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An Effective Talent Strategy for Midsize Enterprise CIOs

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Given the inherent dynamics of smaller budgets and limited career opportunities due to flatter organizational structures, CIOs in midsize enterprises struggle to attract and retain talent. They must focus their strategies on how they best compete, what talent they already have and getting work done.

Overview

Key Findings

- Smaller budgets are an inherent dynamic that puts midsize enterprises (MSEs) at a disadvantage in competing for IT talent. Larger organizations are better able to offer financial incentives in the areas of compensation and benefits.
- MSE IT employees do not have as much upward mobility in the flatter organizational structure of a smaller organization.
- MSEs have the same responsibilities to deliver IT services as their large enterprise counterparts, but with fewer resources.

Recommendations

- Improve the efficiency and effectiveness of your hiring process by performing a data-driven evaluation of your employment value proposition (EVP) using Gartner Global Labor Market Survey data.
- Build talent from within the organization by investing the necessary time and resources to upskill current staff for critical or hard-to-fill roles.
- Leverage the managed services market by evaluating your talent needs in light of skills that your organization struggles to attract and/or retain.

Introduction

MSE CIOs are tasked with providing reliable, scalable, manageable and secure technology platforms on which their businesses execute toward their strategic objectives. However, the talent market for IT professionals, while always difficult for MSEs, has become extremely challenging due to increased demand for technology talent, coupled with labor market volatility. In our most recent talent planning survey, 84% of MSE CIOs believe that competition for qualified IT candidates is increasing. ¹ Additionally, almost one in three (29%) MSE IT employees are actively looking for jobs, which indicates high retention risk. ² Employee behaviors and expectations have also changed with the rise of remote and hybrid working.

MSE CIOs must reduce this challenge to what they can act on, given the unique nature of their organizations. We break this down into three areas:

- Evaluate your organization's EVP.
- Build talent from within your organization.
- Consider or reconsider how to best leverage managed services.

Employment value proposition (EVP) – The set of attributes that the labor market and current employees perceive as the value they gain through employment with the organization.

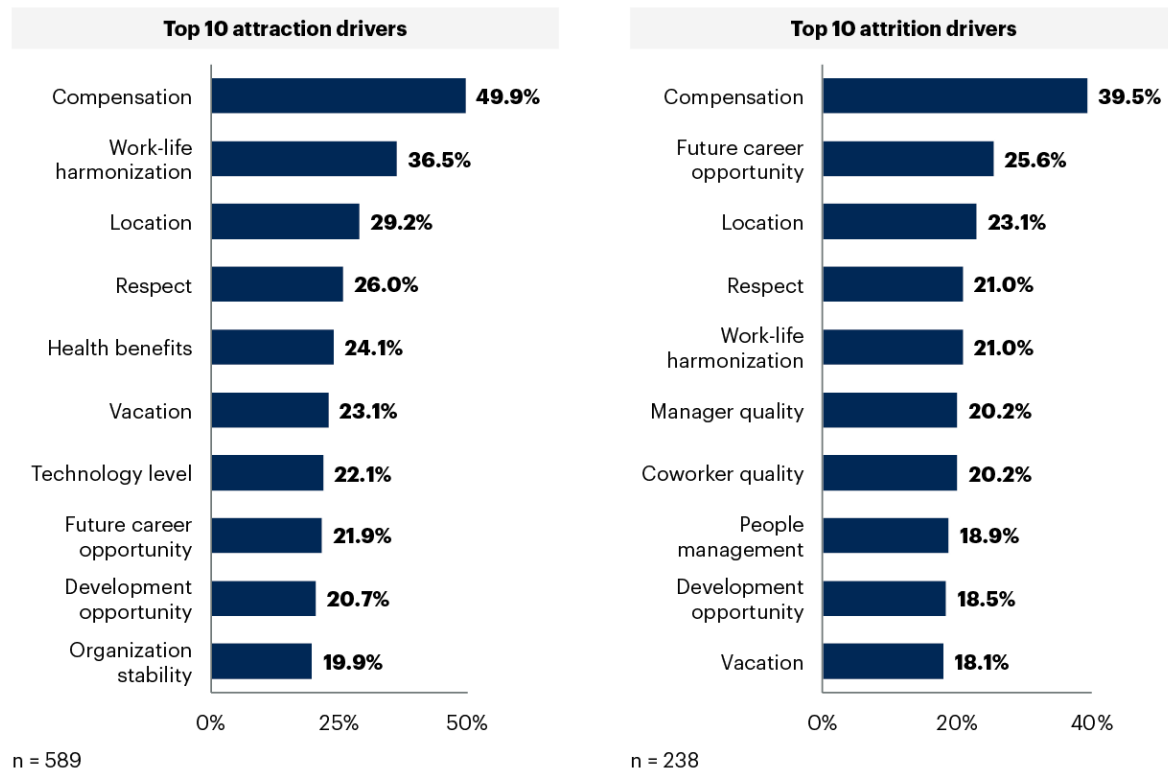
Analysis

Evaluate Your Organization's Employment Value Proposition

Current and prospective employees are either consciously or subconsciously evaluating an organization's EVP as they make decisions about where and how they work. In order to have the best chance at attracting and retaining staff, MSE CIOs should start with fact-based labor market trends that provide information on what attracts employees to their organization and what causes them to leave in the current climate (see Figure 1).

Figure 1: Midsize Enterprise Data on Attraction and Attrition Drivers

Top 10 Attraction/Attrition Drivers for Midsize Enterprises



Source: 2Q23 Global Labor Market Survey
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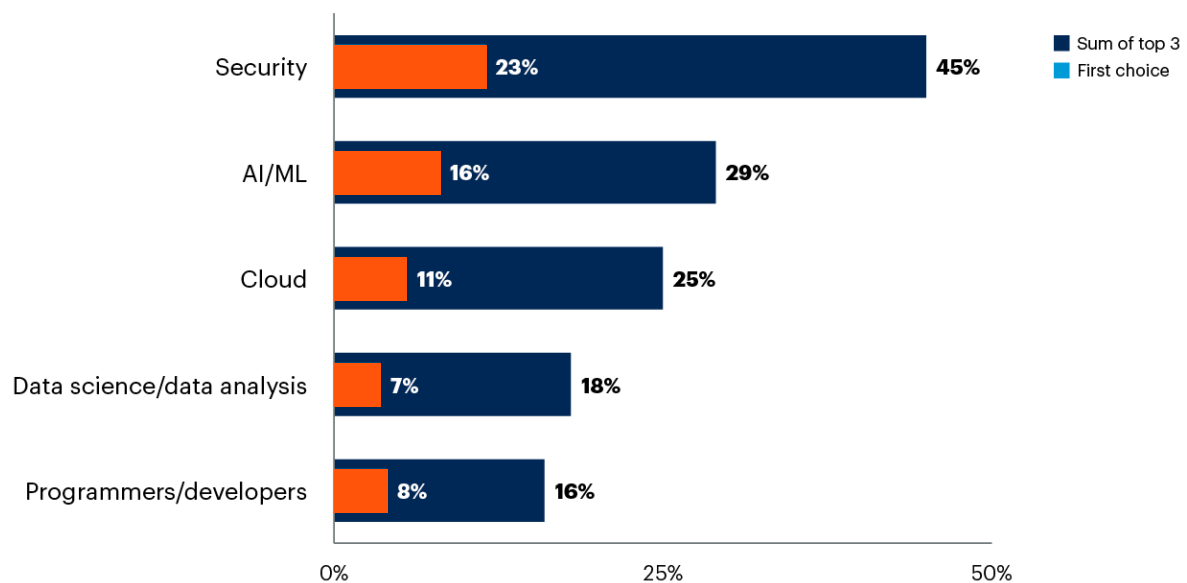
Trying to artificially deliver on attributes where the organization is not strong generally results in spending inordinate amounts of time and resources attempting to recruit candidates who will either not come to the organization or not stay if hired. Therefore, MSE CIOs and their CHROs must identify key EVP attributes that they can consistently deliver, and focus on these in the hiring process. MSE CIOs must evaluate these attributes based on current strengths, competitive differentiation, strategic relevance and feasibility for success. If there are weaknesses in the current EVP that carry a heavy cost in the attraction/attrition of IT talent, CIOs must make this a matter of discussion with their CHROs. In MSEs, these conversations may also involve the CEO and the CFO.

Build Talent From Within the Organization

Future career opportunities are a difficult EVP attribute for MSEs given their relatively flat organizational structures. Additionally, today's hypercompetitive labor market has increased the price tag of IT skills. Meanwhile, the nature of work is continuously evolving with rapid advances in technology. MSEs will always have talent gaps, and hiring in-demand talent may not always be an option for financially constrained MSEs. MSE CIOs should always consider looking at their own IT staff, as well as talent within the larger organization, for potential skills and aptitudes to fill critical needs (see Figure 2).

Figure 2: Technology Skills Gaps in Midsize Enterprises

Technology Skills Gaps in Midsize Enterprises



n = 354; CIOs/CTOs or the most senior IT leaders, excluding None, Bad answer/generalization/duplicate, Don't know

Q: What are the three biggest technology skill gaps that your IT organization is trying to fill at the moment?

Source: 2023 Gartner Midsize Enterprise Baseline Survey

Note: The chart shows only the top 5 technology skill gaps

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There are a multitude of reskilling and upskilling options available for CIOs and their staff to meet needs. Some of these involve financial investment, such as training classes. Others may involve time investment, such as mentoring by internal resources. Regardless, building your technology and/or leadership team from within has the added benefit of creating a positive effect on your EVP, as your employees will see the potential for development and future career opportunities. Both of these attributes are perennial and prominent in the list of attraction and attrition drivers in Gartner Global Labor Market surveys.

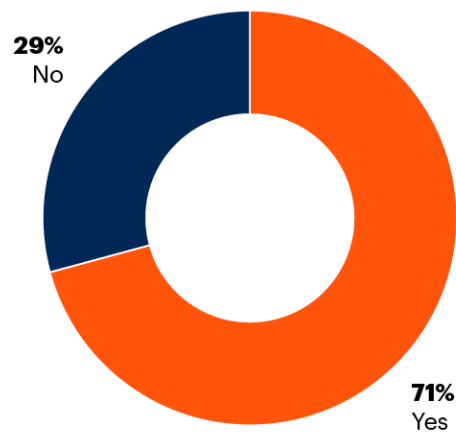
Leverage Managed Services

Despite the CIO's best efforts, there are a number of reasons why attracting, retaining or developing internal talent may not suffice to supply the technology talent the organization requires to meet its technology needs. However, given that technology underpins so much of what an organization does to meet its objectives, the foundational work of IT must still get done.

MSE CIOs may use as-a-service (XaaS) offerings to alleviate the on-premises hosting for some solutions, but it doesn't address the skills gaps of actually executing the work. Still, we see an increasing number of MSEs deploying solutions via XaaS. However, to more fully address skills gaps, MSE CIOs continue to turn to the managed service provider (MSP) market ³ (see Figure 3).

Figure 3: MSE CIOs Using or Planning to Use Managed Services for Talent Gaps**MSE CIOs Using or Planning to Use Managed Services for Talent Gaps**

Percentage of respondents



n = 356; CIOs/CTOs or the most senior IT leaders; excluding "don't know"

Q: Are you using or planning to use external managed services to augment current staff or handle work that was done by staff lost through attrition?

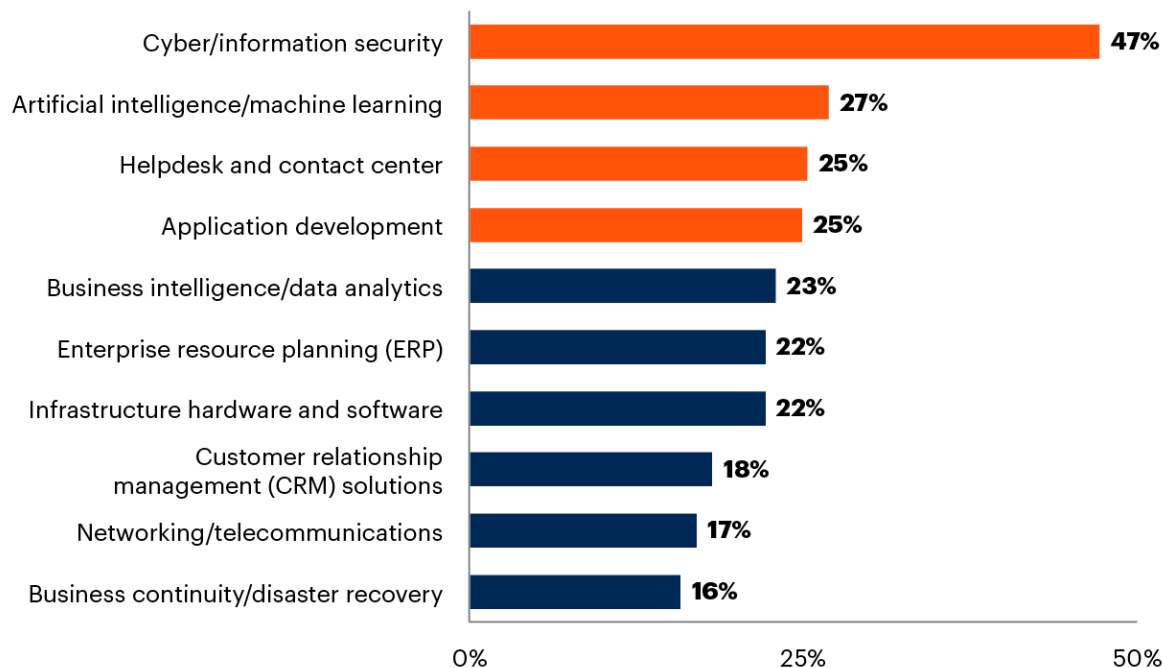
Source: 2023 Gartner Midsize Enterprise Baseline Survey

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Among the most popular specific disciplines for managed services in MSEs are cyber/information security, artificial intelligence/machine learning, help desk and contact centers, and application development ³ (see Figure 4).

Figure 4: Top Uses of Managed Services in Midsize Enterprises

Areas Where External Managed Services Are Being Used to Address Gaps

n = 256; CIOs/CTOs or the most senior IT leaders who are using or planning to use externally managed services

Q: In what areas are you using or planning to use external managed services or professional services to address technology and/or skills gaps?

Source: 2023 Gartner Midsize Enterprise Baseline Survey

Note: The chart shows only the top 10 areas where external managed services are being used or planned to be used

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While MSEs often turn to the MSP market out of necessity, the benefits may not stop at procuring skills. Augmenting a role or function with an MSP gives CIOs an opportunity to reassess their organization charts. IT operations are being called upon to deliver technology more strategically. Using managed services for nondifferentiating activities may allow MSE CIOs to start building their IT organizations with more strategic positions versus tactical ones. This creates an IT operation that will better serve the organization via strategic delivery of technology.

Evidence

¹ **Gartner CIO Talent Planning for 2023 Survey.** This survey was conducted to benchmark which skills CIOs plan to prioritize, what methods they plan to use to hire and develop talent, and how digitally mature companies' plans differ from others. The research was conducted online from October through November 2022 among 501 respondents from North America, EMEA and the Asia/Pacific region from midsize and large enterprises. Respondents were screened for CIO or senior IT leadership roles with decision-making responsibilities in talent planning strategies. *Disclaimer: The results of this study do not represent global findings or the market as a whole, but reflect the sentiment of the respondents and companies surveyed.*

² **2023 Gartner Global Labor Market Survey.** Data cited in this research is from Gartner's Global Labor Market Survey. The 3Q23 survey was based on responses from around 18,000 employees globally, including 589 employees in IT functions with organization size up to 1,000 FTE. Responses were collected monthly across 40 different countries in 15 languages and were then aggregated to generate quarterly findings. There are no statistically significant differences in the sample composition across the three months.

³ **2023 Gartner Midsize Enterprise Baseline Survey.** This survey was conducted to understand the most critical market differentiators in the midmarket and discover what midsize enterprises are doing differently when investing in and deploying technology. It also focused on monitoring changes in buying behaviors, staffing resources, budgets, outsourcing strategies and other conditions that drive midmarket IT leaders' IT decisions. The survey was conducted online from May through July 2023 among 366 CIOs or the most senior IT leaders in organizations with annual revenue from \$50 million to less than \$500 million across industries. Participants were from North America (n = 236), Europe (n = 100) and Asia/Pacific (n = 30). *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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CIOs Must Reinvent Their IT Employment Value Proposition to Compete for Top Talent

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