

**DESIGN**

**PLAN**

**DELIVER**

CIO Sentiment  
Market Study 2024

MinterEllisonConsulting.

# Contents

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# Welcome to the Market Study 2024 >



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Decision intelligence, while not a common term, is a concept emerging within the Australian technology marketplace.

Its importance is reflected in almost half of the Australian CIOs we surveyed this year who reported low, to very-low confidence in their team's ability to defend their decisions.

Our team have influenced more than \$50 billion worth of technology expenditure. Across almost all of our client base the appetite for impactful technology and digital investment only continues to grow. With the scale, complexity, and criticality of digital services growing, decision defensibility risk will be worth keeping an eye on.

Thankfully, the influence of CIOs has arguably never been higher. The stakeholder group however, have never expected more either. And so begins the most curious trend we see this year: stakeholder conflict – at least at a surface level.

How is it that the research suggests that a vast majority of IT groups perceive good alignment with business strategy, while a similarly sized majority of executives outside the technology group are dissatisfied with the value they're receiving from their technology expenditure? How is it that CIOs have high confidence in being able to recruit and retain the right people while the leaders of their digital transformations so frequently claim insufficient or inappropriately skilled resources?



... the most curious trend in this year, a surface level conflict between CIO and some of their key stakeholders, is a critical reminder that we must always delve deeper when we see statistics in the media."

The answer is of course that with any individual statistic alone can be misleading. We must always look deeper for context and cause, something core to the culture within our firm, and hopefully more and more often in our clients.

This year's market study, summarised in the pages which follow, combines many of the more interesting insights from MinterEllison's technology consulting research over the past 18 months. We bring together extensive Australian-exclusive first-party research and a review of dozens of global and regional research from our peers in the market, with the result being a perceptive understandings on what CIOs in Australia, and their peers and stakeholders globally, are experiencing today.



# Methodology

Data for this Market Study was collated from a number of sources, with primary inputs provided through CIO interviews.

The CIOs interviewed come from diverse industries, spanning NFPs, Government, and large listed businesses.

The report centres on the sentiment of Australian CIOs and is enriched by comprehensive third-party global data. This data has been gathered from rigorous research conducted by esteemed global and Australian entities.



# Technology strategy: Balancing competing objectives

Interviews with CIOs revealed there is often tension when balancing the objectives of the IT strategy, the challenges associated with legacy systems and compliance mandates, while working within budgetary constraints.

While budgets are expected to grow (8% annually), the rate of increase is slowing down compared to the peak pandemic investment levels.

Increasing levels of regulatory and policy compliance is seeing most CIOs spending more on these mandatory initiatives than by which budgets are increasing by.

Alignment of IT Strategy to Business Strategy has continued to improve although a third of organisations still note poor alignment and struggle to achieve the agility required to align with business priorities.

Misalignment between expectation and reality of technology spend, with **just 13% of executives realising the value they expect from their technology spend.**

The findings revealed that 75% of organisations are undergoing major transformation initiatives, including a continuation of process digitisation to help enhance productivity and enable teams to achieve more without increasing staff levels.

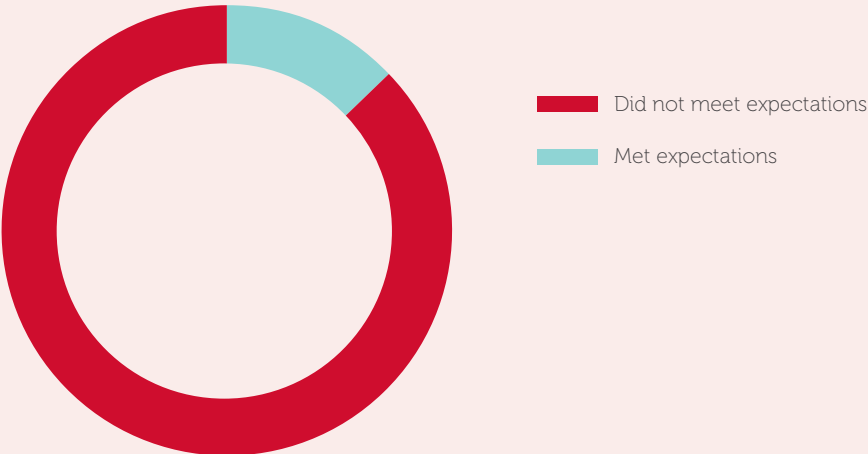
In three years, half of organisations would have planned to mostly complete the IT modernisation plans including targeted applications, systems and data.

Of the CIOs interviewed, 45% see accelerator of the delivery of transformation outcomes as a priority.

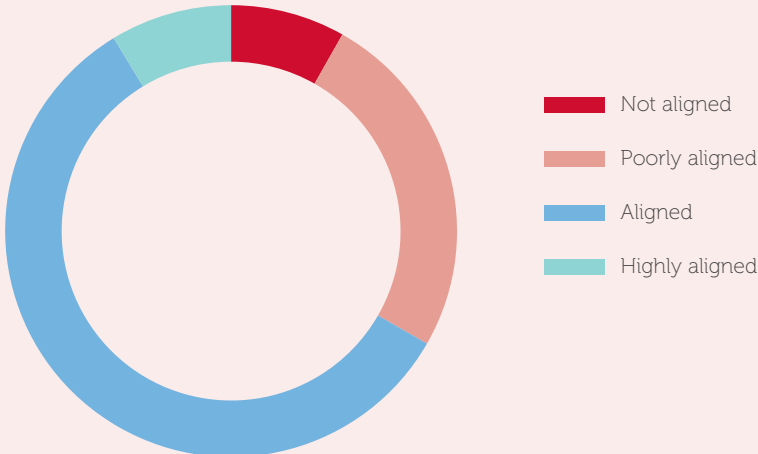
Of the CIOs we interviewed, 35% said their business is looking to reduce operating costs, mostly through operating model changes and legacy debt rationalisation.



Alignment of executive expectation and realised value from technology spend <sup>1</sup>



IT's perception of IT strategy aligned to business strategy <sup>2</sup>

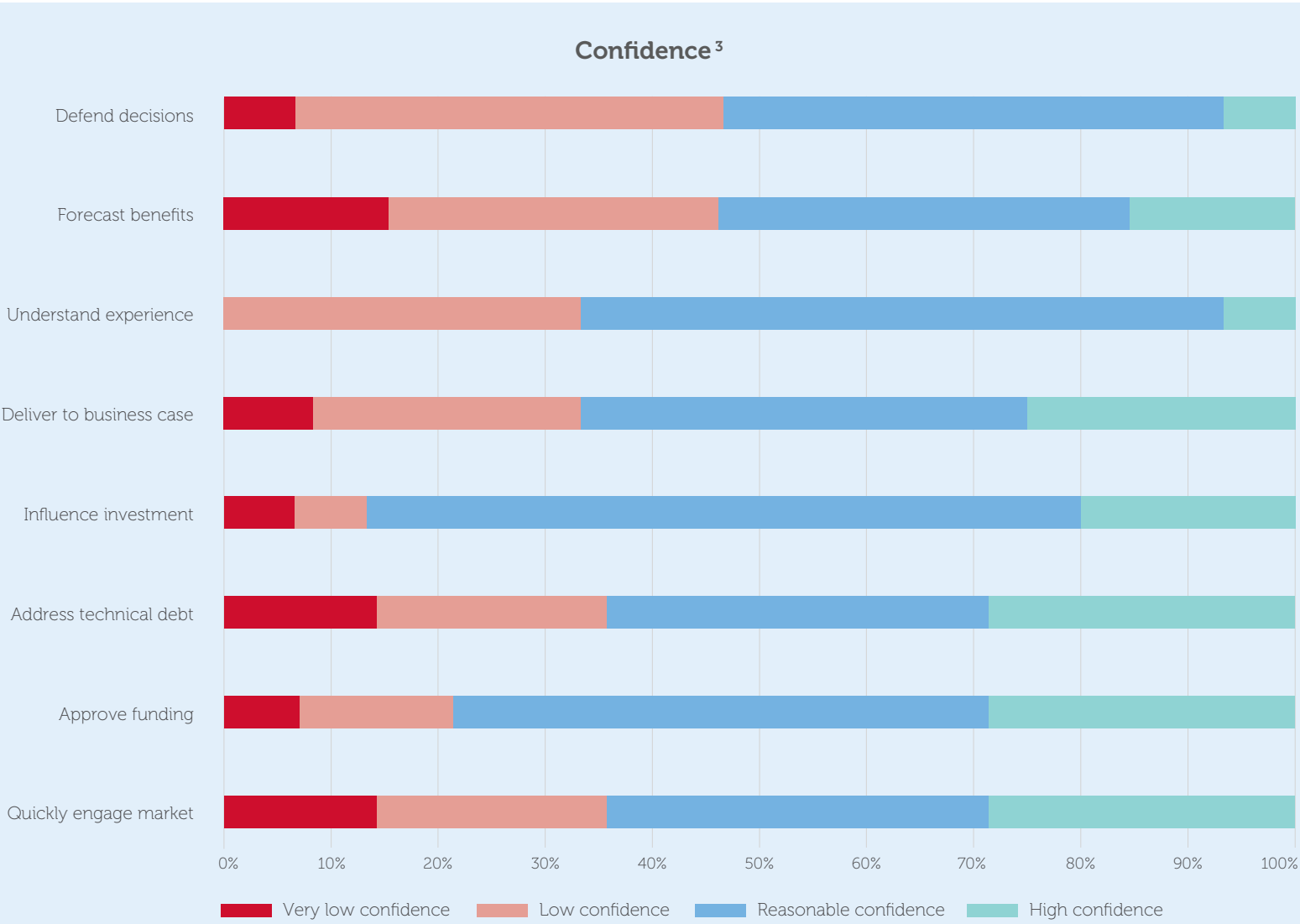


# CIO confidence in productivity transformation

The drivers behind technology investment is reasonably well understood, but value realisation is often less clear. Investments are often fuelled by necessity rather than focussing on the value that they may bring.

Executives are reporting lowest levels of confidence in defending positions and their ability to forecast benefits for planned initiatives.

Access to funding is strong and Executives note their ability to influence IT investment, although some challenges with being able to quickly engage the market.



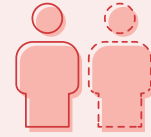
## CIO confidence in productivity transformation

Project success rates have worsened from an already poor base. **Timely delivery is now occurring on less than one third of projects**, indicating a fundamental need to reconsider the status quo when it comes to business cases and project governance.

50% of projects were delivered in line with business goals most of the time, compared to 51% in 2020, but only 32% said projects were delivered on time, compared to 42% in 2020.

The biggest concern for PMs is insufficient/right resources for project delivery. This issue will only exacerbated due to the ageing population.

The market study indicates a strong correlation between organisations with effective project management and their ability to deliver projects that fully realise business cases, are timely, and responsive.



# 73%

73% of project professionals said their projects experienced staff shortages



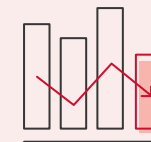
# 44%

44% had projects affected by supply chain disruption



# 51%

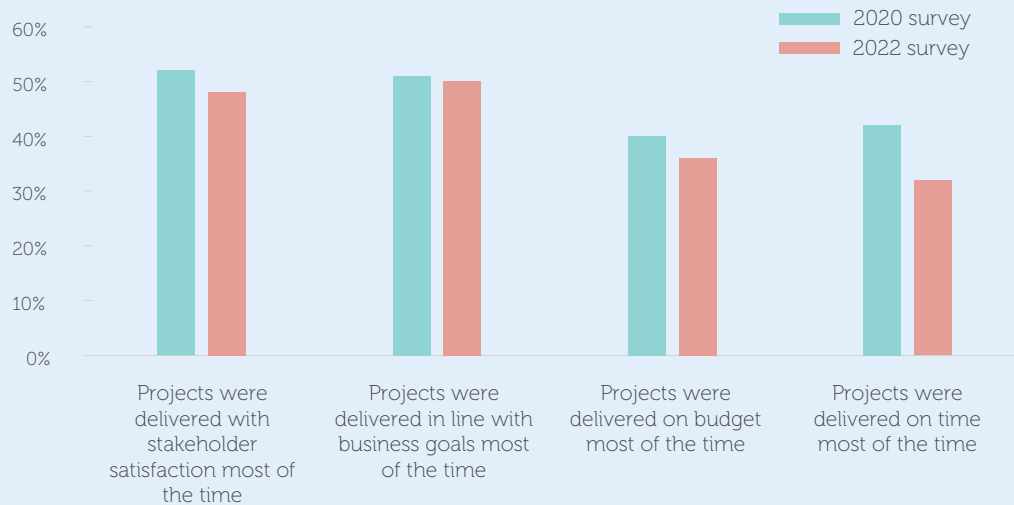
51% faced rising costs of materials and/or staff



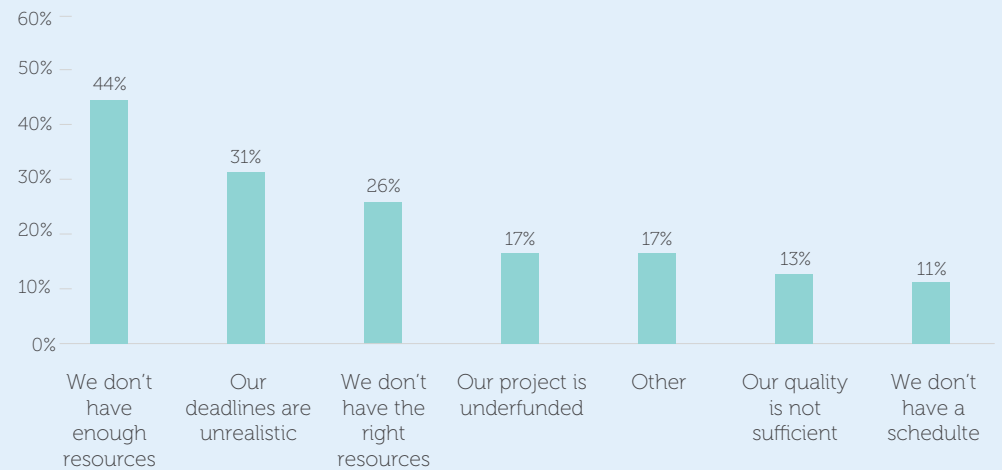
# 46%

46% of CIOs, VPs and technology executives indicated technical debt was closely linked to their ability to pursue digital initiatives

What was the project performance on satisfaction, business goals, budget and timeliness? <sup>4</sup>



What's your biggest concern about your project today? <sup>5</sup>





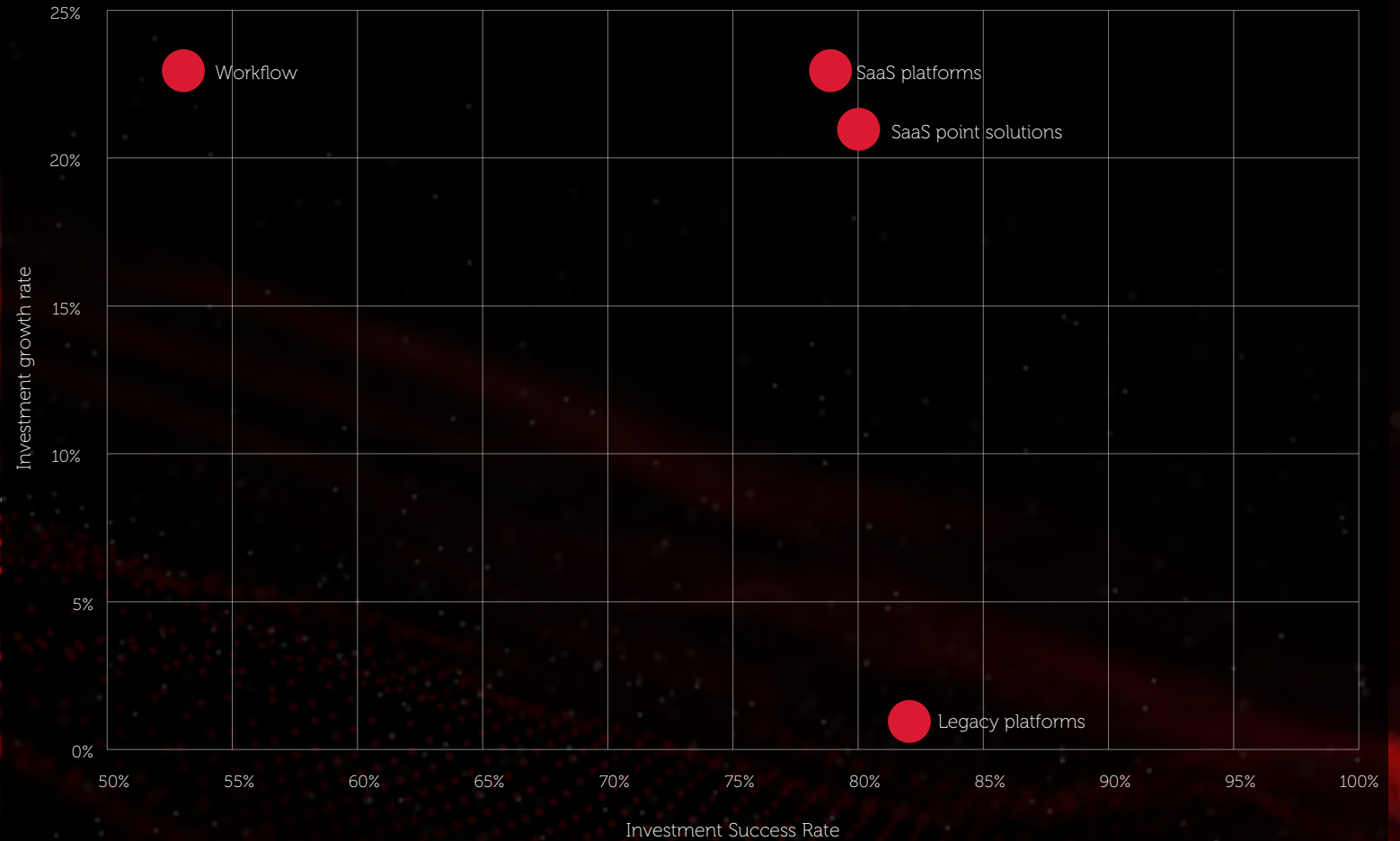
## CIO confidence in productivity transformation

Legacy platforms continue to produce dependable returns through a focused investment strategy, boasting a superior success rate despite minimal investment expansion.

Contemporary SaaS platforms are witnessing increased investment; however, success levels fluctuate. While some meet their objectives, others may be either over-investing or failing to optimise their strategies effectively.

Investments in Workflow platforms are yielding limited success, with the anticipated benefits of workflow automation and process optimisation falling short of expectations despite substantial investment.

Ratio of investment growth to investment success rate <sup>6</sup>



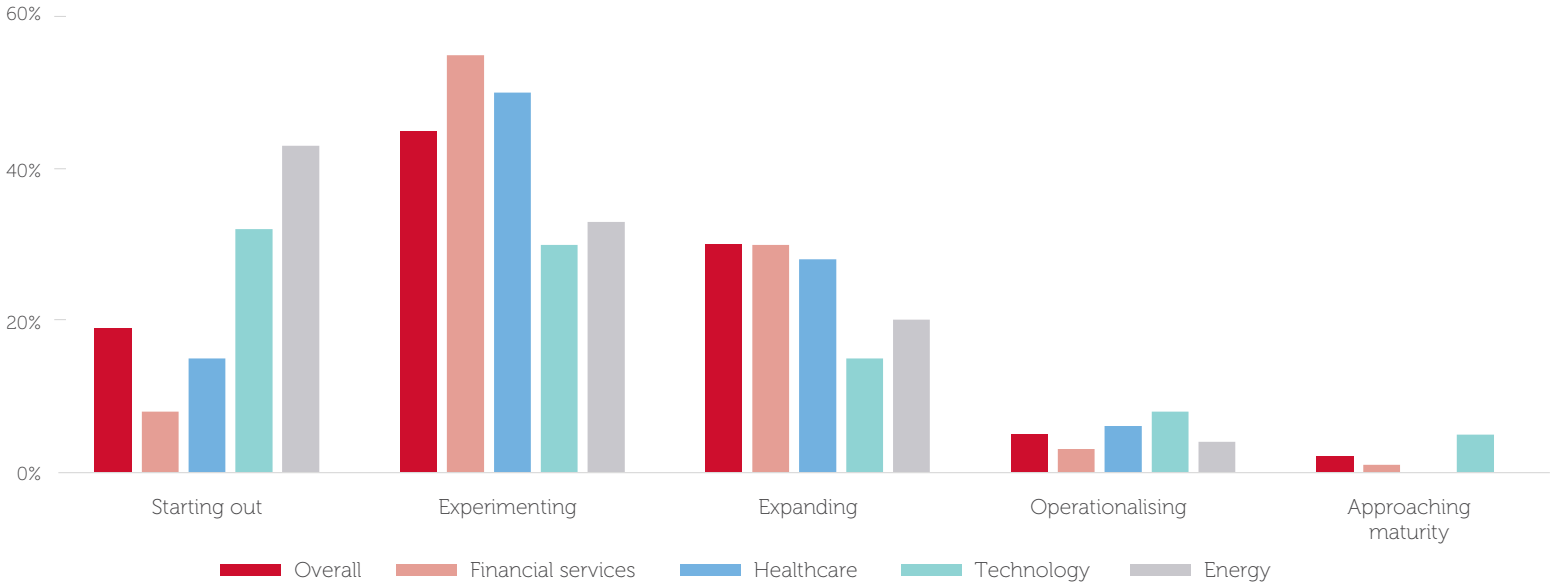


# Procurement and workforce challenges

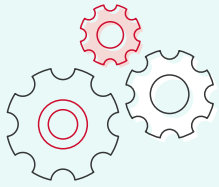
Clients have ambitions to transition from project-based to product-based operating models. A majority have begun this journey but very few have completed it.

While organisations report strengths in project delivery, quantifying the benefits remains a challenge. Post-project benefit realisation tracking is often poorly executed, with limited consideration for the initial business case, highlighting a gap in benefits forecasting maturity.

Where are you in your transition from project to product based operations? <sup>7</sup>

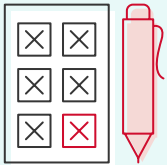


Attracting and retaining talent



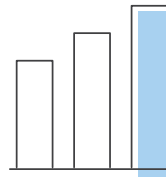
54%

of employers reporting a talent shortage risk (inability to fill critical roles) and 88% of employers experiencing a skills shortage



8%

Increase in Australian talent pool for project management skills - salaries up 5-10% from FY22/23



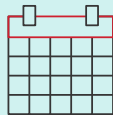
37%

While the talent pool for cyber related skills has increased, recruiting of skilled candidates with the right skills and experience remains challenging



95%

of employers looking to increase salaries in FY23/24; 66% of them looking to offer more than 3% raise

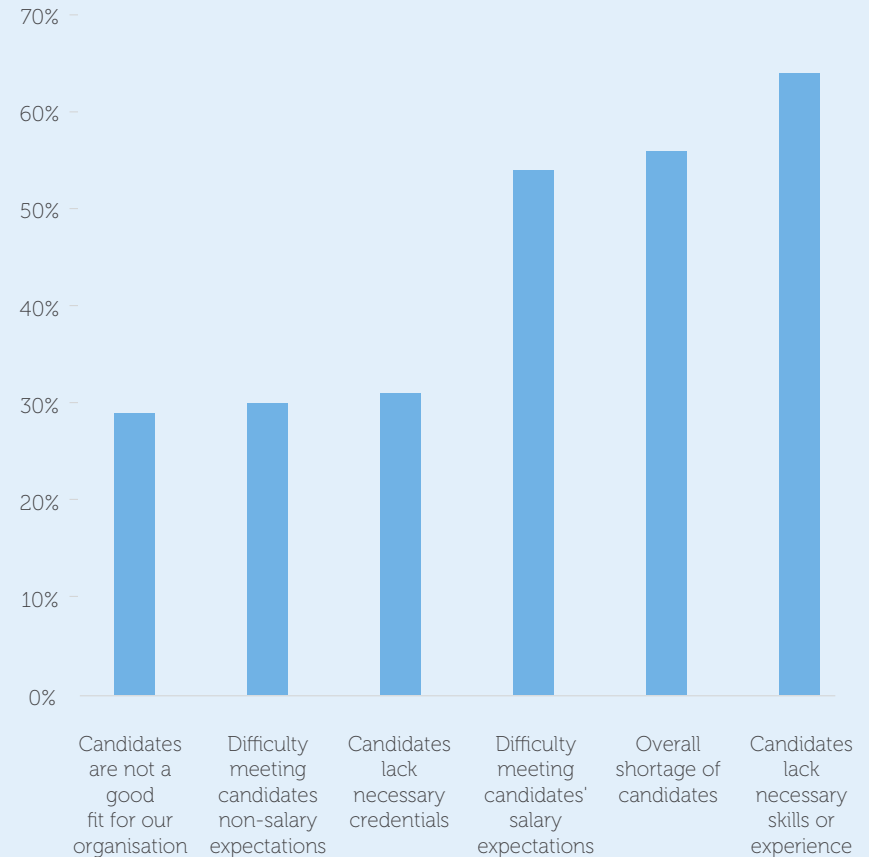


50%

Five-year survival rate for small businesses



Top challenges in recruiting technology employees<sup>8</sup>



## Procurement and workforce challenges

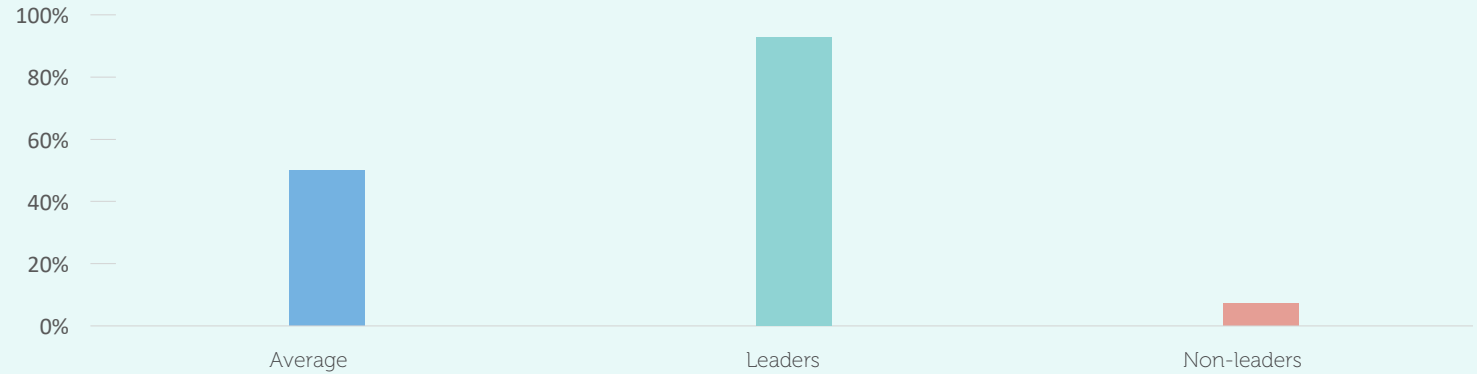


# 85%

of executives saying engaged employees lead to better customer experiences and higher revenues. 20% Increase in employee productivity from Digital Transformation technologies in 2020

Auditing of software licensing by vendors is continuing to expand, with more than 50% of organisations noting audit requests from Microsoft in the last year. Audits from IBM, Oracle, Adobe, and SAP are also increasing

Correlation between technology function NPS and core-business market position <sup>9</sup>



Impact on customer experience through improvement of employee experience <sup>10</sup>



No measurable impact

There is a suspected causal relationship between EX and improvements in CX, but we have no specific evidence

Small impact

There is a suspected causal relationship between EX and CX, and we have identified some positive impacts to CX

Moderate impact

There is a defined causal relationship between EX and CX, and the impact of some specific efforts are quantified

Large impact

The impact of EX on CX is measurable but we are unable to directly correlate it with bottom line revenue changes

Significant impact

The impact of EX on CX is measurable, and we have identified a direct impact on the company bottom line



# Prioritising cyber resilience

Australian businesses are underprepared when it comes to cyber resilience. Only 39% of Australian businesses are 'very prepared' for cloud security - down from 44% the year before year.



## 64%

of Australians lack confidence in the ability of large organisations to keep their personal data safe.

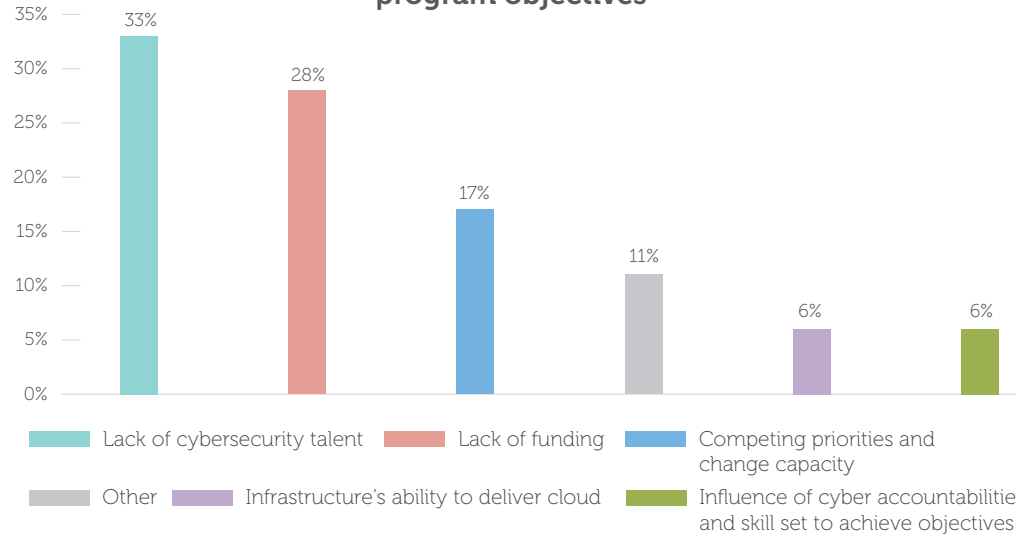


## 83%

are concerned about the security of information held by their service providers.

Approximately 60% of Australian and New Zealand-based companies rank a lack of funding and cybersecurity talent as their biggest risks to achieving their cybersecurity objectives.

**Biggest risk to achieving cyber security program objectives <sup>11</sup>**



**Are you tiering or prioritising your vendors for cyber risk assessment? <sup>12</sup>**



ASD reported cybercrime incidents up 23% in FY23 with 15% of all incidents being categorised as moderate severity or above.



## >90%

of Cyber budgets spent on external threats, while 54% of initial attack vectors can be attributed to credential loss and social engineering threats.

## Prioritising cyber resilience

A disconnect exists between the data flowing through organisations and how it is protected.

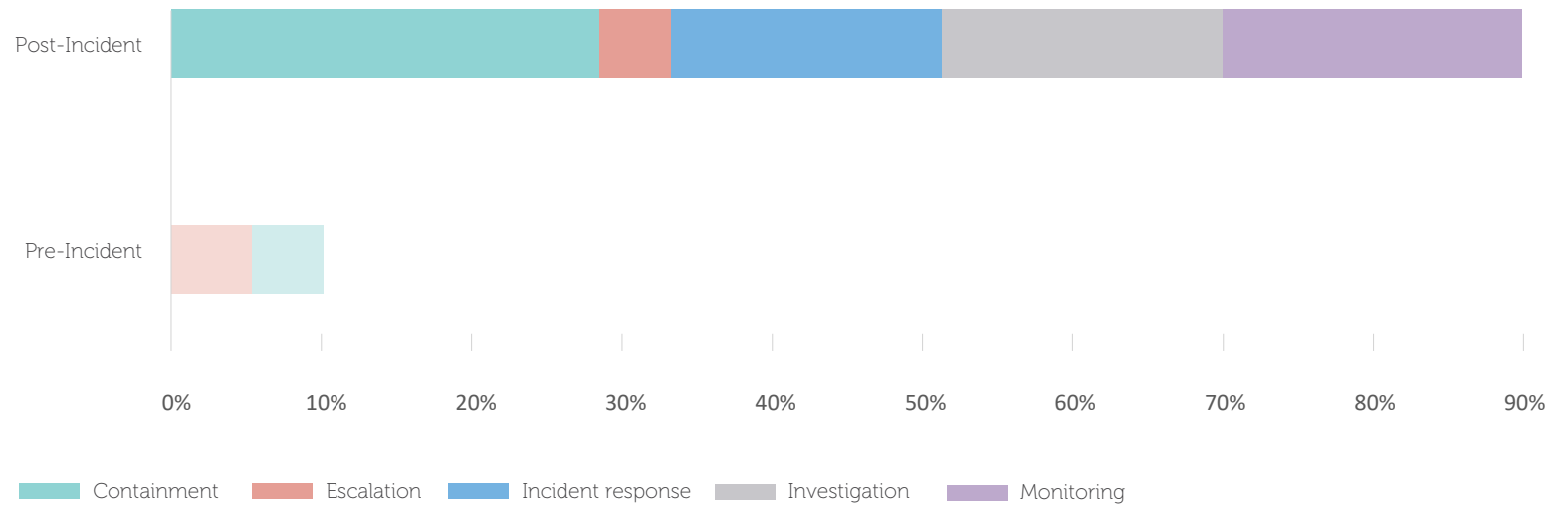
While 80% of organisations have expanded the collection and use of data across their organisation, only 34% say they assess risk and build in new security measures every time they undertake initiatives to do this.



# 46%

of organisations plan to increase investment on reducing insider risk

### Relative expenditure on insider threats <sup>13</sup>

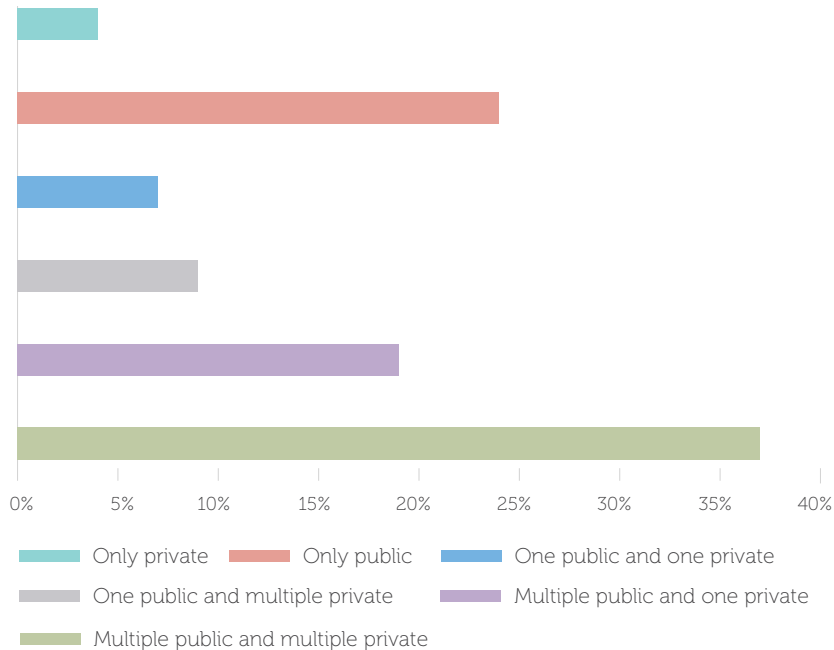


# Trends in infrastructure and cloud strategy

Private cloud only organisations are increasingly rare. A vast majority of clients are leveraging multi-cloud, with rationalisation of private clouds ongoing.

While risk management often encourages multi-cloud usage, a clear bias towards a small number of providers (i.e. volume consolidation) continues to drive cost savings for those with large cloud footprints.

Popularity of private/public/hybrid cloud strategy <sup>14</sup>



An estimated 28% wastage of cloud services is leading to the increasing use of FinOps teams to guide and support cost optimisation activities, with one third of organisations now resting governance of the IaaS/PaaS spend with FinOps teams.

Siloing of applications on different clouds and use of multiple cloud providers for disaster recovery/failover remain as the top 2 multi-cloud implementations, while intelligent workload placement is increasing (20% YoY growth).



67%

of Australian firms rely on the networked private cloud, public cloud (PaaS, IaaS, and serverless), and edge computing to deliver mission-critical applications and workloads



20%

growth in serverless



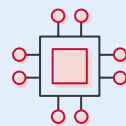
18%

growth in PaaS



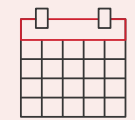
30%

growth in containerisation



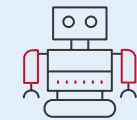
20%

or more organisations are already using edge computing



92%

of organisations expect to have edge computing deployed within 2 years



36%

of service desk contacts now handled through automation



# CIO sentiment: Data driven decisions and AI

## Low confidence in maximising data value

While organisations recognise the importance of data, ML, and AI in benefiting their business, technology leaders have expressed low confidence in their current ability to maximise value from data. A notable lag in data actually driving decision-making processes is impacting their ability to realise the full potential of data-driven strategies.

## Growing interest in Generative AI

2023 saw a massive surge in interest towards adopting Machine Learning (ML) and AI across various business sectors. In line with other higher level and business focussed services, organisations are tending to insource rather than outsource data analytics and AI/ML capabilities in order to better engage with the business and look to realise their benefits more effectively.

## AI investment patterns

Organisations that have invested or plan to invest in AI by the end of 2024 are typically larger, with substantial IT budgets. These organisations are likely to utilise AI solutions primarily for risk identification, security improvement, and governance, as well as for defining business strategy.

## AI systems and risk assessment

Around 46% of organisations currently using AI conduct a risk assessment for their AI usage, and about a third do the same for their suppliers. Interestingly, 35% of company directors include AI risks in their risk register, compared to 12% of senior executives. About 43% of corporate leaders feel somewhat or very confident in their personnel's skills and capabilities to drive AI governance improvements.

## Advancements in large language models (LLM) inference and AI technology

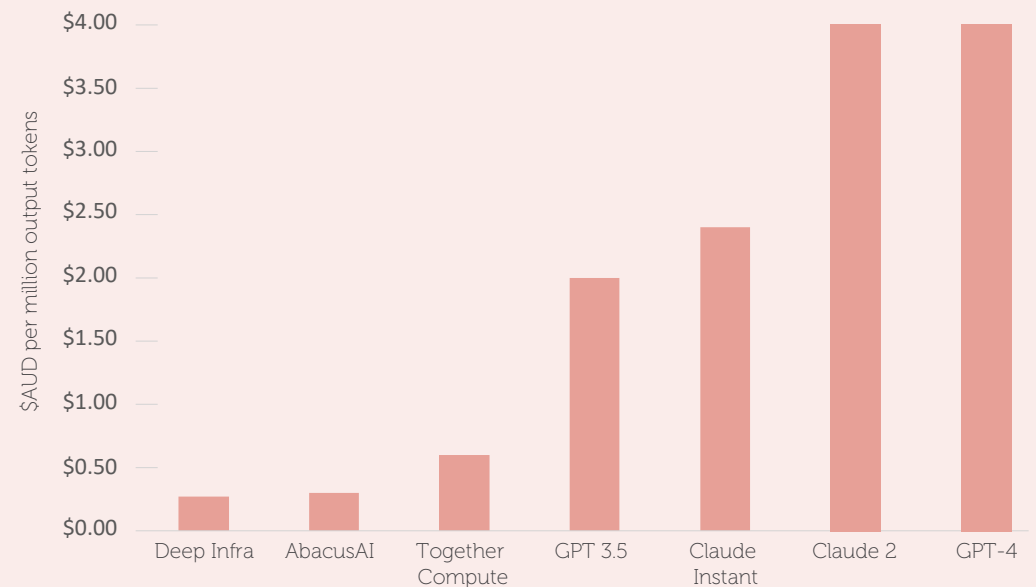
The cost of Large Language Model (LLM) inference has seen a significant drop recently with the introduction of new models and advances in optimisation of their use. The year 2024 is expected to witness further advancements with potential new developments from AWS and Etched, continued investment by NVIDIA, and the emergence of powerful smaller models, including the new generation from Microsoft's Phi.

## Use of Quantum

1. Still nascent, but market expected to increase (1.1 Bn 2022 to 7.6 Bn US 2027, IDC)
2. Far from commercial maturity but investment continues
3. Focus currently on how quantum may be used / implemented - a lot of experimentation



Reducing usage cost for Large Language Models <sup>15</sup>



# Key contacts



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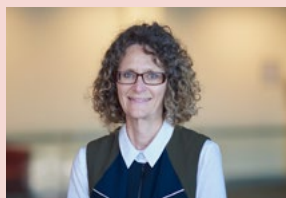
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MinterEllison Technology Consulting are specialists in IT strategy, governance, benchmarking and procurement requirements across all technology and BPO requirements. Migration from digital disruption to digital transformation. We're with you, no matter what stage of the journey, to deliver results and reduce risk.

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