



Driving business outcomes through cost-optimised innovation.

How companies turn cost savings and innovation into a virtuous cycle.



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Research methodology

In late 2024, SoftwareOne and ThoughtLab, an independent global research firm, conducted a survey of 600 businesses globally to analyse the use of IT cost optimisation to fund innovation. The study included companies in 12 countries across North and Latin America, Europe and the Middle East, and the Asia-Pacific region. These companies operated in six broad sectors: financial services; consumer goods and retailers; healthcare and life sciences; professional services; industrial manufacturing and automotive; and technology, media, and telecoms.

The sample included both middle-market companies, defined as those with \$500 million to \$5 billion in revenue, and large enterprises, with over \$5 billion in revenue. Respondents included a mix of C-level executives and reports with knowledge of their company's innovation and IT asset management strategies.

A maturity model to gauge level of cost-optimised innovation

We found that companies were in different stages of cost-optimised innovation, i.e., using IT cost savings to fund innovation. To reflect these stages, we classified each survey respondent into one of three innovation categories:

- **Optimised Innovators** have set cost optimisation as a high priority and made significant progress on building a modern IT foundation for driving innovation.
- **Aspiring Innovators** are making some progress on cost optimisation and modernising their IT foundation but still have more to do.
- **Initiating Innovators** are just beginning to develop a modern IT foundation and are in the early stages of cost optimisation.

Executive summary



Executive summary

The great mid-market innovation opportunity

In today's fast-paced digital world, innovation is a prime driver of business growth. For middle-market companies—those with revenues between \$500 million and \$5 billion—the stakes are especially high. Our research reveals that mid-sized companies are lagging larger competitors (over \$5 billion in revenue), which have bigger budgets and greater management appetite for embracing innovation.



Closing the middle-market innovation gap

While 67% of large enterprises report high levels of innovation, only 32% of middle-market firms say the same. This gap is a wake-up call for middle-market executives: 83% acknowledge that higher innovation is critical for staying competitive. To close the gap, they are focusing on customer and product innovation to boost the top line, and process and business model innovation to lift the bottom line.



Digital sprawl offers opportunity for hefty cost savings

Middle-market companies' hodgepodge of IT systems and software provides ample room for cost savings. Some 46% of middle-market companies report that software costs are too high, and slightly fewer say the same about cloud costs. Of those companies, one-third say both costs are too high. Another 21% are more negative, saying that their IT spending needs a complete overhaul. And these views may be optimistic: [Gartner](#) notes in a recent report that 60% of IT teams underestimate cloud expenses.



Creating a virtuous cycle of innovation funding

Because of their limited budgets, middle-market companies are more apt than larger companies to fund innovation through cost savings from IT optimisation. By modernising IT platforms and cutting excess software and cloud costs, they free up funds to invest in further innovation, creating a self-sustaining flywheel of continuous cost savings and investment. The study identified an elite group of middle-market companies—labelled Optimised Innovators—that excel at this flywheel approach.

Optimised Innovators are twice as likely as others to see improved ROI on digital initiatives. They are also more likely to generate financial benefits, such as faster time to value, reduced costs, and higher profitability, as well as operational benefits, such as quicker innovation and time to market, faster problem resolution, and greater resilience. At the same time, they advance their strategies through better planning and a heightened ability to meet customer needs and sustainability goals.

Here are seven steps they take to turbocharge their results:

1. Build a modern IT platform to power a flywheel approach

Optimised Innovators are well ahead of other companies in installing a modern IT foundation for driving ongoing cost optimisation and innovation. This foundation draws on the cloud and app modernisation, as well as AI and cybersecurity solutions, to provide a productive and secure environment for digital working.

2. Double down on key digital solutions

Over the next two years, Optimised Innovators plan to significantly outspend other companies on critical technologies. The most striking is network security, an area of increased investment for 73% of Optimised Innovators vs. 50% of other companies. Additional major areas of difference include cloud management tools (69% vs. 53%), automation (65% vs. 46%), and software management tools (63% vs. 46%).

3. Put data security and privacy first

Optimised Innovators know that fast-tracking innovation can expose them to greater data security and privacy risks. To protect themselves, Optimised Innovators use nearly every cybersecurity solution considerably more than other companies. These solutions include zero trust security (56% vs. 31%), automated risk monitoring (55% vs. 35%), RegTech (46% vs. 27%), data loss prevention (44% vs. 32%), and security orchestration, automation and response (43% vs. 28%). On average, Optimised Innovators utilise five cybersecurity solutions.

4. Go all in on the cloud

More than two-thirds of Optimised Innovators have made significant progress in building a cloud-based infrastructure, and over half have moved their apps to the cloud and migrated core processes. A similar percentage have established governance, compliance, and security policies. Over the next two years, Optimised Innovators plan to make the most progress in implementing FinOps and moving apps and associated data to the cloud.

5. Surge ahead on AI adoption

While most companies are in the planning or early implementation stages of AI use, 84% of Optimised Innovators are midway or advanced in using AI for internal processes, and 71% for customer engagement and innovation. The AI divide is even more apparent in the adoption of generative AI. Optimised Innovators are nearly twice as likely as others to be at mid- or advanced implementation of GenAI for internal purposes.

6. Develop a GenAI first-mover advantage

Optimised Innovators already use GenAI in ways that are not possible through traditional AI. Half now use GenAI to create original content, such as reports and summaries. Other use cases include workplace planning (31%), self-service interfaces (30%), chatbots (29%), and data security and privacy (27%). Over the next two years, Optimised Innovators will ramp up their use of GenAI the most for self-service interfaces and security and privacy.

7. Set the standard for IT cost management

Optimised Innovators are ahead of others across nearly all areas of cost management. They have made significant progress in monitoring cost (51% vs. 31%), software licensing (51% vs. 37%), IT infrastructure costs (48% vs. 37%), and procurement and vendor management (48% vs. 32%). Over the next two years, Optimised Innovators plan to jump ahead on streamlining the costs around sustainability and collaboration.



Research background



Research background

Introduction

Innovation is the lifeblood of today's modern business

In today's fast-evolving marketplace, innovation, in all its forms, has become essential for driving growth, profitability, and competitiveness. Business performance is increasingly dependent on a company's ability to continuously adapt its products, services, processes, business models, and customer experiences. According to Goldman Sachs Research, over the next decade, AI advances could boost global GDP by 7% (almost \$7 trillion) and increase productivity by 1.5% per year.

The middle-market innovation imperative

Innovation is particularly vital for middle-market businesses, which need it to drive growth and profits as well as to attract and retain both talent and customers. These companies operate in highly competitive industries, vying against large enterprises with sizable R&D and technology budgets as well as agile startups with breakthrough ideas and minimal barriers to implementation. Similarly, while middle-market businesses understand the direct impact innovation has on their performance, their budgets often limit their potential to innovate as needed.

That is where cost optimisation can help. Because of the way their businesses have grown, middle-market companies have IT estates in various stages of development, from trending toward obsolete to state-of-the-art. These IT estates offer opportunities to find cost savings most frequently accomplished by eliminating duplicative expenses or unnecessary software. When sequenced properly, renegotiating and rightsizing software and cloud investments can create a flywheel, with positive momentum that can drive business transformation iteratively as costs are removed and investments in innovation are made.

To analyse how companies generate a virtuous cycle of cost reduction and innovation—and the best practices they follow—SoftwareOne commissioned ThoughtLab, a global research firm, to conduct a global study of 600 companies across industries in late 2024.

This report focuses on the cost-optimisation and innovation strategies of middle-market companies, particularly a select group that excel at turning the process into a virtuous cycle.

For the purposes of this analysis, we broadly define middle-market companies as those with revenue from \$500 million to \$4.9 billion.

Survey sample

In late 2024, SoftwareOne commissioned ThoughtLab to conduct a survey of 600 businesses across industries, countries, and revenue sizes to analyse how they drive innovation through cost optimisation. To interpret these survey findings, ThoughtLab carried out qualitative research, including in-depth personal interviews with global executives, as well as rigorous secondary research.

By industry

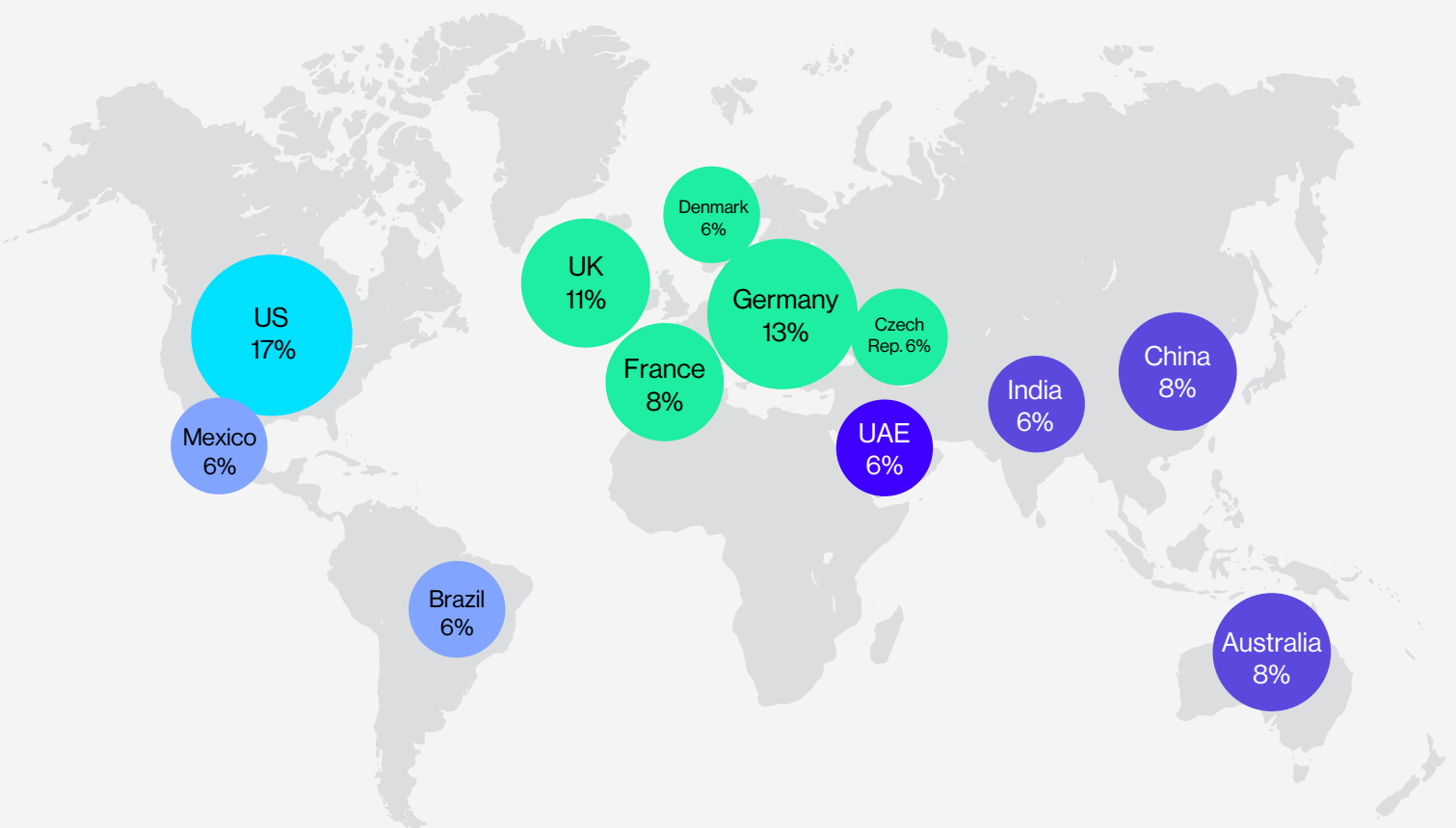
Financial services 21%	Consumer, retail 16%
Healthcare, Life sciences 16%	Professional services 16%
Industrial manufacturing, Automotive 16%	Tech, media, telecoms (TMT) 16%

By role

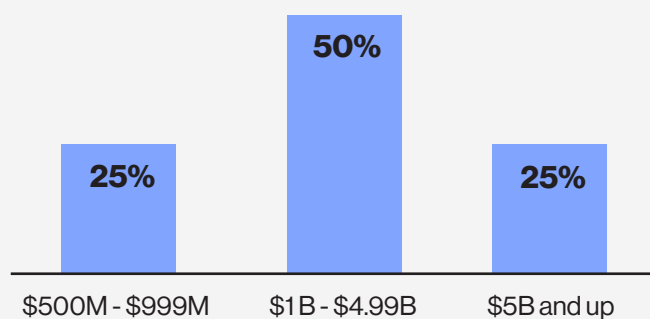
Direct report to C-level executive	42%
Chief Finance Officer	17%
Chief Procurement Officer	13%
IT Asset Manager	8%
Chief Information Officer	7%
Chief Digital Officer	7%
Chief Technology Officer	7%



By country



By revenue size



For the purposes of this study, the middle market (also referred to as mid-sized companies) includes businesses from \$500M to \$999M in revenue, and those with revenue of \$1B to \$4.99B.

We defined enterprise companies as those with revenue of \$5B and over.

The innovation imperative



The innovation imperative

The growing middle-market innovation gap

Middle-market companies across industries are failing to innovate as fast as their larger competitors, despite the importance to their growth. Only 32% report a high or very high level of innovation vs. 67% of large enterprises. Middle-market executives know they need to do better: 83% believe that they need a high or very high level of innovation to stay competitive.

What is holding mid-sized businesses back? A risk-averse leadership team is one barrier: 63% of leadership teams of mid-sized companies prefer to stick with the status quo when it comes to IT modernisation. This often translates into fewer financial resources for longer-term innovation initiatives. Indeed, our research found that 48% of executives at mid-sized companies lack the budget or are unsure they have the budget to fund the next round of innovation; for smaller companies with less than \$1 billion in revenue, the percentage is much higher (73%).

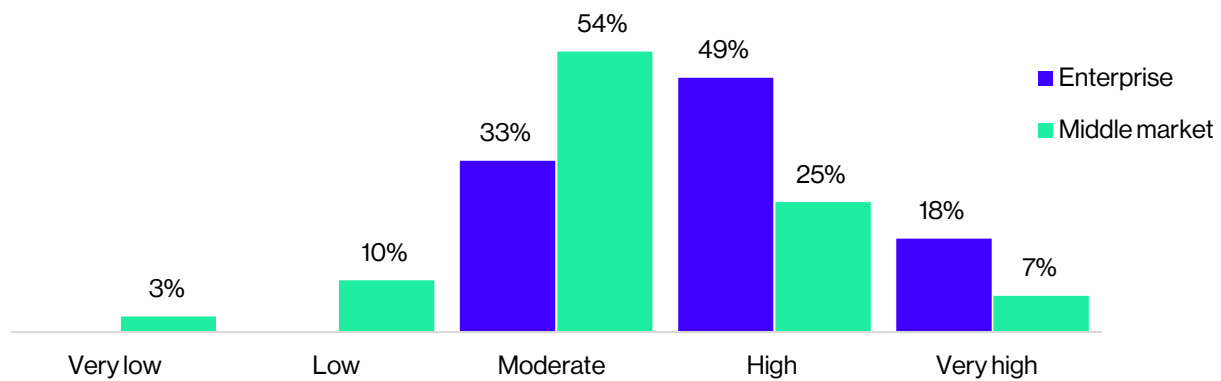
Innovation gap across industries

As a result of funding shortages, most mid-sized companies face a gap between their current level of innovation and the degree needed to stay competitive. The innovation gap is most acute in the fast-paced technology, media, and telecoms (TMT) sector, where 91% of companies believe high or very high innovation is required. The gap is almost as wide for healthcare and life sciences, where innovation is essential for progress in medicine and patient care, and for financial services, where risk aversion and regulations can inhibit innovation.

“ The longer you wait to start, the further you will be behind. If I look back at the things I was doing at the beginning of my career, it feels like the dinosaur age compared to now. ”

Zahir Azeez
Global Head of Software Asset Management, SAP

The middle market lags larger enterprises on level of innovation



The innovation gap

How current middle-market innovation levels compare with levels required*

	Consumer Retail	Manufg.	TMT	Prof Svcs.	Hcare/ Life Sci.	Finan. Svcs.
Needed level of innovation	80%	76%	91%	86%	86%	77%
Current level of innovation	37%	35%	35%	34%	33%	24%
Innovation gap	- 43 pts	- 41 pts	- 56 pts	- 52 pts	- 53 pts	- 53 pts

* Percentage of companies citing high or very high level of innovation

Question in the survey

- How would you rate the level of innovation at your organisation? At what level does it need to be to stay competitive in the future?



Setting an innovation agenda to drive revenue

“Mid-sized companies have limited budgets, so they need to focus on just a few things. They really can’t fund as much innovation as a bigger company with deeper pockets.” These are the words of Harsh Ramling, who should know, since he is the Vice President of Infrastructure, Security, and Digital Practices for the mid-sized Redington Group, a global technology services provider.

Because of their limited budgets, middle-market companies concentrate on innovation around customers, products and services, and business models to boost their top line. At the same time, they prioritise process innovation to generate cost savings. If they had the funding, surveyed executives would double down on process, business model, and product and service innovation. They would also focus on more overlooked areas, such as market and organisational innovation.

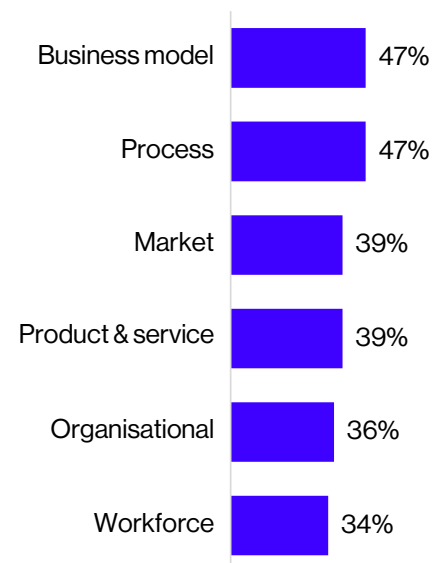
Priorities vary by industry

Innovation priorities are shaped by each industry’s business dynamics. Companies in healthcare and life sciences place a higher premium on innovation around customers and products and services to meet changing expectations, accelerated in the pandemic era. In contrast, manufacturers focus on process and sustainability innovation as they strive to improve efficiency while complying with environmental standards.

High priority by type of innovation

	% of companies	Industry high
Customer	53%	Healthcare/life sciences (63%)
Process	49%	Manufacturing & automotive (57%)
Product & service	43%	Healthcare/life sciences (51%)
Business model	42%	Consumer/retail (50%)
Sustainable	36%	Manufacturing & automotive (50%)
Market	33%	Consumer/retail (45%)
Workforce	32%	Consumer/retail (40%)
Collaborative	28%	Professional services (35%)
Organisational	20%	Financial services (24%)

Types of innovation companies would focus on with more funding



Questions in the survey

- What level of priority is your organisation now giving to the following types of innovation?
- Which types would it focus on if the funding was available?

Turning innovation into a virtuous cycle

Unlike large enterprises that can tap into standalone innovation budgets, such as long-term permanent reserves, middle-market companies primarily fund innovation through cost savings from optimisation of their software and cloud spending. When used consistently, this approach creates a flywheel of continuous cost optimisation and investment.

Jahir Azeez, Global Head of Software Asset Management with SAP, explained: “You must invest to save, and the more you invest in innovation, the more you can save and reinvest in future innovation. CIOs that do this see results.”

For example, a Danish healthcare/life sciences company in our study reduced costs by 20% by automating tasks like invoice processing and customer support. Similarly, a German industrial manufacturer implemented automation tools to streamline repetitive tasks, reduce manual errors, and enhance overall efficiency. As a result, the company enjoyed operational cost savings, which were allocated to innovation initiatives.

Surveyed executives across functions see the value in utilising operational cost savings to fund innovation, but CFOs tend to have a greater preference for this. Fifty-nine percent of CFOs said they use cost savings as one of their main sources of innovation funding, vs. 50% of CIOs and 48% of Chief Procurement Officers.

Cost savings alone are not enough

Mid-sized companies typically fund innovation in three additional ways: (1) business unit budgets, (2) a hybrid of business unit and central budgets, and (3) internal innovation funds accessible to business units. Each method enables them to keep business heads accountable for innovation efforts. Due to resource constraints, mid-sized companies are less likely to create centralised innovation departments or budgets for long-term innovation investment. Short-term project financing is the least used source by all companies.

59% of CFOs use cost savings from optimised software and cloud spending as one of their main sources of innovation funding

VS

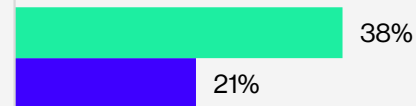
50% CIOs and **48%** of Chief Procurement Officers

Main sources of innovation funding

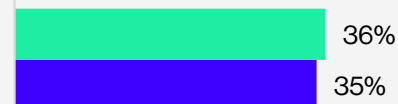
Largely from cost savings generated from optimisation of software and cloud spending



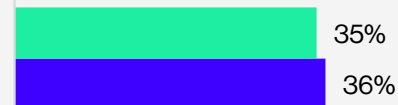
Business unit or non-IT departmental budgets



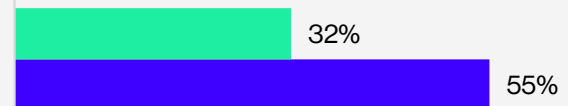
A hybrid approach with innovation budgets held by a central department and by business units



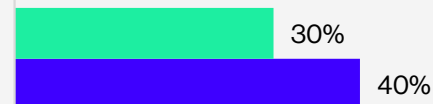
An internal innovation fund that business units can draw on for innovation projects



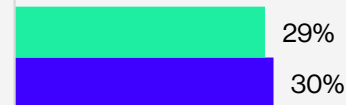
Long-term permanent funding for innovation initiatives



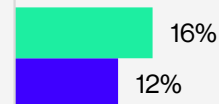
A budget held by a central department with overall responsibility for enterprise innovation



Percentage-based budgeting that allocates a fixed percentage of the overall budget for innovation



Short-term project-based funding for innovation initiatives



■ Middle market ■ Enterprise



Middle-market companies see huge opportunity for IT cost savings

Our research shows that middle-market companies often have sprawling IT estates with a mix of on-premises and cloud infrastructure supporting a multitude of enterprise software and customised applications, some obsolete, and others difficult to integrate. One benefit of this digital hodgepodge is that it provides these companies with ample room to fund innovation from cost savings.

Some 46% of middle-market companies reported that software costs are too high, and a similar percentage said the same about cloud costs. One-third said both costs were too high. About 20% were more negative, saying that their IT spending needed a complete overhaul. These views may even be optimistic: [Gartner](#) notes in a recent report that 60% of IT teams underestimate cloud expenses, resulting in cost overruns.

Companies face many barriers when optimising costs

Middle-market companies face challenges when cutting costs. Many are organisational, such as staff resistance to change, scattered IT responsibilities, shared budgets among executives, and departmental silos preventing collaboration. Others are technical. These include complex IT infrastructure obscuring visibility into IT expenditures, inefficient processes and outdated workflows, and onerous legacy IT architecture.

Middle-market businesses take various steps to overcome these challenges. One professional services company in France consolidated its IT systems into a single global platform, enabling it to invest in new services. Another organisation, a financial services provider in the UAE, executed an open bank strategy, reducing costs and encouraging innovation through collaboration.

Top barriers companies face in optimising IT costs

Staff resistance to change



Complexity of IT infrastructure



Silos that prevent collaboration on cost -saving initiatives



Scattered IT responsibilities among multiple executives with separate budgets



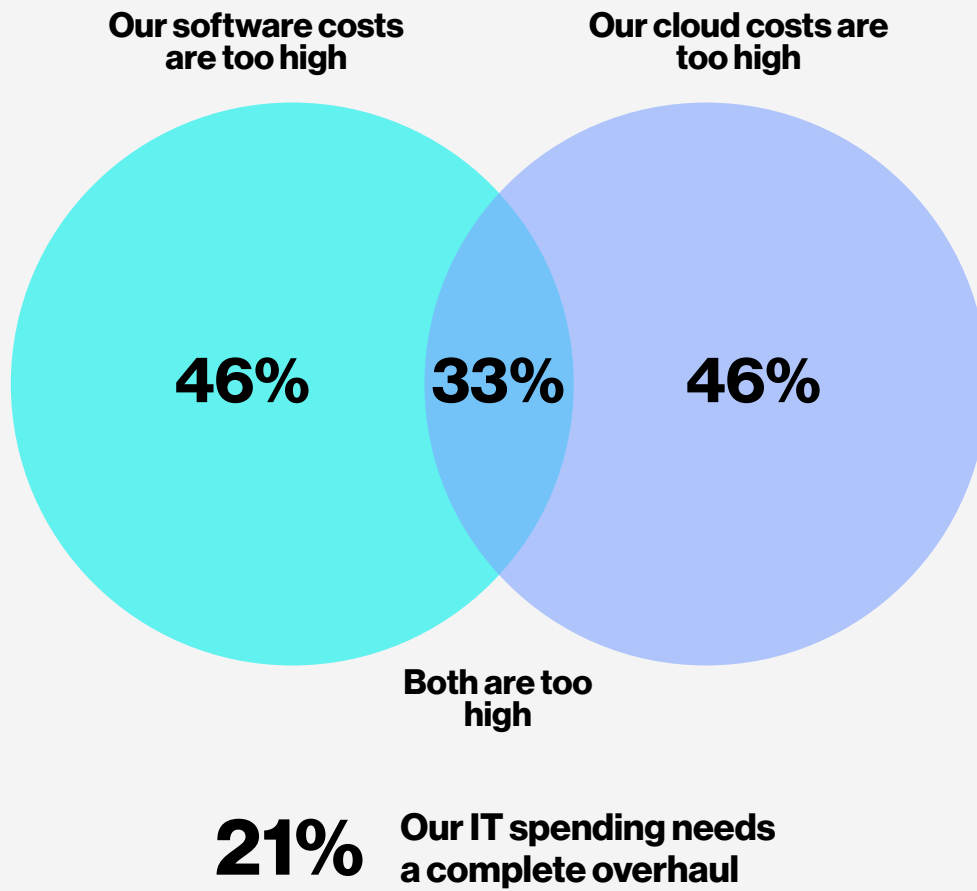
Inefficient processes and outdated workflows



Legacy IT architecture



Companies that believe their costs are too high



Questions in the survey

- Which of these challenges to optimising IT costs does your organisation face?
- Do you agree with the following statements about IT cost management?



Creating a flywheel of cost optimisation and innovation



Creating a flywheel of cost optimisation and innovation

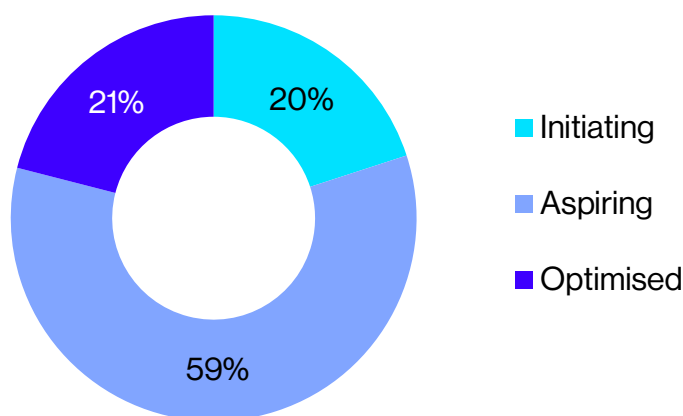
How mid-sized companies stack up on cost-optimised innovation

Successful innovation at middle-market companies needs to follow a flywheel approach of continuous cost optimisation and ongoing innovation—reducing costs by rationalising and optimising IT infrastructure, then utilising those cost savings to fund the next wave of innovation. This creates a virtuous cycle of cost-optimised innovation.

While all middle-market companies want to improve innovation and cut costs, they are at various stages of implementing an innovation flywheel. To reflect these stages, we classified each survey respondent into one of three innovation categories:

- **Optimised Innovators** have set cost optimisation as a high priority and made significant progress on building a modern IT foundation for driving innovation.
- **Aspiring Innovators** are making some progress on cost optimisation and modernising their IT foundation but still have more to do.
- **Initiating Innovators** are just beginning to develop a modern IT foundation and are in the early stages of cost optimisation.

Based on our maturity framework, 21% of middle-market companies are classified as Optimised Innovators, 59% as Aspiring Innovators, and 20% as Initiating Innovators.



Our scoring methodology

We asked respondents to answer two questions:

Q10. How much progress has your organisation made in building a modern IT foundation for driving innovation in the following areas?

- Cloud infrastructure
- App modernisation
- Traditional AI
- Generative AI
- Digital workplace
- Cybersecurity
- IT asset management

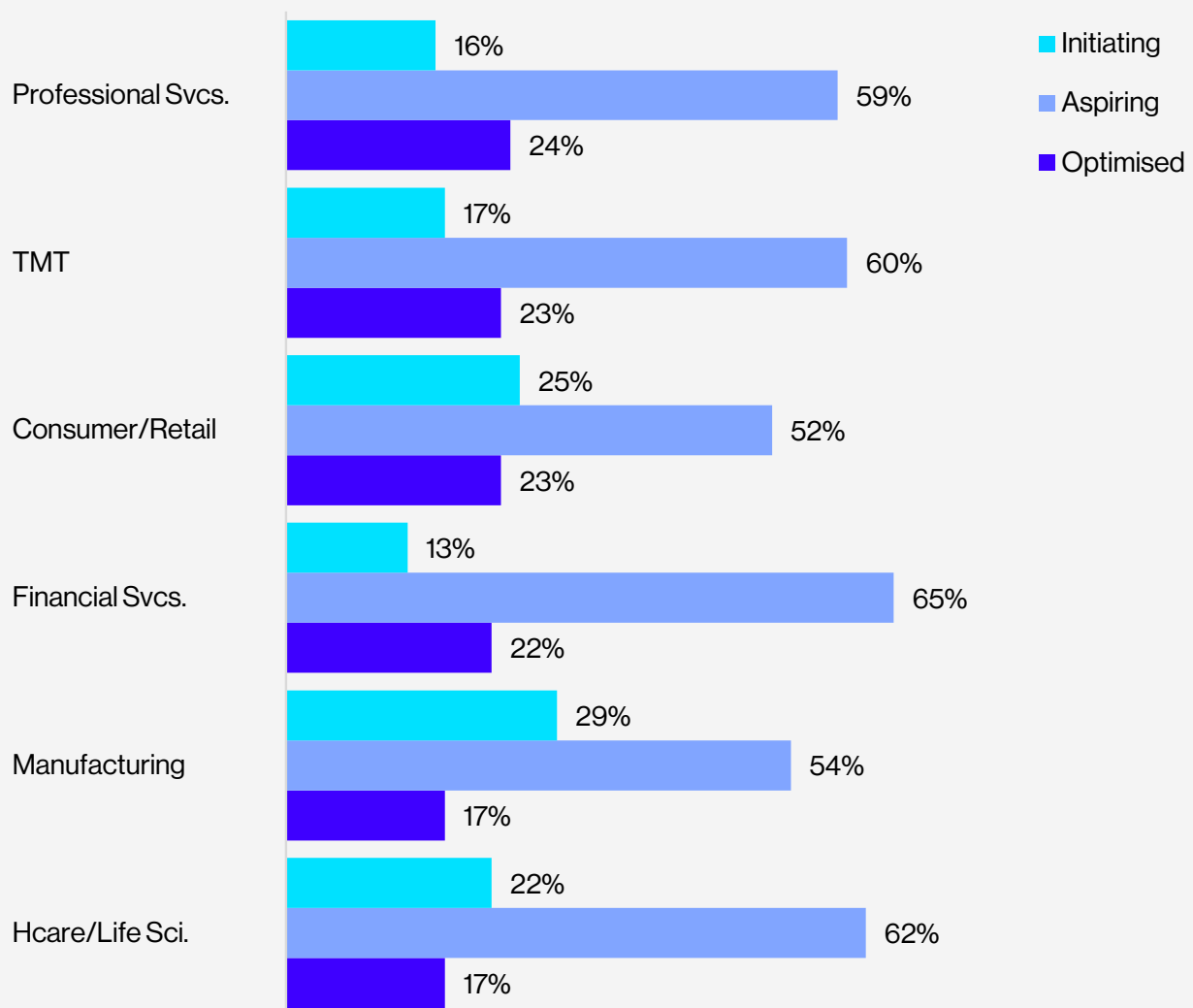
Q22. How much of a priority is IT cost optimisation at your company?

Based on their answers to these questions, we calculated a score that we used to categorise respondents into three groups:

- **Optimised Innovators**
- **Aspiring Innovators**
- **Initiating Innovators**

We calculated the average score for Q10 based on a company's level of progress across each of the seven components of a modern IT foundation. We then combined the results from Q10 with data from Q22 on five different priority levels of IT cost optimisation.

Maturity breakdown by industry



Optimised Innovators, unstoppable progress

Optimised Innovators are well ahead of their peers in laying a modern IT foundation to power a flywheel of cost optimisation and innovation. About nine out of 10 are midway or advanced in **building a digital workplace** to drive collaboration, flexible working, and collaboration. Over eight out of 10 have made similar progress in moving to **cloud infrastructure** and **modernising apps** to gain efficiencies.

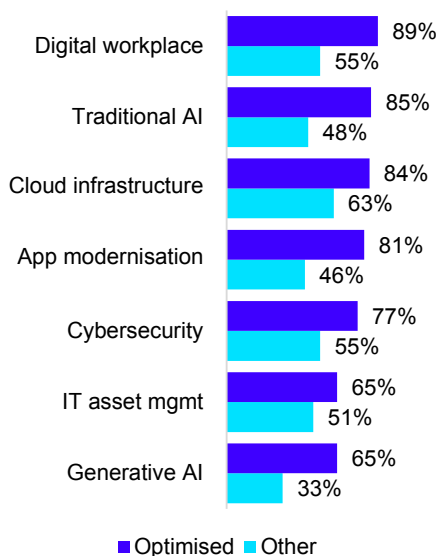
Gaining an AI edge

One dividing line between Optimised Innovators and other companies is the use of AI: 85% of Optimised Innovators leverage **traditional AI**, such as machine learning and RPA, to turn data into actionable insights, compared to less than half of other companies. The differences in the use of **generative AI** for generating content, analysis, and synthetic data are even more dramatic: 65% of Optimised Innovators use GenAI for generating content and synthetic data, about double the number of other companies.

Taking security and asset management to the next level

But Optimised Innovators do not stop there. Aware that fast digitisation can inadvertently create cybersecurity vulnerabilities, Optimised Innovators are well ahead of others in safeguarding their IT foundations from cyberattack and managing their IT assets throughout their lifecycle.

Mid- or advanced implementation in building a modern IT foundation



A modern IT foundation is essential for seamless operations. When communication issues arise, especially with stores relying on legacy systems hosted on physical servers, it can disrupt sales and the ability to process transactions. By transitioning to the cloud, we've not only ensured continuity, but also unlocked significant savings. Moving away from physical servers reduced capital expenditures, energy costs, and maintenance needs, allowing us to reinvest those savings into innovation.



Franca Bandeira, CIO, Bemol

Question in the survey

• How much progress has your organisation made in building a modern IT foundation for driving innovation in the following areas?

Minimising costs, maximising value

Minimising costs

Cost optimisation is a guiding principle for Optimised Innovators. Nearly every Optimised Innovator in our study places a high or very high priority on cost optimisation, compared with just 30% of other organisations. Optimised Innovators scour their organisations to weed out cost savings. They improve cost control and governance, cut software costs and licences, streamline and automate processes, integrate IT systems, adopt FinOps, and much more. (See Section 5)

Maximising value

Optimised Innovators know that the goal of innovation is to drive value for the business. That is why 78% of Optimised Innovators take a value-driven IT approach, prioritising IT investments that will bring the highest value to their businesses. Our research uncovered many value-driven use cases. An Australian TMT company increased value by “incorporating cutting-edge technologies across every facet of its business,” according to the Chief Digital Officer. The Chief Procurement Officer at a UK consumer business creates well-defined SLAs with suppliers, “which guarantee high-quality services, without shelling out extra cash for features that don’t add value.”

Companies attributing high or very high priority to cost optimisation



Companies taking a value-driven IT approach



Question in the survey

- How much of a priority is IT cost optimisation for your organisation?

Ascot Group: Ensuring proof of value

David Zweier, Senior Vice President of IT Strategy and Transformation at the Ascot Group, an insurance company, is a big believer in the flywheel approach of cost optimisation and innovation. He believes that with SoftwareOne's help, he has unlocked considerable cost savings this year from negotiating and streamlining software licensing.

But cost optimisation is only one side of the equation; driving value from innovation is the other. "Every single innovation project that we approve is aligned to a strategic business goal. There needs to be a sound business case to move forward."

Over the next few years, Zweier wants to go further: "We want to demonstrate the value that we get out of these innovation initiatives. I want more than proof of concept. I would like to see proof of value."

Zweier believes that "the more we can objectively demonstrate the value from an initiative, the more momentum we will get, and the more we will accelerate that flywheel. So being able to demonstrate the business value—and ideally the financial value—of our innovation projects is top of mind for me."

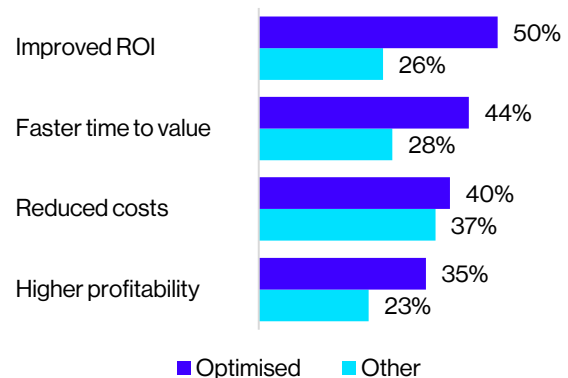


Rewards multiply with IT modernisation

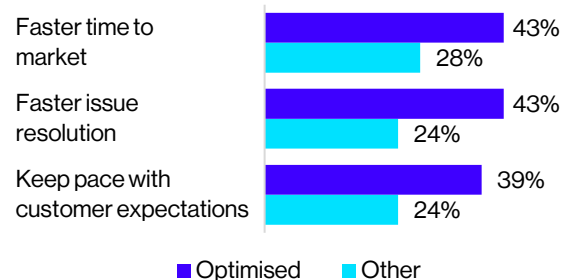
As middle-market companies become Optimised Innovators, they are twice as likely as others to see improved ROI because of their use of modernised IT platforms. They also are more likely to realise many other benefits:

Top benefits from modernised IT platform

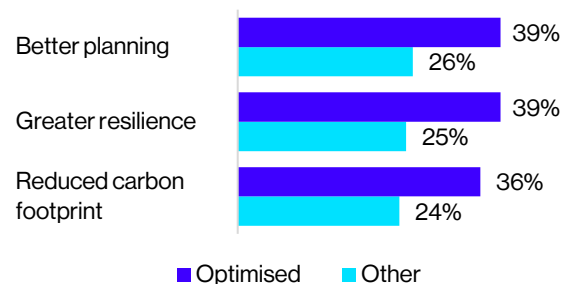
Financial – Optimised Innovators report measurable financial gains from faster time to value, reduced costs, and higher profitability. For four out of 10, these benefits translate into higher shareholder value.



Operational – IT modernisation enables Optimised Innovators to speed up time to market and problem resolution. Crucially, it can give companies the agility and resilience needed to compete in a fast-changing marketplace.



Strategic – Optimised Innovators also see strategic benefits from IT modernisation, from better planning and decision-making to a greater ability to keep up with customer expectations and meet sustainability goals.



Question in the survey

• Which of the following business benefits did your organisation realise from modernising its IT platform, applications, and solutions?

Benefits grow over two years

Over the next two years, Optimised Innovators expect to gain more benefits from modernising their IT platforms:

- **Reduced silos and greater transparency** will be the fastest-growing benefits, as modern IT systems foster cross-departmental collaboration and data-sharing.
- **Risk and compliance benefits** will also increase, as Optimised Innovators implement stronger security across their IT environments, including greater real-time monitoring and compliance automation.
- Drawing on heightened agility, scalability, and e-commerce capabilities, Optimised Innovators will be able to **expand into new markets** for sales opportunities.
- The use of advanced technologies will enable Optimised Innovators to boost profitability thanks to higher **productivity** and new **business models**.

Fastest-growing benefits for Optimised Innovators over next 2 years



Enhanced transparency

50%



Reduced silos

68%



Expansion into new markets

45%



Lower risks and compliance costs

45%



Improved risk and compliance mgmt.

42%

Question in the survey

- Which of these benefits does your organization expect to realize, or continue to see, over the next two years?

Nearly every company is racing to innovate faster

As middle-market companies apply a flywheel approach, their level of innovation grows. When starting out, only 27% of Initiating Innovators have a high or very high level of innovation. As they mature into Aspiring Innovators, that percentage grows to 30%, and as they morph into Optimised Innovators, the percentage reaches 45%.

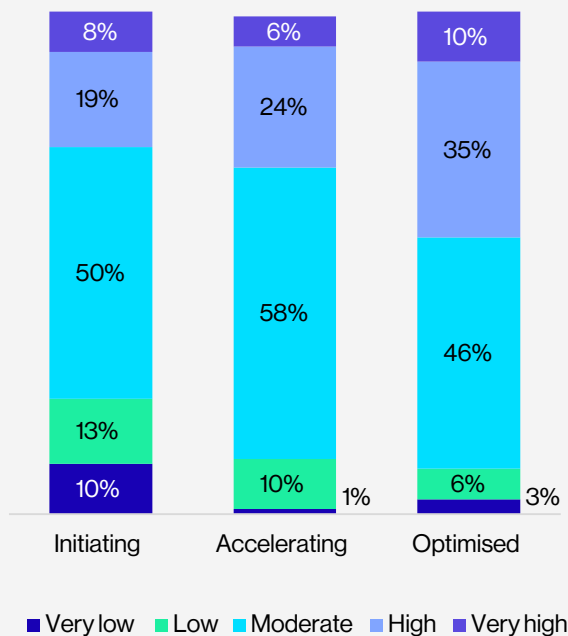
Nearly every company in our study, across every stage of maturity, believes it needs to make a step change in its level of innovation to stay competitive in its industry.

- Currently about three-quarters of Initiating Innovators have a very low to moderate level of innovation, but 72% say they need a high or very high level.
- While 69% of Aspiring Innovators have a very low to moderate level of innovation now, 84% think they should be at high or very high levels.
- Some 55% of Optimised Innovators have a very low to moderate level of innovation now, but 89% believe they should be at a high or very high level.

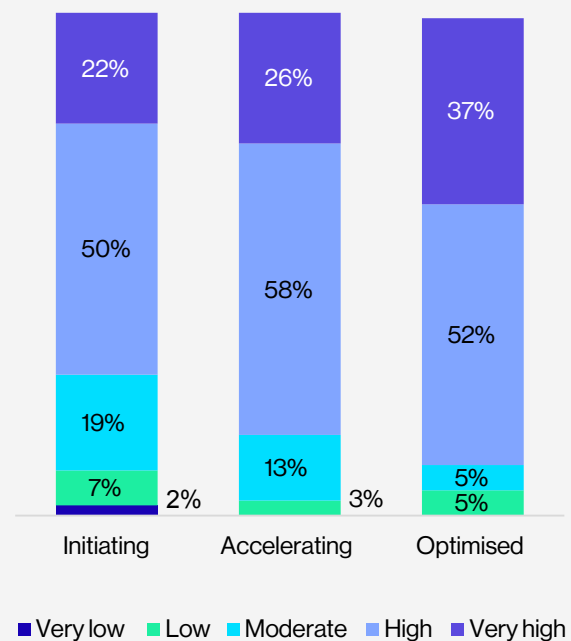


Companies in all stages believe they need to take innovation to the next level

Current level of innovation



Level of innovation needed to stay competitive



Question in the survey

• How would you rate the level of innovation at your organisation? At what level does it need to be to stay competitive in your sector in the future?





Harnessing innovation to serve customers in the Amazon

França Bandeira

Chief Information Officer

Bemol

For Bemol, the largest retail group in Brazil's Western Amazon, "Innovation is not just important for growth; it is vital for our survival," said França Bandeira, the company's CIO. It is easy to see why, given the retail industry's radical transformation—what Bandeira calls an "apocalypse"—and the need to serve customers in a region with limited infrastructure and connectivity.

Innovation is a prerequisite for operating a retail business in the Amazon. It starts with building an innovation culture where all employees can offer and be rewarded for innovation suggestions. But it goes much further into every part of the business.

One key area is distribution. Over its 82 years of existence, Bemol has continued to enhance its capabilities to serve local customers in difficult-to-reach areas of the Brazilian Amazon. The retailer changed the way it buys from suppliers so that it could ship goods weekly to customers using planes and large ferry boats to avoid inaccessible roads. According to Bandeira, "We had to transform our company from a retailer to a shipping company. If we didn't do this, we wouldn't be able to serve our customers."

Bringing e-commerce to the rainforest

E-commerce has revolutionised how most retailers operate. But it has been a hard slough for Bemol because of the poor internet connectivity in many areas where its customers are located. To solve this problem, Bemol began offering free internet at its stores and in surrounding neighborhoods. "We put the internet there for free, and we did local marketing informing customers that if they bought through our e-commerce platform, we would ship their item for free to their house in half the time," said Bandeira. The project was very successful from both a commercial and financial standpoint, generating a positive return on the company's investments. "This allowed us to not only cut the cost of customer acquisition in half, but also to collect data on our customers and offer credit to them."

Improving experiences through AI

The company has also undertaken several AI initiatives to improve employee and customer experiences. One area is providing sales teams with better product information. “We have over 15,000 items in stock and every day we are adding more,” said Bandeira. “It has been challenging to inform our sales teams about which goods are on sale, how many are in stock in their store, in other stores, and in the distribution centre.” GenAI is helping Bandeira ensure that the sales teams always have the latest information to serve customers.

GenAI is especially helpful with fast-changing products, such as consumer electronics. According to Bandeira, “To support the customer, we used to train salespeople to be specialists in electronic products, such as TVs or notebook computers. Now that is impossible.” Instead, Bemol is using GenAI to provide salespeople with the up-to-date information.

To build Gen AI skills, the company holds a mandatory training programme on the technology, together with a monthly forum where employees can present how they use it in their jobs. As part of these efforts, Bemol provided 800 of its 4,500 employees with a personal licence for ChatGPT. Said Bandeira: “If employees are using Gen AI in their personal lives, they will hopefully become more productive using it here.”



Even Optimised Innovators are not moving quickly enough

Despite their progress, Optimised Innovators in the middle market are considerably behind their peers in the large enterprise segment. To stay competitive in their industries, these smaller Optimised Innovators will need to catch up, particularly when servicing similar customer bases.

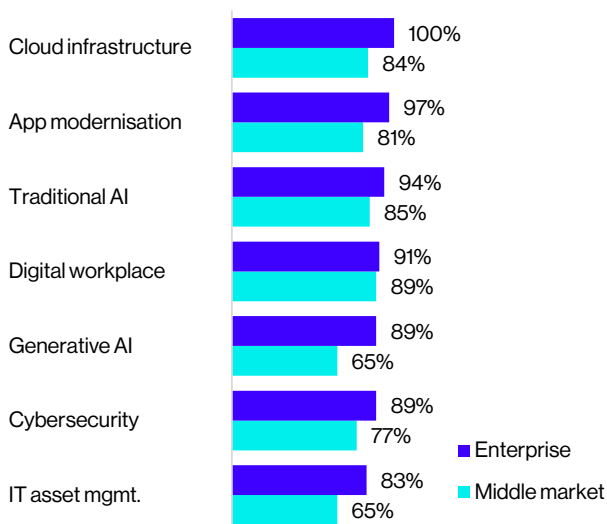
Every Optimised Innovator among larger enterprises is at a mid- or advanced stage of cloud implementation vs. 84% of their middle-market counterparts. Other big gaps exist in the use of GenAI (+24 ppt), IT asset management (+18 ppt), app modernisation (+16 ppt), and cybersecurity (+12 ppt).

Mid-sized Optimised Innovators also trail in driving value

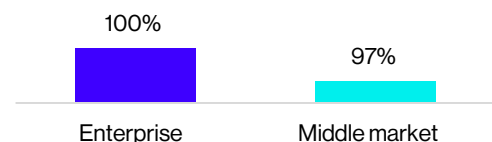
Optimised Innovators in the middle and enterprise markets both place a high or very high priority on cost optimisation. But the latter are further ahead on taking a value-driven IT investment approach: 91% are taking such an approach, compared with 78% of those in the middle market. A value-driven IT approach gives larger companies an edge, as it can boost ROI and increase competitiveness.

Big enterprises have other advantages, according to SAP's Azeez. "Large companies have a greater opportunity to optimise costs because they grew exponentially with a focus on growth. Larger companies also have more scalability than mid-sized companies, which permits them to operate IT at lower costs."

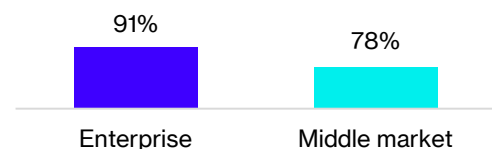
Optimised companies that are mid- or advanced in building a modern IT foundation



Optimised companies placing high or very high priority on cost optimisation



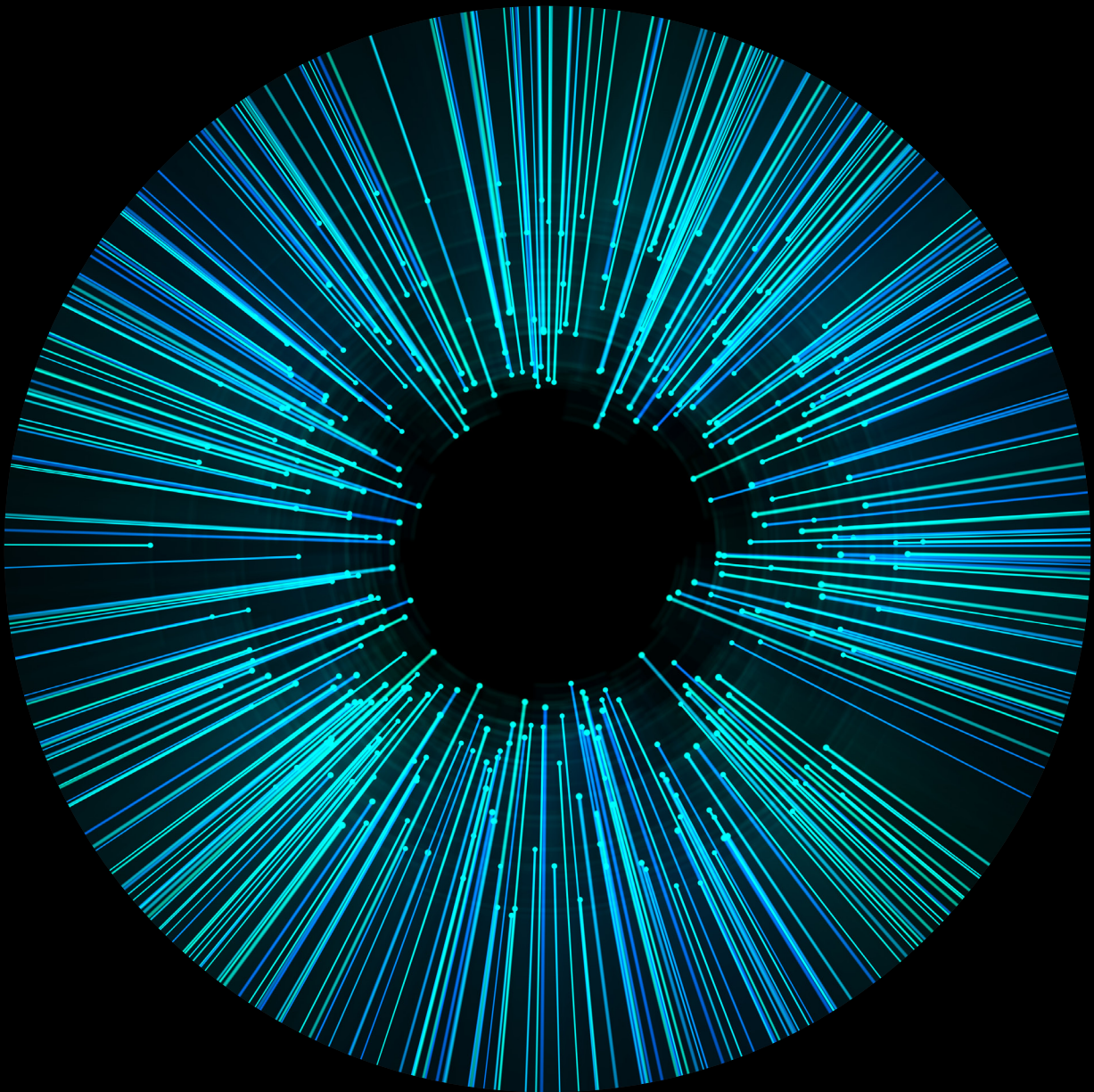
Optimised companies taking a value-driven IT investment approach



Questions in the survey

- How much progress has your organisation made in building a modern IT foundation for driving innovation in the following areas?
- How much of a priority is IT cost optimisation for your organisation? Do you agree or disagree with the following statements?

Building a digital foundation for cost-optimised innovation



Building a digital foundation for cost-optimised innovation

Optimised Innovators double down on key digital solutions

Optimised Innovators plan to ramp up their spending on most critical digital solutions more significantly than other companies over the next two years. Here are some of the main technologies:

- 1. Network security.** The spending gap between Optimised Innovators and others is particularly evident in network security, an area of concern for Optimised Innovators, which are digitising fast across many parts of their businesses. Optimised Innovators in our study report taking multiple measures.
- 2. Automation and software management.** Optimised Innovators also invest much more in automation than other companies. Automation not only reduces costs and errors, but it also gives the IT staff more time to work on value-added projects, according to the CIO of a Danish healthcare/life science company. Optimised Innovators also outspend others on software management technologies, from DevOps and no-code/low-code platforms to analytical tools.
- 3. Cloud management and SaaS.** As Optimised Innovators migrate more of their systems and applications to the cloud, they invest more heavily in cloud management tools. These tools enable them to manage cloud applications and infrastructure and optimise their cloud costs, control, and visibility. They also invest more heavily in SaaS applications in the cloud for similar reasons.

“

We have adopted rigorous cybersecurity measures to safeguard against costly breaches and to limit any potential downtime.

”

Technology executive
Consumer/retail, Germany

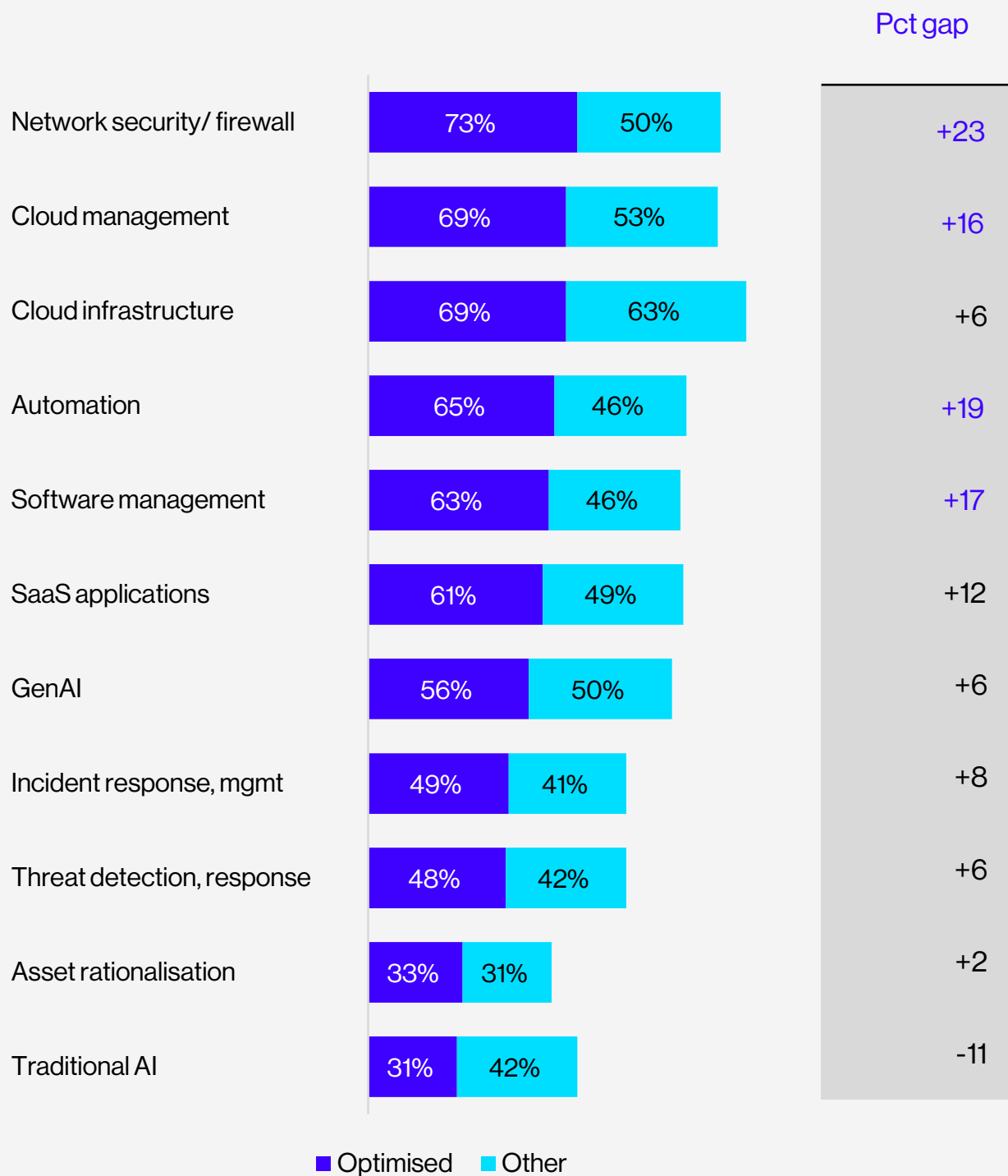
“

Our company saved 25% on IT costs and improved reliability and speed by migrating to AWS and Azure, and switching to SaaS ERP, CRM, and HR applications.

”

CTO
Healthcare/life sciences, UAE

Companies spending more on technologies over next two budget years

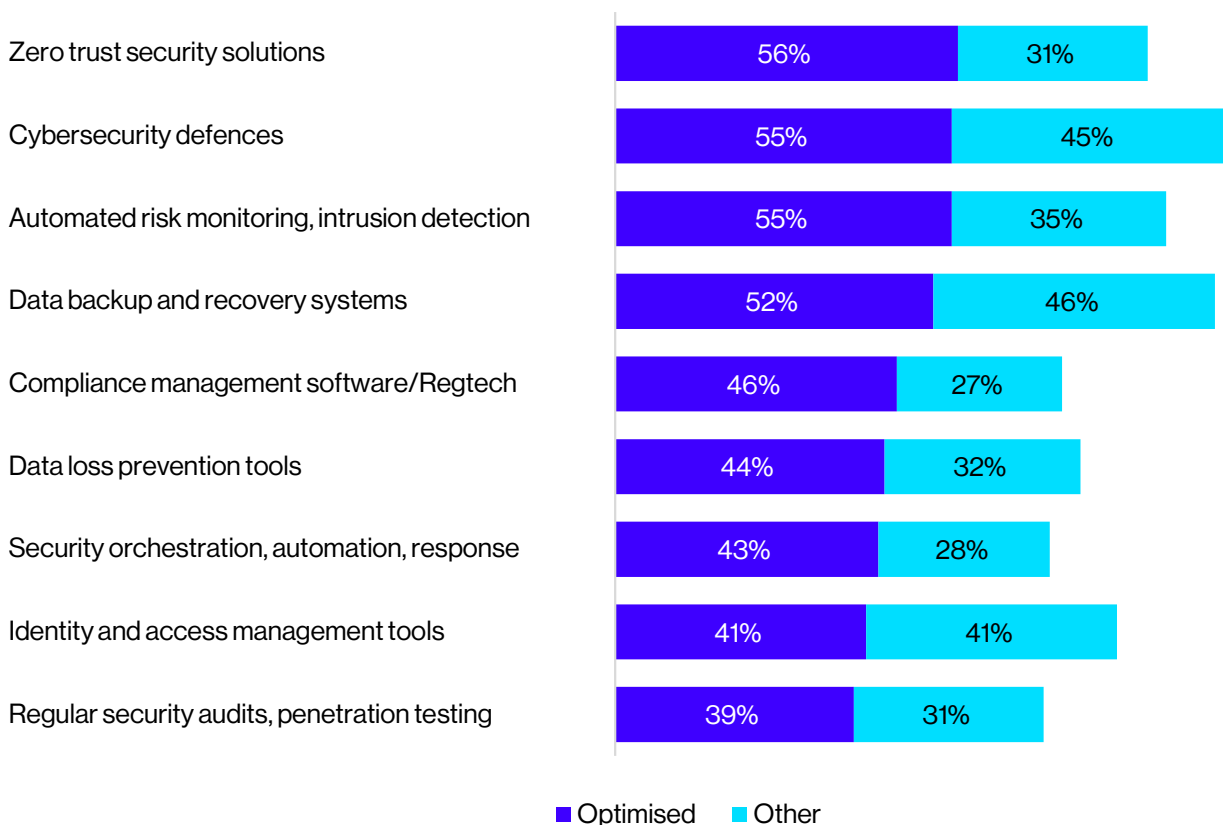


Optimised Innovators put data security and privacy first

Optimised Innovators know that fast-tracking innovation can expose their organisations to greater data security and privacy risks, particularly as they leverage new technologies, like AI. To protect their IT environments, Optimised Innovators use nearly every cybersecurity solution more often than others. On average, they utilise five cybersecurity solutions, compared with less than four used by other companies.

In line with comprehensive cybersecurity frameworks, Optimised Innovators draw on a mix of digital solutions to detect, protect against, respond to, and recover from cybersecurity threats. Fifty-five percent of Optimised Innovators utilise zero trust solutions to protect their expanded IT estates through strict access controls; the same percentage also use automated monitoring to detect intrusions, and advanced firewalls and encryption to protect against cyberattacks. Slightly fewer employ data backup and recovery systems to ensure continuity, as well as RegTech to facilitate compliance.

Top technology risk solutions used



Advances ahead

Over the next two years, Optimised Innovators will turn to more advanced security and privacy solutions. The fastest growing will be security information and event management (SIEM) to instantly aggregate and analyse security event data from multiple sources. Another will be security orchestration, automation, and response (SOAR) to take an integrated approach to detect and respond to security incidents. In the future, more companies will employ AI to manage risks.

% growth in use by Optimised Innovators over the next two years

26%	Security information and event management (SIEM)
21%	Security orchestration, automation, and response
18%	Cybersecurity defences
16%	Third-party risk management
15%	Regular security audits and penetration testing

“ We are already using AI to some extent to analyse events and anomalies out of millions of records. But we are moving to a more proactive use of AI for automating cybersecurity. ”

Harsh Ramling

VP Infrastructure and Security Redington Group

Question in the survey

• Which of the following technological solutions does your organisation plan to use or continue to use over the next two years?



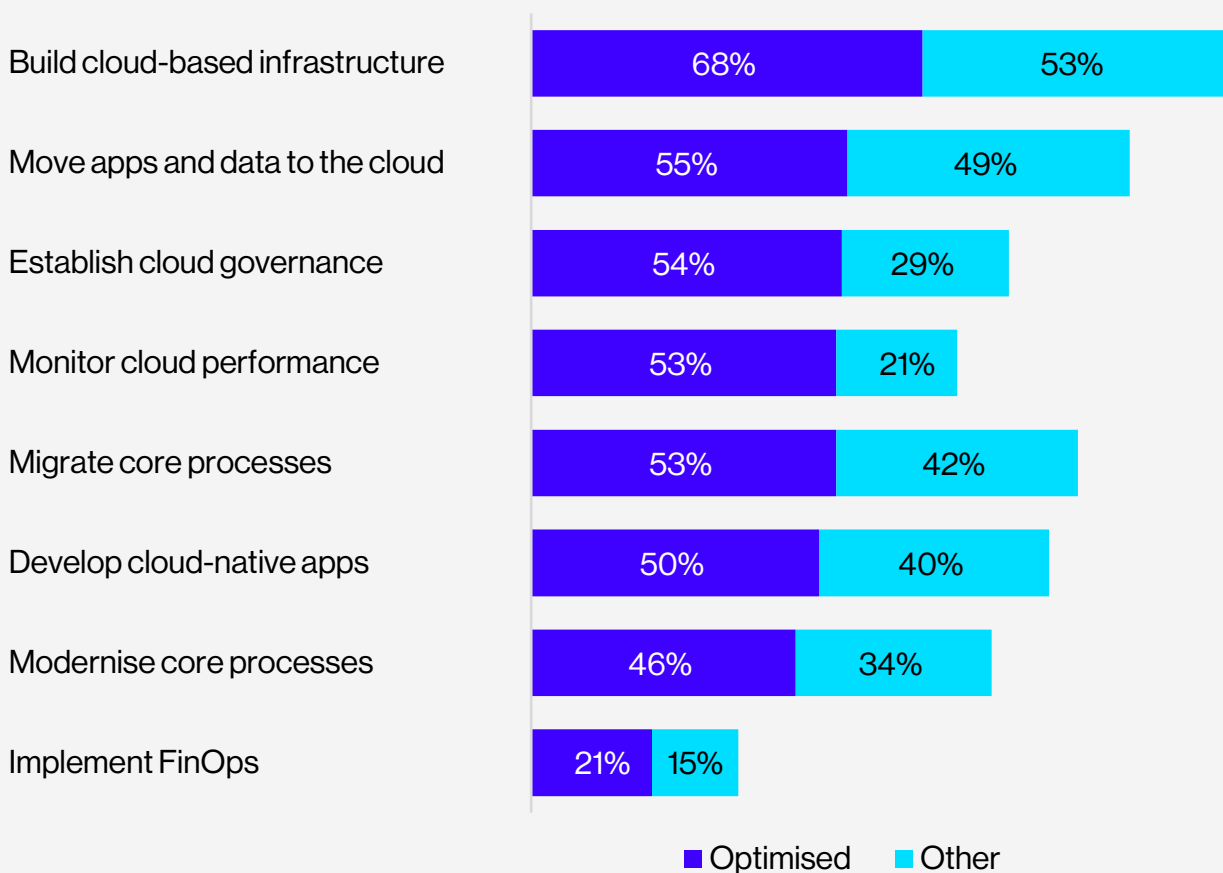
Optimised Innovators go all in on the cloud

Optimised Innovators have made more progress than others in transforming their businesses through the cloud. More than two-thirds have made significant progress in building a cloud-based infrastructure, and more than half have moved their apps to the cloud and migrated core processes. A similar percentage have established governance, compliance, and security policies.

Embracing the cloud generates myriad benefits. For example, the CIO of an Australian healthcare/life sciences company told us that the use of a cloud platform enabled his organisation to “build flexibility, scalability, tool integration, sophisticated data analytics, and operational efficiency.”

For Bemol's Bandeira, the cloud is much more than a way to cut costs. “In the beginning, the main savings from the cloud was capital cost savings, but now the benefits are the ability to move in an agile way to scale innovation. It is ultimately not about cost savings, it's really about generating growth,” he said.

Areas of cloud implementation with significant progress



Question in the survey

- In which of the following areas of cloud implementation has your organisation made significant progress?

The path ahead

Over the next two years, Optimised Innovators will advance their cloud transformation across many areas. FinOps is at the top of their to-do list. By implementing FinOps, Optimised Innovators will be better able to track usage and expenses as they shift from fixed-capital to variable cloud expenditures. By optimising cloud spending through FinOps, these companies will free up resources to reinvest in innovation, putting a flywheel approach into motion.

Over that period, Optimised Innovators also plan to move additional apps to the cloud. By then, they plan to have 70% of their software applications and workloads in the cloud, as well as 56% of their custom applications.

Fastest-growing areas of progress for Optimised Innovators over next two years

1	Implement FinOps
2	Move apps and associated data to the clouds
3	Install cloud governance and security controls
4	Modernise core processes
5	Develop cloud-native applications

Question in the survey

- In which of the following areas of cloud implementation will your organisation make progress in two years' time?





Driving growth through innovation

David Zweier

SVP, IT Strategy and Transformation

Ascot Group

With its specialty insurance business growing meteorically, Ascot Group, a mid-sized insurance company, is focused on driving growth and innovation efficiently and profitably. To achieve this goal, the company has turned the flywheel of cost optimisation and innovation into a best practice. We spoke to David Zweier, SVP, IT Strategy and Transformation, at Ascot Group to learn more.

Innovation is at heart of Ascot Group's profitable growth strategy. The latest example is the company's use of technology to transform the underwriting process for complex specialty risks. Through its partnership with a leading enterprise insurance software provider, Ascot Group is leveraging technology to supercharge underwriting performance.

"We've been working to enable underwriters to make decisions in hours instead of days or weeks, said Zweier. This tool provides an almost instantaneous view of whether a risk is worth further evaluation, analysis, and eventual pricing and underwriting, or if it should be declined."

According to Zweier: "The efficiency of our underwriters increases exponentially. We're not talking about incremental gains; we're talking about a step change in how underwriters access and view submission information."

Funding innovation through cost savings

Cost optimisation plays a pivotal role in Ascot's ability to fund innovation. The company has successfully realised significant savings by consolidating software licensing agreements and optimising its cloud infrastructure. "These savings have been achieved through strategic licensing negotiations," said Zweier.

Ascot Group's cloud-first strategy has been a major efficiency booster. "Roughly 80% of our IT infrastructure is now in the cloud, which is industry-leading for a company our size. But we know not all of it is fully optimised," said Zweier. To address this, the company is working on a proof-of-concept initiative to further optimise cloud usage, laying the groundwork for significant long-term savings.

The company reinvests these savings into transformative initiatives. "We were allowed to keep the money we saved and reinvest it into proof-of-concept projects," Zweier said. "That's the flywheel effect in action—cost savings fuelling innovation, which in turn drives more efficiency."

Shifting from non-discretionary to discretionary IT spend

According to Zweier, “IT budgets for most insurers break down into two categories: non-discretionary to run the business and discretionary to drive transformation. The industry benchmark is roughly 60% budgeted for non-discretionary and 40% for discretionary.”

With non-discretionary making up more than half of the IT budget, Zweier needs to focus on cost-cutting innovation in the back office and other internal processes. “You need to be thinking about driving cost savings for that 60% of your budget, so that you can free up even more money for the discretionary piece.” Zweier is doing just that: Ascot Group is now spending less than the industry standard on non-discretionary IT initiatives and continues to identify opportunities to improve the technology estate for the core insurance businesses as well as supporting functions such as Finance and Human Resources.

Zweier believes that organisations like Ascot Group, which focus on disciplined cost management and reinvestment, will set a new standard of non-discretionary and discretionary spending. “Over time, I think we’ll see the industry’s budget ratios shift as companies realise the benefits of leveraging technology and other innovations.”

Finding the right digital pace

Zweier stressed the importance of finding the right pace of technological innovation for your business. “The vendors are racing to introduce new technologies, but you have to go at your own pace,” he said. “You have to balance the increasing pace of change with your organisation’s risk tolerance and regulatory requirements.” At the same time, said Zweier, “you need to understand that the pace of technological change is moving faster than ever and will continue to accelerate. So, you need to maintain focus, which adds another dimension of complexity to everything.”

Fostering cross-departmental communication and teamwork

Ascot’s global approach to leadership and communication has been key to dismantling business silos and fostering collaboration across its operations. By establishing group-wide functions in key areas such as actuarial services and claims, the organisation ensures that its operations are aligned and coordinated across regions. “The organisation has brought in new leaders over the past several years with a wealth of experience and global perspectives who are breaking down those silos,” Zweier said.

Central to Ascot Group’s success in this area is an emphasis on communication and relationship-building. Zweier stressed the importance of fostering trust and alignment with business stakeholders and executive leadership. “Overcommunicate, build strong relationships, and be transparent. I cannot overstate how important it is to have the trust and the relationship with the overall executive team and key stakeholders.”

Driving growth and efficiencies through AI



Driving growth and efficiencies through AI

Optimised Innovators are surging ahead with AI

Optimised Innovators are rushing to improve their internal and external operations through AI. Currently, they are significantly ahead of others in their use of traditional AI: more than eight in 10 are midway or advanced in using AI to drive efficiencies in internal processes, and over 70% boost the top line through customer engagement and innovation. In comparison, most other companies are still in the planning or early implementation stages. The AI divide is even more apparent in the adoption of GenAI. Optimised Innovators are nearly twice as likely as others to be at mid- or advanced implementation of GenAI for internal purposes and are considerably further ahead for customer engagement.

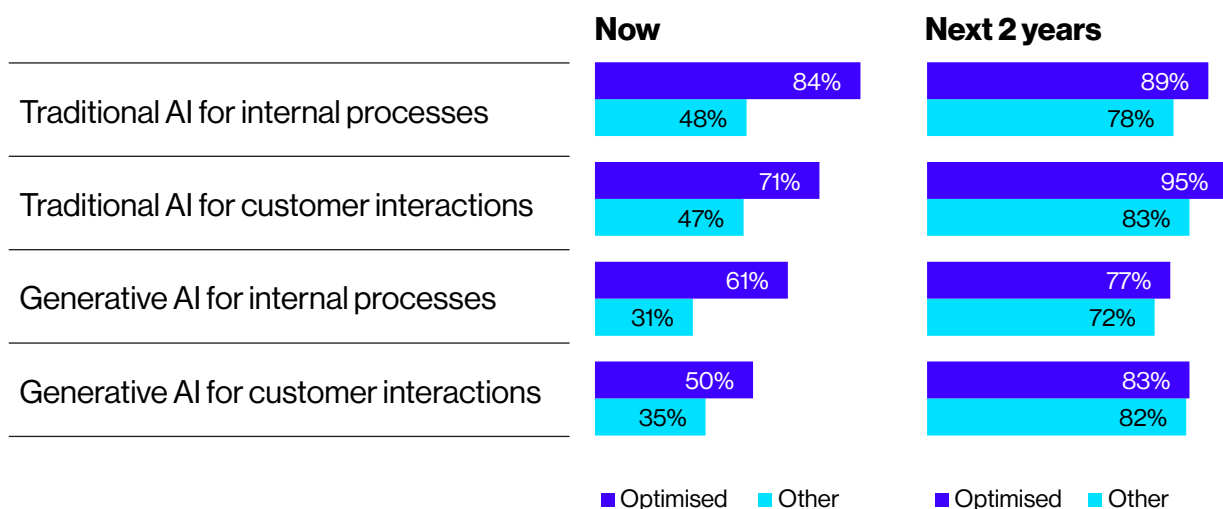
As our data shows, Optimised Innovators typically implement AI internally first, often seeking to free up budget to invest in longer-term, market-related innovation to boost revenue. “By implementing AI and automation, we have reduced our costs and fuelled our funding for innovation,” said the IT asset manager of a French company in the technology, media, and telecoms sector.

The race will heat up

Over the next two years, Optimised Innovators will advance their use of both traditional and generative AI. Ninety-five percent will be in mid- or advanced implementation of traditional AI for customer interactions, compared with 71% today. Similarly, 83% of Optimised Innovators will be midway or advanced in their use of GenAI for customer interactions, compared with just 50% today. Over that period, Optimised Innovators will shift their focus from internal to external initiatives as their flywheels build momentum.

At the same time, other companies will accelerate their AI programmes, closing the gap with Optimised Innovators. The progress made in the use of traditional AI will help fast-track the growth of GenAI.

Areas of AI implementation with significant progress



Question in the survey

- How much progress has your organisation made in implementing the following forms of AI across your organisation, now and in two years?



Entering the world of GenAI

Harsh Ramling

Vice President of Infrastructure,
Cybersecurity, and Digital Practices

Redington Group

Redington Group's journey from traditional to generative AI illustrates the progression followed by many middle-market companies. "Pre-GenAI, we used conventional AI models for our data platform predominately to create insights, not predict things," said Harsh Ramling, the company's Vice President of Infrastructure, Cybersecurity, and Digital Practices. "We did not go full-scale; we just tested the waters and used some specific use cases. This helped us understand how AI works and the possibilities, while building the capacity for future work."

That time is now as the tech company builds its GenAI capabilities. According to Ramling, Redington Group is pursuing GenAI in four areas.

- 1. Productivity.** "The first way we are using GenAI is to improve employee productivity," said Ramling. "We are using solutions like GitHub Copilot, for example, to develop, evaluate, and validate code. What used to take hours now takes seconds. In addition, summarisation of documents, creation of contracts and templates, and content creation for marketing have all become much faster and more effective thanks to GenAI."
- 2. Information retrieval.** "The second area is information retrieval across the organisation," said Ramling. "We are beta-testing an assistant for employees, a one-stop shop for any kind of internal service, documentation or policy. Employees can just ask GenAI specific questions, and it looks up the specific document and gives the exact information. Currently, this solution is just available to our employees, but once the application reaches maturity, we plan to extend it to our customers."
- 3. Data management.** The third area is all about unlocking value from data. "We are creating new data roadmaps to guide how we manage and leverage data within our company. We will build on our capacity to generate insights from our data, focusing more on predictive analytics and scenario mapping" said Ramling.
- 4. Cybersecurity.** "The fourth area is cybersecurity, where GenAI can be very effective," said Ramling. "We were using traditional AI to a certain extent for anomaly detection before the advent of GenAI. But now with GenAI, we are moving in the direction of automating cybersecurity, including how we detect, protect, and remediate it."

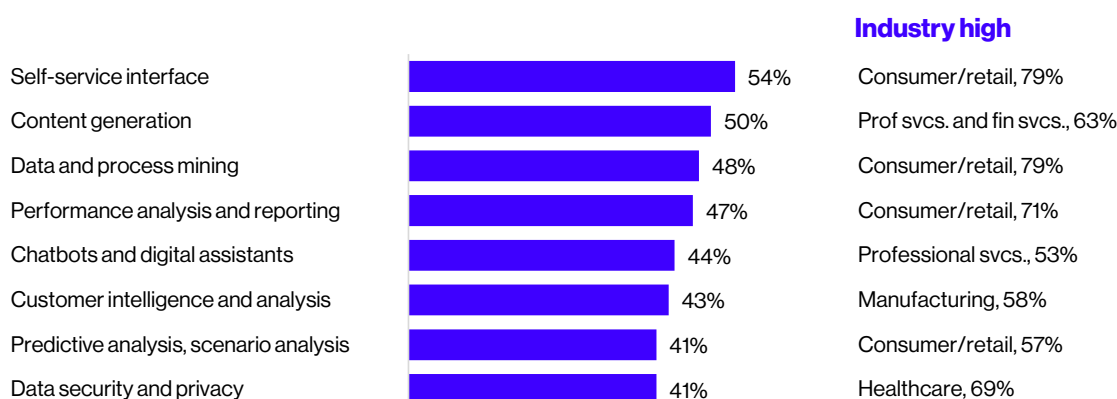
While Redington Group has already made considerable progress with GenAI, the company still has a long way to go to maximise its benefits. Said Ramling, "We have just scratched the surface."

Optimised Innovators expand AI's reach

For SAP's Azeez, AI is a multipurpose business tool. "We use AI in our internal operations, support services, customer services, and customer support." Optimised Innovators do the same. Our research shows that they have implemented about 10 AI use cases, which generally fall into four business areas.

- 1. Customer experience and service.** Self-service interfaces are the most common AI use case. For example, a French tech company in our study uses an AI-enabled, self-service portal that has led to reduced operational and customer service costs. Other common customer use cases include chatbots and customer intelligence and analysis.
- 2. Data management and security.** Some 48% of Optimised Innovators use AI for gathering data and process mining, and 41% use it for ensuring data security and privacy. At the Redington Group, the data platform was one of the first IT areas modernised and draws on large language models to mine data.
- 3. Specialised analysis.** Many Optimised Innovators use AI to conduct specialised analytical tasks, such as monitoring key performance indicators in real time, generating performance reports and dashboards, and predicting trends and running scenarios. For example, a Brazilian manufacturer applies advanced analytics to find cost savings by examining supply-chain information.
- 4. Staff engagement and productivity.** One of the most basic uses of AI is to spur internal efficiencies and productivity. Many Optimised Innovators do this by using AI to streamline and automate workflows and to analyse resources and needs for workplace plans. A UK technology company developed an AI industry accelerator to optimise workflows, reduce costs, and free up resources for innovation.

Top AI use cases already implemented by Optimised Innovators



Question in the survey

- Which of the following traditional and GenAI use cases has your organisation implemented, and which is it prioritising over the next two years?

Top 10 priorities for AI use for Optimised Innovators over next 2 years

1. Self-service interface, 54%	6. Data security and privacy, 41%
2. Performance analysis, 52%	7. Regulatory compliance, 40%
3. Workplace planning/analysis, 48%	8. Content generation, 40%
4. Data and process mining, 45%	9. Conversational HR support, 39%
5. Chatbots, digital assistants, 43%	10. Recommendations to clients, 39%

Question in the survey

• Which of the following traditional and GenAI use cases has your organisation implemented, and which is it prioritising over the next two years?

Optimised Innovators unlock tangible value from AI

As middle-market companies blossom into Optimised Innovators, they see better results across every value driver. The gains can be stark. For example, 53% of Optimised Innovators drive value from AI-enabled service operations vs. 39% of others. Similarly, 41% generate value from AI-optimised processes vs. 28% of others.

Internal value drivers

The internal value drivers most cited by Optimised Innovators are improved decision-making, greater IT productivity, reduced costs, and optimised processes. A senior IT executive at a Chinese tech company said: “We adopted AI and machine learning to forecast and regulate IT resource requirements and to enhance IT operational efficiency.” Another company, a Czech manufacturer, used AI to automate decision-making processes, which enabled the company to reduce operational costs.

Other internal value drivers revolve around enhanced productivity and risk management. An Australian healthcare company does both: “We employed automated processes to increase the productivity of employees and keep a keen eye on IT risk management services,” noted a direct report to the CIO.

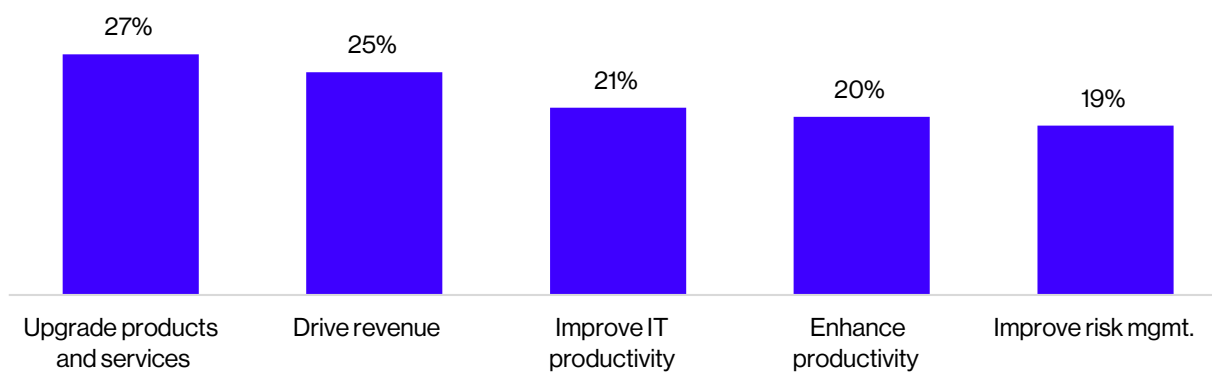
External value drivers

Optimised Innovators are more likely than others to use AI to enhance service operations and personalise customer experiences. Said the CIO of a UAE-based financial services company: “We’ve implemented AI-powered chatbots to handle customer queries, significantly lightening the load for our customer service teams and allowing us to offer support around the clock at a lower expense.”

Crucially, Optimised Innovators are more successful at using AI to drive revenue from new products and services and other growth initiatives and enjoy greater productivity from their IT teams and general staff.

How AI generates value		Optimised	Other
Internal drivers	Improve decision-making and planning	43%	39%
	Improve IT productivity	43%	34%
	Reduce costs	43%	37%
	Optimise/automate processes	41%	28%
	Enhance workforce productivity	40%	33%
External drivers	Enhance service operations	53%	39%
	Personalise, enhance customer experiences	43%	38%
	Drive revenue	40%	33%
	Upgrade/create products and services	37%	25%

Fastest-growing ways AI will generate value for Optimised Innovators over next 2 years



Questions in the survey

- Which are the main ways that your organisation is now using AI and Generative AI to create value? Which are the main ways it plans to do so over the next two years?



GenAI best practices: learning from the leaders

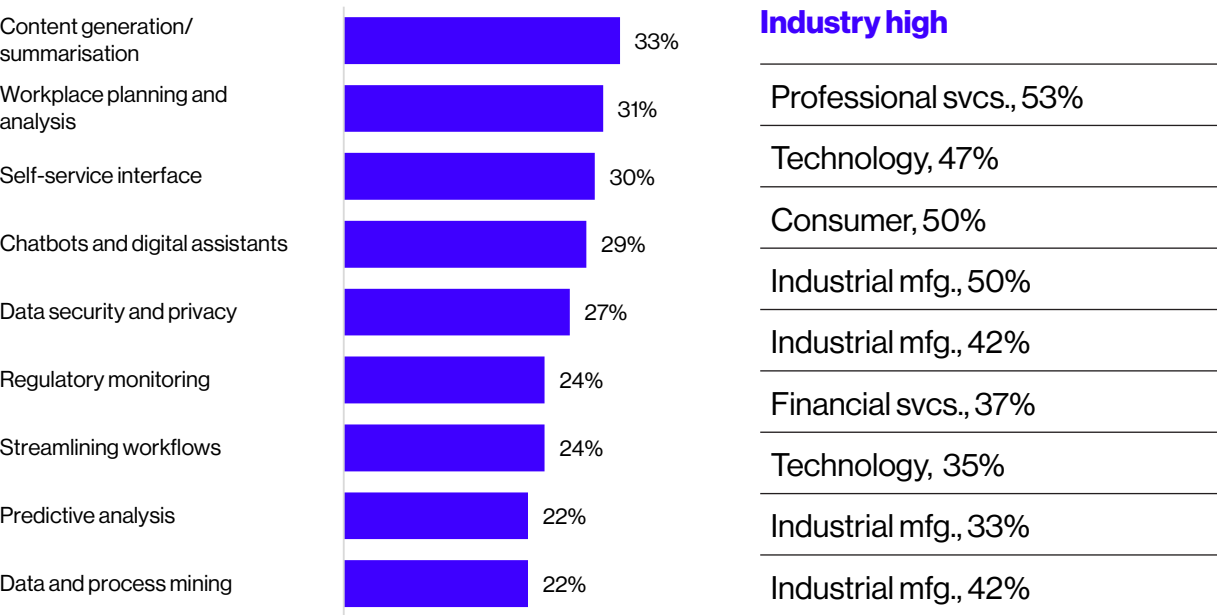
Optimised Innovators already use GenAI to enrich AI use cases in ways that were not possible through traditional AI. Half now use GenAI to go beyond redefined templates and rules to create original content, such as reports, summaries, and documentation. Thirty-one percent use GenAI to enhance workplace planning and analysis by simulating workplace scenarios and permitting real-time adjustments to plan.

In addition, around three in 10 Optimised Innovators employ GenAI to enable self-service interfaces and chatbots to understand and address a wider set of topics and questions—and generate relevant content beyond scripted answers. Slightly fewer use GenAI to harden data security and privacy by creating advanced threat models and analysing vast datasets to identify anomalies in real time.

About a quarter of middle-market Optimised Innovators are upgrading regulatory monitoring and compliance through GenAI. This newer form of AI makes it much easier to parse and understand large amounts of regulatory documents, distil key obligations, and generate actionable insights for compliance teams.

Over the next two years, Optimised Innovators say they will ramp up their use of GenAI, particularly for self-service interfaces, data security and privacy, workplace planning, and data and process mining.

Top 10 GenAI use cases now for Optimised Innovators



Question in the survey

• Which of the following traditional and GenAI use cases has your organisation implemented, and which is it prioritising over the next two years?

Top 10 GenAI use cases in 2 years for Optimised Innovators

- | | |
|-------------------------------------|--------------------------------------|
| 1. Self-service interface | 6. Regulatory monitoring, compliance |
| 2. Data security and privacy | 7. Streamlining workflows |
| 3. Workplace planning/analysis | 8. Conversational support |
| 4. Content generation/summarisation | 9. Predictive analysis |
| 5. Data and process mining | 10. Conversational HR support |

Question in the survey

- Which of the following traditional and GenAI use cases has your organisation implemented, and which is it prioritising over the next two years?



Taking cost optimisation to the next level



Taking cost optimisation to the next level

Optimised Innovators set the standard in IT cost management

Optimised Innovators are ahead of their peers across nearly all areas of cost management. They have made significant progress in monitoring and cutting operational, software licensing, and IT infrastructure costs. They also have made considerably more progress than others in improving procurement practices, vendor management, and governance budgeting.

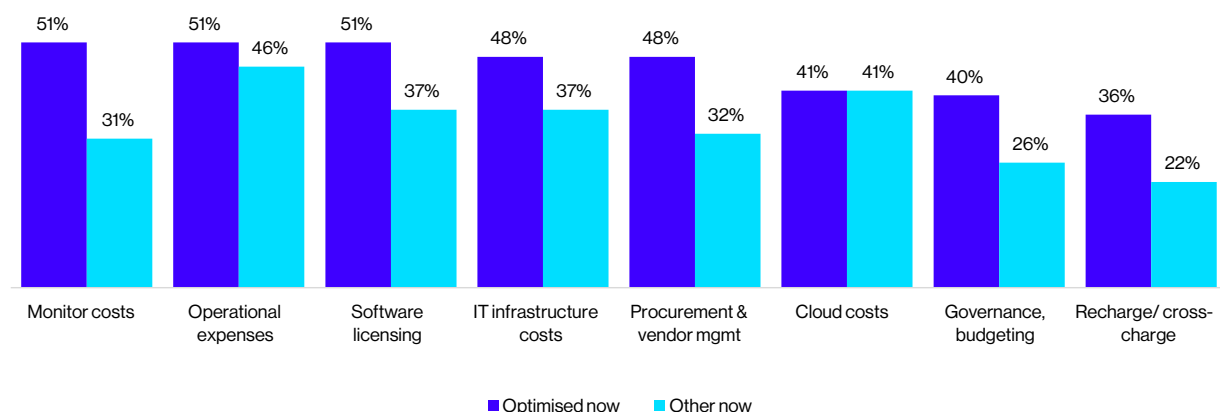
Cloud costs are a moving target

However, there is one area where Optimised Innovators are not ahead of others: streamlining cloud costs relating to resource usage and maintenance. The percentage of Optimised Innovators and others making significant progress on decreasing cloud costs is the same, at 41%. That is because as Optimised Innovators shift more of their business to the cloud, their cloud costs rise, requiring additional cost-cutting.

The upshot: companies in all stages of maturity should monitor cloud usage and related expenses regularly to identify opportunities for cost optimisation. An Australian financial services company does this by adopting cloud tools, such as automated scaling (automatically adjusting computing resources to meet demand), resource tagging (labelling cloud resources to manage them better), and reserved instances (to reserve cloud computing capacity for a specified time at a reduced rate). It should be noted that cloud providers routinely recommend these best practices.

Over the next two years, Optimised Innovators expect to make the most progress in sustainability, aligning FinOps with sustainability practices to optimise resource usage, reduce waste, and cut energy costs. In addition, Optimised Innovators expect to make more significant progress in cost management around collaboration, recharge/cross charge, and software licensing.

Areas of significant progress



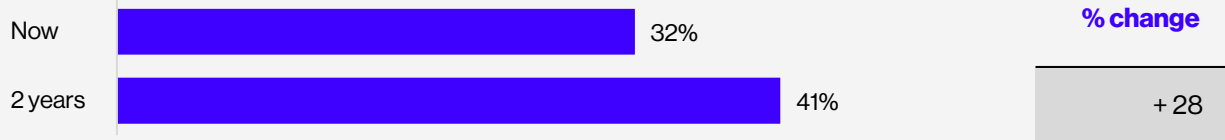
Questions in the survey

- In which of the following cost management areas has your organisation made significant progress?
- In which areas does your organisation plan to make or continue to make significant progress over the next two years?

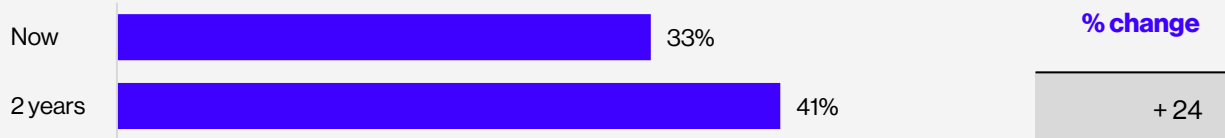
Fastest-growing areas of significant progress for Optimised Innovators



Sustainability



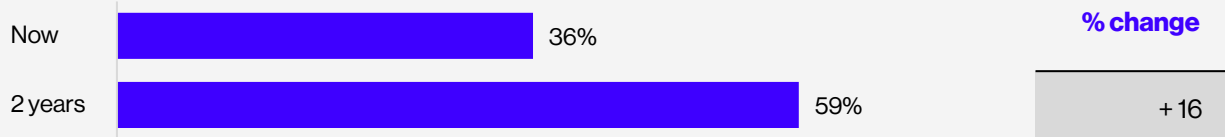
Collaboration



Recharge or cross-charge



Software licensing



IT cost optimisation: Everyone's role, everyone's win

With IT costs a growing chunk of business costs—inextricably linked to innovation strategies—optimising these costs is an imperative for management teams in middle-market companies. Our research shows that middle-market companies are assigning the rights to make IT cost optimisation decisions, or strongly influence them, to a wide set of senior executives. In nearly all cases, the C-suite is driving these decisions. These C-level executives include the CIO, CTO or CDO, together with the CEO and CFO.

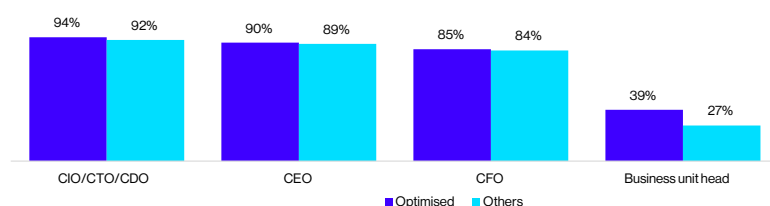
The vital role of the C-suite in IT cost decisions

By taking an active role in IT cost decisions, the C-suite can ensure that these IT decisions are not only aligned with the organisation's strategic vision and innovation plans but are also embraced across the business. As organisations advance in driving innovation through IT cost optimisation—morphing into Optimised Innovators—the C-suite assumes an even bigger role in IT cost decisions. In fact, as these Optimised Innovators grow into larger enterprises, the CEO becomes the dominant decision-maker: from 41% of CEOs in middle-market companies to 69% in large enterprises.

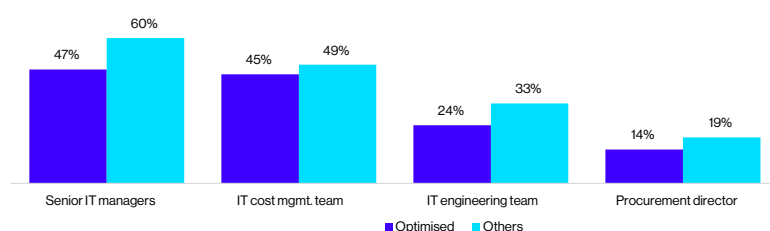
Middle-market companies also involve the second tier of management in IT cost management decisions. In the business trenches, these middle managers often spot opportunities or risks missed by their bosses. However, Optimised Innovators are less likely to give them the rights to make the ultimate decisions.

Decision-makers or strong influencers for IT cost optimisation

Leadership team



Direct reports into C-suite



69%

Of CEOs of enterprise Optimised Innovators are decision-makers in IT cost optimisation

vs.

41% of CEOs of middle-market Optimised Innovators

Question in the survey

- What level of influence does each of the following individuals/departments have in your organisation with regards to IT cost optimisation decision-making?

Real savings: Proven middle-market strategies

Develop an open platform

“We have adopted open-source software, which has lowered our licensing costs for proprietary software. This approach saves money and encourages collaboration and innovation among developers.”

CFO, Chinese TMT company

Track and manage expenses

“Our company has software installed for global office tracking and expense management. Replacing manual systems saves time, increases efficiency, lowers costs, and funds new projects.”

Chief Digital Officer, Australian professional service company

Operate through the cloud

“Implementation of cloud platforms rather than physical servers for data storage has resulted in lower capital expenditures and facilitated the scalable use of resources.”

CIO, US healthcare//life sciences company

Rationalise IT systems

“We combined our different IT systems into one platform and cut down on the number of software applications we use, which lowered our licensing fees and maintenance costs from various vendors.”

CPO, US healthcare/life science company

Analyse usage patterns

“With data analytics tools, we can make informed decisions about our IT investments by analysing actual usage and performance metrics, rather than relying on assumptions or outdated data.”

CFO, Australian financial company

Improve cost control and governance

“We implemented a well-defined framework for controlling IT expenses, which includes budgeting, forecasting, and reporting components.”

CIO, German professional service company

Automate repetitive tasks

“We have utilised automation tools that have made repetitive tasks more efficient and improved overall operations. This not only cuts down on labour costs but also allows teams to dedicate time to important innovation projects.”

CFO, Chinese TMT company

Cut duplicative costs

“We have combined software licences from different departments to cut down on duplication and lower costs. By using the same software across the organisation, we can negotiate better deals with our vendors.”

CFO, consumer/retail company

Manage vendors more effectively

“Improved vendor management and contract renegotiation have resulted in superior pricing and service from IT vendors.”

CTO, US manufacturer



Calls to action



Calls to action

Action plan for becoming a cost-optimised innovator



1. Unite behind a vision

Establish a unified leadership vision and culture of continuous improvement

2. Know what you have

Discover opportunities to optimise

3. Know where you go

Prioritise investments that maximise innovation

4. Develop the master plan

Define and document your rationalisation, optimisation, and innovation targets

5. Press ahead with transformation

Drive business forward with new digital solutions

6. Maintain momentum

Make continuous optimisation and reinvestment “business as usual”

Action plan for becoming a cost-optimised innovator

1. Unite behind a vision: Build a unified leadership vision and a culture of improvement

Starting from the high-level company strategy, collaborate with leaders across business lines to define broad innovation goals and priorities. Clarify the shared benefits of the innovation roadmap for internal stakeholders, customers, employees and shareholders, highlighting the role of cost optimisation in enabling these opportunities. Achieving the full backing of your cross-functional leadership team will clear obstacles and help lead a culture of continuous adaptation and innovation.

2. Know what you have: Discover opportunities to optimise

Having defined your innovation priorities, you can now begin to understand your IT landscape with an end-goal in mind. Analyse your software licenses, cloud environments and custom applications to identify areas for optimisation. Consider the following approaches:

- Publisher analysis: Deep dive into your spending with key software vendors to optimise licensing, manage compliance and reduce costs.
- FinOps analysis: Gain control of your cloud spend by aligning technology, finance and operations teams to enhance visibility and maximise the value of cloud investments. Many organisations have room to improve. According to Flexera, more than half of IT teams lack complete visibility into technology assets, putting the organisation at risk of increased costs, software audits and penalties.
- Application portfolio Analysis: Assess your entire application landscape to reduce redundancy, identify modernisation targets and improve overall cost-effectiveness.

3. Know where you're going: Prioritise investments that maximise innovation returns

Identify high-value, unbudgeted technology opportunities that support your business goals. Optimising your IT portfolio will free-up resources to invest where it matters most, whether it be GenAI adoption, security solutions, operational automation, or accelerated cloud migration. Bringing these opportunities into reach will serve as a catalyst for your flywheel approach.



4. Develop the master plan: Define and document your rationalisation, and optimisation

Having a clear end-state in mind and a well-documented overview of your current landscape, formulate your detailed action plan with clear objectives and measurable KPIs. Consider the following:

- While taking a long-term view, be sure your plan allows for incremental value to be added to the business. Studies have shown that most companies believe the time to value on their cloud journey is too long.
- Understand the milestones of your vendor agreements. Plan for negotiating key events, such as contract renewals, price increases and end of support.
- Invest strategically in application modernisation to reduce technical debt, lower software licensing costs and adopt future-ready technologies. Balance the cost-benefits of merely moving applications as opposed to modernising the applications to fully leverage the benefits the cloud has to offer.

5. Press ahead with transformation: Drive business forward with new digital solutions

Execute your investment projects, focusing on initiatives that align with your strategic plan. Consider starting with internal projects for newer technologies like GenAI before moving to customer-facing use cases. Document the benefits to showcase the ROI of your optimisation efforts. Plan regular iterative reviews to assess the success of the program and ensure it is meeting the defined goals. Be sure to allow for changes in market conditions or technical advancements, as well as other unforeseen circumstances that will impact the overall timeline for your plan.

6. Maintain momentum: Make continuous optimisation and reinvestment “business as usual”

Optimisation is an ongoing process. Leverage IT asset management (ITAM) tools and best practices to continuously identify new opportunities for savings and reinvestment. Maintain a dedicated ITAM function, supported by in-house expertise or an external partner, to ensure continuous optimisation across your software and cloud investments.





Glossary of terms

- **Aspiring Innovators:** Organisations that have made some progress on cost optimisation and modernising their IT foundation but still have more to do
- **Business model innovation:** Introduce new ways to create and capture value, such as subscription-based pricing and new distribution channels
- **Collaborative innovation:** Collaborate with external partners, startups, or customers to co-create new solutions or integrated approaches
- **Cost optimisation:** The process of reducing expenses while maintaining or improving the quality of products or services
- **Customer innovation:** Develop new ways to identify customer needs, provide service, reach customers, and co-create products with customers
- **Enterprise companies:** Businesses with revenues greater than \$5 billion
- **Flywheel approach:** A self-reinforcing cycle where cost savings are reinvested into innovation, driving further cost savings and innovation
- **Generative AI:** A type of artificial intelligence that can generate new content, such as text, images, or music, based on learned patterns
- **Initiating Innovators:** Organisations that are just beginning to build a modern IT foundation and in the early stages of cost optimisation
- **Innovation:** Developing new ideas, products, services, or methods that lead to business improvements often through technology
- **Market innovation:** Expand into new geographic markets, customer segments, and distribution channels to drive top-line growth
- **Middle-market companies:** Businesses with revenue from \$500 million to \$5 billion
- **Optimised Innovators:** Organisations that have set a high priority for cost optimisation and made significant progress on building a modern IT foundation for driving innovation
- **Organisational innovation:** Foster a culture of innovation by encouraging creativity, experimentation, and risk-taking
- **Process innovation:** Automate and digitise internal processes to improve efficiency, reduce costs, and increase quality
- **Product and service innovation:** Create new or improved products or services that meet customer needs better than existing offerings
- **Sustainable innovation:** Develop products, services, or practices that promote environmental sustainability, social responsibility, or ethical business practices
- **Traditional AI:** Earlier forms of AI, including robotic process automation, machine learning, natural language processing, and computer vision
- **Value-driven IT approach:** Prioritising IT investments that bring the highest value to the business
- **Workforce innovation:** Provide employees with the experiences, systems, and tools to work more flexibly, productively, and collaboratively



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