

PwC Luxembourg

CIO Pulse survey

June 2022



Highlights of the CIO Pulse survey in Luxembourg

Overview of the main insights from the survey results

CIOs' adaptation to the new normal after the COVID-19 crisis



1. Businesses expect that IT continues to deliver more and faster and IT needs to adjust

Lockdown boosted the digitalisation and modernisation of IT and businesses recognised that success. To keep the momentum, most leaders see a **hybrid way of working** as the **most effective model** for the future of IT delivery.



2. IT affected by regulatory constraints and legacy systems

The **increase** in **regulatory** requests forces CIOs to adapt their **agenda** to be **agile**, more **flexible** and **geared** towards **medium-term** initiatives. At the same time, they must have the means to **prioritise** business **needs** in order to **accelerate** time to market and meet regulations.

Furthermore, because **legacy systems** make **maintenance** and **integration difficult**, CIOs should consider **new technologies** to change the IT landscape based on a **“quick test and fail or accept”** approach in close **collaboration** with business stakeholders.



3. Priorities for CIOs remain focused on modernisation

Digitisation during the pandemic forced CIOs to **initiate the modernisation** of core applications and to **rationalise** the application landscape. This trend will continue and accelerate within the next few years. Furthermore, **cybersecurity** and investment in **data** and **AI** capabilities will help to drive more informed business decision-making.

Forthcoming challenges and priorities for CIOs in Luxembourg



4. Innovation as a key enabler for business

CIOs see innovation as a capability **differentiator** and consider taking a **holistic approach** that includes both **business** and **technology** as the new way to innovate. Moreover, with the COVID-19 pandemic, leaders now know that some common barriers to innovation have **fallen**, and CIOs have understood that they need to take advantage of the situation to **accelerate** innovation.



5. Shortage of highly-skilled IT resources in the market

With the **increase** in demand for **skilled talent** in all industries, it has become a real challenge to **find** the right profiles. CIOs, by rationalising the application landscape and limiting technologies, will **minimise** the **difficulty** of hiring qualified people.

Furthermore, because **IT professionals** have other **expectations** than just working for one company to have stability, CIOs need also to **rethink** how highly skilled **talents** will **work** in the **IT organisation**. Re-focus on access to innovation, modern technologies and learning opportunities are becoming more important than the overall salary package.



6. The new CIO, a business strategic leader

The CIO is no longer seen as a **technology expert** within the organisation. Their role is changing to become part of the **business strategy**. CIOs acknowledge that by being in a position with both **business knowledge** and deep technology expertise, they will **support** the organisation's **growth strategy**. Nevertheless, CIOs must invest in **new business skills**. This is their new challenge for the years to come.

Context

Through this survey, we are fostering an active exchange of information amongst the community of CIOs, around their challenges, priorities and objectives for the year 2022 and beyond.

We are delighted to be conducting this series and to be able to share with you the second edition of the survey.

This report not only summarises CIOs' responses but also makes comparison with the previous survey* (where applicable) to provide a better understanding of the context and evolution of the rapidly changing IT landscape in Luxembourg.

Interestingly, and positively, the results of this CIO focused survey well complements CEOs' perspectives offered through our 25th Annual CEO survey.**

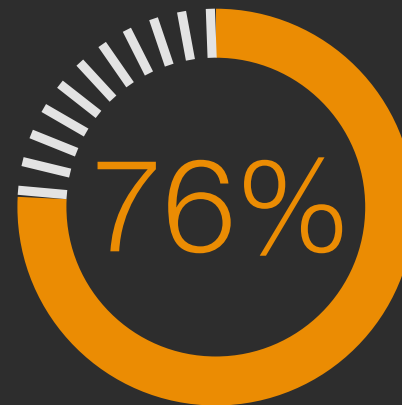
(*) <https://www.pwc.lu/en/advisory/digital-tech-impact/pwc-covid-19-cio-pulse-survey.html>

(**) <https://www.pwc.com/ceosurvey>



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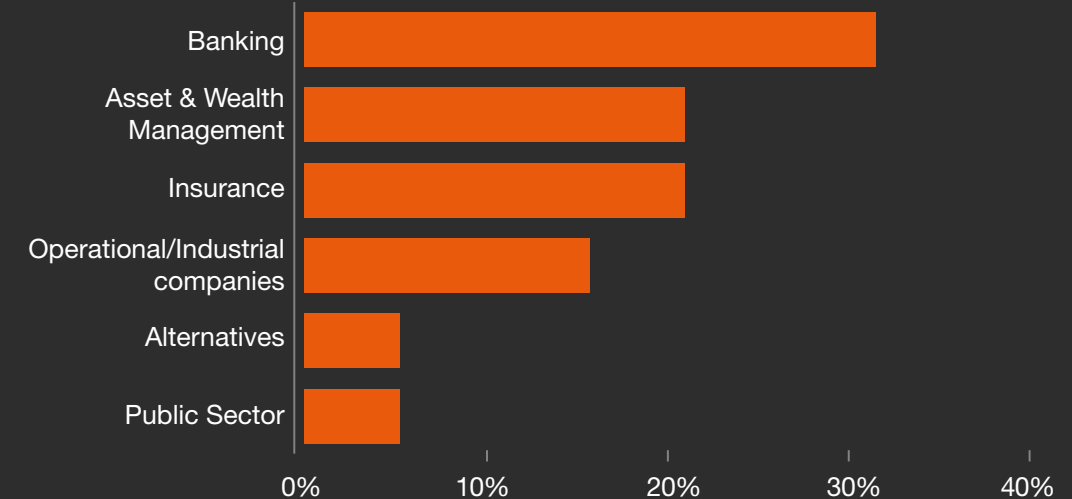
CIOs from Financial and Non-Financial companies in Luxembourg participated in the survey, during October 2021.



of CIOs from Financial Services



of CIOs from Non-Financial Services



Business recognised IT for its successful response to COVID-19 and continues to expect IT to deliver more and faster



What impacts do you see as a consequence of the 18 months of COVID-19?
(rating from 1 - low to 5 - high)



Observations

- CIOs expect that IT teams will prefer to continue working from home because of the better work-life balance, flexibility and reduction in commuting time. They need to take that into consideration.
- Remote teams are the norm now and are proven to have equivalent or higher performance than prior to the pandemic. However, CIOs have realised these working models create communication issues, the difficult sharing of information between teams, and more inefficiencies.

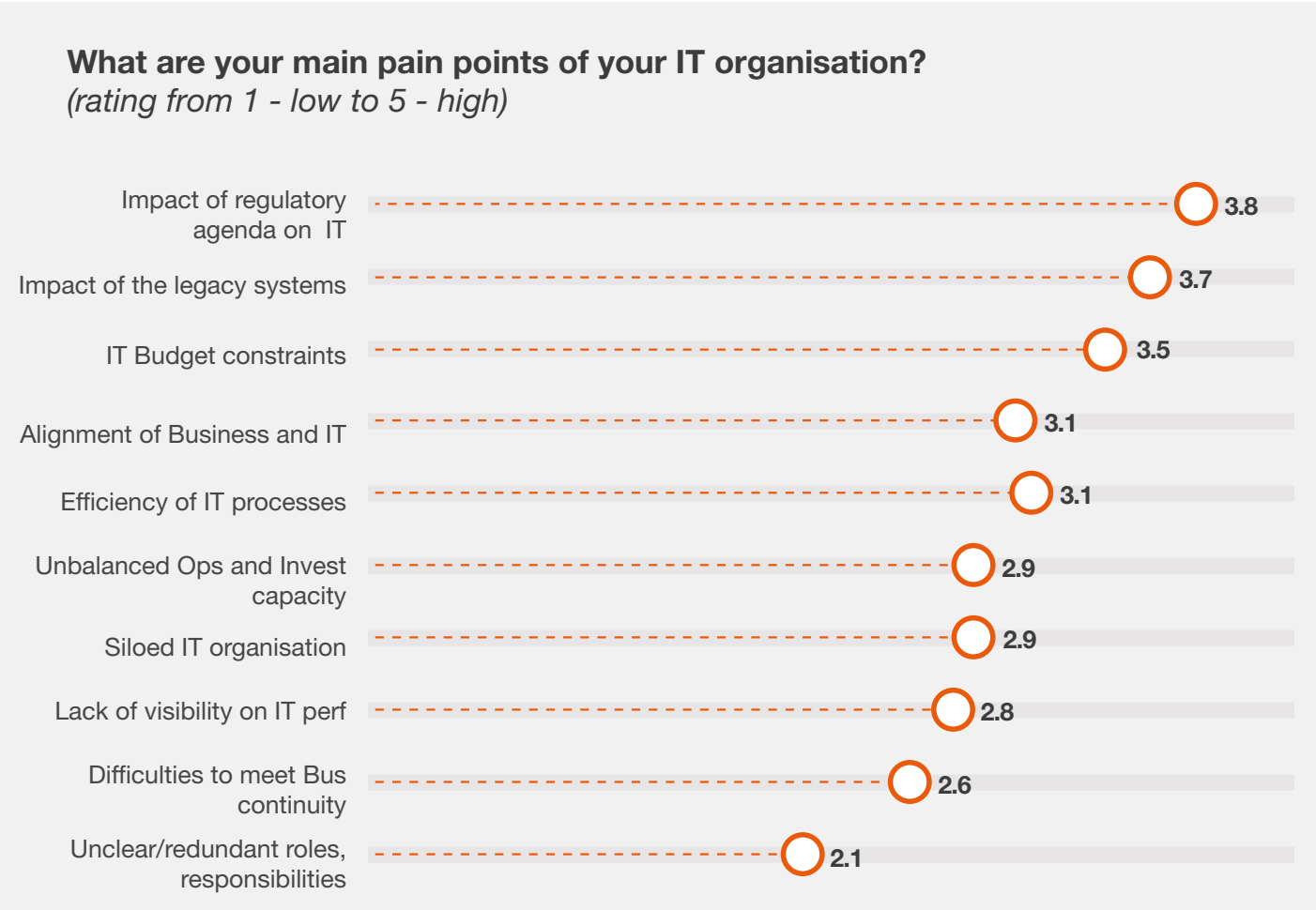
Take away

COVID-19 has generated a paradigm shift towards more remote as well as home-based working. This pandemic has changed the vision of most of the leaders especially since they now know that the remote working model works efficiently. They are leveraging on digitisation to rethink a new operating model.

Furthermore, CIOs consider the need to adapt quickly to these changes to mobilise their workforce and consequently respond effectively to business needs. An immediate solution is to propose a hybrid and flexible work model that will meet the preferences of IT teams in terms of work-life balance, flexibility and commuting. It could be a differentiating factor for companies in attracting and retaining talent.

Changing regulatory landscape, legacy systems and budgetary constraints are the main challenges for surveyed CIOs

“The growing weight of regulation that we have witnessed since the 2008 crisis clearly has a strong impact on activities in the banking sector.”
Underlined one of the of the surveyed CIO



Observations

The **increasing number of regulations** (especially in financial sector) as well as the shorten deadlines for their implementation, become the top concern for CIOs this year as they have a very high impact on IT.*

The issues resulting from **legacy systems** are among the biggest pain points for CIOs with nearly the same perceived impact as regulatory requirements. Legacy systems and increasing technical debt are causing bottlenecks such as the lack of integration and efficiency.

These challenges are worsened by the expected budgetary constraints in 2022.

Take away

The CIO's agenda should be agile, more flexible and focused on mid-term initiatives to comply with regulatory requests and be able to prioritise business needs to achieve faster time to market.

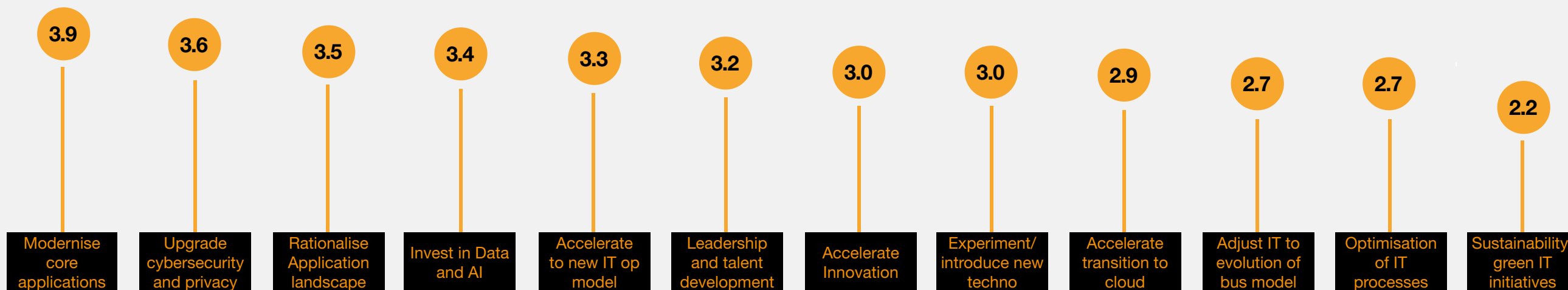
Given that legacy systems can no longer deliver, CIOs should revamp the IT landscape by adopting a **“quick test and fail or accept”** approach for adopting new technologies in closer association with business stakeholders.

(* Extract of CSSF and EBA regulatory documents from January 2019 to April 2022)

The key priorities for CIOs include modernising core business applications, improving cybersecurity and investing in talent development



What are your top IT priorities in 2022?
(rating from 1 - low to 5 - high)



Observations

Digitalisation was among the top priorities for CIOs during the pandemic to ensure business survival. These developments have increased the necessity to modernise core applications (ERP, core banking, etc.) in 2022 in order to achieve a rationalised and integrated applications landscape.

The demand for cybersecurity has also remained consistently high due to increased exposure of internal systems enabling B2B and B2C communications, home-based working and an increase in attacks.

CIOs reinforced that data is a key asset and are continuing to invest in data analysis and AI capabilities to promote more informed decision-making for business and IT.

Lastly, technology leaders recognise the need to continue adapting IT operating models especially with a focus on talent development and leadership as well as reinforcement of proximity with business stakeholders.

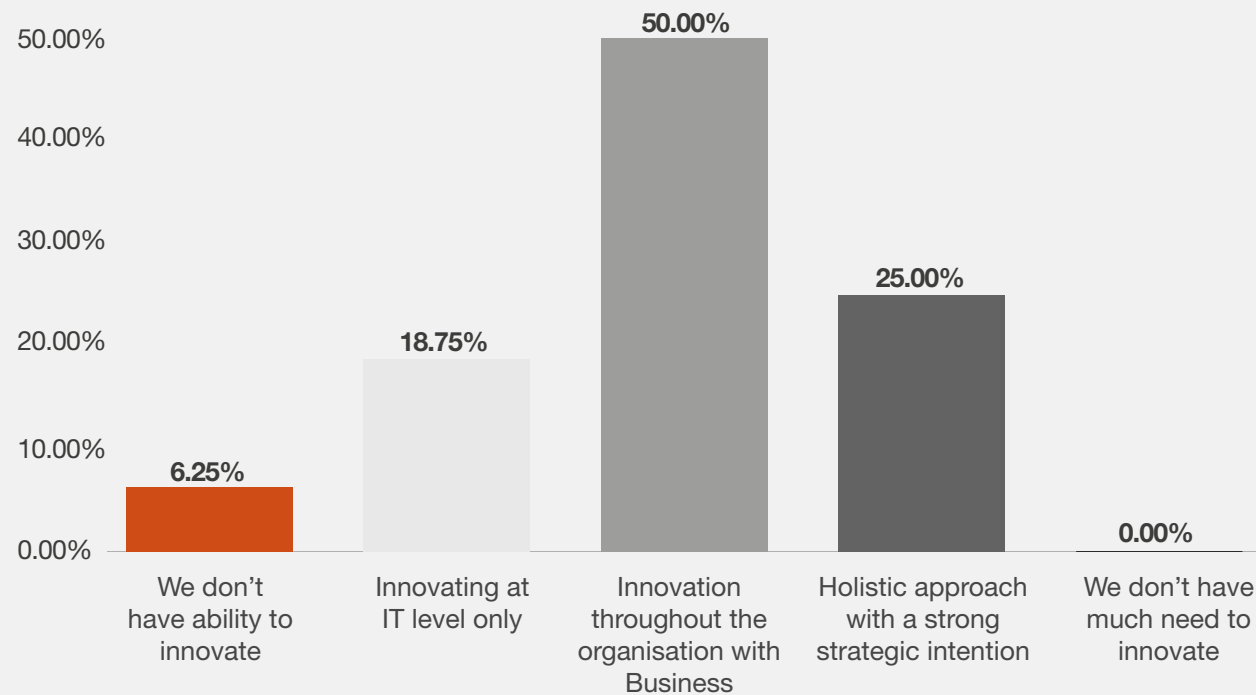
Take away

CIOs should consider launching the modernisation of backend systems but not in isolation, making business and technical decisions along the way, and ensuring a harmonised and well-integrated approach. This will allow CIOs to demonstrate the rationale behind investments and show the direct benefits to the business.



The majority of the respondents see innovation as a key enabler for Business

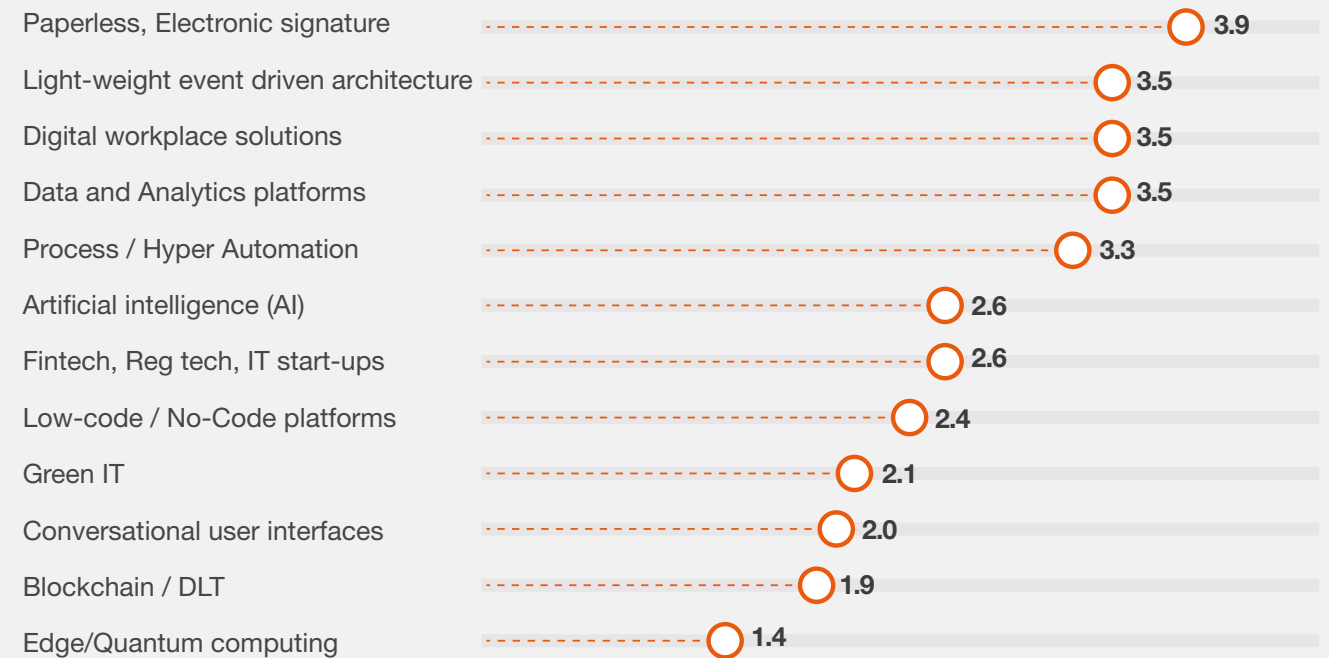
How important is the culture of innovation in your IT organisation?



Observations

- In 2022, the majority of CIOs recognise innovation as a way to create differentiating capabilities and plan to adopt a more holistic approach involving both business and technology.
- This is witnessed in the various identified focus areas. For instance, digital workplaces, data analytics and automation equally serve both business and technology units.
- Light-weight and event-driven architectures are expected to serve as the foundations to achieve the innovation goals of the future.

What are some areas of focus/targets for IT? (rating from 1 - low interest to 5 - high interest)



Take away

Barriers to innovation and digital transformation are multiple (eg. culture, investment, etc.). Nevertheless, the pandemic has changed the paradigm. Indeed, what used to take years to get implemented is now done within weeks. CIOs need to seize the momentum to accelerate innovation.



Alternate ways to address the shortage of skilled resources will be key for the success of a digital transformation journey



What are your challenges in regards to resources?

(rating from 1 - low to 5 - high)



Observations

- CIOs expressed that the high pressure to deliver faster combined with a focus on core systems' modernisation might reveal a lack of the necessary skills to meet these demands.
- With the rise of demand for skilled talents in all industries, it has become a real challenge to find and hire the right profiles. In Luxembourg, every month almost two hundred new IT jobs are opened (with the majority being developers / business analysts in core banking systems).** The time spent on finding and hiring new talents is longer every year.
- A potential solution to this situation is contracting external vendors or freelancers. However, some surveyed CIOs see this as a risk due to the allocation of business knowledge into external resources or as a potential vendor lock-in.

Take away

By rationalising the application portfolio and limiting the variety of existing technologies, CIOs will be able to focus on the essential required skills when hiring.

Taking into account

- new market trends,*
- the limited availability of skilled resources in Luxembourg,
- and an acceleration of the new hybrid way of working (with constraints coming from Tax regulations**)

could be considered as a future operating model.

(*) IT staff prefer to work in contract mode, which allows them to work with 2-3 clients at the same time - How the Coronavirus Has Changed Freelancing, Roy Maurer, SHRM, October 2020

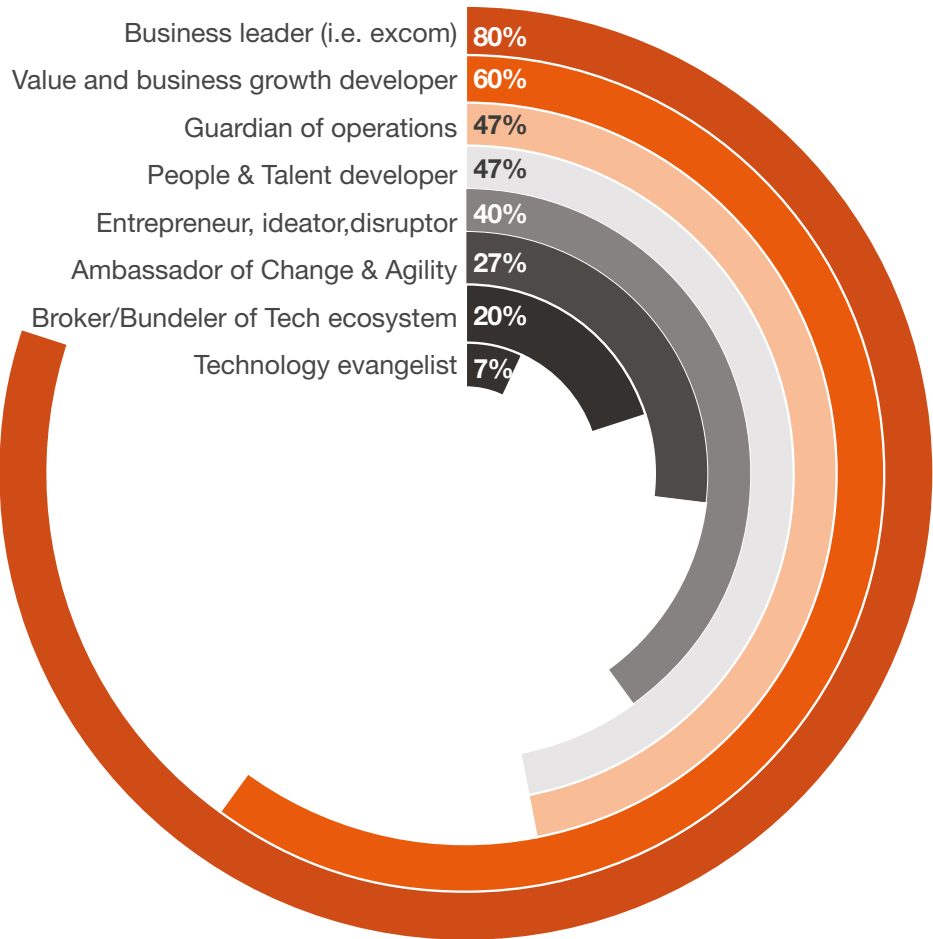
(**) Tax regulation forces employees to work at least 6 months and one day in Luxembourg - Agence pour le Développement de L'Emploi, Faciliteons L'Emploi, Chiffres-clés, Luxembourg, February 2022



The CIO role evolves to multidimensional operators, acting as a business growth developer



How would you describe your role in the future?



Observations

- CIOs acknowledged that their role changed from a pure service provider position to being business oriented / business partner and enabler.
- Besides being a guardian of IT operations (keeping IT up and running), CIOs recognised the need to develop more entrepreneurial skills (communication, talent management and development, IT finance, etc.). Additionally, businesses have started to get used to using technology even privately and technology is shifting to being embedded in the business. CIOs see that IT will become more consultative and business-oriented and should help the end-users to understand correctly the technologies and dependencies.

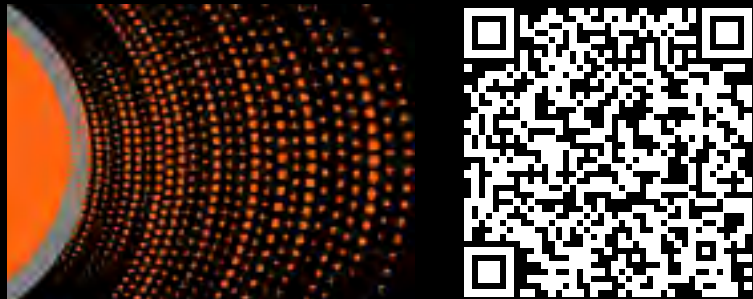
Take away

The role of the CIO has evolved into a strategic business leader with a solid knowledge of the technology ecosystem. Additionally, he/she is in a unique position to gain comprehensive knowledge of the entire business and support it with effective technology.

By combining both business knowledge and deep technological expertise, CIOs will be able to formulate an effective growth strategy for the organisation.

References & Contacts

Discover the related article “PwC CIO Pulse survey 2021: Challenges and priorities discussed between peers”



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