WHAT'S HOLDING BACK INNOVATION?

Data collection: October 21 - November 28, 2021

Respondents: 100 technology executives in North America

WHAT'S HOLDING BACK **INNOVATION?**

The perpetual demand placed on IT, budget constraints, and misaligned business units continues to stress already overwhelmed employees. The factors combined ultimately prevent IT teams from aligning goals and priorities; consequently, they are unable to deliver their fullest value to the business. Outsourcing to a third-party IT service provider to offload operations and ease staff burden offers could be one remedy — what are companies doing in this area, and what else holds back innovation?

Pulse and InterVision surveyed 100 technology executives to find out what hurdles currently impede organizations' innovation plans.

Leaders feel that technology debt at their company has led to innovation debt

79% of respondents feel their company has not met its innovation goals.

Do you feel your company has met its innovation goals?

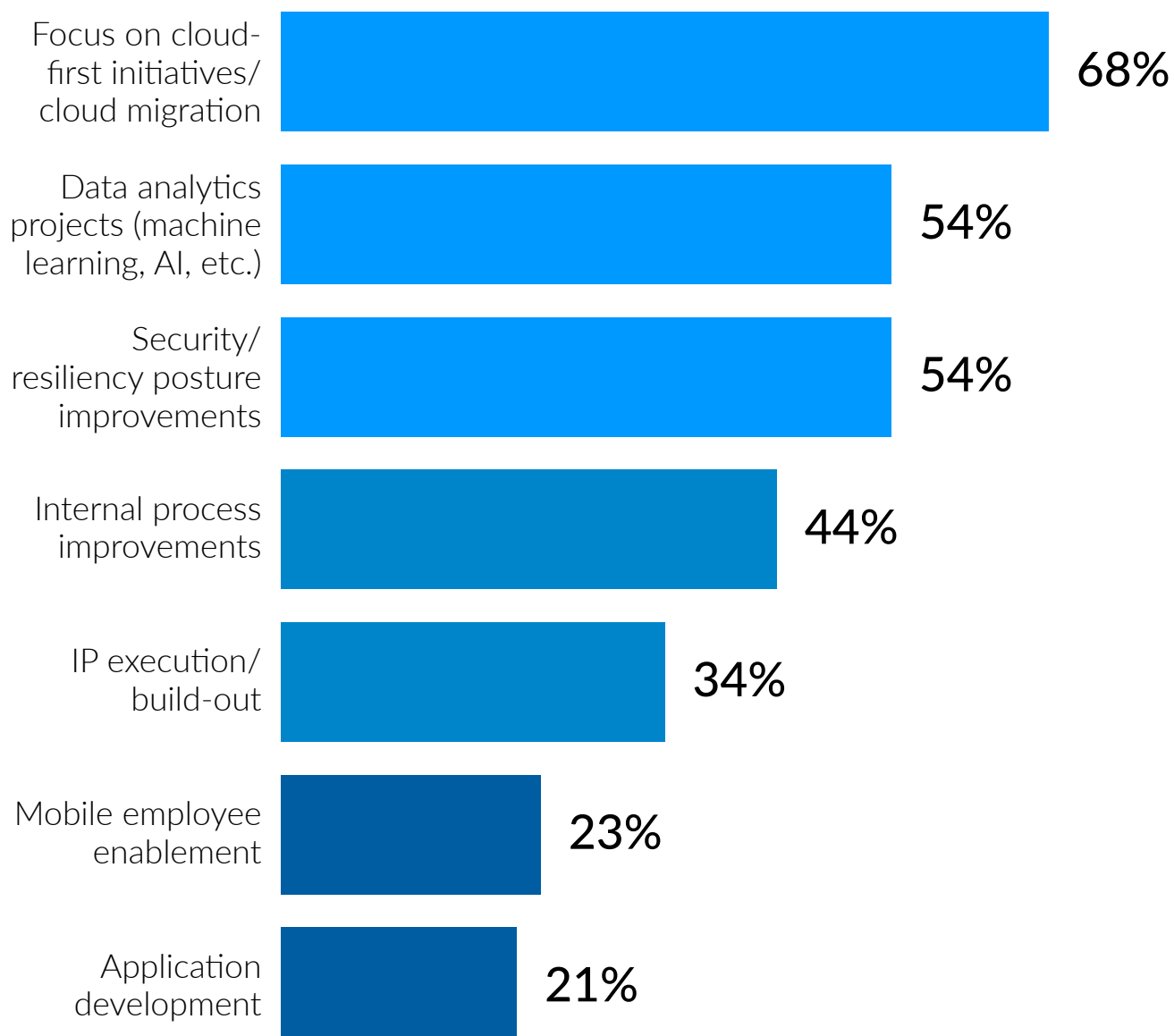| 21%	33%	45%	1%
Yes	No	Getting close	Not sure
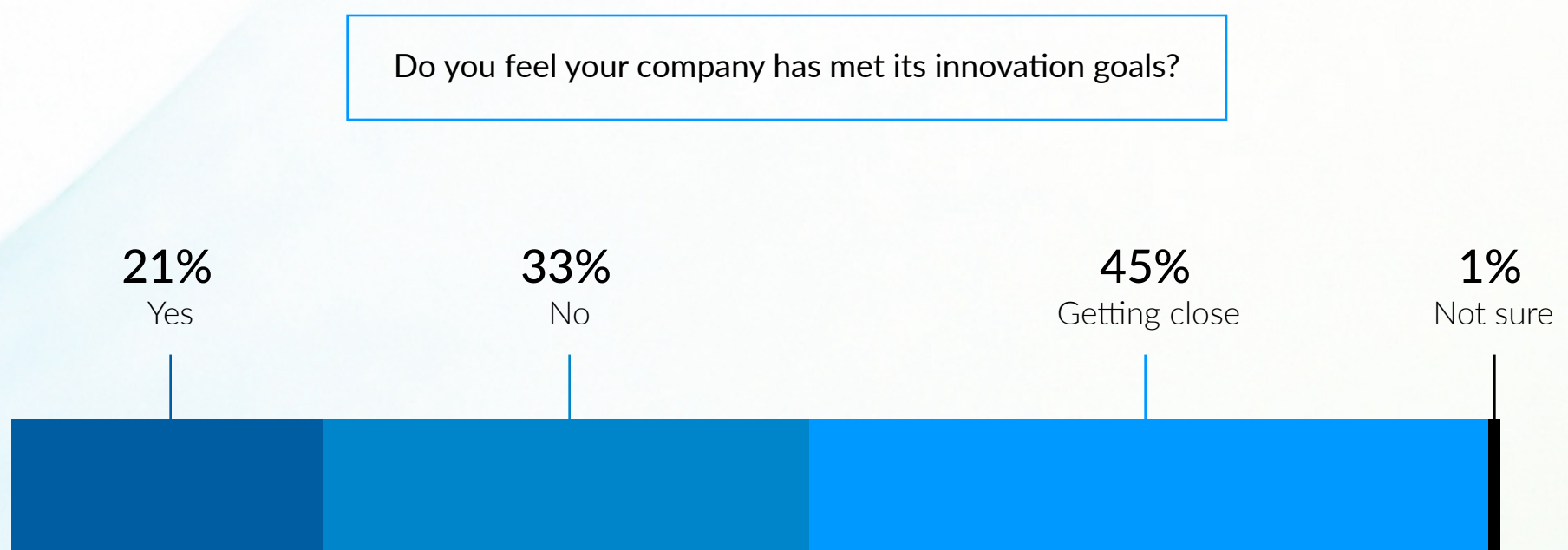
About 1 in 3 executives (32%) feel their company spends too much time on maintenance and urgent problems each week.

How would you describe the amount of time your company spends on maintenance and urgent problems each week?

32% Too much time

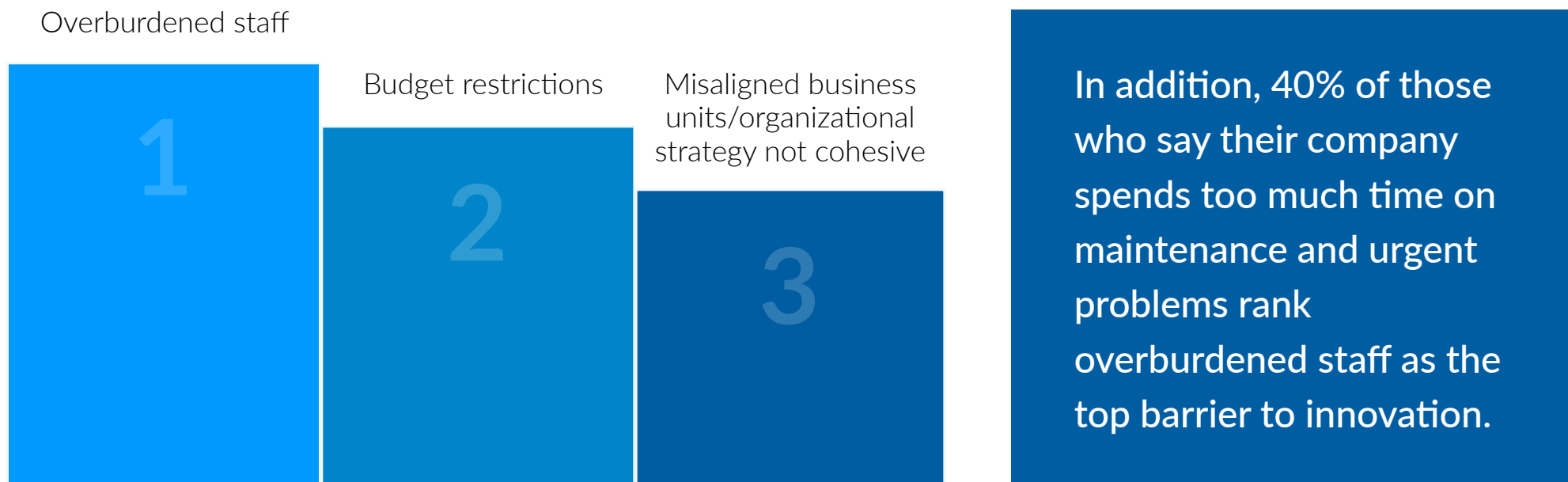**49%** Just the right amount of time

19% Too little time
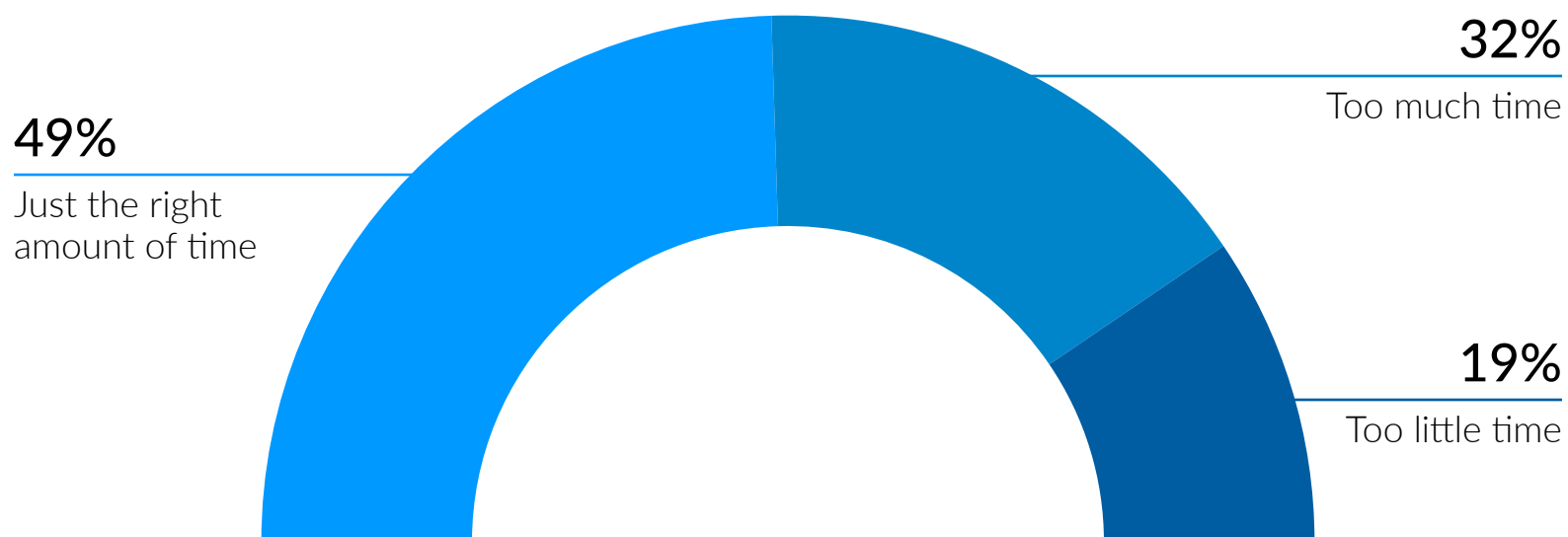
If operations were handled by a third party, more than half of executives would spend the time saved on cloud-first initiatives or cloud migration (68%), data analytics projects (54%), and security and resiliency posture improvements (54%).

What would you do with your extra time if operations were handled by a third party?

Category	Percentage
Focus on cloud-first initiatives/cloud migration	68%
Data analytics projects (machine learning, AI, etc.)	54%
Security/resiliency posture improvements	54%
Internal process improvements	44%
IP execution/build-out	34%
Mobile employee enablement	23%
Application development	21%

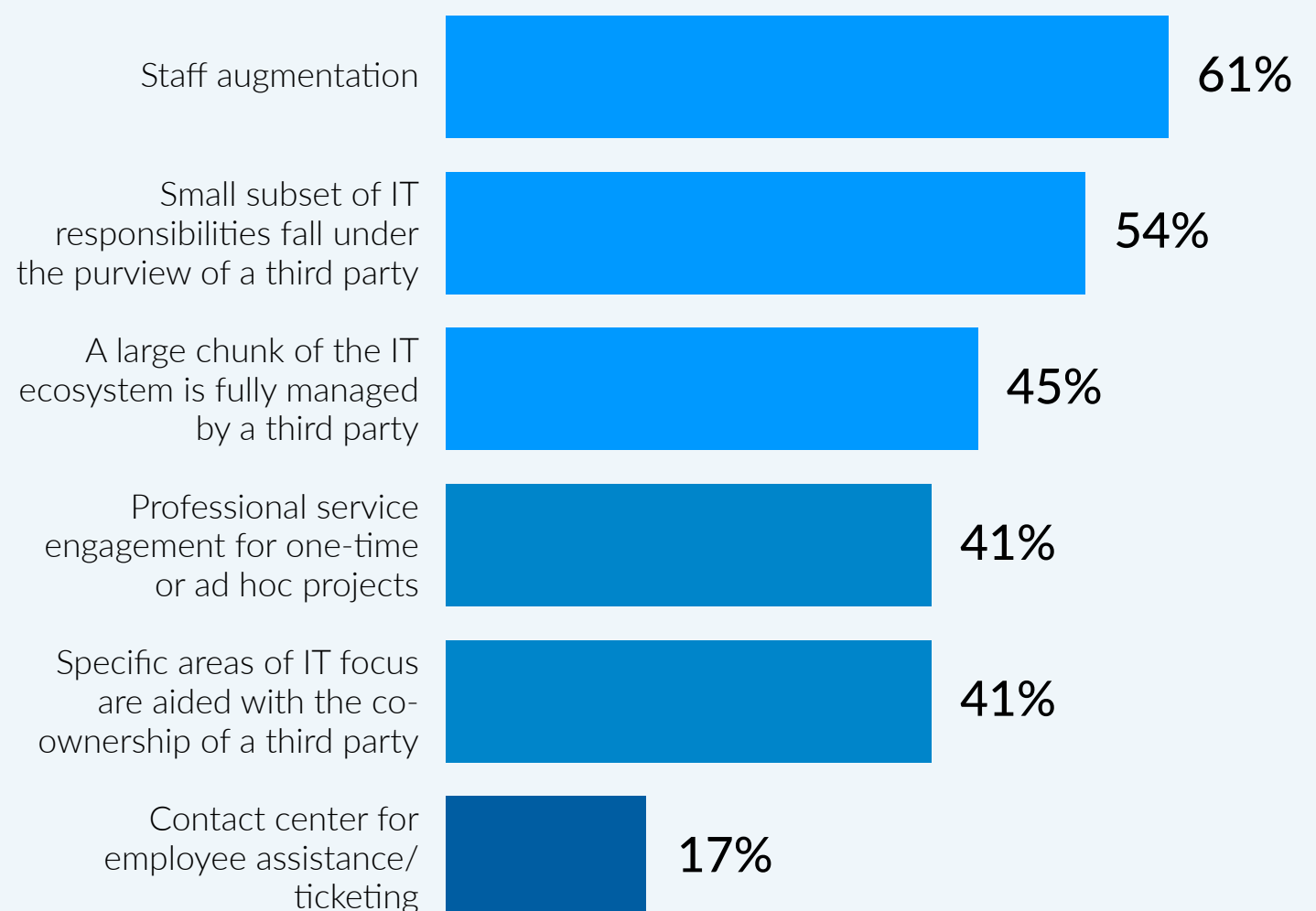The top 3 barriers to innovation are overburdened staff, budget restrictions, and misaligned business units.

What are the top 3 barriers/challenges to innovation at your company?

Overburdened staff

1

Budget restrictions

2

Misaligned business units/organizational strategy not cohesive

3

In addition, 40% of those who say their company spends too much time on maintenance and urgent problems rank overburdened staff as the top barrier to innovation.
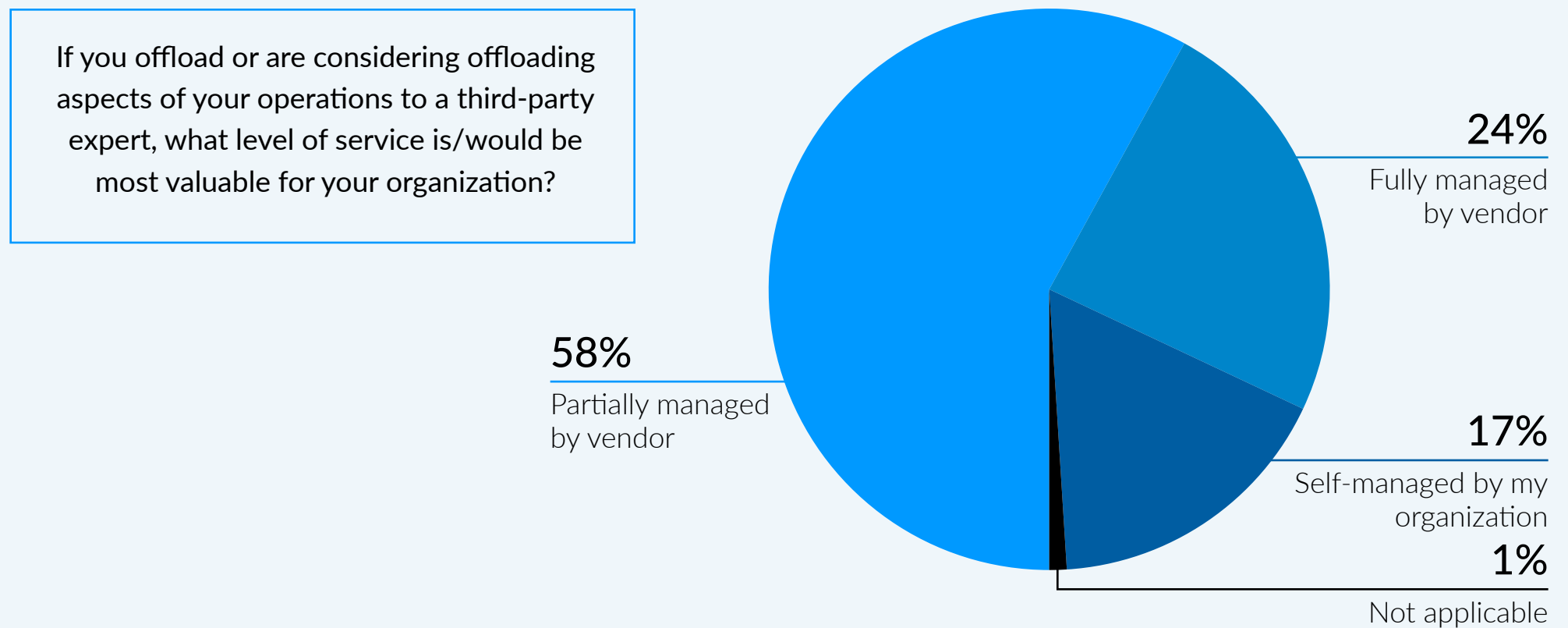
Offloading operations to a third party can assist with staffing and IT responsibilities

For most executives, offloading operations to a third party means staff augmentation (61%) and leaving a small subset of IT responsibilities under the complete purview of a third party (54%).

What does offloading operations to a third party mean to you?

|	
Staff augmentation	61%
Small subset of IT responsibilities fall under the purview of a third party	54%
A large chunk of the IT ecosystem is fully managed by a third party	45%
Professional service engagement for one-time or ad hoc projects	41%
Specific areas of IT focus are aided with the co-ownership of a third party	41%
Contact center for employee assistance/ ticketing	17%

The majority of respondents want a managed solution, with 24% saying services fully managed by a vendor would be most valuable to their organization and 58% preferring a partially managed solution.

If you offload or are considering offloading aspects of your operations to a third-party expert, what level of service is/would be most valuable for your organization?

24%
Fully managed by vendor

17%
Self-managed by my organization

1%
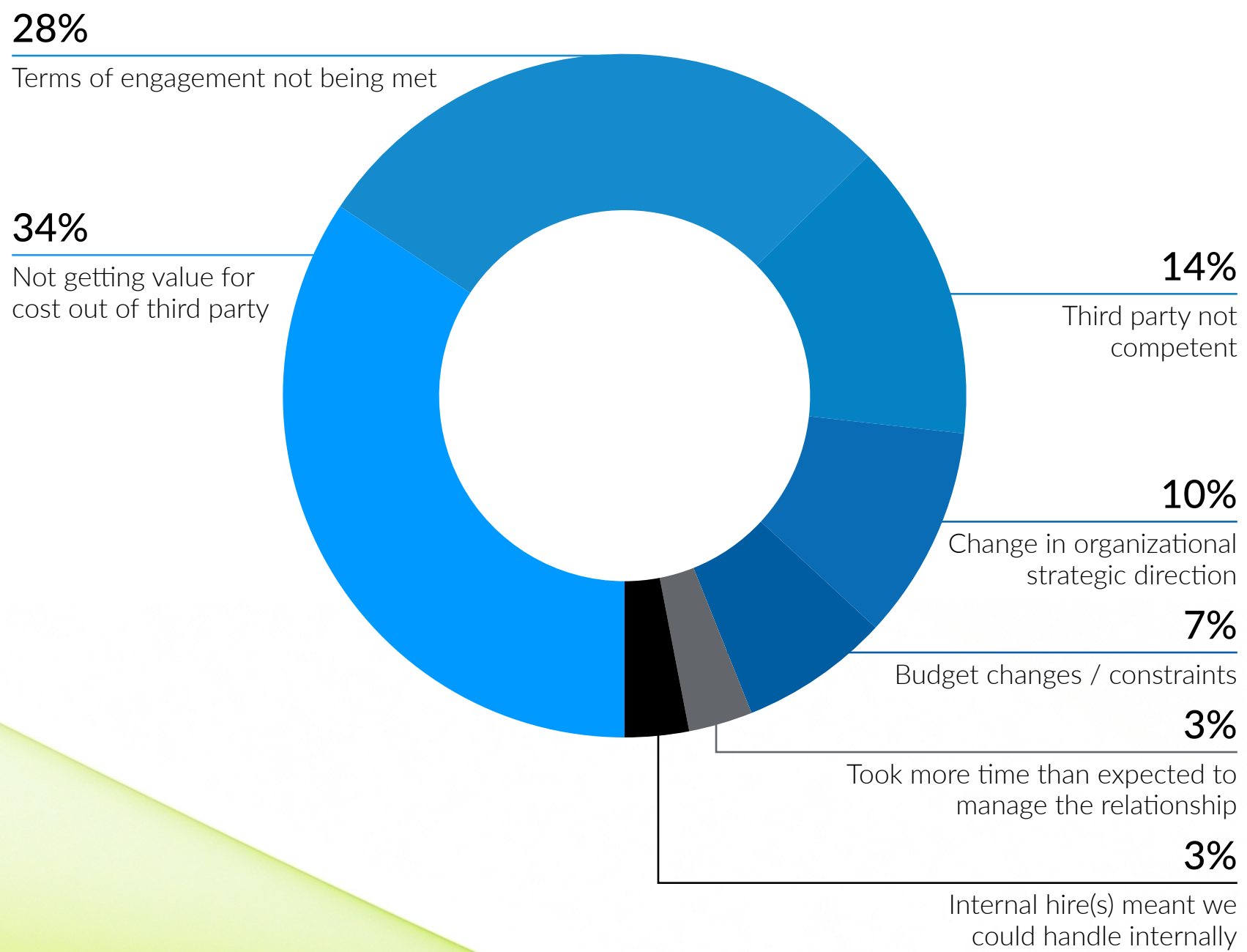Not applicable

58%
Partially managed by vendor

Most use managed services, but some reverted back to DIY operations because expectations were not met

Only 28% of executives have used managed services and then opted to go back to DIY operations.

Have you used managed services then opted to go back to DIY operations?

59%
No - we still use managed services

28%
Yes

13%
No - we've never used managed services
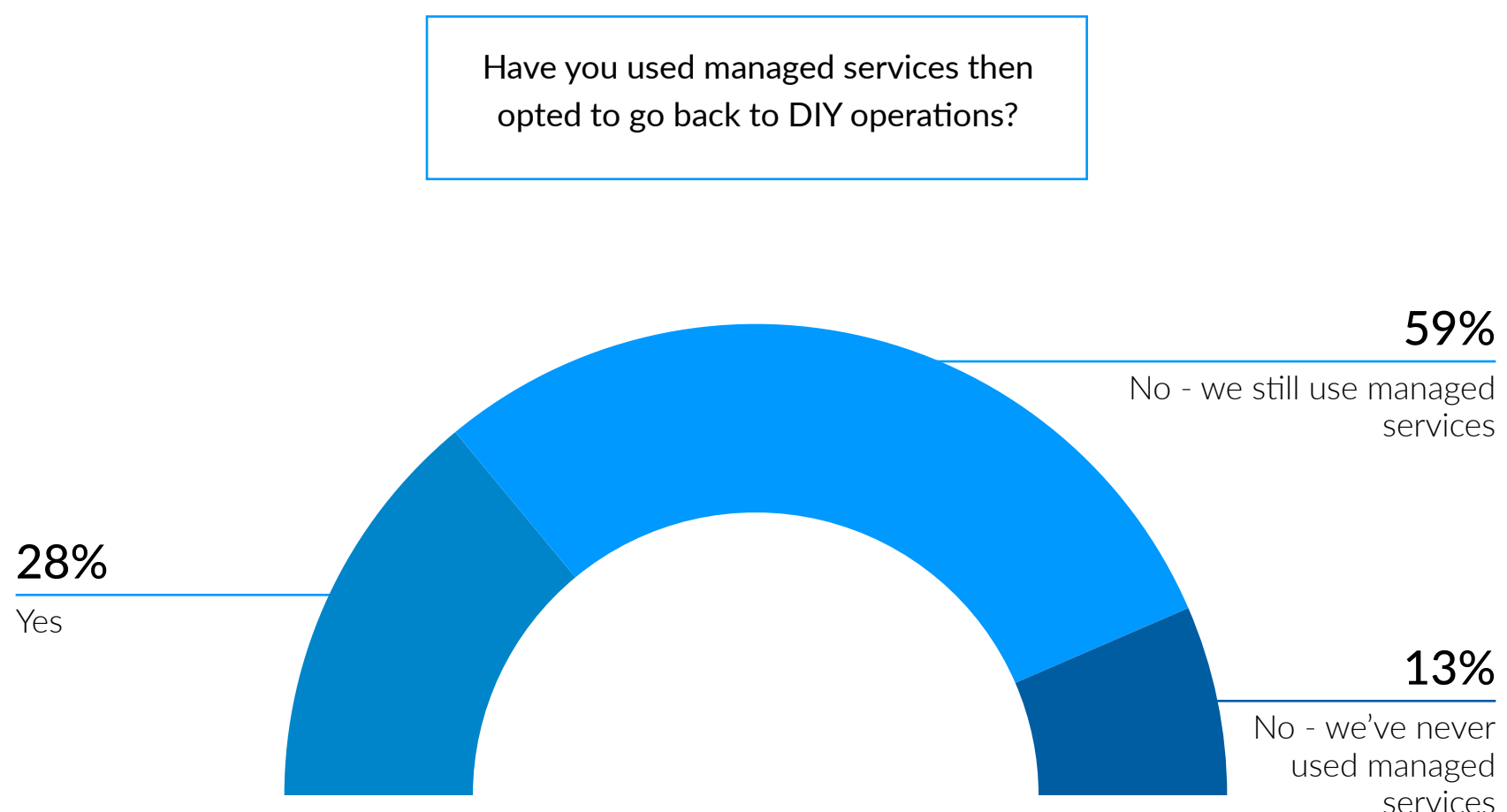
Executives went back to DIY implementation because they were not getting value for cost out of third-party (34%), the terms of engagement were not being met (28%), or their third-party was not competent (14%).
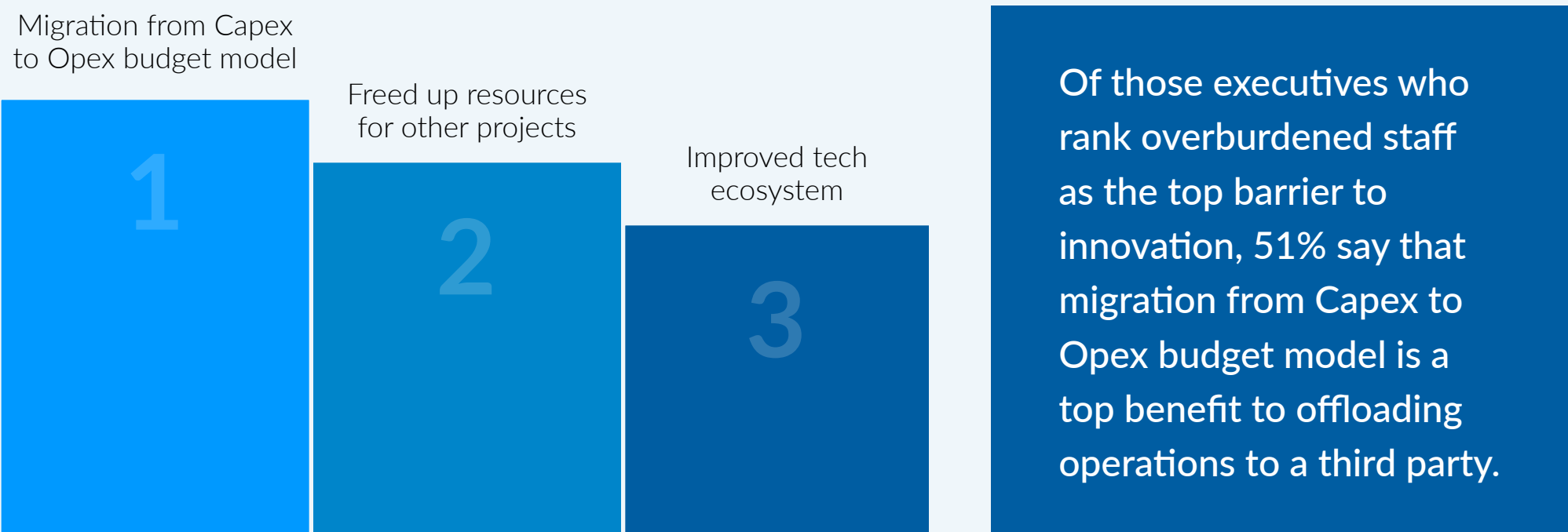
What was the primary reason you went back to a DIY implementation? (n = 28)

28%
Terms of engagement not being met

34%
Not getting value for cost out of third party

14%
Third party not competent

10%
Change in organizational strategic direction

7%
Budget changes / constraints

3%
Took more time than expected to manage the relationship

3%
Internal hire(s) meant we could handle internally

Tech leaders feel that offloading to a third-party expert would offer benefits; however, many hope to see simplified billing and better expertise delivery

Executives rank migration from Capex to Opex budget model, freed up resources for other projects, and improved tech ecosystem as the top 3 benefits of offloading operations with a third party.

Rank the top 3 benefits of offloading operations with a third party: (n = 87)

Migration from Capex to Opex budget model

1

Freed up resources for other projects

2

Improved tech ecosystem

3

Of those executives who rank overburdened staff as the top barrier to innovation, 51% say that migration from Capex to Opex budget model is a top benefit to offloading operations to a third party.

Respondents say the biggest areas for improvement when offloading IT operations to a third party are the overly complicated and confusing billing, failure to deliver expertise as expected, and cultural misalignment with their organization.

If your organization offloads IT operations to a third party, what are the biggest areas you see for improvement? (n = 87)

Billing too confusing/ complicated

1

Expertise delivered not as expected

2

Cultural misalignment with my organization

3
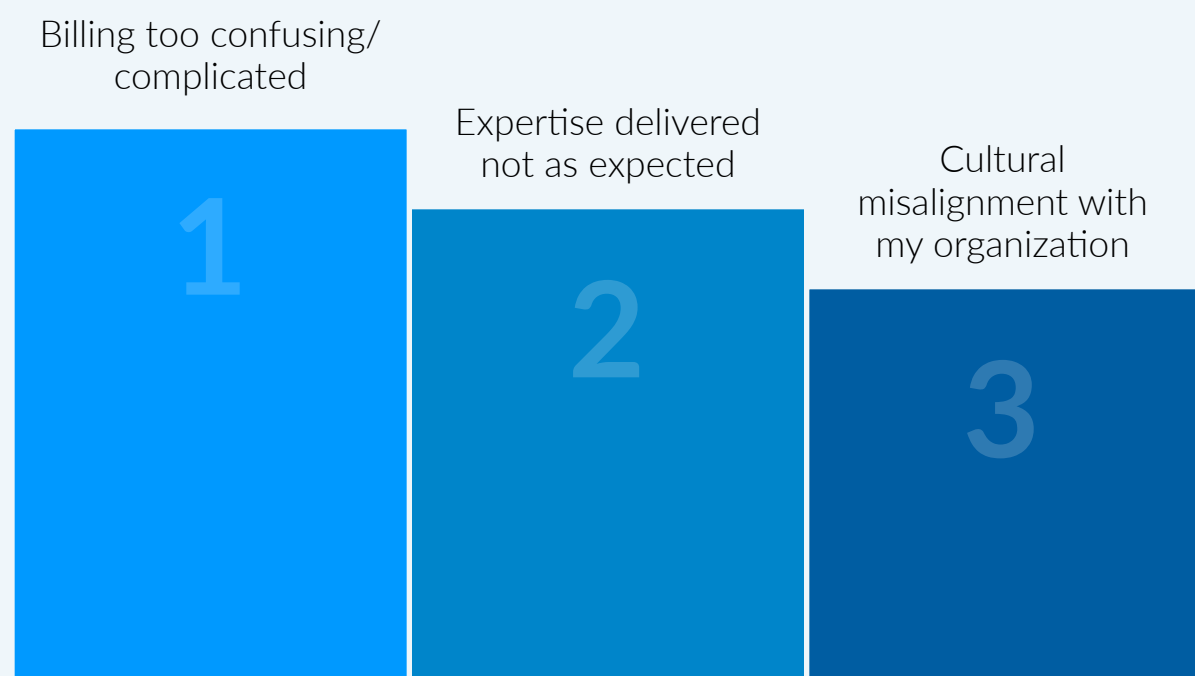
Many feel that they're putting out fires often and are unable to maintain IT priorities due to budget constraints

84% of executives find their staff is often pulled from focusing on priorities in order to put out fires for their organization.

15% All the time

69% Some of the time
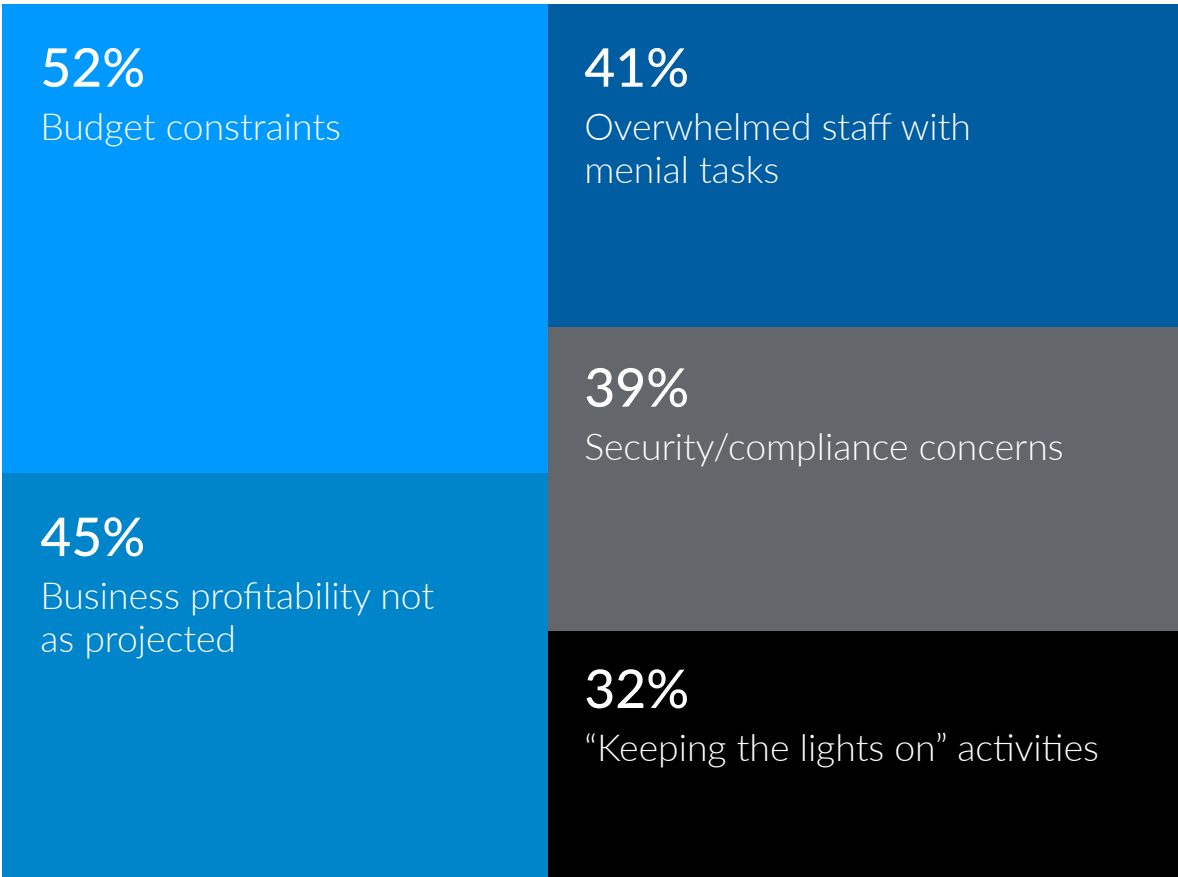
15% Not that much

1% Seldom
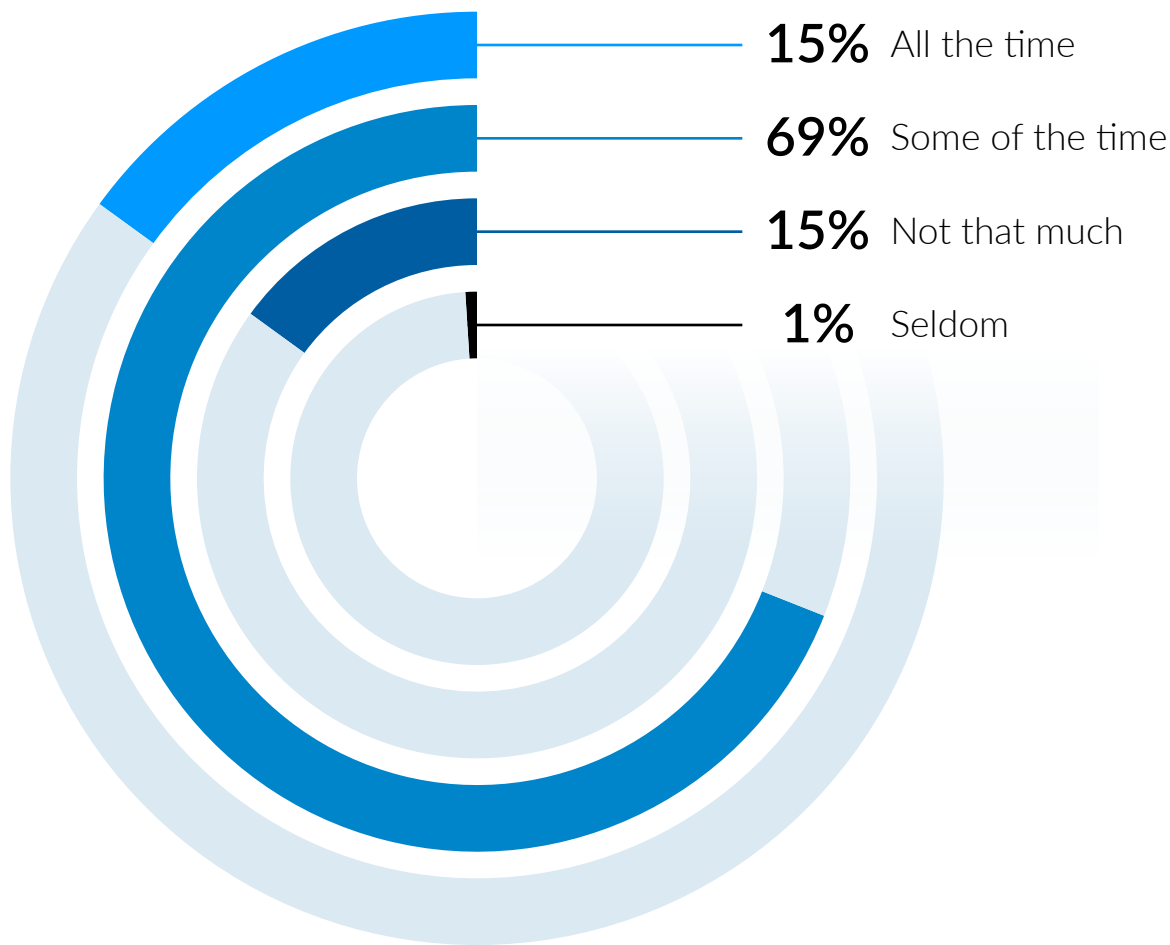
> How often is your staff pulled from focusing on priorities and business initiatives in order to put out fires for your organization?

Executives say budget constraints (52%), business profitability not as projected (45%), and overwhelmed staff with menial tasks (41%) are preventing their IT department from fully achieving its priorities.
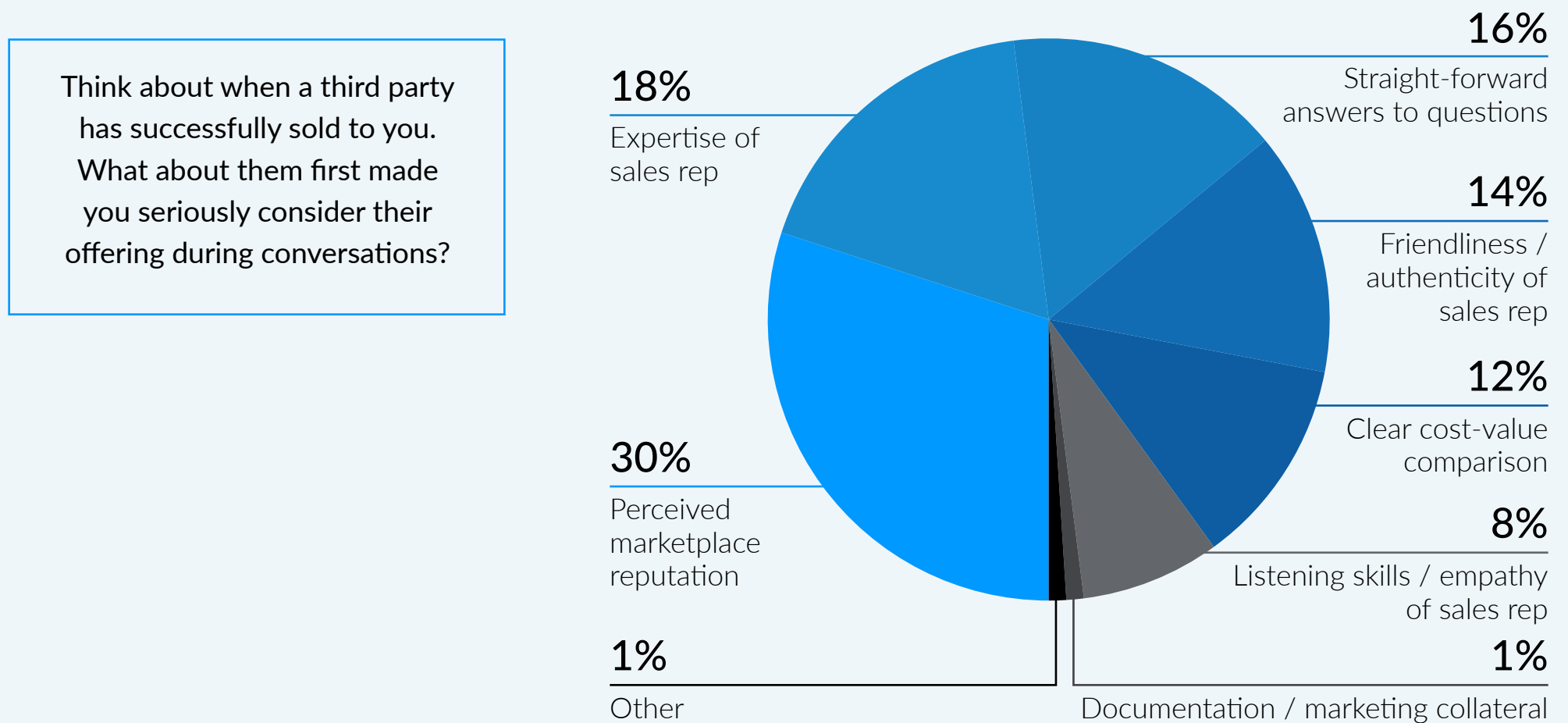
> What is keeping your IT department from fully achieving its priorities?

29% Leadership incompetence

26% Departmental infighting

13% Skepticism of technology changes

12% Covid-related stress

12% Misaligned priorities means nothing is prioritized

10% Aging hardware needs fixing

52%
Budget constraints

41%
Overwhelmed staff with menial tasks

39%
Security/compliance concerns

45%
Business profitability not as projected

32%
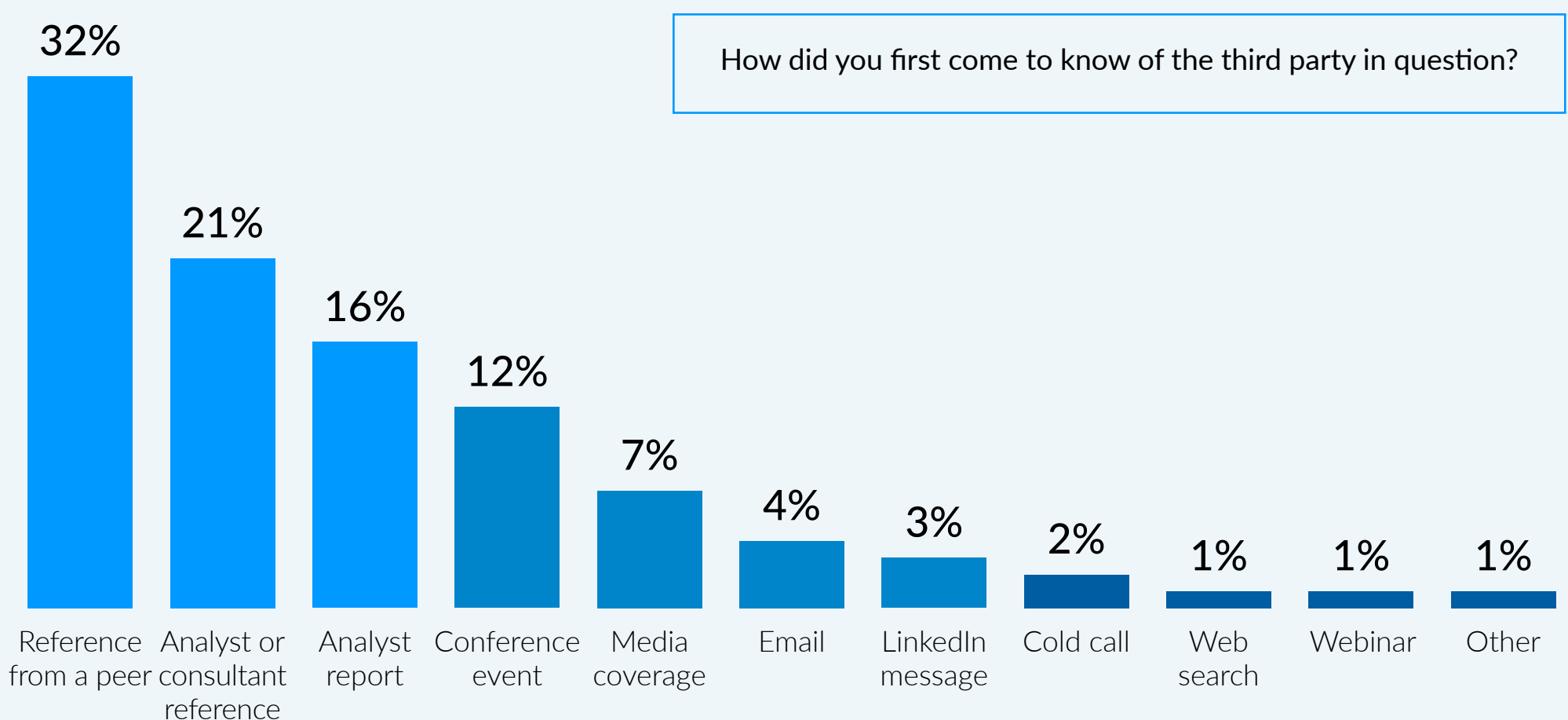"Keeping the lights on" activities

Leaders look to marketplace reputation and peer recommendations when deciding on a third-party vendor

In regard to third-party vendors that had successfully sold to them, 30% of executives first seriously considered their offering because of perceived marketplace reputation, and 18% were impressed by the expertise of the sales representative.
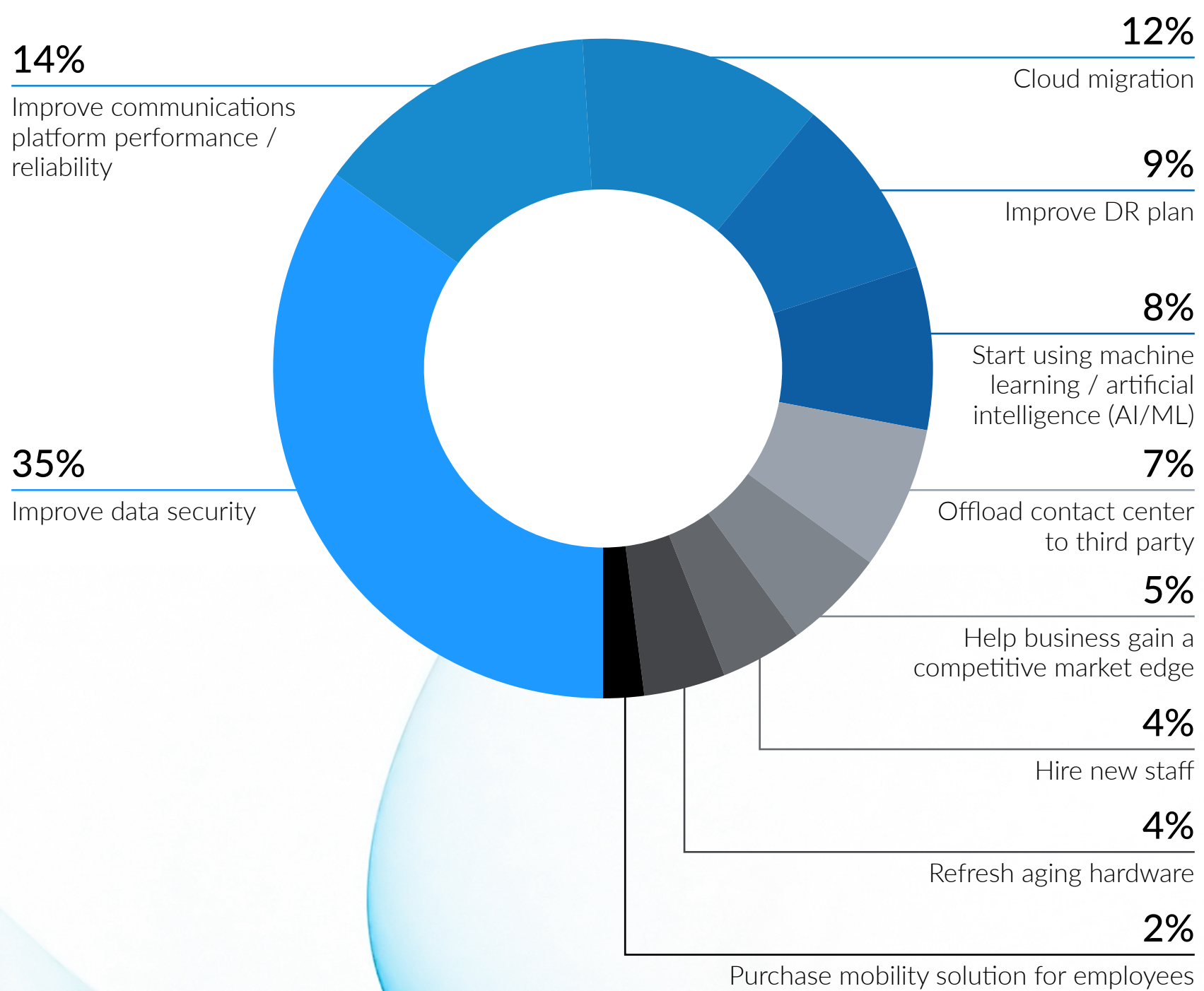
Think about when a third party has successfully sold to you. What about them first made you seriously consider their offering during conversations?

18%
Expertise of sales rep

30%
Perceived marketplace reputation

1%
Other

16%
Straight-forward answers to questions

14%
Friendliness / authenticity of sales rep

12%
Clear cost-value comparison

8%
Listening skills / empathy of sales rep

1%
Documentation / marketing collateral

32% of respondents heard of that third party through reference from a peer, while 21% discovered them through an analyst or consultant reference.

How did you first come to know of the third party in question?

- 32% Reference from a peer
- 21% Analyst or consultant reference
- 16% Analyst report
- 12% Conference event
- 7% Media coverage
- 4% Email
- 3% LinkedIn message
- 2% Cold call
- 1% Web search
- 1% Webinar
- 1% Other

The highest priority IT department initiatives in 2022 are data security and communications platform reliability

Executives say that improving data security (32%) and improving communications platform performance and reliability (14%) are their IT department's biggest priority for 2022.
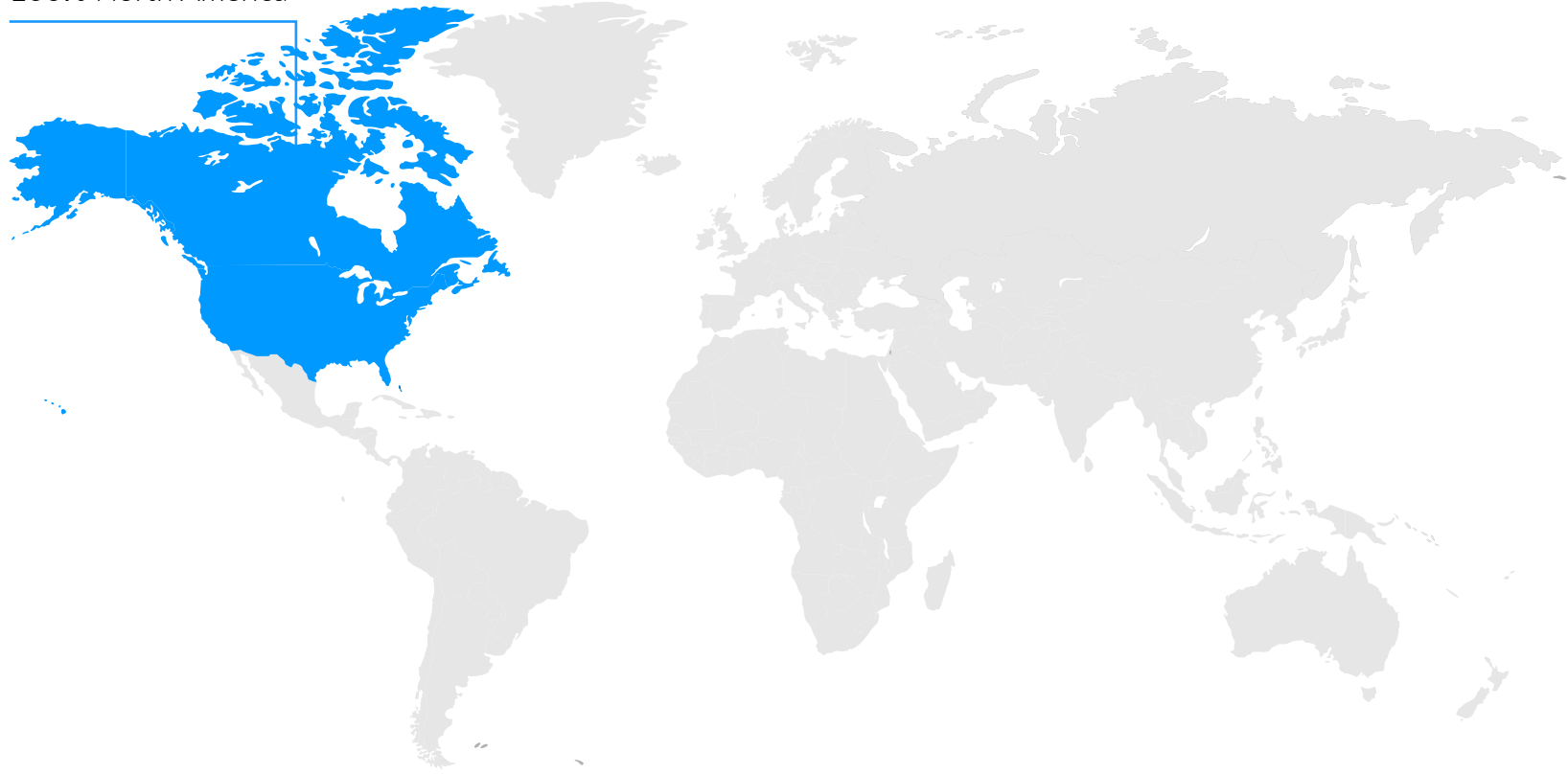
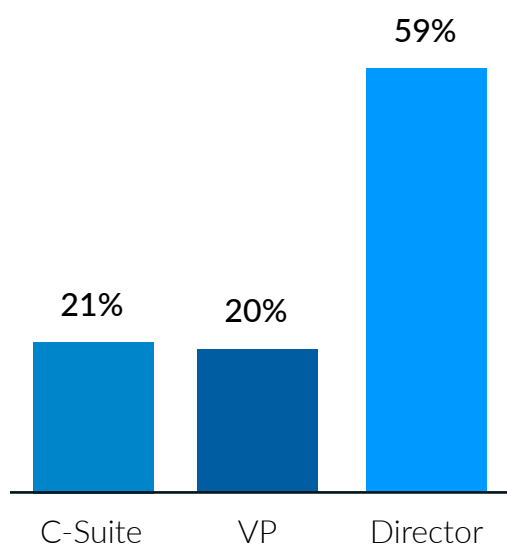What was the primary reason you went back to a DIY implementation? (n = 28)

12%
Cloud migration

9%
Improve DR plan

8%
Start using machine learning / artificial intelligence (AI/ML)

7%
Offload contact center to third party

5%
Help business gain a competitive market edge

4%
Hire new staff

4%
Refresh aging hardware

2%
Purchase mobility solution for employees

14%
Improve communications platform performance / reliability

35%
Improve data security

Respondent Breakdown

Region

100% North America

Title

- 21% C-Suite
- 20% VP
- 59% Director

Company Size

- 501 - 1,000 employees — 10%
- 5,001 - 10,000 employees — 32%
- 1,001 - 5,000 employees — 58%

Insights powered by PULSE