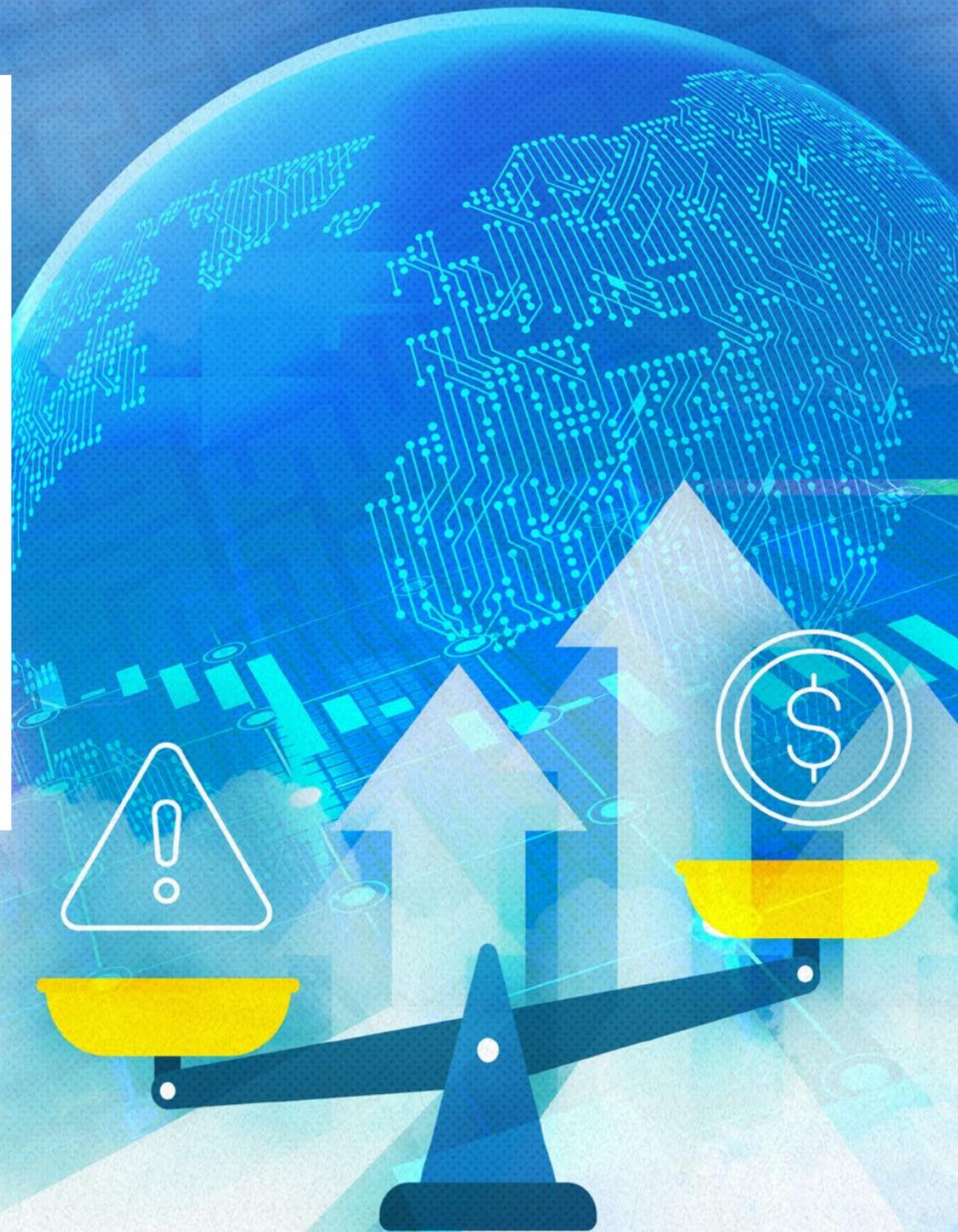


White paper

# From Caution to Optimism: Managing IT in Challenging Economic Times

Despite tighter budgets, most companies increased technology investments.



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Despite tighter budgets, 69% of companies increased technology investments — and 61% of respondents say that increased confidence in ROI is changing their investment strategy.

# Introduction and key findings

The global economy is in flux. In the U.S., inflation persists, but for now unemployment remains relatively low. Europe faces a winter of energy shortages which will hinder production. Coronavirus lockdown measures across China are hurting it, as well as the global manufacturers who source there.

With its side effect of reducing purchasing power, inflation is a significant hurdle to any economy driven by consumer spending, ongoing investment and new building. Prices rise, wages decline and debt accumulates.

This isn't the first time we've all seen challenging times — and it's almost certainly not going to be the last. So, what's different about the economic outlook this time around? While it's clear that the global economy is raising concerns, among IT decision-makers there are many signs of optimism.

**Managing IT in Challenging Economic Times** is the second Rackspace Technology® survey of 1,420 IT leaders across industries, including manufacturing, finance, retail, government and healthcare in the Americas, Europe, Asia, Australia and the Middle East.

Our research suggests that business leaders everywhere are now focusing on digital transformation and technology investment, rather than cost-cutting and belt-tightening, which was dominant just a few months ago. As companies assess spending and seek efficiencies during uncertain times, this survey reflects an understanding among global business leaders of the importance of continued investment in technology in order to fuel growth and ensure they remain competitive.

Our survey shows that most companies are investing more — not less — in technology. And IT decision-makers are focusing on areas that can drive efficiencies and help alleviate recent and upcoming challenges. That's quite a contrast to a cost-control mentality that was dominant in IT just a few months ago.

- IT leaders are also seeing positive returns on technology investments their companies made during the slowdown of 2020.
- Despite budget cuts from the economic slowdown and inflation, 69% of organizations said that the current economic climate was leading them to invest more in IT.
- Over the same time span, 61% say that greater confidence in ROI is a leading factor driving change in IT investment strategy.

Unfortunately, the worldwide scarcity of IT talent remains a real challenge. However, IT leaders appear to be counteracting talent concerns with greater investment and innovation around specific tools and technologies.

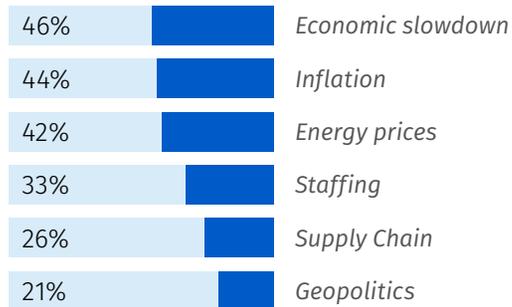
# Current economic challenges

Facing hard choices and the possibility of global recession in 2023, what are respondents' biggest challenges? What are they doing specifically to confront existing — and anticipated — challenges? What do they consider to be the most important actions they can take to alleviate pressure on their organizations?

Though survey respondents identified the economic slowdown, inflation and rising energy prices as the three leading impacts to their businesses today, 58% also said their technology investment has increased as a result. By contrast, only 26% say they have invested less in technology over the past year. And 16% say they have maintained the same level of investment, but have reprioritized based on evolving needs.

**Company leaders told us that they are most challenged by the economy, inflation and energy woes:** Nearly half of respondents told us that the economy was their top concern:

## Impact of economic challenges on organization (Respondents selected all that apply).

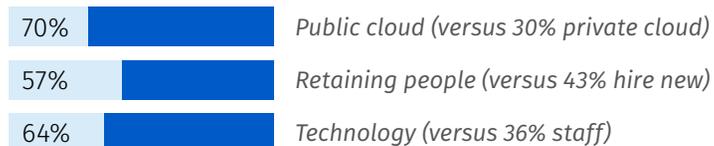


Other headwinds such as supply chain (26%) or geopolitics (21%) pale in comparison.

The current state of the economy has resulted in a greater focus on public cloud (70%) than private cloud (30%) as leaders zero in on increasing efficiency.

## Current focus of organization's infrastructure:

Please complete the following sentence: "The current economic climate is meaning that my organization's infrastructure is focusing more on the following." (Respondents selected all that apply).

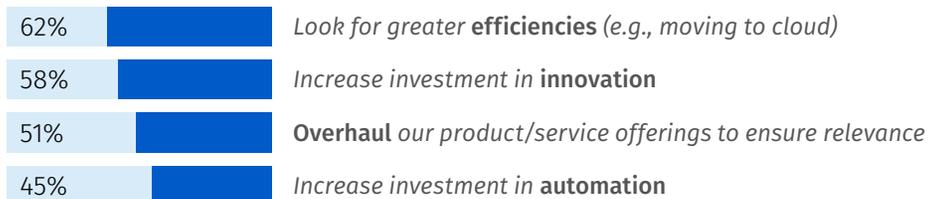


# Seeking efficiencies through cloud and innovation

To adapt to an uncertain environment, IT leaders say they are increasing their focus on cloud projects that can increase efficiency (62%), and investing in innovation projects (58%).

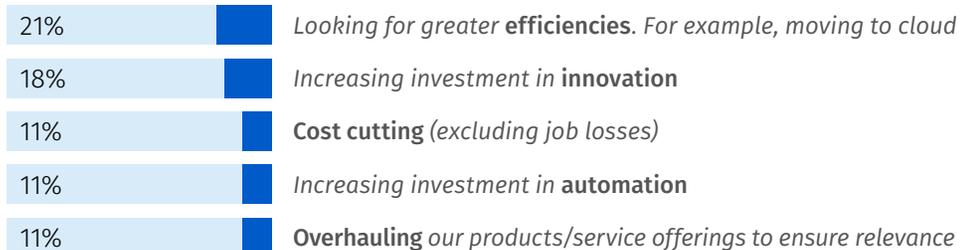
*Which have been the main actions that your organization has taken, or is in the process of taking, to deal with the current economic climate?*

*(Respondents selected all that apply).*



*And of the actions taken, which one is considered to be the single most important action you are taking to deal with the current economic climate?*

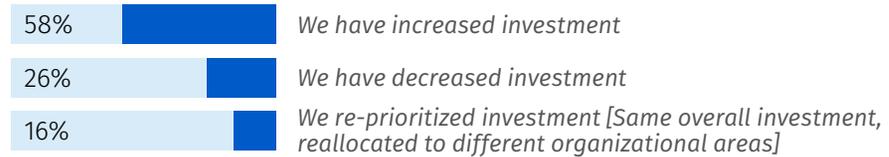
*(Respondents selected all that apply).*



## Investment increase

Despite mounting inflationary pressures and a global economic slowdown, few companies are cutting back on their IT investment, and most are determined to spend more.

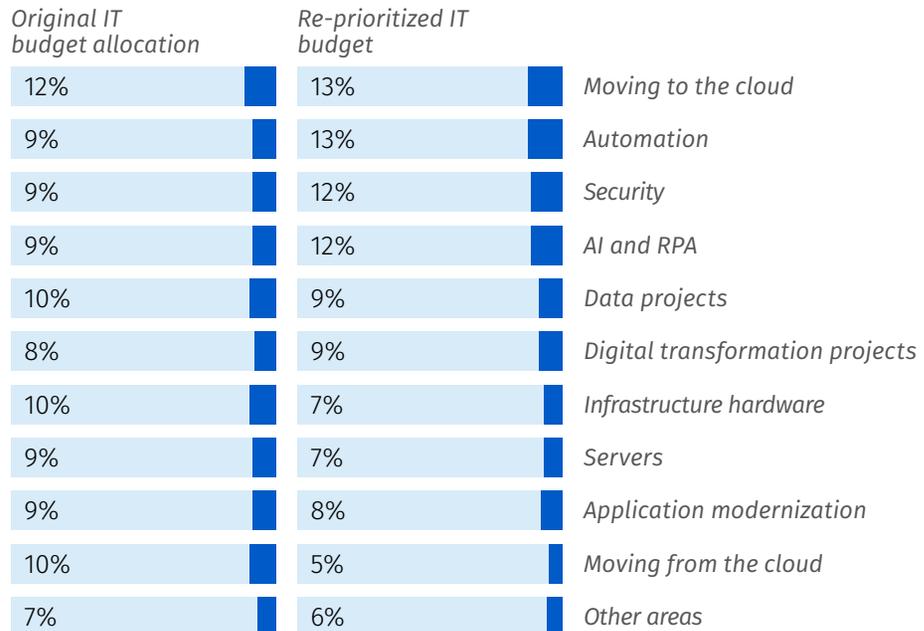
*Generally speaking, how has the current economic climate impacted investment in IT within your organization? (Respondents selected all that apply).*



More confident about their technology investment and the returns on investment they're seeing, business leaders are emphasizing growth and digital transformation. Cloud leads the way in these investments.

## How has your IT investment been re-prioritized?

Across the globe, executives identified cloud projects as the single most important factor in addressing the current economic climate and as the leading source of reprioritized investments, compared to their original budget allocation.



## The highest priority: increasing investments in cloud

When asked to rank their investment priorities for the next 12-18 months, IT leaders rated cloud operations as their top strategic IT priority (75%), followed by security (60%) and digital transformation (51%).

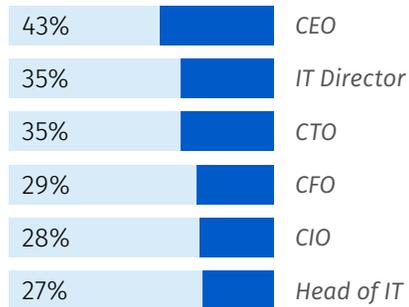
**Key investment areas over the next 12-18 months** (Respondents selected all that apply).



## Who's driving investment?

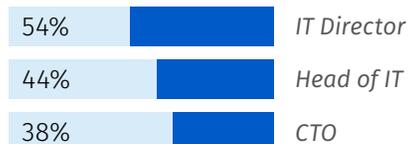
When it comes to making IT investment decisions, there's been a shift away from the C-suite, with two-thirds of respondents (67%) saying that the pool of key decision-makers has changed. Today, IT directors (54%), heads of IT (44%) and CTOs (38%) are more involved with IT investment decisions than they were 1-2 years ago.

**Who within your organization is driving forward the decision making in these key investment areas?** (Respondents selected all that apply).



**Which roles are now closer to the IT investment strategy than they were 1-2 years ago?**

(Respondents selected all that apply).





## Rising confidence in ROI

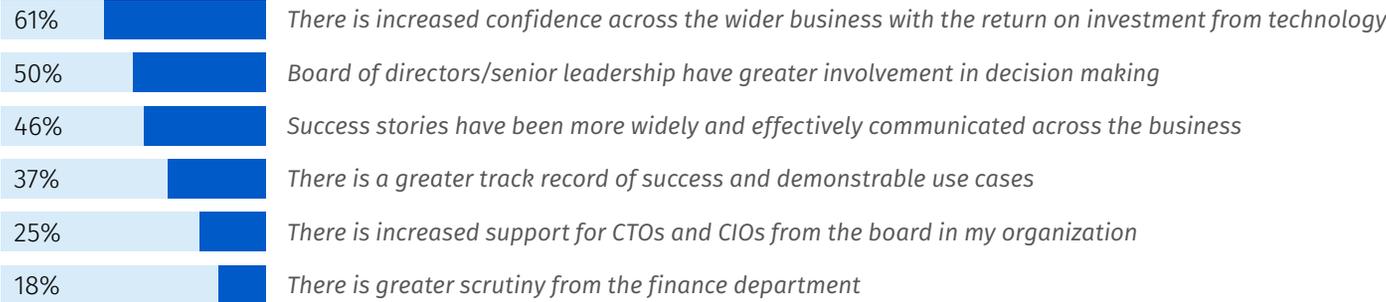
The economy may be cooling on Wall Street, but as far as survey respondents are concerned, technology remains hot.

Our survey points to increased confidence in the ROI from technology across the business (61%) and increased involvement of both senior leadership and the board of directors in investment decisions.

CEOs and boards are more engaged because they are aware of the increasing value of technology investment and digital transformation as a corporate priority across industry verticals.

As we've recently seen, cuts are underway as a result of concerns about the economy. But among IT decision-makers, rising confidence in the ROI from technology investments indicates there is reason for some optimism.

*What are the main factors influencing change in your IT investment strategy? (Respondents selected all that apply).*



# Talent remains scarce

In terms of talent supply and workforce demand, IT executive teams face an unprecedented level of volatility.

Over half of respondents (52%) said their organization is downsizing employees, led by reductions in HR (56%), sales and marketing (47%), and business operations (42%).

While inflation and rising interest rates bring about budget cuts, IT leaders are simultaneously scrambling to fill key roles as the global IT talent shortage slows companies and impedes critical efforts.

# Downsizing & retention

Amid economic uncertainty and likely workforce reductions, firms continue to struggle in a market for IT talent where demand exceeds supply, especially in the key areas of cybersecurity, machine learning and analytics.

*Is your organization downsizing its staff in any particular areas of the business?*

*(Respondents selected all that apply).*



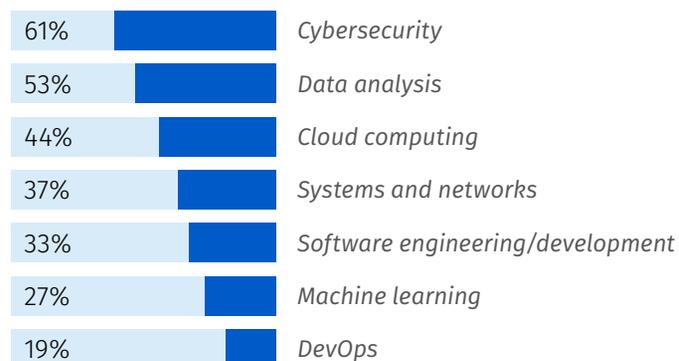
*In what areas is your organization downsizing?* *(Respondents selected all that apply).*



*Is your organization struggling to retain IT staff in specific areas or with specific skills?*



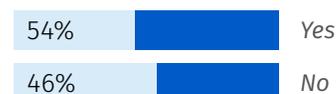
*In what areas are you struggling to retain staff?* *(Respondents selected all that apply).*



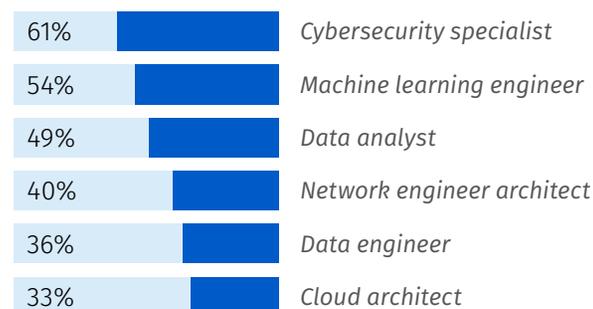
## The struggle to fill roles

Facing a tough talent environment, 54% of survey respondents said they are struggling to fill vacancies, especially in the areas of cybersecurity (61%), machine learning (54%), data analytics (48%), network engineering (40%), data engineering (36%) and cloud architecture (33%).

*Is your organization currently struggling to fill technical staffing vacancies?*



*Which positions are you most struggling to fill? (Respondents selected all that apply).*



## Focus on retention and training

Efforts to retain staff include increased training opportunities (63%), an increase in the value of rewards (57%), salary increases (52%), increased focus on work/life balance (45%) and career growth (40%), and benefits increases (37%).

*Actions to retain existing staff (Respondents selected all that apply).*

*What, if anything, is your organization actively doing in order to retain existing staff?*

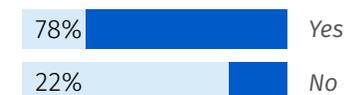


## Compensating for the talent shortage with tech

IT business leaders are increasing their reliance on technology to better navigate the talent shortage. They're also redefining how work gets done. Finding new ways to leverage technology to fill gaps can help companies navigate the next 12-18 months, as will the strategic use of external resources.

Given talent scarcity, 78% of organizations are also looking for ways to enable technology to automate work traditionally performed by humans, especially in the areas of customer service (66%) and IT operations (64%).

*Is your organization trying to find ways to enable technology to do the jobs formerly performed by people?*



*Which areas of your organization have roles that are at risk of being performed by technology rather than people? (Respondents selected all that apply).*





## FinOps

As cloud investments grow, organizations are becoming more sophisticated in managing cloud costs and realizing value from their investments, with 82% reporting that their FinOps capabilities are either of medium or high maturity.

Cloud transformation projects are key enablers of scalability, innovation, cost-effectiveness and flexibility — all critical factors to succeed in even the toughest of environments.

For companies looking to navigate economic uncertainty, a well-developed FinOps program is key to making these projects pay off.

### **A new era of innovation?**

In the midst of uncertainty, IT decision-makers are remaining somewhat optimistic and looking to the future despite the challenges.

Shaping and reviving corporate culture remains important, and companies have now had time to experiment with fully remote, on-site and hybrid employee models. Flexibility is key.

With the pace of innovation increasing, many are recognizing the possibility that we're now in a new era of innovation — one in which the vital need for technology modernization has taken hold across global industries.

# Customer First. Cloud First.

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We learn your business, your challenges, your goals and your aspirations. Then we cultivate a growth mindset with your team, while driving the ownership and accountability that are key to your success.

Because you need a cloud solutions partner that can deliver outcomes every day, we're fueled by our unwavering focus:

Customer First. Cloud First.

## **Advise, transform, manage and optimize**

Cloud-enabled digital transformation enhances your abilities to innovate, create new revenue streams, build better customer experiences and establish new models for work and collaboration.

As you move through your cloud journey, we help ensure that all of your technologies work together to move you toward these outcomes through collaboration with your teams at any stage of our engagement cycle:

Advise. Transform. Manage. Optimize.

## **About Rackspace Technology**

Rackspace Technology is the multicloud solutions expert. We combine our expertise with the world's leading technologies — across multicloud, applications, data and security — to deliver end-to-end solutions. We have a proven record of advising customers based on their business challenges, designing solutions that scale, building and managing those solutions, and optimizing returns into the future.

As a global, multicloud technology services pioneer, we deliver innovative capabilities of the cloud to help customers build new revenue streams, increase efficiency and create incredible experiences. Named a best place to work year after year, according to Fortune, Forbes and Glassdoor, we attract and develop world-class talent to deliver the best expertise to our customers. Everything we do is wrapped in our obsession with our customers' success — our Fanatical Experience® — so they can work faster, smarter and stay ahead of what's next.

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