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# The CIO's Response to Inflation

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Initiatives: IT Cost Optimization, Finance, Risk and Value

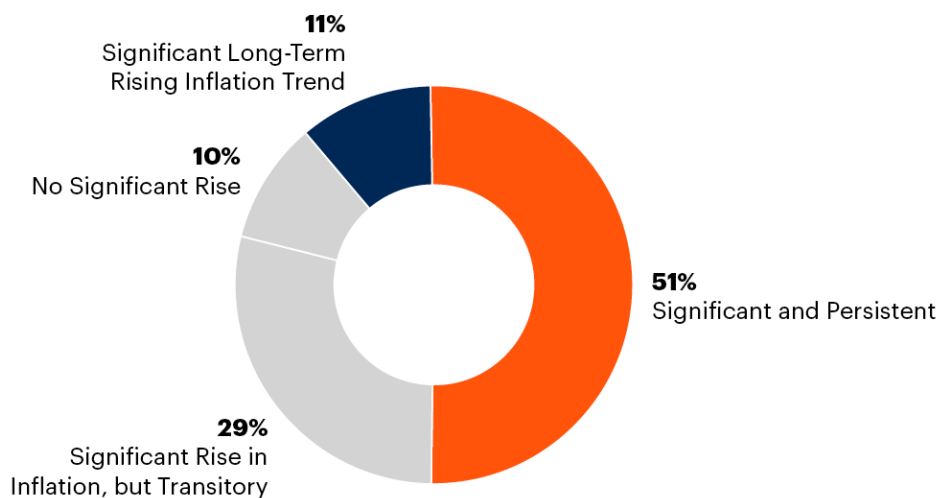
Inflation is a top concern, with most senior executive leaders believing that it will not be transitory for their largest geographic markets. This research outlines the impacts of inflation for CIOs and the actions they should take to immediately reduce costs and strategically invest in the future.

### Data Snapshot

Figure 1: CEO's View on General Price Inflation

#### CEO's View on General Price Inflation

Percentage of Respondents



n = 404, all respondents, excluding "don't know"

Q: What is your view on the likely scenario for general price inflation in your largest geographic market in 2022 and beyond?

Source: 2022 Gartner CEO and Senior Business Executive Survey

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## Data Insights

CIOs should be prepared to respond to their CEO’s concerns around this year’s soaring inflation:

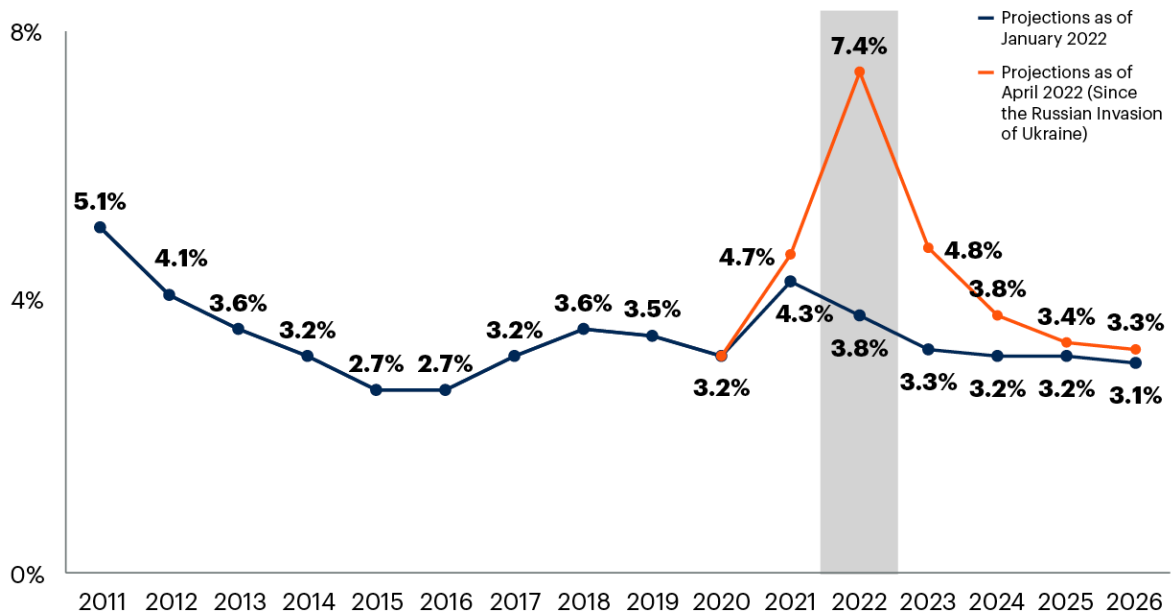
- Inflation is a big, new concern for CEOs, but even before the Russian invasion of Ukraine, most (62%) CEOs believed that it would not be transitory for their largest markets.
- CEOs who don’t believe that the current inflation trend is long term nevertheless believe the rise is significant.

## What You Need to Do

In April 2022, the IMF projected global inflation to surge to 7.8% in 2022 – nearly double the 3.8% inflation it predicted in January 2022 (see Figure 2). <sup>1</sup>

Figure 2: Variation in Inflation Forecast Since the Russian Invasion of Ukraine

### Variation in Inflation Forecast Since the Russian Invasion of Ukraine



Source: Adapted from IMF inflation data (April 2022)  
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Before they take action, CIOs must first understand the likely impact that this global surge in inflation, and their CEO's concern about inflation, will have on the IT organization. While the total impact of inflation is difficult to forecast, there are elements that should be anticipated and planned for.

Here are some scenarios CIOs can start planning for now:

- **Prices will increase.** Vendors will raise prices and the cost of hardware, equipment and services will rise. Wage inflation will make hiring more competitive.
- **Current resources will need to stretch.** Existing talent will have to be more productive. Existing infrastructure will have to do more for longer.
- **It will be tougher to maintain the status quo.** Budgets will have to increase to maintain current staffing levels. Wage inflation will increase the risk of talent leaving for a more competitive job offer.

## Near-Term Actions

CIOs should shape their response to inflation around people, productivity and cost optimization (see Table 1).

**Table 1: CIO Strategies in Response to Inflation**

Do More With the People You Have	Reduce and Protect	Strategically Invest Your Resources
<ul style="list-style-type: none"> <li>■ <b>Work with your CHRO to institutionalize agile learning across the enterprise.</b> IT cannot afford to hire its way out of the talent gap – it will need to redevelop people, including business technologists, to meet the skills the organization needs.</li> <li>■ <b>Propose digital products that raise productivity through automation.</b> Automation and digital product streamlining can reduce the volume of talent needed – helping to offset salary inflation costs.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Provide the CFO with a best-worst case budget inflation impact.</b> Provide a range of expectations from best to worst forecast case. Start with major vendor spend forecasts first.</li> <li>■ <b>Target staff pay to protect against talent drain.</b> Identify key workers and compare incentive plans vs. replacement costs if they leave the organization. Create a “talent retention incentive package.”</li> <li>■ <b>Proactively manage all consumption.</b> Sharpen processes and invest in tools to dramatically improve cloud, software and infrastructure consumption controls.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Accelerate investment in financial transparency.</b> Automation of processes facilitates the fast and accurate analysis of data – a requirement when making sound financial decisions during times of uncertainty.</li> <li>■ <b>Only invest in the most strategically imperative initiatives.</b> Increase financial return hurdle rates to focus investment on the areas which matter most.</li> <li>■ <b>Prepay supplier contracts if the terms are beneficial</b> – both to prevent price increases later in the cycle and to protect suppliers.</li> </ul>

Source: Gartner (May 2022)

## What You Need to Know

- Do more with the people you have by reframing learning as central rather than peripheral to everyone's job. Embed learning into the flow of business activities to optimize outcomes (see [Future of Work Trends: The Agile Learning Imperative](#)).
- Augment IT's workforce by empowering business technologists via training on low-code or no-code, augmented analytics, data science and machine learning platforms and data ecosystems (see [Maximize the Value of Your Data Science Efforts by Empowering Citizen Data Scientists](#)).
- Maximize near-term cost optimization by establishing a consistent governance structure for hyperautomation standards and investments across the enterprise (see [Driving Efficiency and Reliability With Hyperautomation](#)).
- Communicate your response to inflation widely, identify objectives, and ensure that stakeholders agree on the significance, justification, timing and impacts of cost management initiatives (see [Strategic CIOs Link Cost Optimization to Business Outcomes](#)).
- For severely impacted organizations, CIOs must take immediate action to reduce and reprioritize spend (see [8 Actions CIOs Can Take During the Russian Invasion of Ukraine for Financial Survival](#)).

## Evidence

**2022 Gartner CEO and Senior Business Executive Survey:** This survey was conducted to examine CEO and senior business executive views on current business issues, as well as some areas of technology agenda impact. The survey was conducted from July 2021 through December 2021, with questions about the period from 2021 through 2023. One-quarter of the survey sample was collected in July and August 2021, and three-quarters was collected in October through December 2021. In total, 410 actively employed CEOs and other senior executive business leaders qualified and participated. The research was collected via 382 online surveys and 28 telephone interviews. The sample mix by role was CEOs (n = 253); CFOs (n = 88); COOs or other C-level executives (n = 19); and chairs, presidents or board directors (n = 50). The sample mix by location was North America (n = 176), Europe (n = 97), Asia/Pacific (n = 86), Latin America (n = 40), the Middle East (n = 4) and South Africa (n = 7). The sample mix by size was \$50 million to less than \$250 million (n = 58), \$250 million to less than \$1 billion (n = 81), \$1 billion to less than \$10 billion (n = 212) and \$10 billion or more (n = 59). The survey was developed collaboratively by a team of Gartner analysts and Gartner's Research Data, Analytics and Tools team.

*Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.*

<sup>1</sup> Inflation Rate, Average Consumer Prices, IMF.

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