

CIO Outlook:

Economic Challenges and Outsourcing

2022-23 Report

Understanding Current Challenges
and Moving Forward

1,000 US-Based C-Level Executives Surveyed

Survey provided by:

CENSUSWIDE
THE SURVEY CONSULTANTS

Executive Summary



The world is changing quickly – there is no doubt about that. But while keeping up has long been a challenge for organizations across the globe, the current speed of change and technology shifts, volatility in the economy, and rampant uncertainty about the future are making it even more difficult to navigate. However, for most of those same reasons, the role of a CIO continues to be exciting, challenging, and for most organizations, essential.

For most CIOs, 2022 demonstrated that learning how to weather the storm, respond to shifts, and remain flexible are the keys to resilience. Moving into 2023, CIOs face several challenges. With security, talent shortage, and potentially navigating a global recession on the horizon, CIOs are increasingly turning to alternative solutions to help them plan for the future and prepare for uncertainty.

One key concern on the top of CIOs minds is talent management due to budget reductions and the lasting effects of The Great Resignation, hybrid and remote work, and requesting workers to return to the office. Some organizations desperately need to fill technical roles, while others are halting projects due to understaffing or reduced funding. And while the talent is out there, some professionals remain on the hunt for the right role as they seek more fulfilling careers and want to choose their next role carefully. At the same time, others are facing tough situations and seeking financial stability in whatever role they can get.

For organizations with technical needs and the ability to scale their teams and support, outsourcing and relying on the talents of freelancers, contractors, and others is a viable solution. With the outsourced talent pool growing, those organizations view outsourcing as a strategic approach to augmenting

their teams without taking on the expenses of investing in full-time employees, which enables them to maintain flexibility and competitive advantage.

In the first Making Science-Sweett CIO-focused survey, we analyzed results from approximately 1,000 US-based CIOs. The resulting insights confirmed our original hypothesis – while the economy is a concern, organizations are challenged to fill a talent gap and will continue investing to obtain talent and move their organization forward.

The resulting data also provides a snapshot of the challenges CIOs face, their concerns about the future, and how they are working toward solving the resulting challenges within their organizations, which are fueled by the global and national economic landscape.

So while the past few years proved to be volatile and complex, the survey results indicate that CIOs want to continue moving forward but will be relying on more than just their internal teams to meet their needs. This is a promising outlook, and while we know 2023 will continue to challenge us all, it will also prove to be another impactful year.



José Antonio Martínez Aguilar

Founder and CEO of Making Science



Top 5 Key Takeaways



1. CIOs need support.

CIOs have a multitude of responsibilities and know they need specific talents and specializations within their teams. If they do not have those internal talents, they turn to outsourcing. In fact, more than 4 in 5 (86%) CIOs reported that it's likely they will outsource tech-related or other functions within their company's technology department within the next six months.

2. Concern about the economy is creating pause and cutbacks.

When asked about the economic outlook, almost 9 in 10 (87%) CIOs said they are concerned about the impact on their company and team from an upcoming economic slowdown. Over three quarters (78%) anticipate budget reductions through the end of 2023.

3. Organizations are already outsourcing.

Nearly half (47%) of CIOs surveyed said their department currently works with freelancers/contractors, consulting companies, or staff augmentation companies. Over half (54%) of CIOs surveyed in a company with up to 1,000 employees said the top reason for outsourcing tech-related functions and roles is efficiency and productivity, while over 2 in 5 (43%) CIOs surveyed in a company with more than 5000 employees said the same.

4. If they aren't outsourcing yet, they probably will.

Over 4 in 5 (86%) CIOs surveyed said they will likely outsource any tech-related or other functions within their company's technology department in the next 6 months, with just over a third (34%) saying it's very likely.

5. Security remains top of mind.

In general, cybersecurity (45%) is the most significant challenge CIOs anticipate their department will face within the next six months. It is the most in-demand tech profile in the current environment.



CIO Challenges in Perspective



With more than **62,000 chief information officers** employed in the United States, the role is in high demand and carries a lot of responsibility. With talent shortages, the economy, and security concerns top of mind, these c-level executives are navigating a new normal that comes with uncertainty and brand new challenges only existing in today's technological and economic landscape.

With 2022 coming to a close and 2023 right around the corner, CIOs are in planning mode and are seeking ways to support their teams and organizations through the end of the year and beyond – and we wanted to understand where CIOs are now and what they are anticipating for the future. Through our survey, we learned that CIOs are concerned about the economy but must plan to move ahead and will be seeking support for specific roles and functions to fill their talent gaps to ensure projects are completed and business goals are met.

This report explores the existing CIO challenges, the role of outsourcing for staff augmentation, and what the future may hold for their organizations and teams.



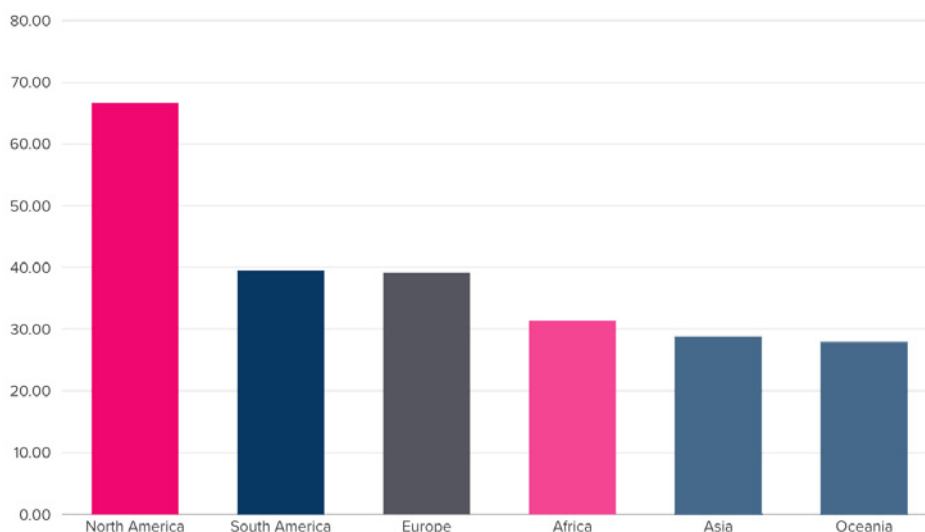
Overview: Outsourcing

The survey tapped into the minds of CIOs and asked specific questions about their interests, concerns, and strategies regarding talent management and staff augmentation.

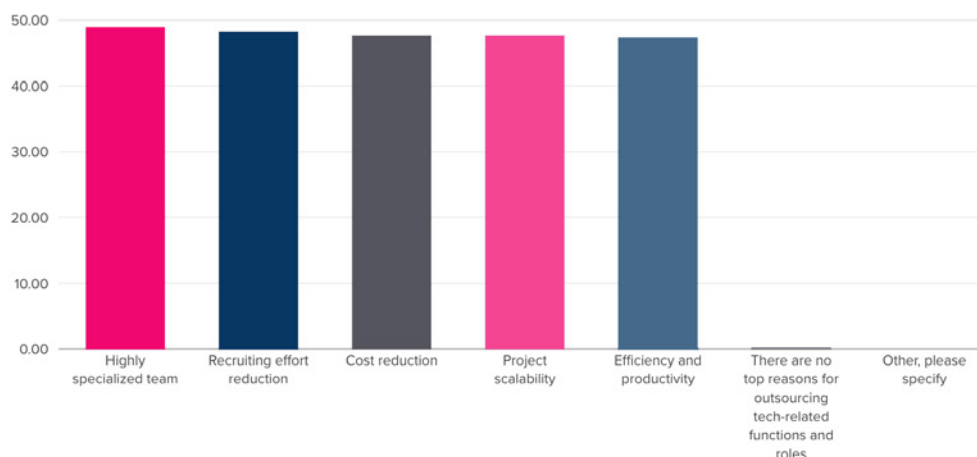
The survey results showed that over half (55%) of CIOs surveyed currently work or have worked with freelancers/contractors, consulting companies, or staff augmentation companies. In more detail, almost half (47%) currently do, while 1 in 7 (14%) have done so in the past. Comparatively, almost a third (32%) say their department doesn't currently and does not plan to work with freelancers/contractors, consulting companies, or staff augmentation companies. However, 1 in 7 (14%) say they don't currently but do plan to in the future.

There is a nuanced interest when company size is considered. Larger companies, such as those with 2,501-5,000 (62%) and more than 5,000 (59%) employees, reported that they are more likely to currently work or have worked with freelancers/contractors, consulting companies or staff augmentation companies than those from smaller companies, which are 1,000 employees (52%) and 1,001-2,500 employees (51%).

For those who currently work or have worked with freelancers/contractors, consulting companies, or staff augmentation companies, they sourced talent from the following regions:



More specifically, as it relates to tech work, the top reason CIOs surveyed reported for outsourcing tech-related functions and roles includes:



These results suggest CIOs can choose how and why they outsource, rather than it being out of their hands.

Similar percentages show that one of the top reasons for outsourcing tech-related functions and roles is for project scalability (48%) and/or for efficiency and productivity.

Interestingly, company size is also a determining factor for the reasons CIOs choose to outsource tech-related functions and roles. For example, companies with up to 1,000 employees reported the top reason for outsourcing as efficiency and productivity (54%).

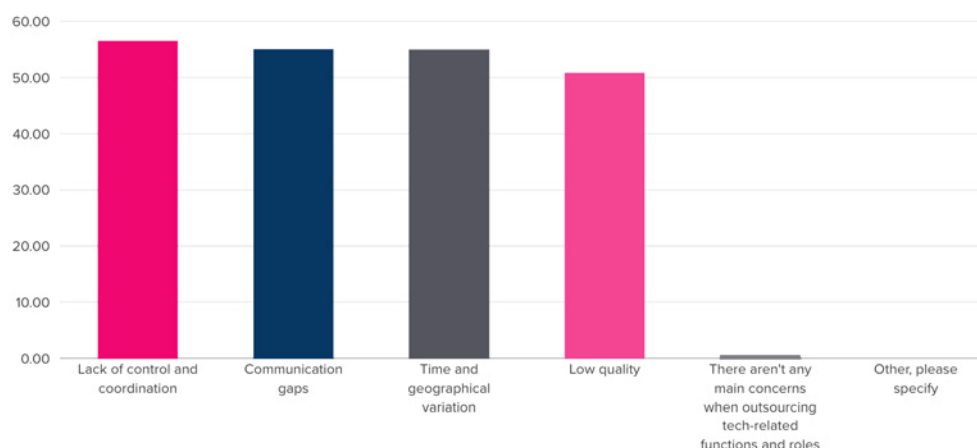
However, the top reason for companies with more than 5,000 employees is recruiting effort reduction (51%). Gaining access to highly specialized teams could be connected to the fact that upskilling teams (39%) is

the second most pressing challenge CIOs surveyed anticipate facing in the next six months, followed by hiring new talent (37%).

The need for specialized skills and talent gaps could be why CIOs who participated in the survey are interested in outsourcing and staff augmentation strategies.

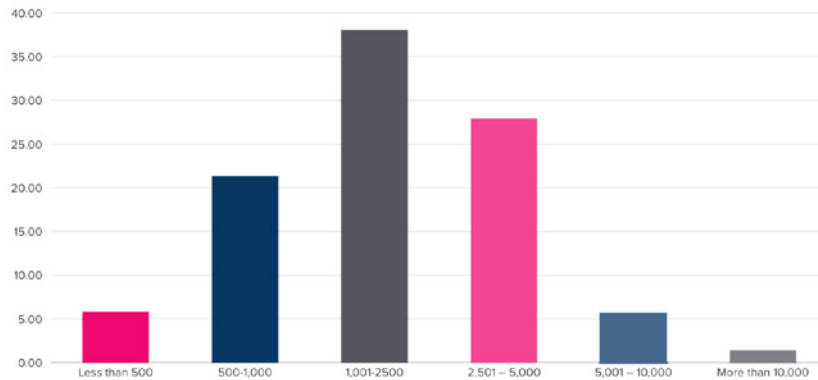
Outsourcing: Concerns

While staff augmentation is a viable solution for most, outsourcing tech-related functions and roles does not come without concerns. Over half of CIOs (57%) cite that their main concern when outsourcing is a lack of control and coordination. The majority also cited communication gaps (55%) and time and geographical variation (55%) as concerns. And just over half (51%) say low quality is the main concern when outsourcing tech-related functions and roles.



Key concerns also differ depending on company size. For example, CIOs working in companies with up to 1,000 employees (60%) and 1,001-2,500 employees (59%) reported their top concern was a lack of control and coordination. However, the top concern for those working in companies with 2,501- 5,000 employees (57%) and more than 5,000 employees (53%) is time and geographical variation.

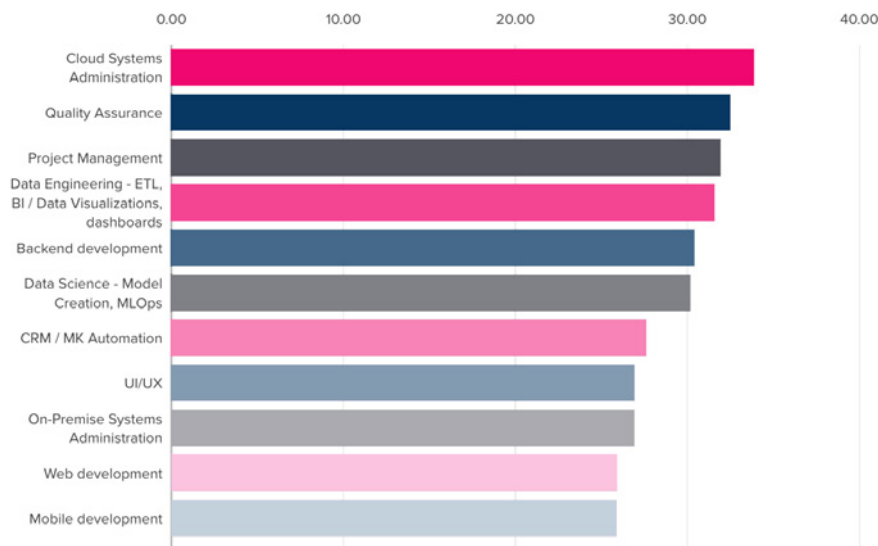
The percentages are only slightly different between the CIO segments, so in short, the top outsourcing concerns can be summed up as a lack of control and coordination, communication gaps, and geographical variation.



Outsourcing: Future

The demand for outsourcing appears to be strong and will continue. The data shows that 4 in 5 (86%) CIOs reported that it is likely they will outsource tech-related or other functions within their company’s technology department in the next six months.

For those who reported they are likely to be outsourcing tech-related functions, the function they are most likely to expect to outsource is Cloud Systems Administration (34%), followed by Quality Assurance (32%), Project Management (32%), and Data Engineering - ETL, BI / Data Visualizations, dashboards (32%). Less commonly, the anticipated outsourced functions reported include mobile development (26%) and web development (26%).



In a similar trend, differences across company sizes differ. CIOs surveyed who are likely to outsource tech-related functions within the next six months in a company size of up to 1,000 employees are most likely to say this will be the Cloud Systems Administration (37%), while those with 1,001-2500 employees are most likely to say think it will be the Project Management function (38%).

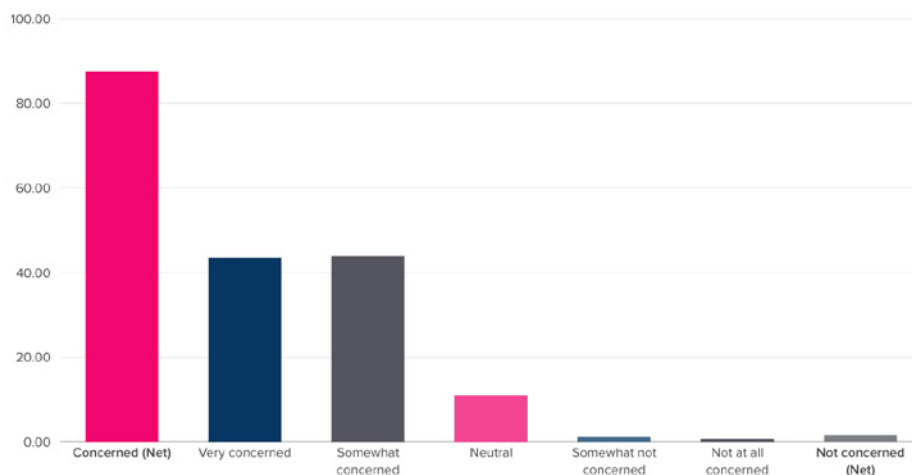
Those with a company size of 2,501 – 5,000 employees are most likely to believe they will outsource Quality Assurance (36%), while those with more than 5,000 employees are most likely to think it will be Data Engineering - ETL, BI / Data Visualizations, dashboards (38%).

With the roles and needs for outsourcing being diverse, the data implies that talent is needed within various areas of technology and beyond for organizations of all sizes.

Economic Slowdown and Budgets

As the global economy remains in flux and the US economy is following the same volatile pattern, economic concerns remain a top concern for most as they prepare for 2023.

In fact, almost 9 in 10 (87%) CIOs surveyed are concerned about the impact of an upcoming economic slowdown on their company and team, with more than 2 in 5 (44%) reporting they are very concerned. This concern appears to be less prominent among CIOs surveyed in companies with more than 5,000 employees (77%) and most prominent among companies with 1,001-2500 employees (91%).



Perhaps this concern is impacting budgets. On average, the highest budget reduction is for companies with more than 5,000 employees at an 18% reduction and the smallest for those with up to 1,000 employees at a 14% reduction. Therefore, on average, the budget reduction is 15%, and only 5% of CIOs surveyed reported that their department had no budget reductions in 2022.



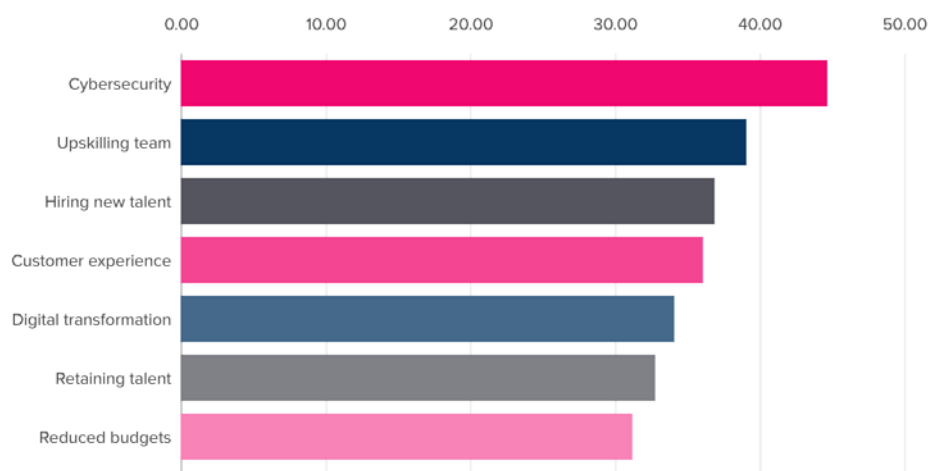
Further budget cuts also seem extremely likely. Three-quarters (78%) of CIOs who participated in the survey anticipate budget reductions through the end of 2023, with over 2 in 5 (44%) stating this is very likely. Only 1 in 12 (8%) reported being unsure if there will be budget reductions through the end of 2023, suggesting the percentage of companies impacted by budget cuts could be even higher.

In a similar pattern to the budget cuts that already happened this year, CIOs working in companies with up to 1,000 employees are most likely to anticipate budget reductions through the end of 2023 (82%), while those in companies with more than 5,000 employees are the least likely (76%).

While no one can truly predict the future and anticipate the economic impact on all organizations, this is definitely a concern for most CIOs and something that will impact their teams, talent, and ability to complete projects and grow.

Business Challenges and Predictions

To get a full view of what CIOs are facing, respondents reported the top challenges they anticipate their department will face within the next six months. These challenges include the following:



There are nuances in the top concerns based on company size. Cybersecurity is the top concern (47%) for CIOs surveyed in company sizes of 1,001-2500 employees, 2,501 – 5,000 employees (43%), and more than 5,000 employees (40%). However, the top concern for those with a company size of up to 1,000 employees is upskilling the team (which was second overall).

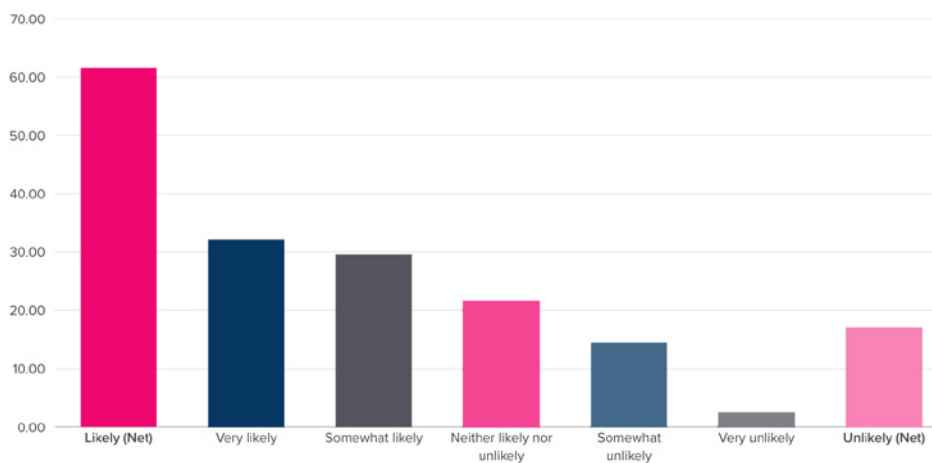
On the other hand, CIOs reported that they are less concerned about digital transformation (34%), retaining talent (33%), and reduced budgets (31%). But given that a majority of CIOs reported they expect future budget cuts but reported it as less of a concern, it suggests that these top challenges are significant.



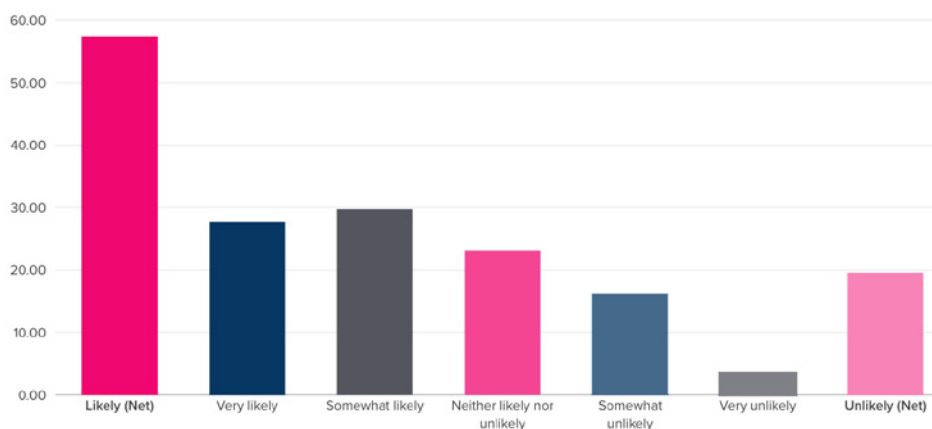
Talent Spotlight

Given that upskilling teams (39%) and hiring new talent (37%) are the second and third most significant anticipated challenges for CIOs in the near future, it shows that there is an impact from technical talent shortages. For example, almost 3 in 5 (58%) CIOs surveyed think it's likely projects will be delayed due to technical talent shortages, while over 3 in 5 (62%) think they will be prolonged for the same reason. Finally, almost 3 in 5 (57%) think the impact of technical talent shortages could be as extreme as canceled projects.

Across the company sizes, companies with up to 1,000 employees are the most likely to think current projects may be delayed (65%), prolonged (64%) or canceled (61%) due to technical talent shortages. And as already stated, cybersecurity (45%) is the most significant challenge



CIOs anticipate within the next six months, which is perhaps no surprise that cybersecurity (40%) is the most in-demand tech profile in the current environment.



Other key in-demand tech profiles were identified as systems and networks (32%), back-end development (31%), data analysis (31%), and cloud computing (30%). Fewer than 3 in 10 state database management (29%), project management (29%), machine learning (29%), front-end development (28%), and digital marketing generalists (26%) are the most in-demand tech profiles in the current environment.



Conclusion



The major conditions that will continue to impact business and the talent pool will be the global economy, technological advances, and human behavior shifts (as the pandemic slowly fades into the background). In addition, The Great Resignation, Quiet Quitting, and mass layoffs – all pillars of the 2022 business landscape – will continue to change the employer-employee relationship, and the power struggle will rage on. But organizations that want to survive and thrive will learn to manage and backfill talent effectively. They will forge relationships with contractors and freelancers and seek resources that offer staff augmentation and other scalable solutions to fill the talent gaps.

No matter what happens, businesses will continue operating, and time will keep advancing. So as we carefully and cautiously move into 2023 with myriad concerns, it is important to remember that flexibility is a key attribute to navigating uncertainty. Leaving space in business to change, adapt, and adjust as the economy and consumer behaviors shift, offers the much-needed agility that leads to steady growth and sustainable success.



Additional information



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Making Science – Sweeft is a reliable partner that provides access to a pool of highly skilled tech talent.

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We have the exact skill sets your company needs to staff up quickly, saving you time and money.

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We offer experts with all levels of experience that can deliver different types of complex projects.

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Methodology and Demographics



Making Science Sweet/Censuswide conducted this survey online between August 23 and August 29, 2022. The survey report is based on the analysis of completed responses from 1,000 participants who identified as CIOs based in the United States. Censuswide abides by and employs members of the Market Research Society which are based on the ESOMAR principles. Censuswide is a member of the British Polling Council (BPC).

Please note that percentages are sometimes rounded up or rounded down to the nearest whole number when used within the report's text. Due to rounding, some total percentages may add up to 99% or 101% in total.

Some of the survey questions requested multiple answers, while others required only a single response. Also, some questions allowed open comments, which may be reflected within the report.

Survey participants came from a wide range of organizational sizes, sectors, and levels. The breakdown of participants is indicated below.

Throughout the report, data was segmented by organizational size: Small companies (under 1,000 employees), Mid-sized companies (1001 – 2,500 employees), and Large companies (more than 5,000 employees).



About Making Science



Making Science is an international digital acceleration company with more than 1,000 employees and a presence in 13 markets: Spain, Portugal, Mexico, Colombia, France, Italy, the UK, Ireland, Sweden, Denmark, Georgia, Germany and the US. Making Science focuses on digital advertising, data analytics, e-commerce, and cloud services.

As a consulting partner with Local Planet, the world's largest network of independent media agencies, Making Science provides digital, technology, and performance marketing for an international audience. Additionally, the company launched Making Science-Sweett, a global staff augmentation solutions division, which provides enterprises with access to highly skilled tech talent.

In the FT1000: Europe's Fastest-Growing Companies 2022, Making Science was ranked 15th in the "Technology" category and was recognized as the fastest-growing Spanish company in the technology sector. Committed to supporting ESG initiatives, Making Science is a member of the Climate Pledge, the UN Global Compact and the Pledge1% initiative, which supports community-based non-profit organizations committed to making a major impact on the future.

