Whitepaper: Prioritising digital investments in 2023

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Prioritising digital investments, consolidating technology stacks and (re)organising business to maximise investments are three of the most important tasks for the C-suite this year.

Yet in this highly unusual moment in time we have several of the most challenging market conditions in living memory running parallel to an AI inflection point, a moment in time we may look back on as the start of a new societal era. Small margins of error now may result in outsize impacts as early as 2024. The greatest error however would be to do nothing. Little wonder executives feel torn.

Technology leaders, including CIOs, CTOs, CISOs and Chief Transformation and Digital Officers, have invested heavily in digital technologies over the last five years but a combination of geo-political events and surreal economic forecasts, like stubborn inflation and GDP stagnation, has more recently shifted the focus to IT consolidation and cost control.

Then, OpenAI's successful launch of ChatGPT, and competitor releases of similar deep machine learning and large language model (LLM) solutions, ignited the collective public and commercial imagination of AI. Suddenly, technology leaders have to grapple with the business demanding cost optimisation, as well as experimentation with a fledgling technology that not even its creators and regulators properly understand.

Level-headed prioritisation is needed, so too are trusted partners, skilled teams, educated Boards and a pliable supply chain, as organisations look to course-correct in an unstable market.

In light of this, technology leaders across the C-suite joined myself and HotTopics' Director of Strategy Doug Drinkwater for an engaging and insightful conversation on what they are prioritising, why, and how that impacts upon next year's investments.

Joining HotTopics and Box for this Food for Thought lunch:

1. Danny Attias, CDIO, London Business School
2. Jackie Ronson, former CEO, AA-X
3. Paul Coby, CIO, Persimmon Homes
4. Lee Fulmer, Chairman, Transforming Data Collection Board, Bank of England
5. Joanna Pamphlis, CDIO, UniCredit
6. Lauren Walker, Managing Director, Head of Data and Analytics UKI and Europe, Accenture Song
7. Sarah Steels, Chief Transformation Officer, East of England Co-op Society
8. Fergus Boyd, CTO, IP Individual
9. Bjorn Ovar Johansson, CIO and NED
10. Giles Lindsay, Interim CIO, Satago
11. Paul Ditchfield, VP Northern Europe, Box

1. AI investment strategies

AI is a priority for boardroom conversations and executive briefings. How that translates into tangible investments, however, is more difficult to decipher. Budgets can vary wildly, but appetite for experimentation can be satiated no matter the size of your business.

Accenture Song (formerly Accenture Interactive) is investing $3 billion into AI, as we heard from Lauren Walker. With a headcount of around 700,000 globally, questions of productivity are hoped to be answered digitally. ChatGPT and other LLMs may be able to streamline internal processes, communications and even creative output, so the global media company is leaning heavily on its technology partners to test in beta mode many iterations of machine learning now. The large figure is a testament to its confidence in what deep machine learning will eventually evolve into: AI.

AI proofs of concept are also being used elsewhere, such as in the housebuilding sector. Paul Coby, the CIO of Persimmon Homes, a FTSE 100 listed business, spoke of the ability to map and visualise dining rooms and bedrooms, scan architectural drawings and confirm what they deem to be the “finishing touches” before the homeowner completes the purchase. These digitalisation efforts “bring house buying into the 21st Century”, similar to how customers now purchase clothes or even cars. Persimmon also recognises the use of AI in finding new building sites; it is important, Paul maintained, “to put your toe in the water” now to recognise the “step change that AI will bring.”

Paul Ditchfield, VP of Northern Europe at Box, agreed, anecdotally sharing the content and collaboration platform’s own experimentation results.

> "With the power of AI, you will be able to unlock the value of your content and make every person in your company smarter and more productive. Imagine how much your organisation could get done if every employee had an assistant working at 1000x speed. The beauty of it is, Box AI can make it happen. Which means the new era of work starts now."

Despite the media rhetoric around AI, the leaders around the table were still impressed at these results —not yet ROI, it has to be said, but more than promising.

How can leaders continue this momentum? "Push your technology and agency partners harder," Lauren advised. Ask yourselves what you can do, ask what they themselves are doing here because you need those relationships to go to the next level."

2. AI scrutiny and pragmatism

Digital investments require scrutiny into their effectiveness, returns capabilities and cultural impact. This becomes especially important when considering AI. If technology leaders should be prioritising AI experimentation and partnerships, what tripwires should they be aware of?

Prioritise processes. This was the prevailing sentiment echoed across the Food for Thought table. While those aforementioned leaders shared their early developments with the technology, others around the table—Sarah Steels, Bjorn Ovar Johansson and Lee Fulmer—offered more cautious advice.

Sarah is "already seeing some abuse of AI" and wants to encourage more time and energy on its do's and don'ts. Bjorn commends vendors investing and experimenting with AI, but suggests that businesses without the budget should also consider investing in existing platforms and ways of working to supplement innovation. When pressed, he thought 10-20 percent of budget and time should be spent on AI at the moment; "AI is fast-moving, but so was cloud computing 15 years ago, and few, if any, companies have satisfactorily implemented it. Run the pilots, but do not drop everything else."

Lee Fulmer agreed. The former Chief Data Officer for UBS now chairs the Bank of England's Transforming Data Collection Board. Not only did he remind us of the trajectories of the metaverse, blockchain and quantum computing, warning us against grandiose rhetoric of revolutions, but advised investing in people and data with far more enthusiasm to reap the benefits of digital solutions later on.

What's more, AI investment can be an unhelpful distraction. Fergus Boyd sits within the hospitality sector, having led Soho House's global digital membership initiative recently, too. He noted his sector's more pragmatic approach to AI investment.

It is the IT Director's role to shield the business from any unnecessary change and to help the Board focus on commercial outcomes. Every business is about world-class customer experience and market-leading operational excellence. IT, including the current focus on generative AI, is just a tool to deliver those objectives, he said.

“AI is coming for online travel agents, upending search algorithms in Google that threaten smaller hotels and niche travel organisations. Our focus is less on the bleeding-edge of this and more on SEO, chatbots—and that is after staffing, cost concerns, and business rents and rates,” he said. “These are big toys for big boys, at the moment.”

3. More digital investments

AI is undoubtedly the shiny new toy but brass tacks were also debated. Digital investments do not just include new innovation. It also covers the transformation or evolution of legacy systems and infrastructure, ways of working and experience. And while it is the CEO’s job to ensure the opportunities of the former are considered, it is the technology leader’s job to remind the business of the latter. What do these include for 2023 and into 2024?

DATA FUNDAMENTALS

If your business hasn’t fully invested in data fundamentals—strategy, literacy, quality—plugging in AI capabilities tomorrow will only be confusing, said Danny Attias of The London Business School. “It will be an AI bottleneck.”

The table wholeheartedly agreed, with former UBS CDO Lee Fulmer going one step further. “If you don’t collect the right data and you don’t review your processes, you shouldn’t be investing in AI right now.”

Around the table, there was agreement that CEOs and Boards will return from breakfast meetings, events and panels about AI, and be enthused by the technology’s potential - much as they were at the advent of the world wide web and the boom in mobile computing. But CIOs and other senior technology leaders should use these moments to ground them in the importance of those digital fundamentals: the people, the processes and the infrastructure. Investment here, despite a period of consolidation, should be every technology executive’s top priority.

PEOPLE AND TALENT

Speaking of people, Jackie Ronson felt that as an investment priority (digital or otherwise), talent should be up there. Jackie is a rare technology leader that made the jump to CEO, most recently as CEO of AA-X, The AA's startup innovation business.

She told the table that business leaders must have the right talent in the right place, but understand that some roles will be harder to fill than others.

> "Data scientists continue to be hard to place and expensive to source, but are absolutely essential for both productivity and future growth opportunities," she said. CIOs should look for solutions that can realign this imbalance.

Co-piloting, or augmenting, were two terms that came up regularly. Digital investments are maximised when they are adopted inline with engaged teams, making their days easier, taking over the 'boring' jobs or tasks, and improving creative processes. Both Lee and Paul Ditchfield agreed that the creative output of graduates, for example, are too often stymied in grinding graduate roles. How are your investments freeing up those bright young minds, and if they are not, why not?

Sarah summed up this part of the conversation by saying that technology leaders must become storytellers. "Our responsibility therefore is to show the vision of what people can do now with our digital investments."

4. Processes and simplification

Despite the focus on AI, technology leaders are still required to simplify the business, especially given the economic downturn. This is not a tick-box exercise, however: simplification can mean cutting costs, improving user experience and a focus on new investments which integrate with the existing tech stack and offer a speedy return on investment (ROI). What is required, however, is a strategic birds-eye view of what one has, where and why. Joanna Pamphilis, an award-winning executive from UniCredit, described hers.

At UniCredit, we see simplification and digitalisation as going hand in hand," she explains. "If our processes are too complicated, we can't realise the full benefits of our digitalisation efforts. Our approach is to establish a process that is as simple as possible, regardless of the technology we want to use. Once that's done, then we can start thinking about automation, connectivity, and data.

> "Whether it's reducing the inputs needed to originate trade finance, or standardising project reporting and status monitoring, we're always on the lookout for ways to streamline our workflow. This is crucial both in helping us see where Digital investments are most needed, and in maximising the impact of those investments when we roll them out."

The discussion touched upon investment strategies in this way on a number of occasions. In times of flux, priorities may have to change almost monthly. One of the biggest concerns for these technology leaders when considering investment prioritisation and cost consolidation is that, without an agreed-upon investment strategy, cycles of 'slash and burn' threaten long-term competitiveness.

As Giles Lindsay noted, the main tension at heart is "risk exposure vs latecomer handicap".

5. Other digital priorities

It speaks volumes of where we are in the technology industry that a topic as vital as security was mentioned so briefly during this Food for Thought lunch.

Yet it is still absolutely top of mind for leaders—and perhaps made more so by the soon-to-be-upon-us chemical reaction of cybercriminals and AI. Leaders should ask themselves how they will operate when they are breached ('when' used consciously) and how their networks and partners can support them before, during and after the attack.

Jackie also said that future revenue generation should be another point of interest for investments and strategy.

As the world evolves, products, services, supply chains and customer buying habits evolve too; technology leaders ought to be mindful of the pressures CEOs are under to secure new customer markets or revenue potentials and consider these in their annual and quarterly investment and/or consolidation plans.

6. Consolidation and ROI

What of consolidation?

For veteran executive Paul Coby, the formerCIO of Johnson Matthey, John Lewis and British Airways, it is all about fixing the basics and taking costs out of the business. Practically, for Persimmon, it is investment in modular houses to reduce excess costs of house building, integrating digital apps to improve on-site connectivity and further integrating the online experience.

Elsewhere around the table, consolidation needs to happen faster. At UniCredit, Joanna commented that consolidation needs to match the speed of the pace of change.

> "We do not have 12 months to deliver a digital solution anymore and so are moving to agile ways of working, targeting 60 percent of software development done in this way," she continued. This modular methodology—designed for all regions, in beta for experiential feedback first—aligns the business and reduces complexity within the product and digital teams.

Interestingly, modular was mentioned once more, in Danny's consideration of higher education in the UK.

The ultimate destination for the future of learning is in modular learning, he said. This current thinking allows individuals to learn and adapt their courses and skills in much the same way a worker evolves in a business. Beyond that, Danny looked at reducing the seven different ways to sort student visas, for example, but given the student experience is paramount for the mode, dropping costs is not.

Finally, leaders are not above looking elsewhere for inspiration, even in different industries. Fergus looks to industry leaders such as Burberry for its "superb online selling platform" when mapping his investments and designs. It is a pragmatic approach, but also a reminder that no company is an island and inspiration for change is valid from wherever it is found.

Prioritisation is a learned skill. What we learned around the table was that it is also an adaptive force, one that actively shapes the trajectory and success of a business.

When an inflection point such as AI occurs many are tempted to pivot quickly to remain current. That ignores prioritisation both as a skill and as a force; for the former, it ignores the patience required to test new technologies diligently, understanding customer or user feedback, and what parts of the business it exactly solves for; for the latter, it ignores the strength required to remain true to your own transformation programme in front of pressures from the industry, a CEO or Board.

These leaders are prioritising, testing new machine learning capabilities to understand future AI capabilities. They are also prioritising digital skills, data standards and data literacy , new process design, and, it has to be said, the basics. Leaders and partners who look to secure the right talent, simple, secure platforms and empower teams through digital products (and not the other way around) should be seen as doing the basics.

Does this make investment and consolidation plans in 2023 different to previous years? Yes and no.

Yes: technology leaders are expected to become experts on AI, on top of a changing economic and political environment. Leaders are right to be cautious and questioning. No: the cycle of innovation continues; CEOs still want technology leaders to understand the business intimately. No matter how difficult, limit priorities, agree upon them strategically and place them in such a way that makes it flexible to external shocks or opportunities.

The final thought? The most important thing to prioritise in 2023 is prioritisation itself.

This Food for Thought lunch is in partnership with Box.