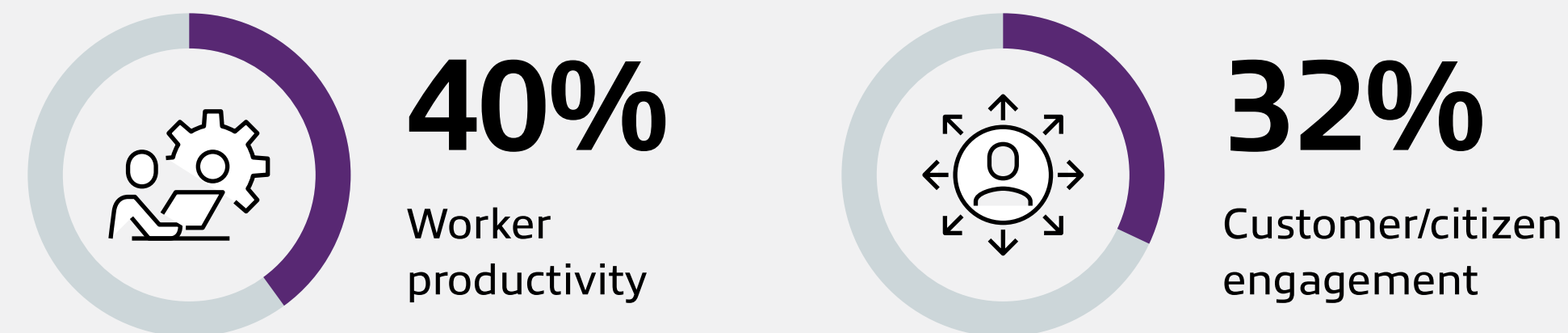
But…

Fewer plan to use their data for…

21% Business process automation

17% Data monetization

How should technology leaders respond?

While most leaders are planning to use their organization's data to improve productivity or customer engagement, far fewer are looking to see how data can enhance process automation, or how it can be monetized to create new revenue streams or improve existing ones.

This is a missed opportunity, particularly as rapid advances in generative AI emerge. Technology leaders should take this chance to demonstrate the value of their organization's data and show how it can benefit other functions and the broader business.

Q. Please identify the areas where your organization will prioritize greater use of data to provide better experiences or improve efficiencies in the next two years.

Don't Underestimate Digital Transformation Challenges

Challenges are often rooted in decisions from years earlier that made sense at the time

The unwanted results	The technology symptoms

29%

of organizations saw a significant proportion **(up to 50%)** of their digital initiatives not reach completion or fail to meet the original objectives.
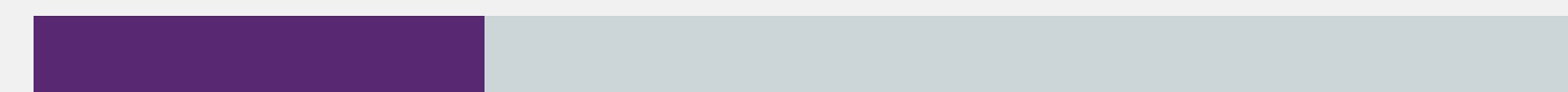
Q: Over the past two years, approximately what percentage of digital projects that your organization initiated did not reach completion or failed to meet the original objectives or expected outcomes?

These technology categories (below) are not necessarily the source of project failure. Rather, the challenges of integrating these technologies are the source of the problem, and technology leaders must carefully consider if their current metrics of success need to be updated.
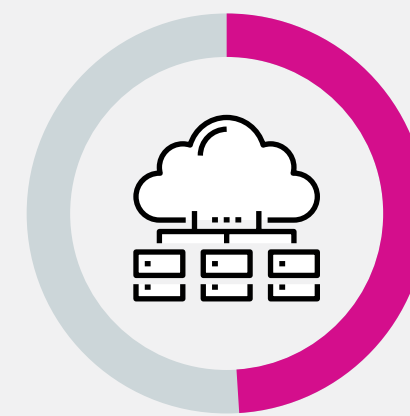
49%
Infrastructure (including cloud, datacenter, storage, networking)

45%
Security (including data and systems security)

41%
Front-office software applications (CRM, CX, service, etc.)

Q: Regarding the projects that did not reach completion or failed, which of the following technologies proved to be the most challenging to integrate?

Cultural Change is Part of the Process

Becoming a digital business requires addressing people, processes, and technology simultaneously

A majority of organizations globally recognize the necessity of technology investments to achieve their digital business goals. But they face some tangible challenges along the way. Some of these can be addressed with targeted interventions, but most will require a more coordinated approach that involves people, processes, and technology.

Q: What were the most significant challenges to completing your organization's digital transformation initiatives?

Privacy or security concerns
53%

Insufficient resources for change management
39%

Lack of essential technology skills
39%

Friction due to legacy infrastructure and processes
30%

Regulatory or compliance concerns
21%

Inability to scale initiatives due to organizational silos
19%

Insufficient speed or capability from partners/suppliers
18%
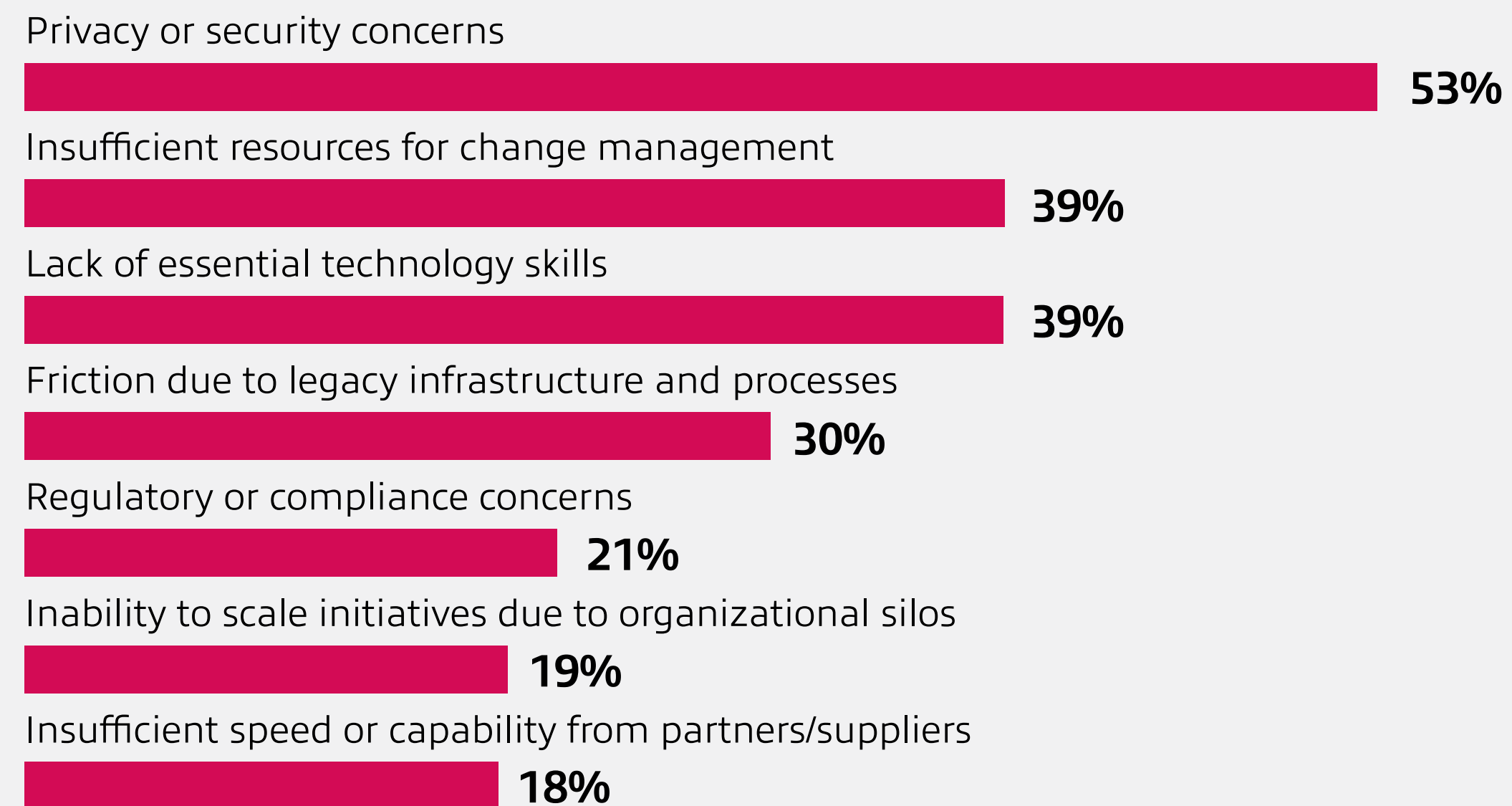
All challenges are rooted in one — and often more — of these three areas, and solutions will require broader cultural change.

36%
People

34%
Process

46%
Tech
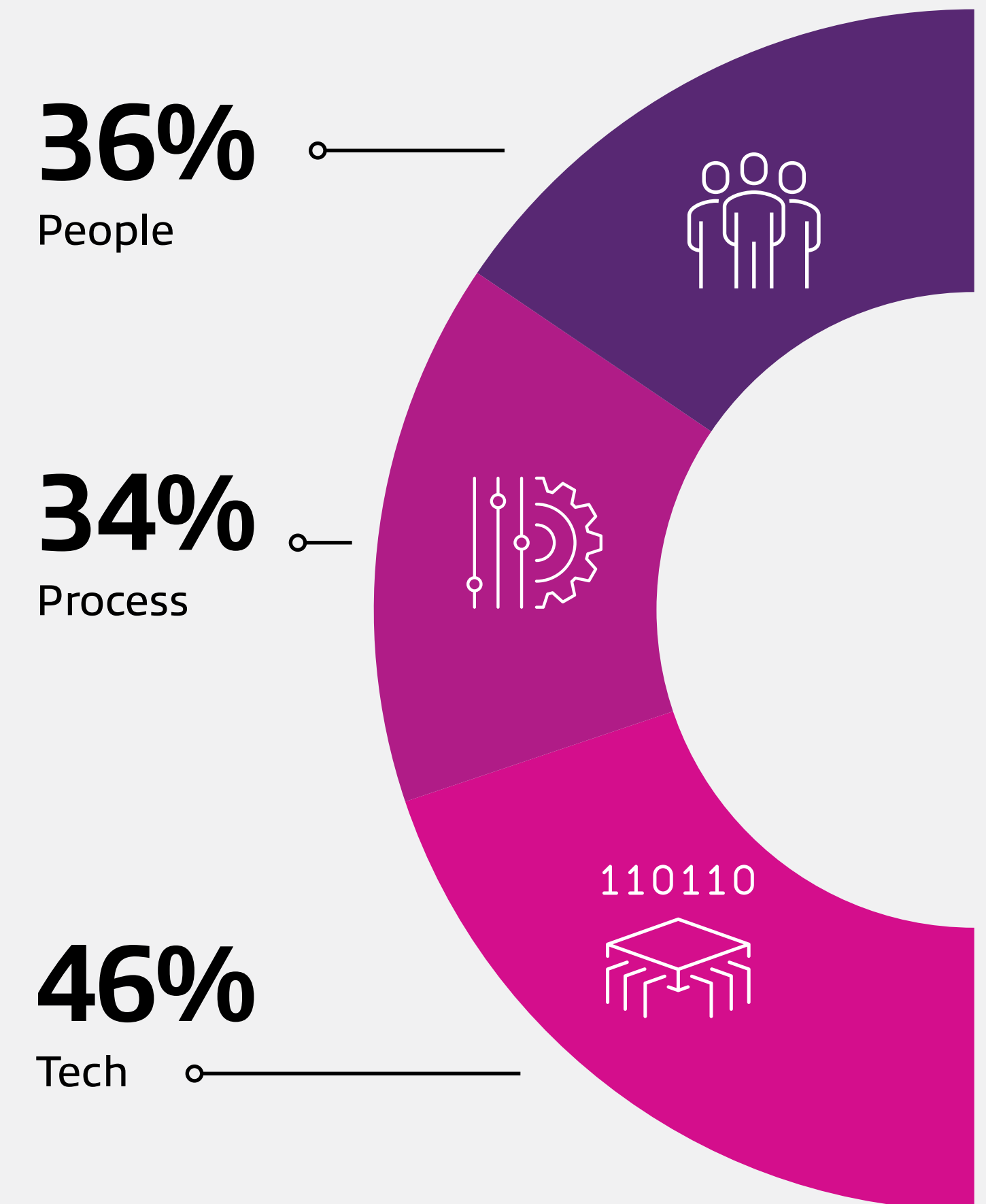
Leading Organizations Are Adapting Their Measures of Success

They are changing their key criteria for evaluating digital transformation investments

As business leaders prioritize their organizations' digital investments for the coming year, they are identifying the key criteria for success.

It's clear that efficiency and productivity are high priorities during economic uncertainty, but consideration must also be given to what comes next, and how to accelerate out of any downturn in a stronger market position. This is where service quality and time to market are essential, with a goal of increasing revenue.

Optimization is a Priority

45%
Greater efficiency

37%
Increased productivity

32%
Improved service quality

27%
Faster time to market

26%
Increased revenue

Higher priority

Lower priority
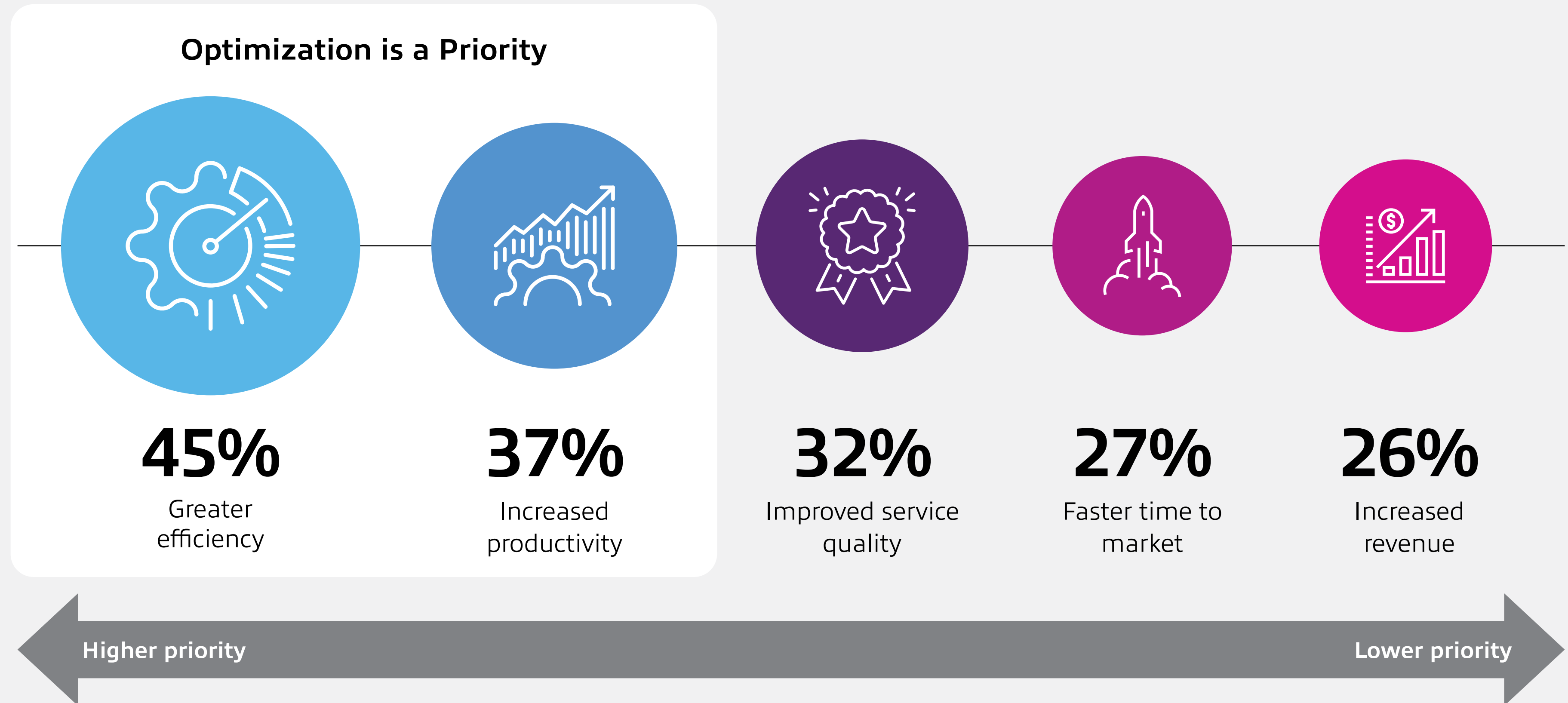
Q: Which criteria/metrics will be the most important to evaluate digital transformation investments in the next 12 months?

Measures of Success Vary Across Regions, Industries, and Functions

Efficiency rises to the top, underlining the need for organizations to optimize to innovate

Many organizations will have to optimize and create new efficiencies to create the needed space — and resources — for innovation. In many ways, this top measure of success — efficiency — will help to facilitate all the other measures of success.

Greater efficiency
45%
#1 in all regions, most industries, and most functions

Increased productivity
37%
#1 in Energy & Mining (industry) and Research & Development/Engineering (function)

Improved service quality
32%
Highly ranked in the Public Sector (industry) and Customer Experience and Research & Development/Engineering (functions)

Faster time to market
27%
Highly ranked in Financial Services (industry) and Security/Risk/Compliance (function)

Increased revenue
26%
Highly ranked in Manufacturing (industry) and Manufacturing/Supply Chain (function)

Executive Influence on Digital Initiatives is Growing

They are becoming more involved throughout the project life cycle

Unlike initiatives in the finance, HR, or marketing functions, digital transformation is not owned by the IT function alone. It requires involvement from across the business and from leadership. Our data shows that executive involvement in digital transformation initiatives is growing among the C-suite and functional business leaders alike, and this is essential to help ensure project success.

High Digital Business Ambition **Low**

Tone from the top

66% **ENGAGED:** "CEO is actively or personally involved in defining the digital strategy of the organization."

DISTANT: "CEO has low to moderate involvement in digital initiatives." **34%**

Internal Collaboration

61% **COORDINATED:** "Digital transformation initiatives are joined up or centrally orchestrated with a long-term plan and governance."

FRACTURED: "Initiatives are siloed, lacking formal governance, or have a short-term focus." **39%**

The Role of the C-Suite

As executive involvement grows in digital initiatives, so too does the scrutiny and metrics

Closer executive involvement …leads to **Changing ROI expectations**

Q: How is C-suite scrutiny of digital initiatives changing compared to the past year?

Much more
15%

A little more
33%

No change
32%

Less
19%

Much less
1%

Q: How are C-suite metric expectations for digital initiatives changing compared to the past year?

Metrics require a stronger rationale for inclusion
55%

Metrics are more specific and granular
51%

Metrics are reported to the C-suite more frequently
44%

Metrics are focused on a shorter timeframe
39%
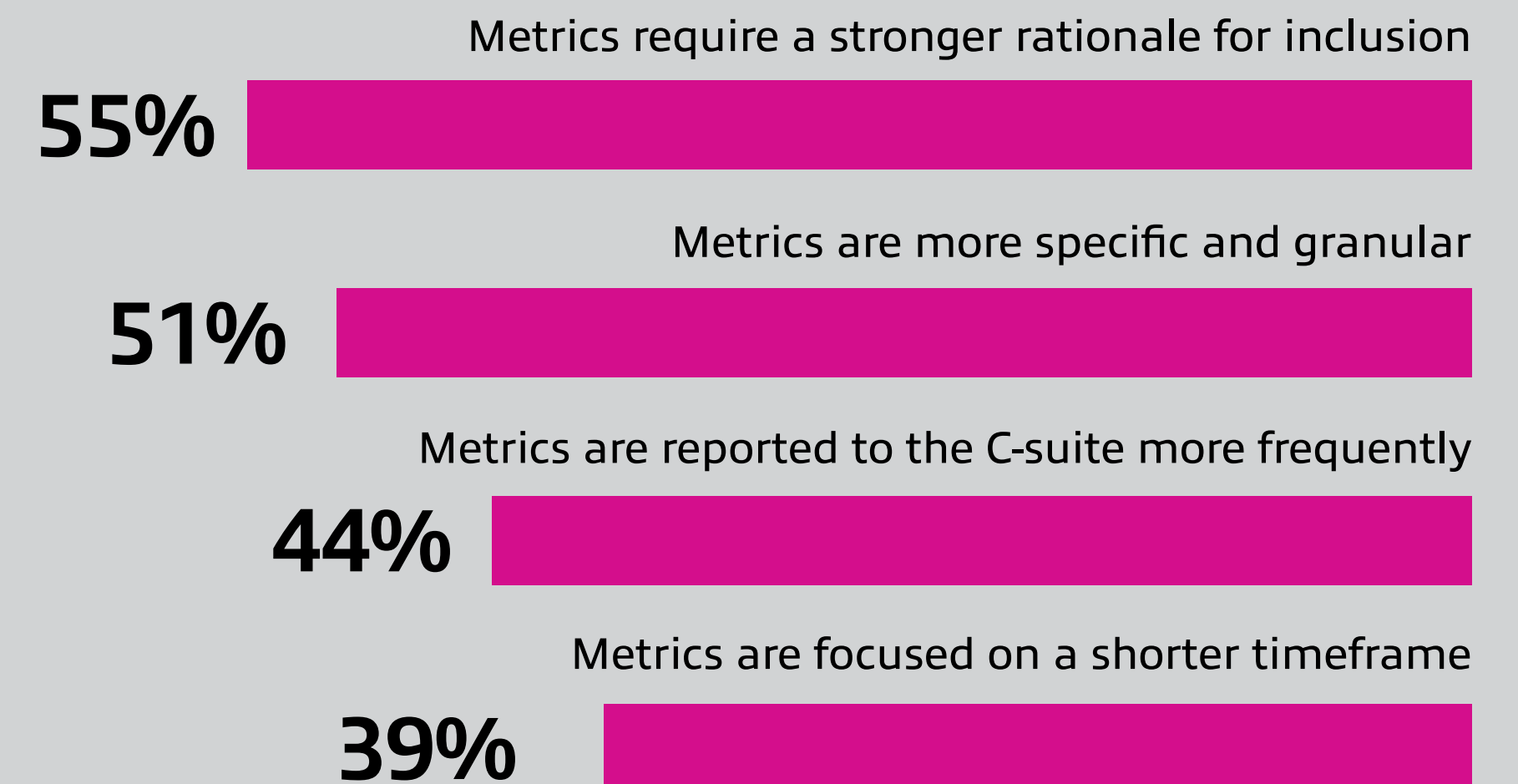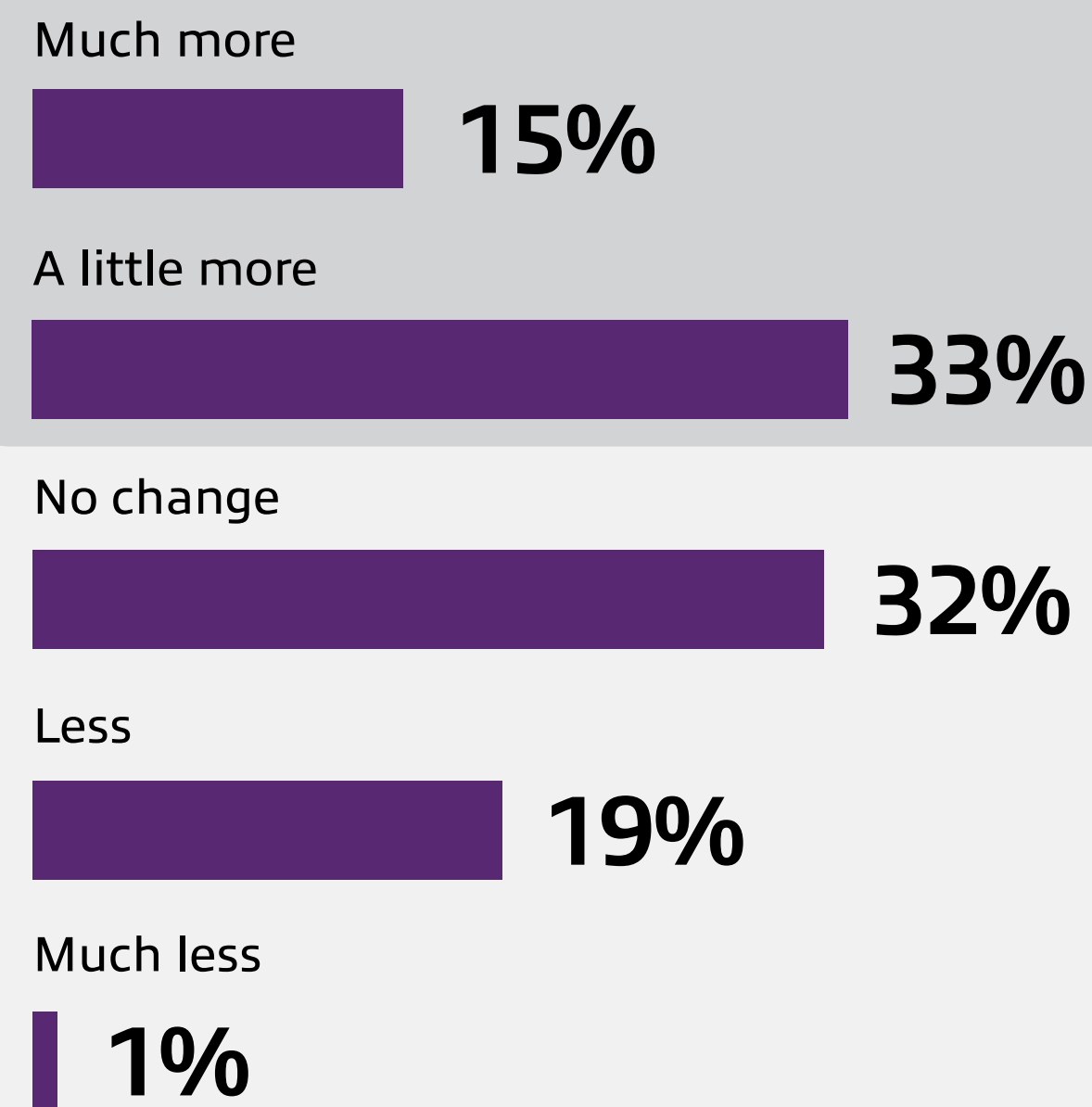
It is Essential to Improve IT and Line of Business Alignment

Alignment is essential to enable the success of digital business priorities from across the organization

What does the business think about the quality of IT & LoB alignment?

The business thinks LoB...

… "prefers to utilize in-house IT resources rather than using third-party resources"

47%

… "understands what is possible with technology"

45%

… "is willing to collaborate with IT"

42%

The business thinks IT...

… "collaborates closely with my business to deliver operational innovation"

62%

… "is very much aligned with what our business needs to grow and succeed"

46%

… "has the skills to really help the business achieve its goals and drive new business"

49%

… "has a 'seat at the table' in our company when it comes to making key business decisions"

41%

Q: Please rate your level of agreement with the following statements.
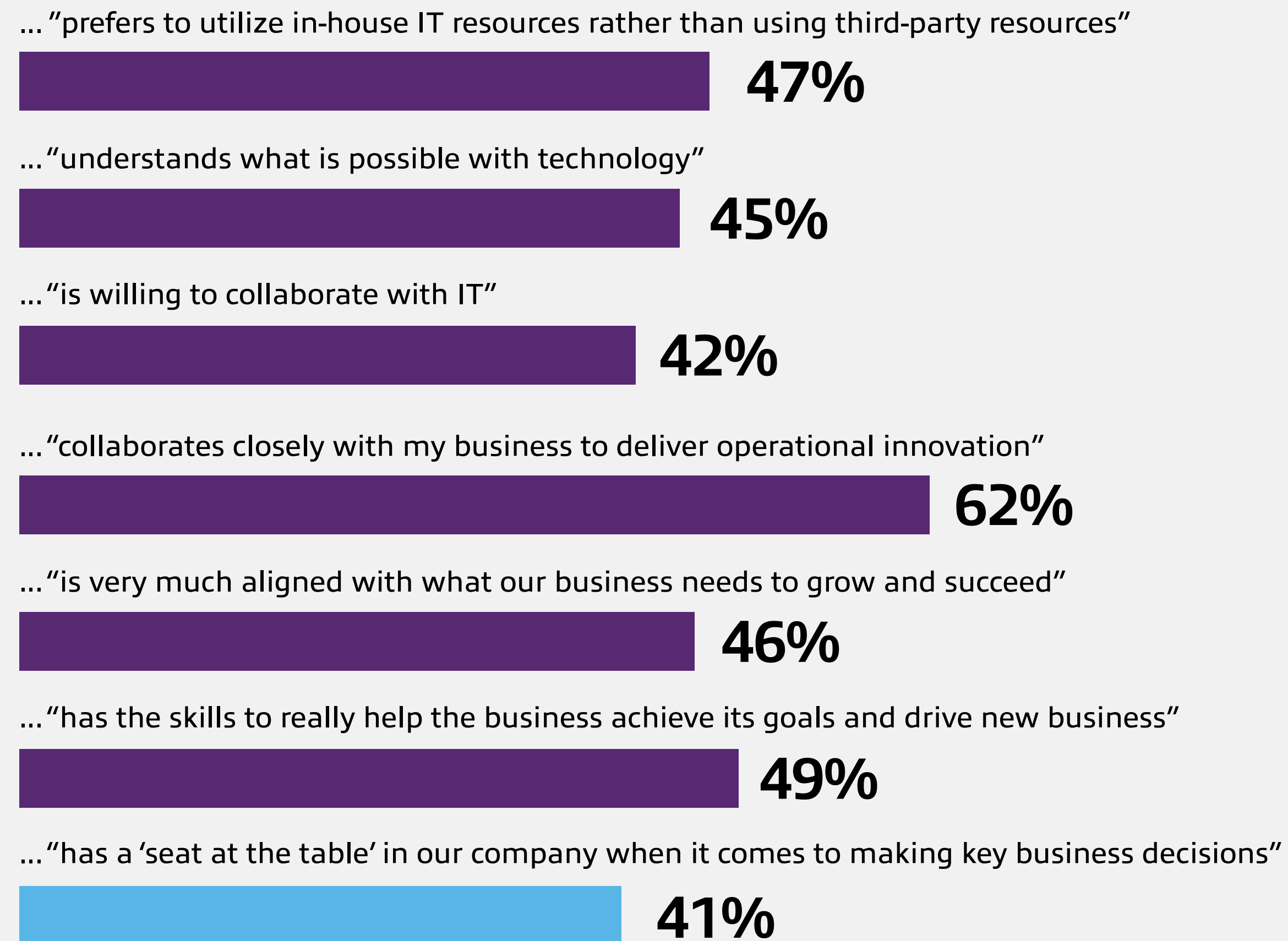
The overall results are quite positive, but in some organizations, IT appears to not have a "seat at the table." Is this cause for concern?

● Agree
● Neutral

IT and Line of Business Alignment by Region and Function

Where is IT perceived as a support function vs. value enabler?

Rate your level of agreement with this statement:

"IT has a 'seat at the table' in our company when it comes to making key business decisions."

GEOGRAPHY

FUNCTION
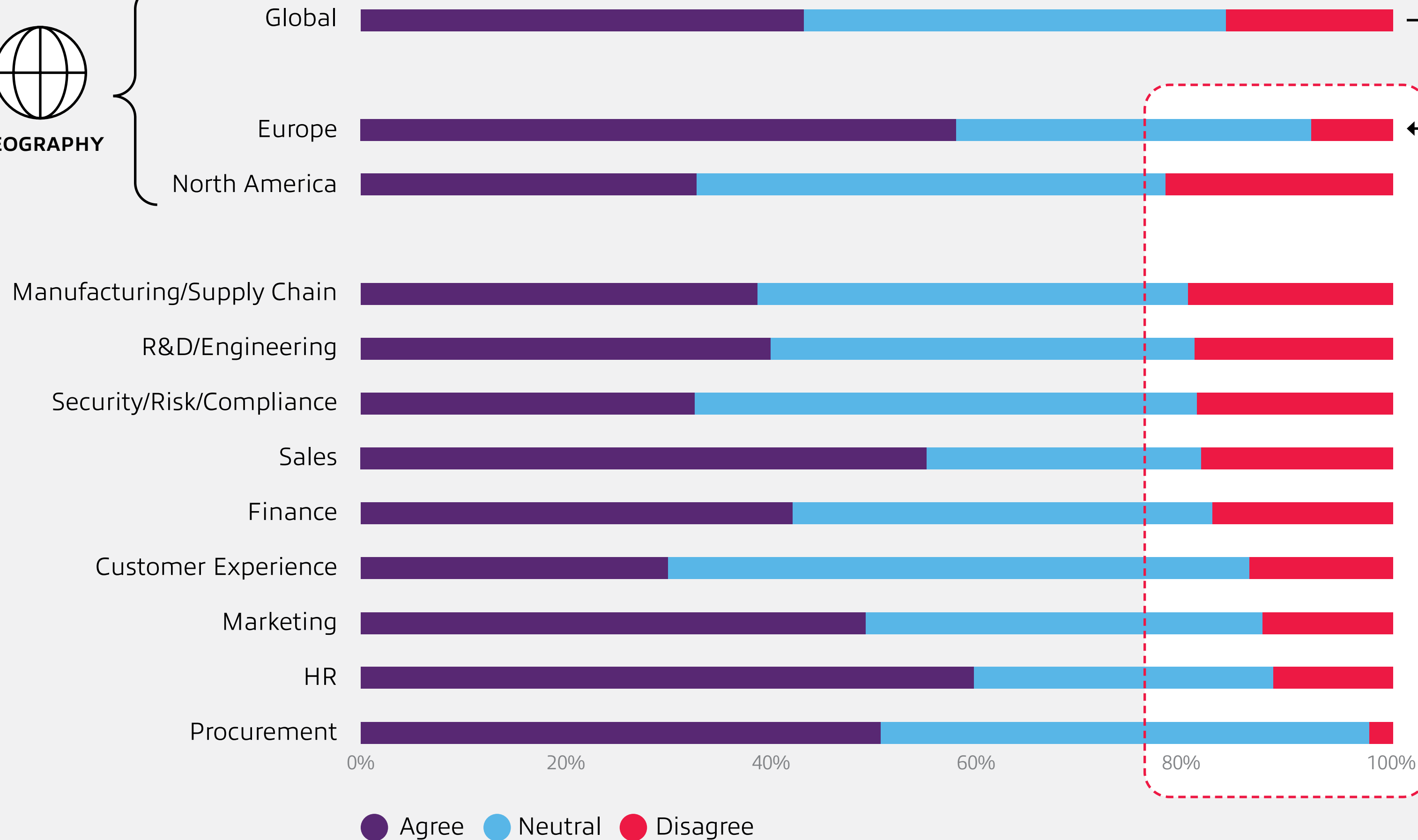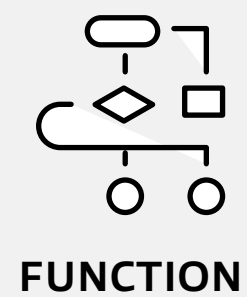
The Danger Zone

Organizations where IT is not (or is not perceived to be) "at the table" and contributing to key business decisions are likely to find that they lack needed stakeholder support and essential skills throughout the transformation and change management process.

● Agree ● Neutral ● Disagree

Next Steps

How business and technology leaders can innovate their way to success
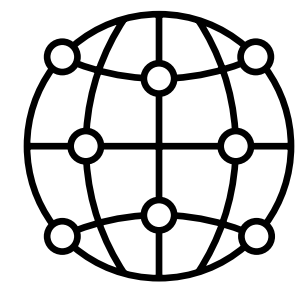
Draw a Digital Business Map

Becoming a digital business is non-negotiable, and it's essential that leaders understand this and map their route to success.
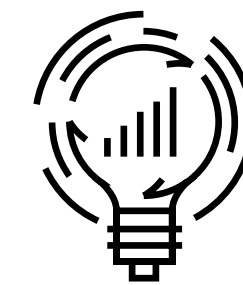
Refine Innovation

As leaders make a cultural shift and redefine innovation for their organizations, they can begin to optimize and further refine innovation to suit changing circumstances.
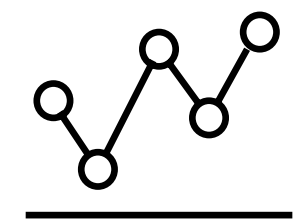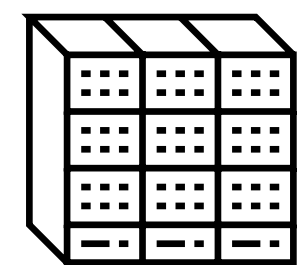
Improve Success Metrics

Moving an organization from short sighted to long term requires leaders to align technology success metrics with business strategy.
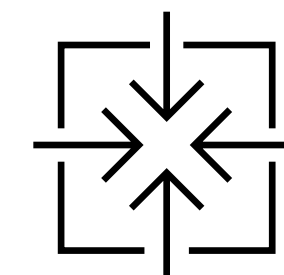
Invest in Alignment

Improved metrics will only work if leaders strive to improve alignment between key stakeholders in IT and LoB.

Unlock the Power of Data

Leaders have significant scope to improve organizational use of data, either to monetize it or to create new revenue streams.
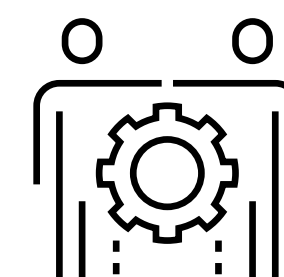
Find the Right Partners

Choosing a technology provider for the long term is a big step, and leaders should prioritize partners that can navigate regional and national differences and nuances.

Message from the Sponsor

Today's innovation imperative leaves little margin for error

Joyce Mullen
President & CEO
Insight Enterprises

Amid today's economic uncertainty — and a world of accelerated change — my peers often share their struggles to balance staying relevant with managing a bottom line in which every dollar matters.

Get innovation right, and you're a pacesetter amid the competition. Mess it up? Good luck …

This year's Insight Intelligent Technology Report reveals most organizations understand that success means transforming into a digital business. Figuring out how is the clear question, yet the ingredients are universal:

- IT objectives in lockstep with business strategy
- Efficient access to new technology
- The perpetual ability to architect, build and manage increasingly complex technology environments, whether in-house or through a trusted partner
- Real outcomes and results … fast

There aren't many who can handle this alone. See how we're giving our clients the insight to be ambitious about reaching their goals of becoming a modern, digital business: **www.insight.com/beambitious**.

Insight®

Survey Demographics

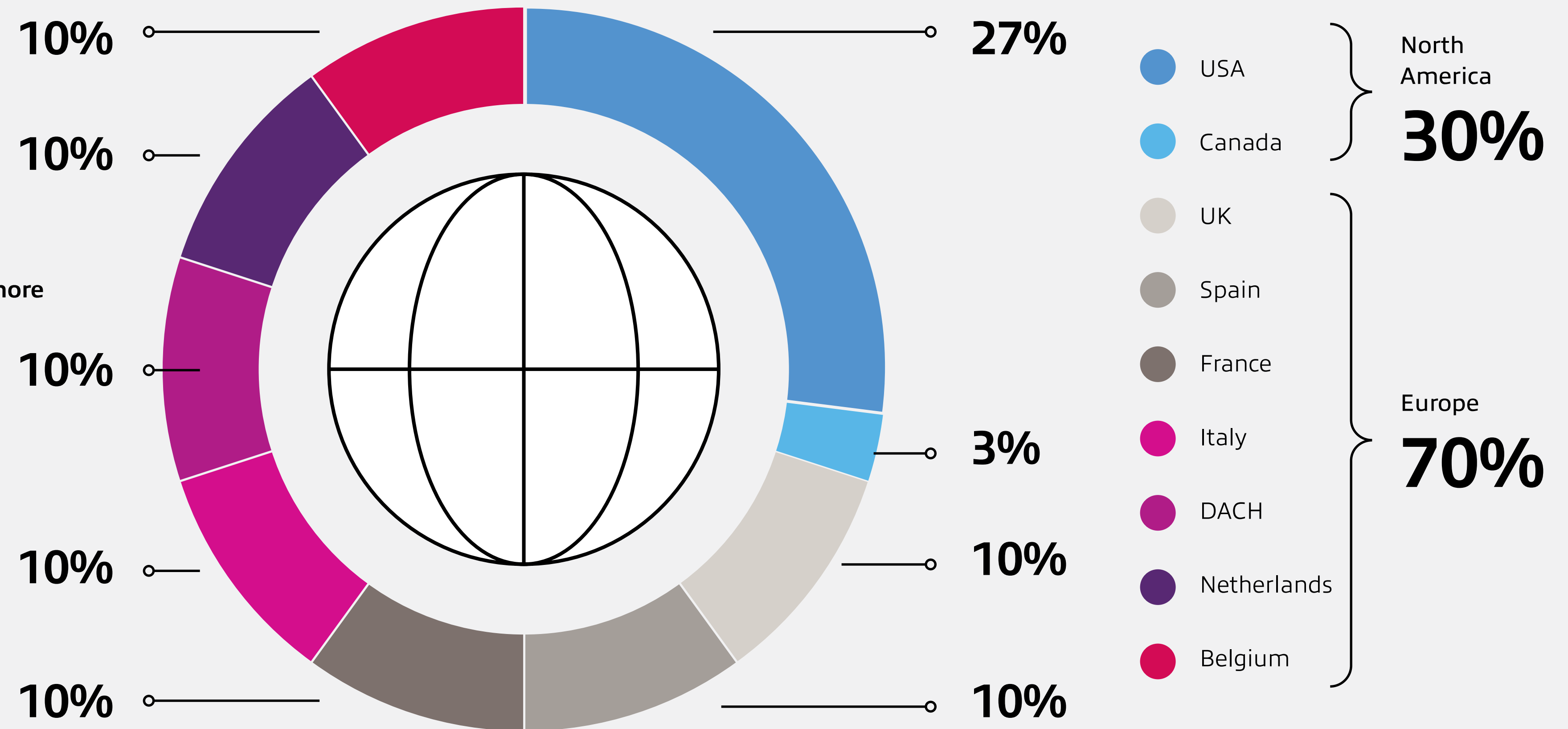## Geographies & Percentage of Total Sample

General Information

- Sample size: **1,000**
- Field time: **Early 2023**
- Method: **Phone survey**

Organizational size

- Commercial sector: **1,000 employees or more**
- Public sector: **250+ employees**

Verticals targeted

- Manufacturing
- Healthcare Services
- Financial Services
- Energy & Mining
- Retail & Wholesale (Note: hospitality is included under Retail)
- Public sector (Government, Education, and Nonprofits)
- Other (max 20%)

27% USA
3% Canada
10% UK
10% Spain
10% France
10% Italy
10% DACH
10% Netherlands
10% Belgium

North America **30%**

Europe **70%**

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