

## Ability to Execute Is the Hidden Challenge for Technology and Service Providers in 2023

Published 28 February 2023 - ID G00783426 - 17 min read

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Initiatives: [Business of High Tech](#)

Product leaders' revenue ambition is for growth in times of recession. At least 46% of provider plans are challenged as ambition exceeds the ability to execute. Challenged firms may miss their targets, work harder, relinquish more margin and lose market share. Ability is central to success in 2023.

### Overview

#### Key Findings

- In 2023, three quarters of product leaders see the economy as either in recession (52%) or stagnation (22%).
- Despite the recession, 72% of providers expect to grow revenue above 2022 levels, this represents their revenue ambition.
- Product leaders are confident in their revenue ambitions; 75% believe they will deliver on their 2023 plans. Almost half of firms (49%) believe that they will outperform their competition.
- Economic conditions raise the importance of a firm's ability to execute. According to Gartner's ability index, 46% of companies are challenged, since their ability lags behind their revenue ambition.

#### Recommendations

Product leaders seeking to strengthen their high-tech business ability to achieve their revenue ambition should:

- Assess the organization's ability to execute by comparing their revenue ambition with their ability to execute.

- Pressure-test revenue plans against their existing customers' willingness to pay as high-tech firms are increasingly dependent on recurring revenue from existing customers.
- Adjust product marketing and messages to better align with customer business outcomes and value. Validate the alignment between these messages and target customers, and buyers within those customers.
- Fix how the organization works before asking for funding increases by addressing organizational alignment, redistributing authority and increasing connections between groups.
- Leverage high levels of ability to seize market opportunities by focusing on new products and new customers, while peers concentrate on selling what they have to who they know.

## Analysis

### Growth, Economy, Ability and Challenge

Growth remains central to high-tech plans. Gartner's [Forecast: Enterprise IT Spending by Vertical Industry Market, Worldwide, 2020-2026, 4Q22 Update](#) projects 5.5% growth in global IT spending in 2023 in constant currency terms. In addition, 72% of high-tech firms expect revenue to grow by an average of 10.5% for 2023. Most firms (49%) expect to outperform their market. High-tech product leaders are confident in their ability to realize their growth plans, as 79% of firms expecting increased revenue are fairly or highly confident in achieving it.

Although there is no consensus, there are economic expectations for short shallow technical recessions in many countries around the world in 2023. At least 75% of high-tech leaders expect either a deep recession (10%), a mild recession (42%) or continued economic stagnation (23%). High-tech leaders' negative economic outlook compared to their revenue plans places a premium on a high-tech company's ability to execute their strategies and operations.

Ability describes how well an organization works. High-tech leaders have limited insight into their abilities or how their ability compares to their revenue ambition or peers. Gartner has developed measures of ability, examining how well the company works externally in meeting revenue plans and internally in achieving their goals.

Challenge exists in the relationship between revenue ambition and operational ability. High-tech leaders have undervalued ability as strong technology demand has masked operational ability weaknesses. That is no longer the case, as economic uncertainty requires firms to lean harder on their ability to execute. This is the essence of ability being a hidden challenge in 2023.

## What Does Being Challenged Mean?

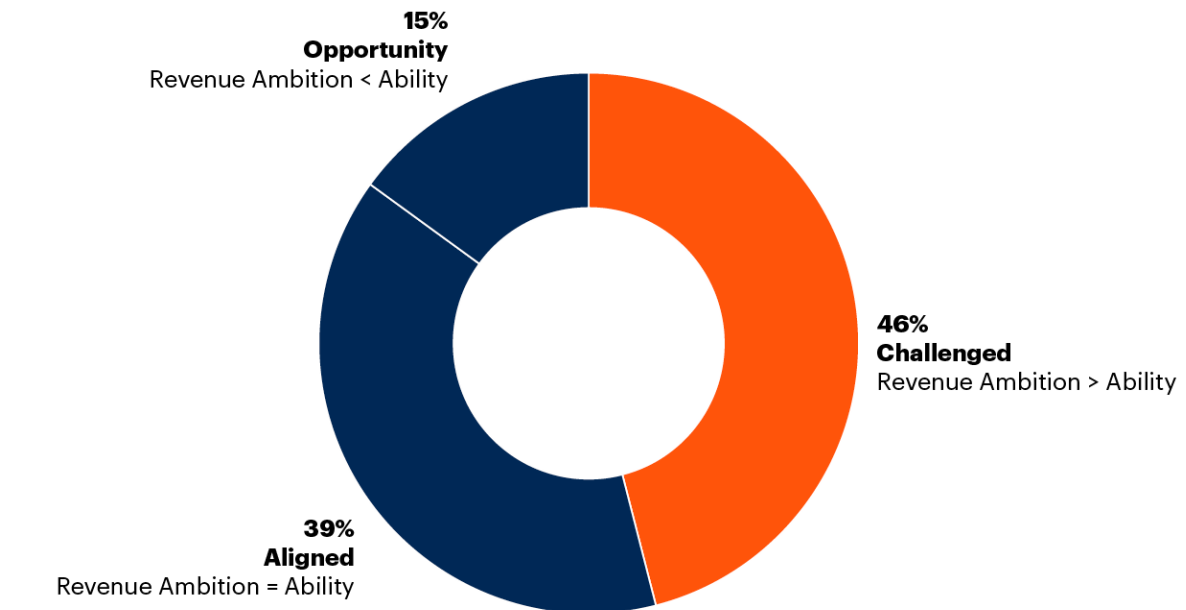
Revenue is challenged when ambition is greater than ability. A high-tech firm “challenged” can still meet its original or revised revenue targets. However, based on the survey data, firms facing ability gaps in the current challenge can expect to:

- Work harder to grow revenue, making more sales calls, longer sales cycles, more marketing efforts and so on.
- Be more reliant on revenue from current customers and products to meet revenue goals, reducing their ability to grow new logos.
- Make more product, pricing, services and margin concessions to secure revenue.
- Reduce their own costs to preserve planned product margins.
- Revise revenue plans and guidance, particularly if economic conditions worsen beyond original plans.

The challenge is real. Comparing revenue ambition against their ability in this year’s survey identified 46% of high-tech firms whose plans are challenged. Figure 1 highlights the relationship between the two questions – what is your revenue ambition and what is your ability to execute?

Figure 1. Revenue Ambition Versus Operational Ability, 2023

**Revenue Ambition Versus Operational Ability, 2023**



n = 182; excluding “don’t know”

Q. In terms of revenue growth, how did your company perform/will perform relative to your direct market competitors in 2023?

Q. Effectiveness Index: Please indicate your level of agreement on these statements related to your product or service team.

Source: 2023 Gartner General Manager Survey

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Why have leaders not recognized this challenge? This challenge has been largely hidden as leaders did not have an easy way to compare their abilities in the market.

**Ability Represents an Organization’s Capacity to Deliver on Its Goals**

The better the organization works, the more likely it is to meet or beat its revenue ambition, strategic goals and operational performance. While tech leaders can measure and compare their revenue ambition via tools like market share or peer-indexed performance, they have not readily available tools to measure ability. This limits their view into their own operations and comparative strength of those operations against peers.

Gartner assesses ability as part of its annual General Manager Survey, asking questions about each firm’s ability to achieve or exceed its original revenue plans in the following areas:

- Attracting new customers (new logos) ahead of competitors

- Retaining and growing revenues with existing customers
- Attracting partners and alliances ahead of competitors
- Launching or updating products or services

In addition to external performance, Gartner assesses ability in the following areas relative to achieving their goals and plans by having the right:

- Talent and skills
- Funding and other resources
- Authority
- Access and understanding of customer needs
- Products and services, as well as deciding to create them to meet those needs
- Market value proposition that beats the competition
- Sales teams with the capacity to win in the marketplace
- Alignment across the organization

Over the past three years, the Gartner General Manager Survey has asked these questions to create a database and index of ability. Analysis of this year's survey results supports the relationship between ability and other performance factors – such as competitiveness, sources of revenue growth, margins, among others. (See [The Ability to Execute Influences Growth, Margins and Competitiveness](#) for more details.)

### **High-Tech Leader Confidence Masks Uncertainty and Challenge**

Confidence in strong demand for tech and achieving revenue plans make high-tech leaders susceptible to revenue challenges. High-tech leaders feel prepared for uncertainty. Two-thirds of high-tech firms (68%) made three or more adjustments in 2022 in anticipation of a weaker economy. The most popular adjustments mashed at the end of 2022 for 2023 include:

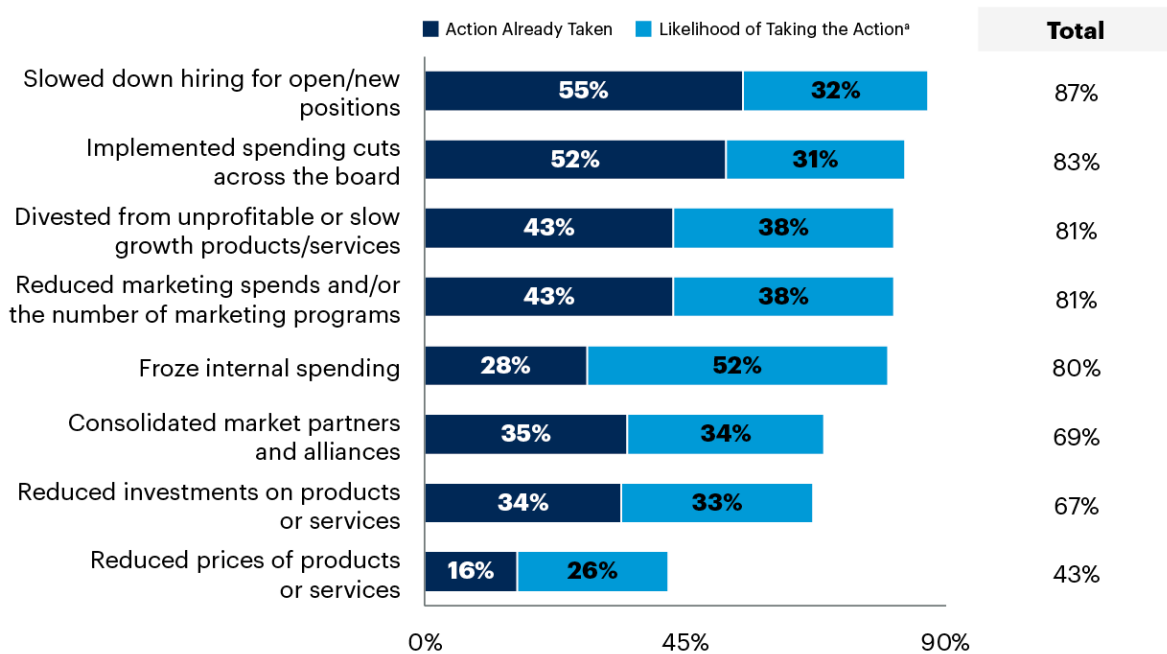
- Slowing down hiring (55%)
- Making across-the-board spending cuts (52%)

- Reducing marketing spend (43%)
- Divesting unprofitable products or services (43%)

High-tech leaders may feel better prepared, but these actions increase their revenue challenge. The most popular actions do little to support revenue growth in a down market. These actions reduce a company’s ability, further adding to the challenge. Figure 2 highlights the actions already taken and the additional actions high-tech leaders are prepared to take in 2023.

**Figure 2. High-Tech Actions in Response to Economic Uncertainty**

### High-Tech Actions in Response to Economic Uncertainty



n = 195; based on respondents who have already taken the action in 2022 or expect to take the action in 2023

Q. Please select the actions that your company has already taken as a response to prepare for potential deterioration in customer, market and economic conditions.

Q. What is the likelihood of your company taking the following actions as a response to prepare for deteriorating customer, market and economic conditions?

Source: Gartner

\* Likelihood responses include likely, slightly likely and highly likely.

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## Raising Ability

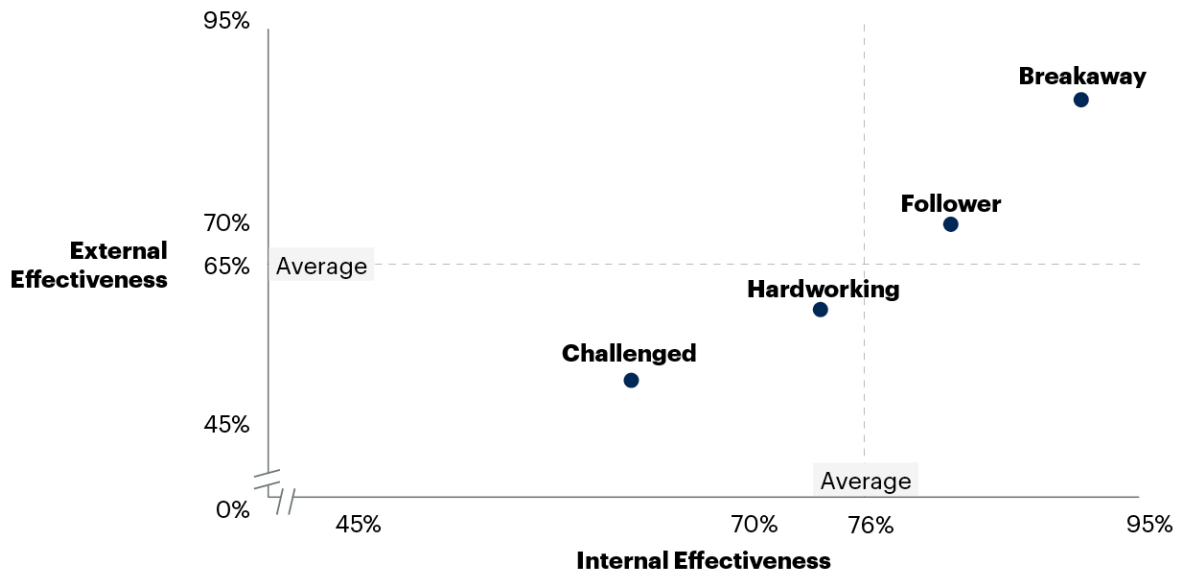
Ability influences an organization's capability to grow revenue, enhance its competitiveness and increase market share. A mismatch between ambition and ability creates revenue challenges. Gartner's analysis of ability factors has identified the following ability groups in 2023:

- **Breakaways** are the top performers. They represent 19% of this year's survey responses. These firms perform at the top of the group, greater than one standard deviation about the average.
- **Followers** represent the next tier, representing 27% of the population. These firms perform above average but within one standard deviation of the group.
- **Hardworking** firms, 34% of the group, perform below the average but within one standard deviation.
- **Challenged** firms, those with the lowest level of performance, below one standard deviation, make up the remaining group, or 19%.

For more information about ability and the benchmark, see [The Ability to Execute Influences Growth, Margins and Competitiveness](#) and [High-Tech Ability Assessment](#). Figure 3 shows the relative performance position of each group.

Figure 3. High-Tech Market Performance Ability

High-Tech Market Performance Ability



n = 195

Source: Gartner

Note: Index based on the level of agreement on these statements related to your product or service team.

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Ability Matters

Organizing ability into these groups facilitates identifying the relationship between ability and other performance factors. Using ability as the independent variable, survey analysis identified relationships between ability and the following factors:

- **Confidence** as measured by the percentage of top two scores (fairly confident and completely confident) in realizing their 2023 revenue plan.
- **Market share growth potential** as measured by the percentage of revenue planned from attracting new customers and offering new products.
- **Product and service margins** as measured by the percentage of firms expecting product margins to increase in 2023.

Table 1 highlights the performance differences between the various ability groups.

**Table 1: Ability and Its Influence on High-Tech Performance (Selected)**

Performance Aspect	All Responses (n = 195)	Breakaways (n = 37)	Followers (n = 53)	Hardworking (n = 67)	Challenged (n = 38)
Confidence in Revenue Plans	75%	94%	92%	63%	50%
Market Share Growth Plans	38%	49%	44%	32%	28%
Product Margins	34%	69%	25%	24%	29%

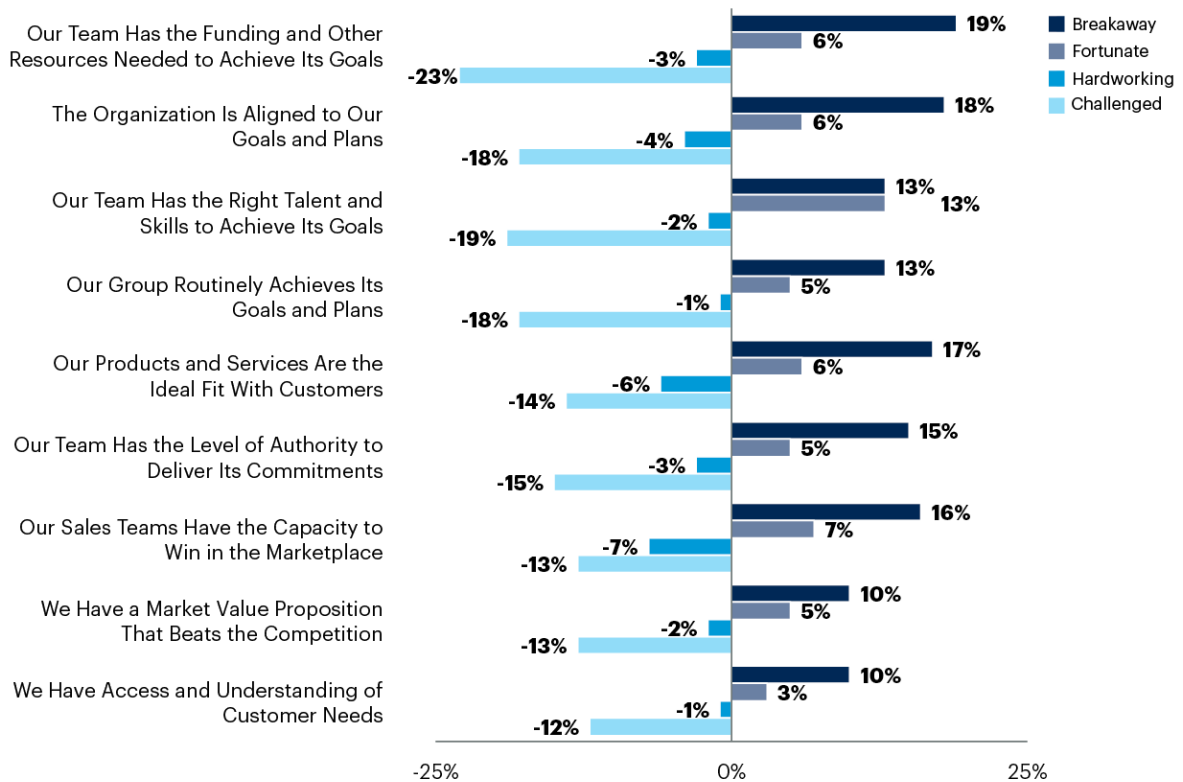
Source: Gartner (February 2023)

**Build Ability to Realize Ambition**

Tech leaders cannot control the external market, but they do control their internal operations. Figure 4 illustrates areas where underperformers can focus to raise their ability. It also highlights the strengths for top performers to exploit in the market.

Figure 4. Internal Ability Gaps

Revenue Planning in Times of High Demand and Uncertainty



n = 37 (breakaway), 53 (fortunate), 67 (hardworking), 38 (challenged)

Q. Please indicate your level of agreement on these statements related to your product or service team?

Source: Enterprise effectiveness index (Ability)

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Achieving and sustaining ability requires more than an annual imperative or reorganization. The strongest connections between the drivers of ability and overall performance highlight taking actions in the following areas:

- Alignment is a primary driver of above average ability. Consider evolving techniques such as management by objectives (MBOs), cascading goals and so on, to align resources and responsibilities rather than decompose goals into separate and disjointed responsibilities.
- Redistribute authority around each group’s commitments, reinforce alignment and raise operational discipline, particularly as it relates to connecting customers with products and services.

- Build talent and skills which are the foundation of ability. Recognizing the skills you have as a foundation to acquiring new skills is essential.

Funding decisions should come after these actions. Avoid adding resources to weakly aligned structures without clear lines of authority.

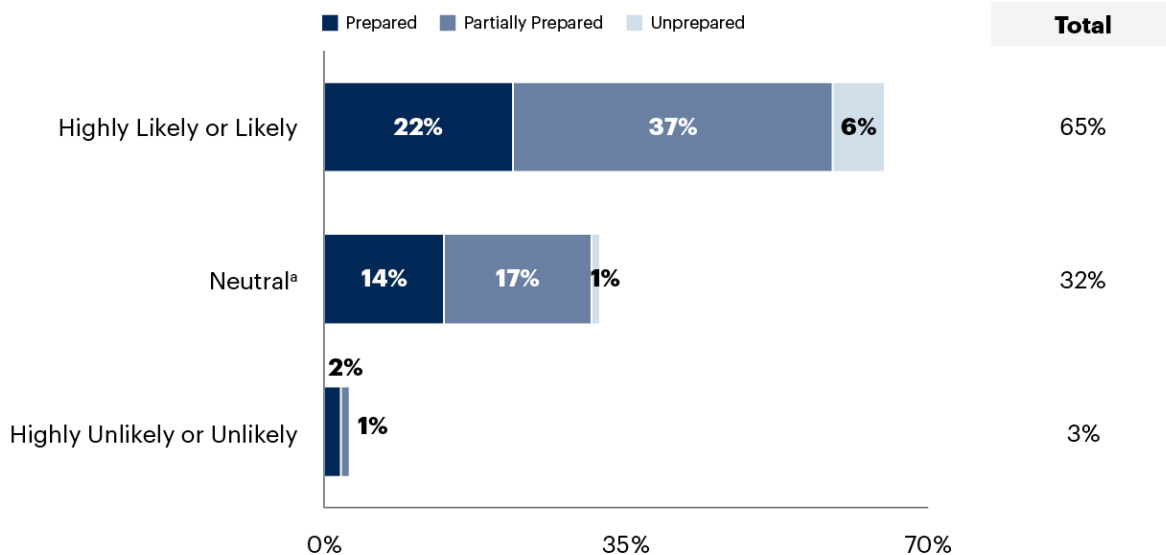
## Skills Are a Challenge in 2023 and Beyond

For every two high-tech leaders that believe the skills shortage impacts their plans, just one assumes that they are prepared to address the issue. At least 64% of general managers (GMs) see a shortage of people with the right skills as a significant factor in their performance. Yet only 37% of GMs were prepared for skills issues.

Figure 5 highlights the distribution of responses based on how likely they viewed a continued skills shortage and how prepared they were for that shortage. Overall, 38% of responses report being prepared for the skills shortage; while 56% are partially prepared and 9% are completely unprepared.

**Figure 5. Most High-Tech Firms Are Unprepared to Address Skills Issues**

### Most High-Tech Firms Are Unprepared to Address Skills Issues



n = 195

Q. What is the likelihood of your company being impacted by the following scenario? Continued shortage of people with the right skills.

Q. How prepared is your company for the following scenario? Continued shortage of people with the right skills.

Source: Gartner

<sup>a</sup> Neutral responses include slightly likely and slightly unlikely.

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## The Skills Gap Is a Long-Term Issue

Technology leaders do not see a quick fix for the skills issue. Table 2 shows their expectations regarding how long the skills shortage will be, along with their mechanisms to resolve them. At least 75% of technology leaders do not see the skills issues resolving in 2023. Furthermore, technology leaders do not see a single force resolving the skills issues.

**Table 2: Expectations for When and How High-Tech Will Resolve the Skills Shortage**

	2023	2024	2025	Total
How long do you expect the shortage of skilled personnel to last until?	27%	45%	28%	100%
It will ease when we change the employee value proposition, compensation and experience.	10%	6%	11%	37%
It is expected to ease when we have an economic downturn.	10%	13%	4%	28%
It will ease as solutions become more intelligent and automated.	6%	13%	5%	24%
It will never ease as the pace of change is faster than our ability to build skills.	1%	3%	8%	12%

Source: Gartner (February 2023)

Many technology leaders see the skills issue as outside of their control, with 28% seeing resolution through an economic downturn and another 12% believing that the skills shortage is systemic. This contrasts with 37% of leaders who believe that they can get the skills they need through changing the employee value proposition, compensation and employee experience.

## **Skills Are Foundational for High-Tech Success**

Having the right people, in the right amount with the right skills is a significant contributor in achieving top performance. Most high-tech leaders pay lip service to the importance of skills. Yet 59% of leaders do not see themselves as top performers in attracting and retaining talent.

Leaders recognize the connections between skills and competitiveness. However, only the most effective organizations believe that they are leading in terms of their own talent and attracting talent and skills. Table 3 highlights the differences among ability levels.

**Table 3: Skills Contribution to Competitiveness (Percentage in Top Two Scores)**

Percentage Higher and Significantly Higher Contribution to Competitiveness	All Responses (n = 195)	Breakaways (n = 37)	Followers (n = 53)	Hardworking (n = 67)	Challenged (n = 38)
Attracting and retaining the right talents and skills	41%	81%	47%	24%	21%
The skills and abilities of our people	54%	78%	66%	49%	21%
Question: Compared to your competitors, how do you see the following contributing to your success?					

Source: Gartner (February 2023)

**Recommendations for Building Skills in a Time of Scarcity**

It is obvious that skills matter. Tech leaders see this as a systemic issue, one that will not be easily solved in 2023. The following actions support building skills.

- Identify specific personnel and companies from which you would like to recruit talent from, since economic conditions have and are expected to continue targeted layoffs in tech.
- Identify your own “at risk” talent in key roles and positions. Develop engagement, retention and succession strategies that include raising the performance of direct supervisors and leaders to create an attractive work environment.
- Re-evaluate and raise your understanding of the importance of your current people before seeking to attract and retain new people. People who value their own people believe they are better able to attract and retain new talent.

- Evaluate and strengthen the connections and collaboration between roles to raise performance. Pay particular attention to the chain of connections moving products and services end-to-end in your processes.
- Evaluate the potential of recreating the employee value proposition from compensation to the employee experience. (See [5 Urgent Levers That Combat the 2022 IT Services Talent Crunch](#).)

## Three Plays for 2023

Revenue growth in a time of recession presents a challenge for high-tech leaders in 2023. Revenue comes from having a strong combination of product/service superiority and customer experience. Both require ability to achieve and sustain growth.

High-tech leaders gain limited insights from evaluating the pack seeking to get their share and ride out the economy. Firms that expect to lead in 2023 highlight a game plan for success that builds the business in ways that raise competitiveness and create their own success. That game plan has three key elements:

1. **Ability** – making your own success through awareness and preparation.
2. **Connections** – creating the connections within the organization to attract skills and raise performance.
3. **Next** – moving toward new products and services to grow and increase profitability.

### Ability – the First Play

The first play for 2023 involves building greater ability to create opportunity and growth where others see challenge and recession. This includes the following:

- Review your 2023 plans and preparations, paying particular attention to preparations on closing gaps and addressing challenges.
- Know your abilities by taking an in-depth look at your internal abilities. Use [High-Tech Ability Assessment](#) to determine if you are in a breakaway, following, hardworking or challenged position.
- Match and adjust your strategies and plans according to your abilities, pay particular attention to situations where your market ambitions exceed your abilities.

- Regardless of performance, pay specific attention to your skills and teams as they are the ultimate driver of performance.

The 2023 gameplan starts with how you see the market and your future. Market insight turns into market actions based on your internal abilities. Skills is the single greatest gap impacting those abilities and the next part of the 2023 gameplan.

## Connection – the Second Play

The average high-tech company approach to skills gaps is hiring, compensation and experience. These are important, but the average misses the importance of connections and alignment between roles. This is the second play for 2023 – creating connections through:

- Drawing out new power maps, responsibilities and accountabilities based on how things really work rather than documented processes or procedures. Who really makes the decisions and who bears the consequences of their decisions? Use this information to better align the way things **should** work with the way things **actually** work. Pay special attention to dependencies and hand-offs between roles.
- Revamping product, sales, marketing and engineering governance arrangements. Assign clear decision rights that hold the roles making a decision accountable for results. Use governance to break up cliques, not by having everyone involved in all decisions, but by clearly defining decisions and connecting those decisions up- and downstream.
- Reassigning personnel based on their skills and abilities. People drift away from what they do best or want to do in the face of uncertainty and current events. This is particularly the case in layoffs or low retention situations where people are asked to “fill-in.” When good people are in roles misaligned to their skills, it’s hard for them and the company to succeed. Value your people by assigning them to the right roles that leverage their interest and talent.

## Move Toward the Next – the Third Play

Raising ability improves the company’s capacity to realize its ambition. It further supports the company gaining market share – through new customers and improving margins via entering new markets and so forth. High-tech companies can move toward the next by:

- Reorienting product/service design and development around delivering business outcomes. High-tech leaders continue to see a move to business outcomes as raising their competitive strength. Forty-five percent of leaders see a solutions business impact as defining their competitiveness. (See [Outcomes: The Foundation of a New Business Model for TSPs](#) for more details on moving to business outcomes.)
- Considering what customers will need after their current investment projects are completed. For example, what will customers want as they complete their digital transformation projects and move into a cloud environment? Is the product portfolio prepared for the future?
- Developing and testing the relevance of their offerings against future customer needs or values. What products will persist, what gaps emerge, what acquisitions will be necessary to upgrade the product portfolio to the next economy?
- Not allowing the competition to determine your margins. Know the true margin on products and services to understand opportunities to raise margins by moving into new markets or geographies. Understand if you are getting full or near full value from your customers. If not, consider why and make changes as appropriate.

## Ambition, Ability, Uncertainty: The 2023 High-Tech Agenda

The market outlook for 2023 is uncertain, yet leaders have certainty in their expected results. On average, high-tech leaders are confident in their ability to deliver on their plans despite their expectations of a recession in 2023. This creates gaps between market ambition and a company's ability to execute. Forty-six percent of high-tech companies in this year's survey are expected to face challenges in achieving their revenue ambitions given their operational ability.

Build your ability through building skills, connecting those skills and addressing execution challenges. Moving beyond the average offers a positive way forward. It provides guidance on what to do and the benefits of raising company ability. Besides, who wants to be average anyway?

What needs to be done is clear, but the will to act is complicated. Raising performance takes hard work. When leaders are fixated on a short-term view, they look at the averages or compare themselves only with their past — they see little reason to transform. That will have to change if leaders want to build high-tech businesses that deliver in today's now, navigate near-term challenges and capture the next market opportunities.

## Acronym Key and Glossary Terms

GM	general manager
MBO	management by objective
TSP	technology and service provider

## Evidence

**Gartner's General Manager Survey, 2023.** This survey seeks to understand how economic turbulence poses challenges to general managers, how confident they are in their ability to achieve their plans, and the measures planned to tackle the uncertainty. The survey also seeks general managers' outlook toward customer profiles and the competitive environment.

The research was conducted online from July 2022 through November 2022 among 195 respondents in North America (61% – U.S. and Canada) and Western Europe (39% – U.K., Germany and France). Industries covered are software (53%) and IT services (47%). Revenue bands covered organizations with revenue of more than \$5 billion (33%), those with revenue from \$1 billion to less than \$5 billion (34%) and \$250 million to less than \$1 billion (33%).

Respondents are responsible for overall portfolio management or distribution of revenue targets for the portfolio or representation of portfolio in business reviews with executive leadership.

**Disclaimer:** The 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.

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## Recommended by the Author

Some documents may not be available as part of your current Gartner subscription.

[Raising Technology and Service Provider Relevance in 2023: Now, Near and Next](#)

[Outcomes: The Foundation of a New Business Model for TSPs](#)

[5 Urgent Levers That Combat the 2022 IT Services Talent Crunch](#)

[The Ability to Execute Influences Growth, Margins and Competitiveness](#)

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