IDC FutureScape

IDC FutureScape: Worldwide IT Industry 2023 Predictions

Navigating Through the Storms of Disruption in the Digital Business Era

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Winds of Change Becoming Storms of Disruption

Which of the following do you expect will have the greatest impact on your IT spending plans for the rest of 2022?

	Worldwide	North America	AP	Europe
IT cost price increase stemming from inflation	50%	53%	46%	51%
IT supply chain disruptions	41%	43%	36%	43%
Staffing/Labor shortages	37%	36%	40%	36%
Geopolitical tensions (including Russia-Ukraine war)	33%	24%	39%	38%
COVID variants/restrictions	33%	29%	39%	30%

Source: Future Enterprise Resiliency & Spending Survey - Wave 8, IDC, September 2022. n=833

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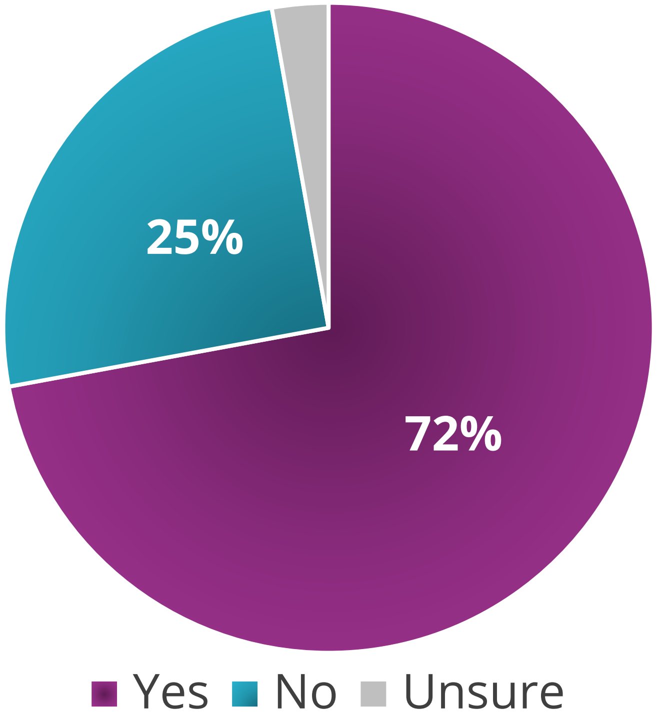
Perception is Reality: Amongst IT Executives, there is an overwhelming sentiment that a recession is likely to occur in the next year

Will there Be a Recession in the Coming Year?



When do you think it will begin?

Source: Future Enterprise Resiliency & Spending Survey - Wave 8, IDC, September 2022. n=833

Q: Thinking about the economic situation in your country, do you think there will be a recession in the coming year? Q: : You indicated you think there will be a recession in the coming year. When do you think it will begin?

The First Recession of the “As a Services” Economy

IDC Prediction

By 2025, with **40%** or more of IT spending as a service, use of short duration capex cutting tactics will be constrained, instead requiring lasting opex resets of **10% to 30%** in software and resources.

CIO Agenda FutureScape

2023 – Tactical Actions

- IT FinOps to optimize cloud spend
- Renegotiate XaaS contracts for pricing certainty
- Eliminate duplicate brands of SaaS tools
- Reprioritize the open projects by putting through the lens “highest business value”

2024+ Permanent Actions

- What actions can we take to permanently reduce operating costs ?
- Where can we drive down the cost per unit (e.g. workstation, project hour) even if total IT spending increases.
- How do we reduce the costs of the labor needed to administer all these systems?

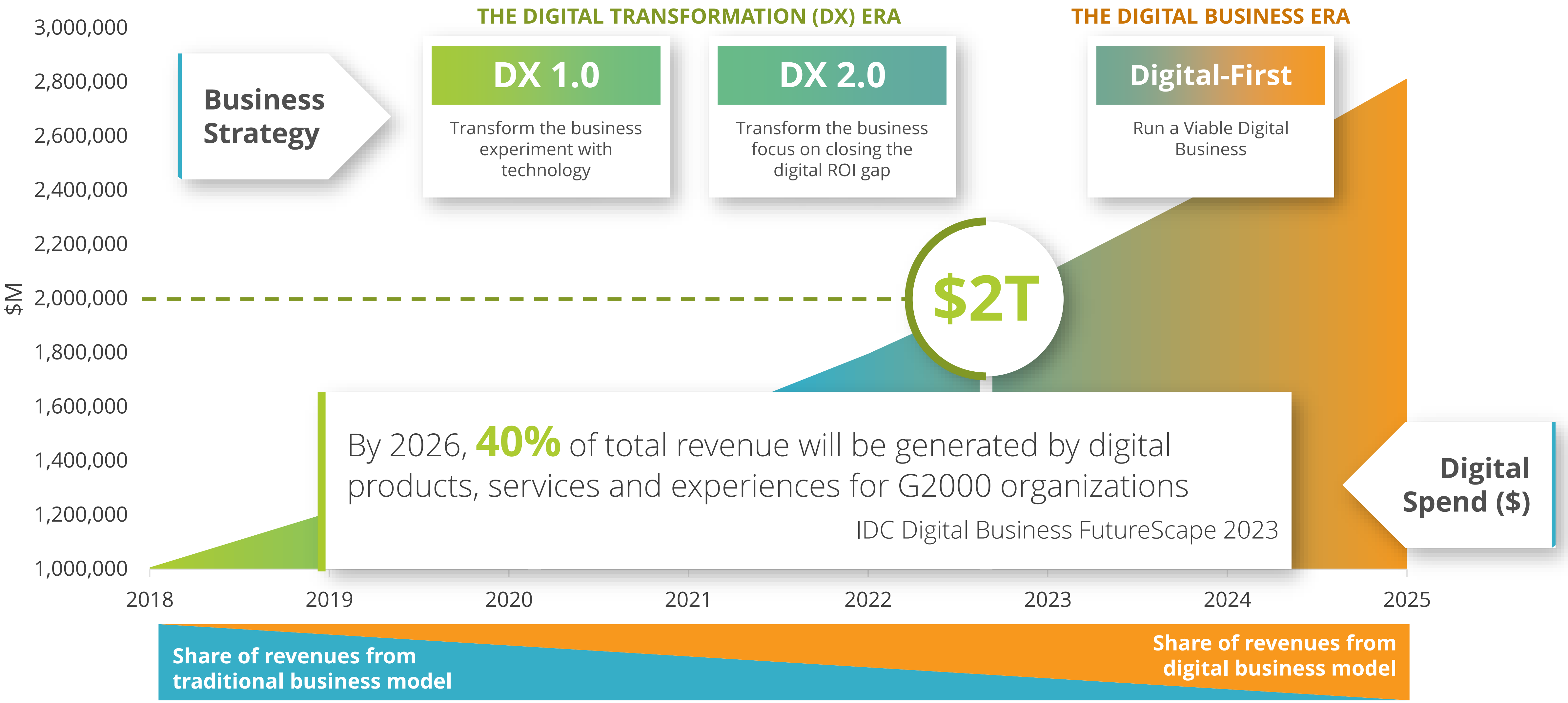
Slicing through the Storms of Disruption with Technology

IDC Prediction

Spending on digital technology by organizations will **grow at 8 times** the economy in 2023, establishing a foundation for operational excellence, competitive differentiation and long-term growth

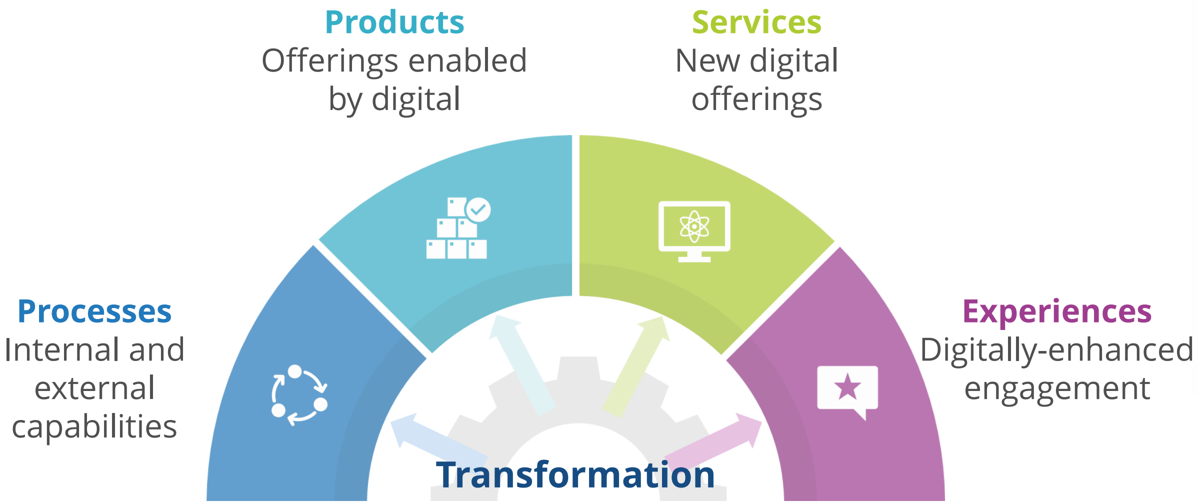
Digital Business FutureScape

What's After Digital Transformation? The Digital Business Era



Source: IDC Worldwide Digital Transformation Spending Guide, 2021 V2

Defining the Digital Business



IDC Prediction

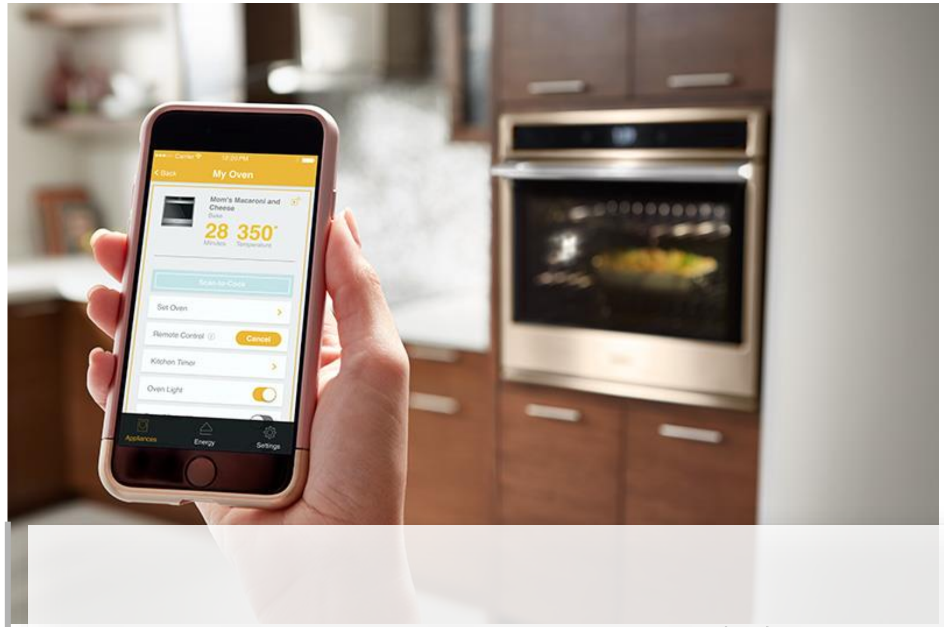
By 2026, **90%** of organizations that accurately quantify the **value of their digital capabilities and assets** (data, algorithms, software code) will significantly improve their market valuation versus their competition

IDC Digital Business FutureScape 2023

Business-focused aaS

By 2027, over **50%** of IT budgets in most G500 enterprises will be allotted to connectivity, security, compute, and data assets used to deliver their **own as-a-Service** processes and smart products.

IDC IT Industry FutureScape



'Every time we sell a connected device, we need more compute, more connectivity, more data management capabilities, more cloud capacity – the list goes on ...and IT needs to budget for this...'

CIO, Large Global CPG Multi-National

- Greater tech influence for LoBs
- High demand for digital product engineering skills
- Dramatic increases in IT scale and complexity

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Warning Increased Tech Exposure

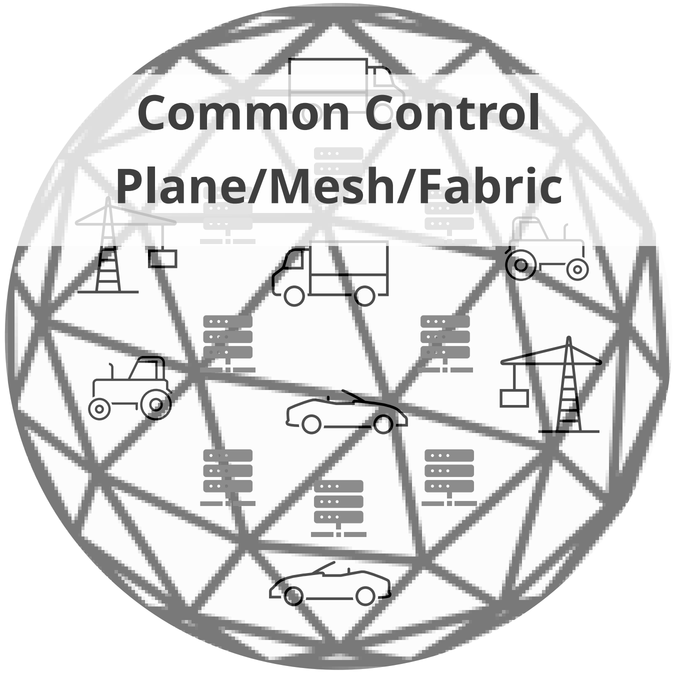
> In 2025, 20 high visibility digital product launches reliant on intelligent automation and aaS delivery will face major delays due to global or regional silicon and code supply chain issues.
>
> IDC IT Industry FutureScape

CEOs, CTOs, and Business unit leaders must become more involved with the establishment of deep links to silicon, core software, and connectivity providers

Tech-by-Wire

In 2025, **60%** of infrastructure, security, data, and network offerings will require **cloud-based control platforms** that enable extensive automation and promise major reductions in ongoing operations costs.

IDC IT Industry FutureScape



- Accelerated access at scale to innovative technologies
- Lower operational overhead at much greater scale
- Systems simplification and reduction of technical debt

Critical Tech-by-Wire Challenges

2023 In name only aaS

70%

of enterprises' adoption of as-a-Service infrastructure/ software will be curbed more by an inability to assess promises of faster innovation and operational gains than by cost concerns

2026 Control Overload

55%

of enterprises attempting to use tech-by-wire offerings will still struggle with a proliferation of siloed control systems that raise connectivity costs and limit sharing of data

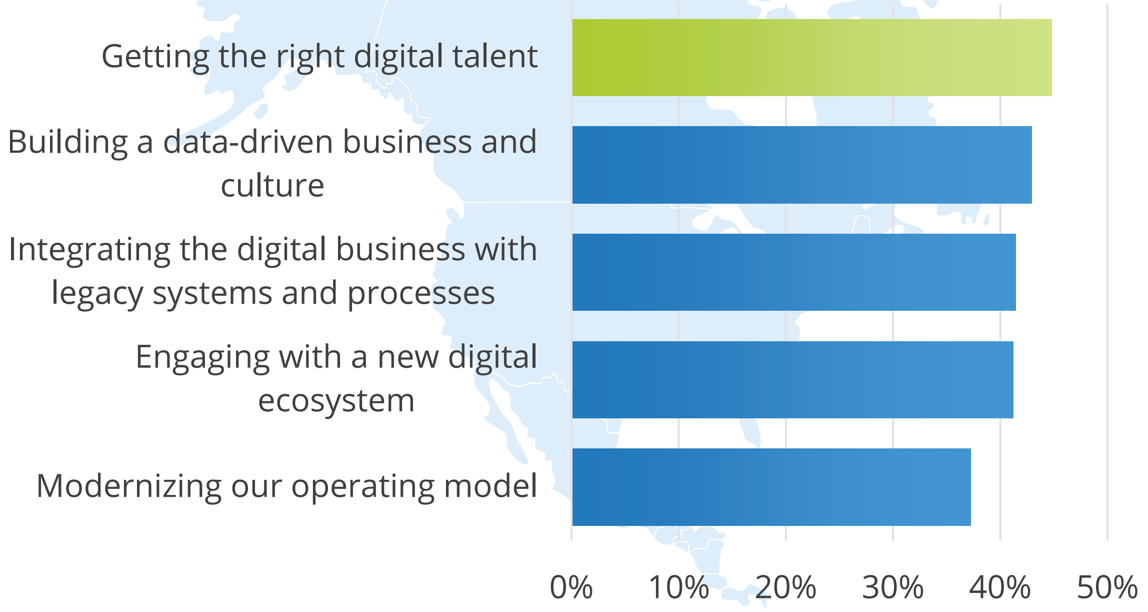
2026 Trust the Automation

45%

of G2000 enterprises will continue to face material risks due to front line workers' and business leaders' unwillingness to trust actions initiated by vetted autonomous tech systems

The Battle for Skills

Key Challenges to Running a Digital Business



#1 Challenge

to running a Digital Business in North America: Getting the Right Digital Talent

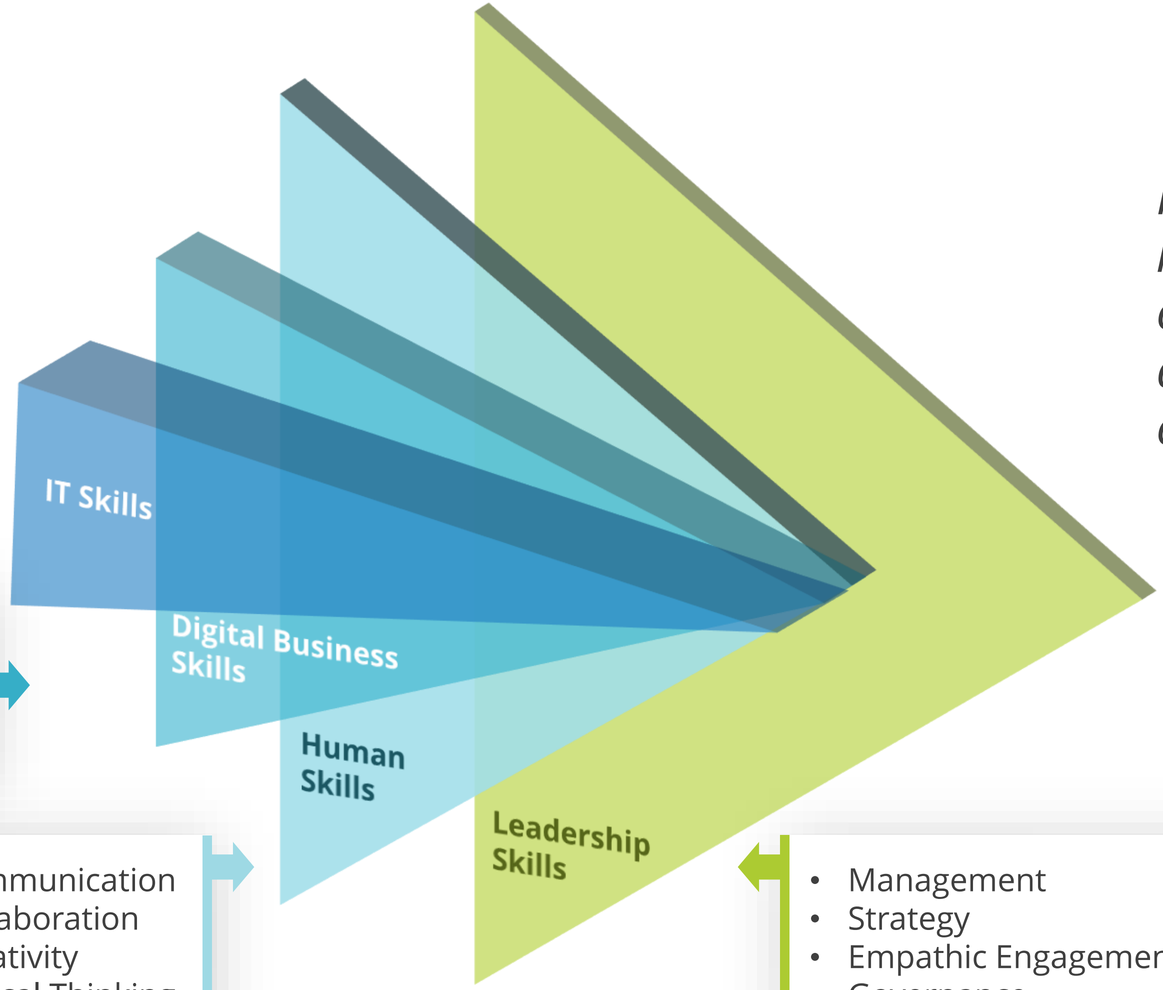
n = 829
Source: Future Enterprise Resiliency & Spending Survey - Wave 7, IDC, August 2022
Source: Worldwide C-Suite Survey August 2022 (n = 507)

IDC's Skill Development Framework

- Security
- Cloud
- AI/ML
- Operations
- Development

- Data Literacy
- Low Code/No Code
- Agile Transformation
- Productivity Tools

- Communication
- Collaboration
- Creativity
- Critical Thinking



- Management
- Strategy
- Empathic Engagement
- Governance

Resilient organizations require a broad range of complementary skills to drive innovation and cross-functional teaming.

The Recession Tech Playbook for Skills

- Security
- Cloud
- AI/ML
- Operations
- Development

- Data Literacy
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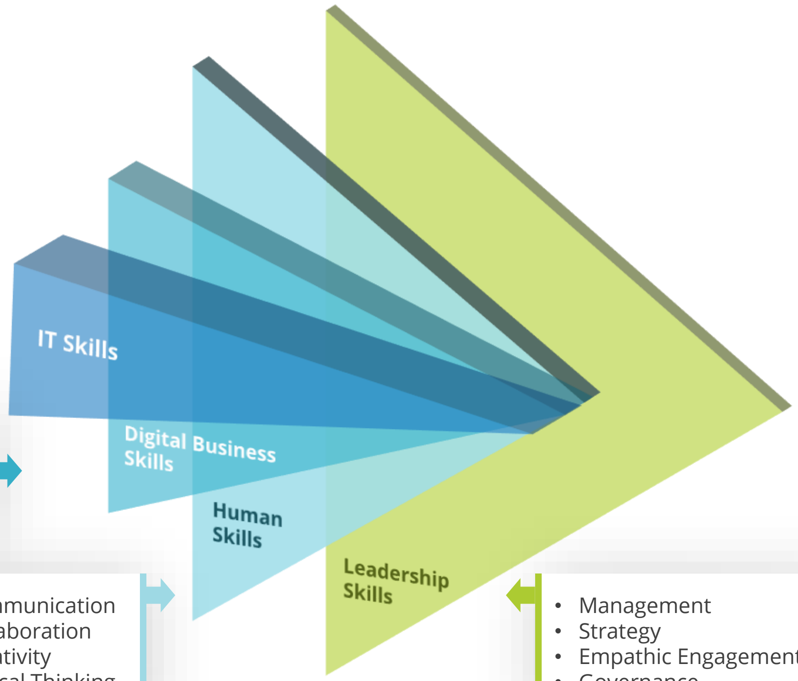

- Management
- Strategy
- Empathic Engagement
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IDC Prediction

Digital business-related skill shortages will affect **90%** of organizations by 2025, costing over **$6.5 trillion globally** through the year due to delayed product releases, reduced customer satisfaction, and loss of business.

IDC Skills Practice, 2022

Key tactics to bridge the growing skills gap:

- World class employee experiences
- Flexible working models
- Careful use of automation

IT Industry Plays a Leading Role in Creating Skills Breakpoints

IT Industry Must Lead in Preventing Skills Breakpoints

Through 2024, shortcomings in critical skills creation and training efforts by IT industry leaders will **prevent 65%** of businesses from achieving full value from cloud, data and automation investments.

IDC IT Industry FutureScape

Developers

Data

Digital Engineers

IT Industry Will Lead by Doing

Expertise Included: By the end of 2024, 60% of Platinum-level aaS offerings in security, business operations, and DaaS will include bundled access to specialized SME teams to help reduce impact of skills shortages.

IDC IT Industry FutureScape

Be a Digital Business, Not a Just Seller to Digital Businesses

Digital Sovereignty Will Mold the Future of IT and Business

Sovereign assertions in **sustainability**, resiliency, and asset residency through 2025 will force G2000 CIOs to shift staff, budgets, and operating processes for more than **35%** of IT and data assets.

IDC IT Industry FutureScape

The Shift from Data Sovereignty to Digital Sovereignty

The capacity for digital self-determination by nations, companies, or individuals.

Data Sovereignty

Legal guidelines for the collection and processing of personal information from individuals.

IDC Prediction

By 2026 45% of nations will negotiate digital trade agreements with like-minded partners to guarantee movement of selected data across international borders to expand digitally tradeable services.

National Government FutureScape

Cloud Sovereignty

Ensures all data in the cloud stays on sovereign soil and prevents foreign access to the data. Determined by the laws of data privacy and data residency in a country.

IDC Prediction

By 2024, 40% of the G2000 will move 10% of their workloads to a sovereign cloud provider to address data, technical, and operational requirements.

Cloud FutureScape

Assurance Sovereignty

Assurance of data availability and that digital infrastructure is always available to provide critical services.

IDC Prediction

By 2023 65% of national governments will require compliance with cybersecurity mandates strengthening security requirements, addressing supply chains, streamlining reporting and enforcing sanctions.

National Government FutureScape

Supply Chain Sovereignty

As well as reinforcing digital supply chain resilience, the aim is to strengthen a digital economy's competitiveness, its capacity to innovate, and ability to create jobs.

IDC Prediction

By 2023, amid ongoing IT supply chain disruptions, 80% of G5000 infrastructure customers adopt proactive multisourcing strategies to protect themselves against future IT supply risks

Future of Digital Infrastructure FutureScape

Geopolitical Sovereignty

Economic protectionism and/or national security influence the extent of dependence on certain countries for specific resources

IDC Prediction

Lead by the U.S., by 2025, 40% of national governments will adopt immersive learning technology in critical sectors to accelerate education, hone skills, engage and retain employees.

National Government FutureScape

A Business Needs VISION

A Digital Business Needs a Sense of VISION

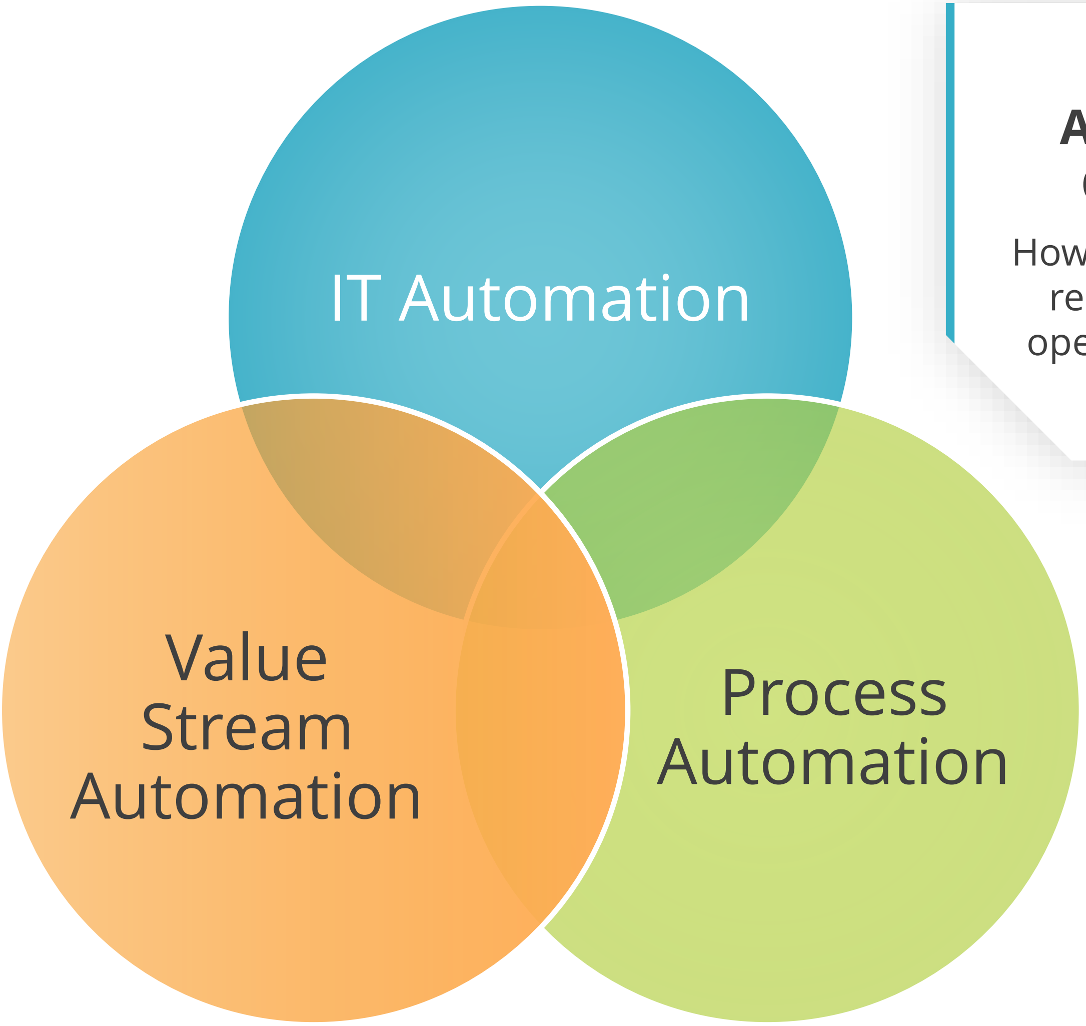
A Digital Business Needs a Sense of VISION

By 2027, the ability to deploy and use **Machine Vision** as an inherent capability in any new product/process will be a primary characteristic of the five fastest growing enterprises in most industries.

IDC IT Industry FutureScape

CIO's must play an active role in design and enforcement of governance for vision technologies in the enterprise

Final Thought for 2024 and Beyond:
Automation Will Be Critical for Scaling Digital Businesses



Autonomous Operations

How do we use tools to reduce the costs of operating IT systems?

Innovation Velocity

How do we use tools to streamline the application development process?

Digital Value Engineering

How do we use tools to increase automation of business processes

Recommendations

Near Term — **Slice through the Storms of Disruption**

Focus on technologies that demonstrate faster time to sustained business value

Mid Term — **Scale Digital Business**

Ensure automation is on your roadmap to permanently reduce operating costs

Long Term — **Anticipate the Big Tech Flips**

Mastering the shift to tech-by-wire and a sense of vision will be critical

Thank you

IDC FutureScape

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